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BUSINESS & FINANCE 21

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Beckham back in Britain to face old teammates



David Beckham arrives in England with his AC Milan teammates on Tuesday to face his former club Manchester United in soccer's European Champions Cup. Article on page 32.

Europe backs a clampdown on swaps use

By STEPHEN FIDLER AND GREGORY ZUCKERMAN

Momentum is building in Europe toward banning the use of credit-default swaps, a popular trading tool, to speculate against government debt.

German Chancellor Angela Merkel said Tuesday her government is backing an initiative to curb the credit-default swaps market, along with France, Greece and Luxembourg, and she suggested Europe would forge ahead on its own even if the U.S. did not go along.

José Manuel Barroso, president of the European Commission, the European Union's executive arm, said it would examine closely the possibility of banning outright "purely speculative" trading of the swaps.

The officials' comments mark the most drastic stance yet against the trading contracts and fueled the growing debate about whether they

contributed to the financial woes sweeping across some European countries—or merely reflected them.

In Washington on Tuesday, Commodity Futures Trading Commission Chairman Gary Gensler said in the text of a speech released in advance that the U.S. could adopt new regulations for credit-default swaps, the derivative often blamed for the near-collapse of American International Group Inc. during the financial crisis. His speech outlined several options for reining in credit-default swaps. But Mr. Gensler didn't suggest that the U.S. would go as far as banning some speculative uses of the products.

The U.S. Securities and Exchange Commission had no comment on the talks among European regulators about banning credit-default swaps. Legislation would be required to institute an all-out ban in the U.S.

Credit-default swaps func-

tion like insurance for the default of a bond. If a borrower defaults, the holder is paid by the seller of the protection. But traders don't need to own the bonds to buy the protection—instead they can use the contracts to make so-called naked bets on the bonds' direction.

As financial problems mounted for Greece and other countries in recent months, prices of CDS protecting the debt of those nations soared, drawing attention to the troubles and raising questions about whether speculation was worsening them.

Politicians increasingly lashed out against hedge funds and others profiting as prices of the nations' bonds plunged.

A study released Monday by Germany's financial regulator, BaFin, found no evidence that credit-default swaps have been used to speculate against Greek national debt.

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Britain's trade deficit widens

By NICHOLAS WINNING

LONDON—Britain's global goods trade deficit widened unexpectedly in January to its largest since August 2008, as weak exports dashed hopes for an export-led economic recovery.

Also, a senior official with the Fitch Ratings Agency said the U.K. government's plan to cut the deficit by half over four years is "too slow," though it is within the "tolerances" of triple-A-rated countries.

The Office for National Statistics said Britain's global goods deficit grew to £8 billion (\$12.05 billion) in January from a downwardly revised £7 billion in December, despite the weaker pound and signs of an economic recovery in key overseas markets.

"In terms of gross domestic product during 2010, it is increasingly looking like net trade may not provide that much impetus to growth," said Colin Ellis, an economist at Daiwa Capital Markets Europe.

Economists were expecting the goods deficit to shrink to £6.9 billion in January, according to a Dow Jones Newswires survey last week. The trade figures showed exports slumped 6.9% to £19.5 billion in January, the sharpest monthly drop since July 2006. Imports edged down 1.6% to £27.4 billion.

The ONS said there was no "hard evidence" that severe snowfalls in January hit exports. Other economic data for the month, such as retail sales, were affected by what proved to be the worst winter

weather for three decades.

Bank of England Gov. Mervyn King has said he expects a pickup in net trade to come through in due course, but he has said it would be a big help to the U.K. economy if the euro zone were to grow more rapidly.

The governing Labour Party of Prime Minister Gordon Brown is facing an election by early June.

Opposition parties said the trade data were disappointing and reflected the decline of the manufacturing sector under the current administration.

"These are deeply alarming figures which suggest that British exporters simply haven't been able to take advantage of the big devaluation which occurred in the last

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The Quirk



Jamaica's new tourism promotion tempts travelers with Jewish history. Page 33

World Watch

A comprehensive rundown of news from around the world Pages 34-35

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A solution to Greece's woes. Page 13

Barclays explores possibilities in U.S.

Barclays PLC has designated an internal team to assess possible acquisition targets in the U.S., according to people close to the matter.

The British bank bought Lehman Brothers Holdings Inc.'s North American operations at the peak of the financial crisis and is now hunting for a retail bank at a good price that would give it more deposits and build on the presence of Barclays Capital in the U.S., these people said.

The team was set up in response to potential changes in banking regulation, but Barclays is focused only on reconnaissance right now, and no deal is imminent, the people said. The bank is also reviewing additional retail ac-

quisitions in Western Europe, they said, which would add to recent purchases such as Citigroup Inc.'s credit-card portfolios in Portugal and Italy.

The move comes as a Credit Suisse report said Barclays' growth prospects could be limited if it didn't acquire more deposits.

President Robert E. Diamond Jr. is leading an assessment of possible targets in wealth management, while Barclays Chief Executive John Varley is working to size up potential retail and commercial opportunities, according to another person familiar with the matter.

■ How Barclays is mapping out its plan for the U.S. 19

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PAGE TWO

Maintain defense of the Falklands

[Agenda]

BY GLYN GASKARTH

Most Britons probably thought that, after Argentine forces were defeated in 1982, Buenos Aires wouldn't press its claim to the Falklands again. But in protest at the Falkland islanders' plans to exploit their hydrocarbon reserves, Argentina has renewed its claim. Argentina has lobbied America to put pressure on Britain to enter talks to determine the islands' fate and assembled a Latin American coalition in support of her claim.

The Argentines claim the Falklands on two grounds. The first is geographic. The islands are located 8,000 miles away from Britain but close to Argentina. Argentines believe this gives them the right to rule the islands. Georgians should be very worried if America indulges that sentiment.

Argentina doesn't recognize Britain's moral right to the Falklands. The British claim is based on the fact that since 1833 the islands have been continually and exclusively occupied by British citizens. Argentina believes the Falkland islanders don't have the right to national self-determination, because the "islanders were a British population transplanted with the intention of setting up a colony." Australians, Canadians and New Zealanders should take note. Presumably this means their countries aren't legitimate.

The second is legal. Argentina argues it assumed control of Spain's claim to the Falklands on achieving independence. The logic of this position is quite amusing. Argentina had the right to repudiate Spanish claims to Argentina, because they were illegitimate. Spain was Argentina's former colonial master/hated oppressor. However, Spain's territorial claims in the South Atlantic magically became legitimate when transferred to Argentina. They can't have it both



A man burns a British flag in front of the Foreign Ministry in Buenos Aires

ways.

Despite the weakness of their case, thanks to regional politics the Argentines enjoy universal support from Latin American states. Shockingly the U.S., an ally British troops are fighting side by side with in Afghanistan, has stated America is "neutral."

How can Britain respond? How can it ensure its allies understand the nature and value of British

The Falkland Islands are British and should remain so as long as their inhabitants wish

friendship and opponents learn the price of endorsing other countries' claims to its territory?

A referendum could be held in the islands to remove any doubts that might linger—particularly in the U.S.—about the islanders' wishes. Before the referendum is held, Britain could make a public declaration that it will abide by the islanders' decision.

Argentina doesn't recognize the islanders' right to determine their status and will reject the result.

Next Britain needs to make it clear to America that Afghanistan and the Falklands are linked. The U.S. State Department has informed the Times of London

that "our position remains one of neutrality." Hilary Clinton has said Britain and Argentina should talk in a "peaceful and productive way." America was "prepared to mediate" and wanted to "facilitate them [Britain and Argentina] talking to each other." This isn't neutrality. Argentina has requested mediation. The British say there is nothing to mediate. Therefore, America has endorsed the Argentine position.

Britain cannot defend the Falklands and maintain its current presence in Afghanistan. Defending British territory is the first duty of Britain's armed forces and is more important than advancing Western objectives in Helmand, Afghanistan, however worthy those objectives may be. If Argentina attempts to frustrate oil exploration or conquer the islands British troops in Afghanistan will need to be redeployed to resist this attack. Pressure can be placed on the U.S. to declare their full support for Britain but America must be told that "neutrality" on this issue threatens British involvement in Afghanistan.

Argentina has also rallied the support of regional allies. The Rio Group and Caricom issued a joint statement at their conference in Cancun, Mexico, in February 2010, indicating their support for "the legitimate rights of the republic of Argentina in the sovereignty dispute with Great Britain" relating to the "Malvinas

question." The combined membership of these two groups amounts to 32 nations.

Britain could respond by canceling British development assistance to the nations that signed this declaration. With a deficit approaching 12% of GDP per annum many Britons will wonder why British tax revenues are aiding countries that have pledged their support for the seizure of British territory and the displacement of its British citizens. £75 million is allocated by DFID to these countries each year. £48 million is given on a bilateral basis with £28 million from other U.K. sources. We'll see if Argentina makes up the difference.

Finally how should Britain deal with Argentina?

This country invaded British territory in 1982. It threatens it again. Firstly, sufficient military personnel should be deployed to demonstrate clear resolve to defend the islands if necessary. If Argentina was unclear of British intentions in 1982 there should be no room for doubt now.

Secondly, Britain needs to ensure the Falklands oil is exploited. The number of licences granted should be increased. Taxation of revenues should be kept low to ensure drilling is economically viable.

Thirdly, any tax revenues produced should be ring fenced to support the defense and development of the islands.

Britons should be proud that their country is defending freedom in Afghanistan and aiding the development of poorer countries. But they will be furious if they find out that their economic resources and military might are being used to help out around the world but not to defend their country's own territory. There is no misunderstanding and no need for mediation. The Falkland Islands are British and should remain so as long as their inhabitants wish.

—Glyn Gaskarth is a former special advisor to David Davis MP and a writer based in London

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Real Time Brussels

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"You can't insure somebody else's house. That would give you an incentive to burn it down."

Stephen Fidler on the rising chorus of people questioning the use of CDSs



Continuing coverage



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Question of the day

Vote and discuss: Should credit default swaps be more tightly regulated?

Vote online and discuss with other readers at wsj.com/dailyquestion. Plus, see complete coverage of Greece's debt crisis, including analysis, video and graphics, at wsj.com/greekdebt

Previous results

Q: Is a European monetary fund or similar mechanism a good idea?

Yes

69%

No

31%

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NEWS

Sea World's dilemma

Marine park wrestles with what to do with whale that killed trainer

By MIKE ESTERL

Nearly two weeks after the largest killer whale in captivity killed one of its trainers, SeaWorld Parks & Entertainment is still wrestling with the dilemma of what to do with its most prized asset.

The U.S. marine-park operator said it was continuing to review safety procedures for all of its orcas and hadn't decided yet whether the whale, named Tilikum, would perform in shows again after it dragged Dawn Brancheau into a Florida pool and drowned her in front of horrified spectators. This isn't the first time the 22-foot, 12,000-pound orca has been tied to deaths.

In the meantime, Tilikum has been taking swimming turns at SeaWorld's public viewing gallery in Orlando.

SeaWorld suspended orca shows for two days after Ms. Brancheau was killed, before resuming more scaled-down versions with its smaller killer whales. Trainers have

been instructed not to get in the water with any orcas during the continuing safety review. Eventually, trainers "will get back in the pool, but it's a matter of how we do it," said Chuck Tompkins, SeaWorld's head trainer.

Orcas are big business for their owners and represent a huge investment. **Blackstone Group** LP agreed to pay as much as \$2.7 billion last year to buy 10 entertainment parks, including three SeaWorld parks, from Anheuser-Busch InBev NV in one of the largest private-equity deals of 2009.

Tilikum's owners say euthanasia is out of the question for its most important killer whale. "We're not in the business of punishing our animals," said Jim Atchison, SeaWorld's chief executive.

Blackstone says financial considerations haven't entered the picture as SeaWorld's animal experts have weighed what's best for Tilikum. "We fully support their handling of this matter," said Peter Wallace, a

Blackstone senior managing director on SeaWorld's board.

SeaWorld is more heavily invested in orcas than anyone else, owning 26 killer whales. That's more than half the 42 held in captivity around the world, according to the Whale and Dolphin Conservation Society.

"They are the identifiable icon of SeaWorld and responsible for generating hundreds of millions of dollars to that organization," said Dennis Spiegel, an industry consultant at International Theme Park Services.

Tilikum is about twice as big as SeaWorld's other performing orcas and has sired 13 calves, more than half the number of killer whales born at its parks.

Industry watchers estimate a killer whale could fetch as much as \$10 million on the open market—if there were any for sale.

Even before the latest incident, SeaWorld had prohibited trainers from entering the pool with Tilikum. In 1991, a year before SeaWorld ac-



Tilikum the killer whale performs in 2009 at SeaWorld in Orlando, Fla. Park operators haven't decided whether he will perform in shows again.

quired the 30-year-old killer whale, Tilikum and two other orcas killed a trainer at a now-defunct Sealand marine park near Victoria in British Columbia, Canada. In 1999, a man was found dead in Tilikum's SeaWorld pool in Orlando after apparently climbing in.

Other types of animals also have attacked their handlers in recent years, although such incidents appear to be rare. In 2008, a trainer in California was killed by a grizzly bear during a promotional video. In

the most famous case, illusionist Roy Horn of Siegfried and Roy was almost killed after being mauled by a tiger during a show at a Las Vegas hotel in 2003. Mr. Roy performed with the tiger again last year.

There have been few incidents in which killer whales harmed their trainers. The Alliance of Marine Mammal Parks and Aquariums said last month's trainer death was without precedent among the association's 43 members over its 25-year history.

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EUROPE NEWS

Ruble's surge pressures central bank

Currency hits 14-month high, raising expectations that Russia will take steps to tighten control of foreign inflows

BY IRA IOSEBASHVILI

MOSCOW—Higher oil prices and fresh inflows pushed the Russian ruble to a 14-month high Tuesday, increasing the likelihood that the central bank will adopt additional measures to control the surging currency.

The ruble strengthened to 34.53 against a euro-dollar basket, a gain of 0.3%, as the central bank shifted the lower boundary of its floating corridor for the second time.

A series of 11 rate cuts since April 2009 has failed to discourage investors from buying the ruble, as Russia's interest rates are still several times higher than those in many countries.

Although the cuts have brought the refinancing rate to a record low of 8.5%, more reductions are widely expected.

"People are rushing to convert their foreign currency into rubles now," said Vladimir Bragin, chief economist at National Bank Trust. "They see that it's the place to be."

He added that "sooner or later they will have to move beyond rate cuts and start tightening reserve requirements or institute a tax on foreign inflows."

The price of oil—Russia's chief export—hovered above \$80 a barrel Tuesday.

Top officials have repeatedly said the country wouldn't reinstate capital controls, which were repealed in 2006. However, shortly before the new year, Prime Minister Vladimir Putin said Russia should adjust regulations to make the country less attractive to speculators.

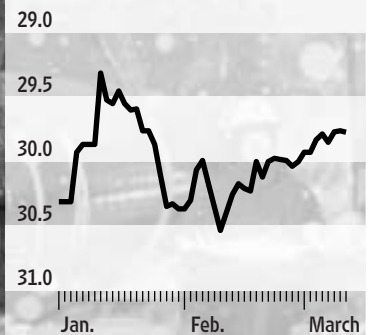
Last month, the International Monetary Fund reversed its position on capital controls for emerging economies, urging developing nations to consider using taxes and regulation to moderate vast inflows of capital so they don't produce asset bubbles and other calamities.

Russia also has other, less drastic means of managing capital inflows. "We could see more frequent interventions by the central bank, limits on corporate borrowing



Currency boosts

How many rubles one dollar buys, scale inverted



Source: Thomson Reuters via WSJ Market Data group
Photo: Associated Press

Workers weld pipes for a gas pipeline in Ukhta, Russia

abroad and differentiated reserve requirements," said Elina Ribakova, chief economist at Citibank.

Most of the measures, if taken,

would come into force toward the end of this year, she said.

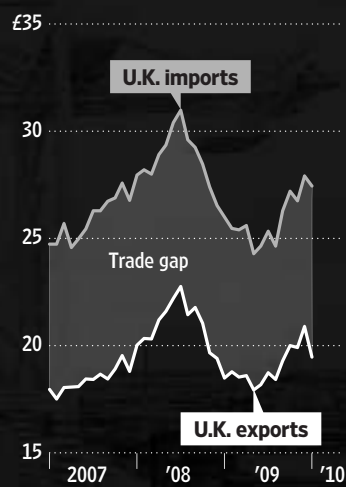
To slow the ruble's rise, the central bank defends the boundaries of

its trading corridor with \$700 million in foreign-currency purchases before allowing it to shift five cents lower.



Exports plunge

U.K. global imports and exports, in billions of pounds



Source: Office for National Statistics
Photo: Bloomberg News

Cranes load containers in Southampton port, U.K.

Britain says trade deficit is widest since August '08

Continued from first page
year," Vince Cable, economic spokesman for the opposition Liberal Democrat party, said.

The British Chambers of Commerce said on Tuesday that the government must do more to support an export-led recovery and resolve blockages in the finance that underpins trade.

"Our exporters need to be able to compete more effectively with rivals on the Continent and further afield, who are currently better supported during difficult economic environments or in riskier foreign markets," said David Frost, director-general of the BCC.

Fitch Ratings said the sharp deterioration in the U.K.'s sovereign credit rating during the global financial crisis was within the toler-

ances of triple-A issuers.

Brian Coulton, managing director of Fitch Ratings, said the U.K. has seen the most rapid rise in its debt-to-gross domestic product ratio among triple-A rated countries.

Speaking at a conference in London, Mr. Coulton also said the outlook for the U.K. economy is uncertain, which is a "source of concern." The prospect of permanently low growth rates is a "distinct possibility," he added.

Mr. Brown's spokesman said the U.K.'s credit rating "remained where it always has been."

The spokesman added that the government has a commitment to halve the deficit and a clear plan to achieve it.

—Clare Connaghan contributed to this article.

Chanel imports Arctic winter for its furry garb

[Heard on the Runway]

BY CHRISTINA BINKLEY

Now we know why it was so cold in the Paris Grand Palais for the Yves St. Laurent show Monday night. It was because the other half of the Palais was housing Chanel's iceberg for Tuesday. No kidding.

One-upping his barnyard scene from last season, Karl Lagerfeld hauled a snowcapped peak—purportedly from Sweden—into the glass-ceilinged palace, and staged an arctic show of furry—well, furry everything. Giant furry, yeti-like pants, fur boots, fur heels, fur handbags, fur coats, fur shorts, you get the picture.

The models slogged through water from the melting iceberg looking remarkably like polar bears. But they wore—if you ignored the fur—a tweedy winter collection that included signature Chanel suits, some made trendy with long fringe from pockets and hemlines. Given the explosion of matchy suits on the runways this season, those Chanel suits are likely to have a good run this fall.

The fur worked nicely in some looks, like the wide block-like trim on several skirts, and in the dramatic, floor-dragging coats. The show ended with a series of boho white knitwear that looked assembled from a variety of yarns and fur strips.

Of the various sweater dresses we've seen this season, Mr. Lagerfeld showed some of the

most intriguing—in white, with shadowy charcoal-like color at the torso.

It's unlikely the furry pants will sell, but I'm expecting to see Daphne Guinness in those high-heeled yeti boots any day now.

—Christina Binkley

Chloe brings back pants

Like many brands this season, Chloe is returning to its roots. "The house is about the pants. We have a wonderful selection of the pants," says Chloe Chief Executive Ralph Toledano. Pants haven't played such a strong role on Chloe's runways in recent seasons, but Mr. Toledano says that the brand made a conscious decision to showcase what it does best: "It's all about the quality, excellent

quality."

The label, owned by luxury-goods conglomerate Cie. Financière Richemont SA, struggled after the abrupt 2006 departure of its designer, Phoebe Philo. The brand's current designer, Hannah MacGibbon, worked under Ms. Philo for five years—from 2001 to 2006—at Chloe. She unveiled her vision for fall 2010 Tuesday at the Tuileries gardens in Paris. Her neutral palette, luxe fabrics and tailored looks were "feline and sensual," according to the show's notes.

Most of the outfits hewed tightly to Chloe's romantic sportswear traditions. High-waisted, wide-legged pants were paired with tight sweaters for an uptown-sexy look.

—Rachel Dodes



Furry boots shown by Chanel in Paris.

EUROPE NEWS

Greece plans another bond offering

As Athens looks to more debt sales to raise money, officials within the EU square off over European monetary fund

By **COSTAS PARIS**
AND **STEPHEN FIDLER**

The Greek government plans to raise more money through bond offerings, taking another step to shore up its economy while officials elsewhere in Europe debated options for helping the crisis-stricken nation.

The Greek government will seek to raise €10 billion (\$13.65 billion) through one or two bond issues in March, and between \$5 billion and \$10 billion through a separate offering targeted at investors in the U.S. and Asia, officials familiar with the matter said Tuesday.

The government last week sold €5 billion in 10-year bonds, surviving a test of investor confidence in its beefed-up plan to cut its massive budget deficit. But the government needs to raise a further €23 billion to cover its needs up to the end of May.

As Greece planned its next offering, battle lines emerged among European officials over a proposed European monetary fund aimed at providing ways to help crisis-hit governments in the future.

The staunchest public opposition has come from central bankers in Germany, who say they fear a fund could loosen financial discipline in the euro zone and generate inflation.

The German government has been less averse to the proposal. Chancellor Angela Merkel said Tuesday that such a fund would send a message to markets that speculation won't work, though she indicated that she didn't think one would be in place anytime soon.

Axel Weber, president of the German Bundesbank, said Tuesday that it wasn't helpful to talk about an institution to provide financial help to governments.



German Bundesbank President Axel Weber Tuesday dismissed talk of an institution to offer financial aid to governments.

"Any discussion about bailouts is completely counterproductive. Greece has to concentrate on implementing its budget reform plans," Mr. Weber said, according to Reuters.

His concerns follow criticism on Monday of the proposal by Jürgen Stark, the German member on the board of the European Central Bank, who said a fund would send the "wrong incentives."

But José Manuel Barroso, president of the European Commission, the EU's executive arm, said Tuesday that officials in Brussels were working on three issues. They were debating ways to help Greece if needed; also, longer-term mechanisms—officials say a fund is one possibility—to assist governments hit by future crises; and efforts to improve policy coordination to reduce the likelihood of similar finan-

cial woes. Any help for Greece wouldn't breach the EU's "no bailout clause," Mr. Barroso said.

Officials said some of these measures, such as tightening policy coordination, could happen relatively easily. But it remained to be seen whether more far-reaching changes, such as a European monetary fund, would require changes to European treaties that would, in effect, rule

such measures out.

For the moment, officials in Athens are counting on bond issues to address part of its problems.

"Greece would like about €10 billion from bond issuance in March," one official said. "There will be one or possibly two debt syndications."

The official added that amount will be "a good cushion before the big debt maturities in April and May, but there is no guarantee that this amount will be raised."

The success of the €5 billion offering led to a decline in the premium the government pays over German government bonds as fears that Greece would default eased.

But the interest rate paid by the government will have to fall much further if it is to be able to cut its budget deficit as planned. Prime Minister George Papandreou has said the government will have to pay €750 million more in interest over the life of its 10-year bond than the German government would have to at current yields.

"If Greece continues to pay such interest rates, we will definitely have a problem," a second official said. "These kinds of yields are certainly unsustainable."

The second official said the government continues to discuss with the European Union how to bring down its borrowing costs, noting, "We still expect some kind of an arrangement from the European Union. There are discussions on this matter so that Greece can pay more logical yields."

The second official said the government will also attempt to borrow between \$5 billion and \$10 billion through a separate bond offering targeted at investors in the U.S. and Asia.

"The plan to go to the U.S. and Asia is still on," he said.

Papandreou says Greece didn't ask for aid

By **HENRY J. PULIZZI**

WASHINGTON—Greek Prime Minister George Papandreou said he discussed a European proposal to crack down on financial-market speculation with President Barack Obama Tuesday, adding Mr. Obama's response was "very positive."

Speaking with reporters following a meeting with Mr. Obama in the Oval Office, Mr. Papandreou said Greece hasn't asked the U.S. for financial help. But he said he filled Obama in on the emergency steps Greece is taking to address soaring deficits and rebuild its economy. "What we are doing is, first of all, revamping our economy. We are taking measures to put our economy on the right track," Mr. Papandreou said.

He lauded news that the European Commission, the executive arm of the European Union, will support a proposal by Germany and France to overhaul the nearly \$40 trillion CDS market, potentially including a ban on speculative derivative trades. He said the move showed Europe is now united on the need for tighter regulation.

"There is solidarity," he said. "It will not allow speculators to play around with the stability of the euro zone.

"We have found a positive response from President Obama, which means that this issue will be on the agenda in the next G-20 meeting," he added.

Earlier, the White House said Greece's fiscal problems "can and should" be resolved by the European Union, the White House said Tuesday, dismissing the notion that the U.S. could be involved in a bailout.

"This is an issue for the European Union," White House spokesman Robert Gibbs said. "They have and possess the capabilities to solve that."

In a speech Monday, Mr. Papandreou called on the U.S. to join an effort to crack down on market speculation that he believes has pushed Greece's borrowing costs higher and could trigger another financial crisis if unchecked.

An administration official said earlier that Mr. Obama's proposed regulatory overhaul would give regulators tools to rein in market manipulation. The official said Greece's central task should be addressing its fiscal and economic-growth woes.

Mr. Gibbs said Mr. Obama has been briefed regularly on the situation in Greece.

"This is something that the Europeans can and should resolve on



Greek Prime Minister George Papandreou speaks to the news media outside the West Wing of the White House.

their own," Mr. Gibbs said of the fiscal crisis.

Mr. Gibbs didn't comment on proposals to crack down on credit-default swaps.

The European Commission signaled Tuesday that it would support a proposal by Germany and France

to reform the nearly \$40 trillion CDS market.

Earlier Tuesday, House Speaker Nancy Pelosi, (D., Calif.) met with Mr. Papandreou, along with House Foreign Affairs Chairman Howard Berman, (D., Calif.) and the Foreign Affairs Committee's top Republican,

Rep. Ileana Ros-Lehtinen (R., Fla.).

Ms. Pelosi welcomed Mr. Papandreou, calling attention to the longstanding U.S.-Greece relationship.

"The Greek people can be assured that the United States will stand with them at this critical time," Ms. Pelosi said.

SPECIAL ADVERTISING SECTION

BUILDING A NEW ENERGY FUTURE: CERAWEEK® 2010

Is Unconventional Gas Going Global?

By Leta Smith and Peter Jackson

Starting in 2007, an unanticipated development took many in the North American natural gas industry by surprise. Supplies of unconventional gas — especially gas from shale formations, extracted using new techniques in horizontal drilling and rock fracturing — increased sharply. As a result, after years of being stagnant, overall gas production in North America began to grow again, and rapidly.

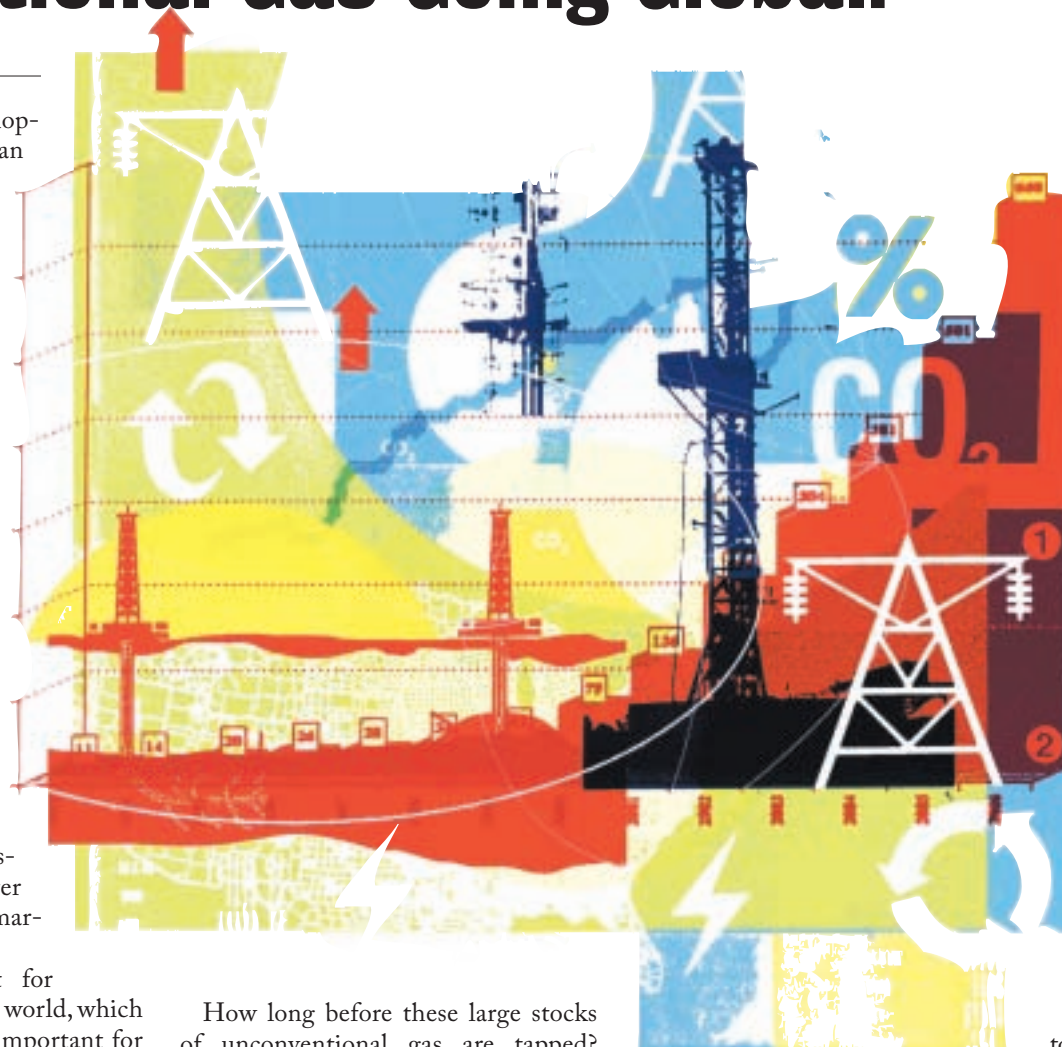
The unconventional gas revolution is transforming the North American industry. But this is not a geological opportunity limited to North America. Large unconventional gas potential also exists in other parts of the world.

But will unconventional gas “travel” and go global? The answer will have major impact on consumers around the world and on fuel choice for electric power. It will be of great importance to a gas industry that has already been globalized by long-distance pipelines and liquefied natural gas. If the answer is “yes,” it will increase competition in the natural gas industry. Yet, at the same time, it will create greater security for gas users, and thus expand the market for natural gas.

This question is especially significant for Europe, the second largest gas market in the world, which imports nearly half of its supply. It is also important for Asia, which imports large quantities of LNG and faces the prospect of rapidly increasing future demand.

Recent research by IHS CERA has assessed the size of unconventional resources outside North America. Recoverable shale gas in the rest of the world is estimated to total 5,000 to 16,000 trillion cubic feet (TcF) — between four and fourteen times as much as in North America. The shale gas resource base in Europe may amount to as much as one-third of North America's.

The amount of recoverable gas from other forms of unconventional gas — coal beds and tight sandstones — is smaller, estimated at between one-quarter and one-third of the shale gas resource base. In all, recoverable gas from unconventional sources outside North America is estimated at between 6,000 TcF to as much as 20,000 TcF — as compared to 10,000 TcF of recoverable conventional gas. These estimates will become clearer as more data become available when the resources begin to be developed.



How long before these large stocks of unconventional gas are tapped? After the successful development of horizontal drilling and fracturing techniques in Texas, these operational practices spread quickly across the United States and Canada. Some expect similarly rapid diffusion elsewhere. The unconventional gas revolution in North America may look like an overnight success. But it was actually several decades in the making.

Much of this time was needed to master drilling techniques that increased well productivity and reduced costs enough to make unconventional production economically viable. But technology was not the sole ingredient. Institutions had to change. An entirely new way of conceiving of and doing business was also required.

North America had other notable advantages. The geology was well understood, the key prospective areas were lightly populated and for the most part already fitted with pipeline infrastructure, and there was a highly liquid and competitive gas market. Moreover, the system of property and mineral rights had been developed over a century and a half.

To succeed outside North America, unconventional gas will have to overcome several key challenges. The two most important are gaining access to potential resources and making them commercially viable.

Gaining access in populated areas, like Europe or parts of Asia, could prove challenging, as seems to be the case in some of the more densely populated parts of North America. Unconventional drilling also optimizes returns on investment when undertaken over larger areas than are typical in conventional production. This only increases access and operational challenges.

Commercialization of unconventional resources is another challenge. Remote prospects, where access is easier, often lack existing infrastructure to gather and transport

gas. Another challenge is for developers and resource holders to agree on initial contract terms before there is a full understanding of the shale gas potential in a prospective area. Low or regulated gas prices in target markets represent yet another barrier to commercialization.

An additional bottleneck that could slow the spread of the unconventional revolution is a shortage of expertise, as well as specialized drilling equipment and services. Shortfalls of this kind are manageable over time, but will delay activity in the short term.

Water issues present another challenge. To get gas flowing from shale or tight sands, producers use high-pressure water to fracture the rock. Unconventional production may be slowed by competition for water resources, especially near urban areas, as well as concerns about the potential for spills or leaks.

Production of gas from coal seams is already occurring in Europe, China, Australia, and Colombia. Russia will be added

to the list soon. And early shale gas prospecting and licensing activities are taking place in Europe, China, and India — though there has yet to be any shale gas production outside North America. Shale gas activity is notable in Europe — in Sweden, the United Kingdom, Poland, Germany, and Hungary — and some pilot drilling has already occurred. (See box, left, on IHS CERA's new study, *Breaking with Convention: Prospects for European Unconventional Gas*). President Obama's recent trip to China put unconventional gas on the agenda as one of the key areas for energy collaboration between the two countries.

Unconventional projects outside North America are likely to involve more legal and regulatory complexity than in the U.S. and Canada, requiring not only technical capabilities but also “government relations” and stakeholder skills. In Asia and Europe, resource holders will also need to develop new approaches for bidding, licensing, and operating. Early analysis has shown that each unconventional gas play seems to need a unique business and technical solution.

The unconventional revolution will eventually spread around the world. That is what traditionally happens in the technology-focused oil and gas industry. Indeed, it has already started and is gaining momentum. But it will take time, creativity, and technical and institutional innovation — just as it is doing in its still relatively early days in North America.

Leta Smith is a Director at IHS Cambridge Energy Research Associates (IHS CERA) and author of *Shale Gas Outside of North America: High Potential but Difficult to Realize*. Peter Jackson is Senior Director of Upstream Industry Activity at IHS CERA.

Breaking with Convention: Prospects for European Unconventional Gas

IHS CERA is launching a new study to assess the prospects for unconventional gas in Europe. It will include detailed analysis of the geology, legal environment, and current licensing and exploration activity for 15 basins in Europe. It will also assess the market prospects for unconventional gas. For more information, contact Roberto.Futuro@ihscera.com



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IHS Cambridge Energy Research Associates (IHS CERA) provides insight into the energy future. It specializes in developing strategic knowledge and independent, objective analysis on energy markets, geopolitics, industry trends, and strategy. IHS CERA's team of experts is led by Daniel Yergin, Pulitzer Prize-winning author of *The Prize: The Epic Quest for Oil, Money, and Power*.

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This special section was prepared by IHS CERA's research staff. Editor: Robert Laubacher

Illustration by Alex Williamson

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EUROPE NEWS



Associated Press (left); European Pressphoto Agency

Rev. Georg Ratzinger, left, Pope Benedict XVI's brother, led a choir at the center of a sexual-abuse scandal. At right, Archabbot Bruno Becker said he abused a 12-year-old boy more than 40 years ago.

Vatican deplures sexual-abuse cases

Spokesman says scandals are a cause for anguish, but that the problem goes beyond the Catholic Church

Associated Press

VATICAN CITY—Sexual-abuse scandals in Germany, the pope's homeland, and other countries are cause for anguish but the Roman Catholic Church's response has been prompt and transparent, the Vatican said Tuesday.

A Vatican spokesman, Rev. Federico Lombardi, said any abuse in the church is "especially deplorable" given its educational and moral responsibilities. But he added that the problem of child abuse is wider than cases that have surfaced within the church and that focusing on the Catholic Church alone wouldn't truly depict the problem.

Scandals over sexual abuse by Catholic clergy of minors and cover-ups by church hierarchy have exploded in recent months in countries including Ireland, Germany and

the Netherlands. The U.S. church is still dealing with the financial and emotional fallout from years of scandals.

In Austria, the head of a Benedictine monastery in Salzburg admitted Tuesday to sexually abusing a child decades ago and offered to resign. Archabbot Bruno Becker said he abused a 12-year-old boy more than 40 years ago, before the archabbot was ordained, the Austria Press agency reported. He said he informed church authorities last year after his victim contacted him, and apologized to him. Church authorities accepted the 64-year-old's resignation immediately.

In the Netherlands, Rotterdam Bishop Ad van Luyn has apologized to Dutch victims and called for an independent investigation into the sexual abuse of children by priests

after 200 alleged victims contacted help services last week.

More than 170 students have claimed they were sexually abused at several Catholic high schools across Germany.

The German abuse allegations are particularly sensitive because Germany is the homeland of Pope Benedict XVI and because the scandals involve a prestigious choir that was led by the pope's brother, the Rev. Georg Ratzinger, from 1964 until 1994.

The Rev. Ratzinger has repeatedly said the sexual-abuse allegations date from before his tenure as choir director. Asked in an interview Tuesday whether he knew of the allegations when he took over as head of the choir in 1964, he said he wasn't aware of the problem.

"These things were never dis-

cussed," the Rev. Ratzinger told Tuesday's Passauer Neue Presse German daily. "The problem of sexual abuse that has now come to light was never spoken of." Amid reports of beatings at primary schools that are considered "feeder schools" for the choir, the Rev. Ratzinger said boys had complained to him but he had no idea how serious the allegations were.

"I ask the victims for pardon," he told the paper.

The Vatican statement didn't cite the choir, but did mention alleged abuses in Germany, Austria, Ireland and the Netherlands.

The Rev. Lombardi defended the main ecclesiastical institutions involved, saying they have taken up the matters "promptly and decisively."

"They have shown a desire for

transparency, in a way they have accelerated bringing the problem to light by inviting the victims to speak up even when the cases dated to a while back," he told Vatican Radio.

He said the cases are pushing the church toward dealing with the problem.

"While we can't deny the gravity of the anguish the church is going through, we cannot give up doing everything possible so that in the end positive results can also be achieved," the Rev. Lombardi said, citing as goals better children protection and the church's own "purification."

Last week, the Regensburg Diocese said a former singer of the church choir—the one led by the pope's brother—had come forward with allegations of sexual abuse in the early 1960s.

EU backs tighter CDS regulation

Continued from first page

The study showed the net volume of outstanding credit-default contracts on Greek national debt has remained unchanged since January at about \$9 billion. This compares to total Greek government debt of about \$400 billion.

"The market data do not show massive speculation in CDSs," the regulator concluded.

The ban now being discussed would allow investors to use the contracts to hedge against possible defaults by government borrowers, but prevent them from taking purely speculative positions.

"It's hard to justify why market players should purchase insurance against risks to which they are not themselves exposed," Mr. Barroso said.

The European leaders Tuesday encouraged global action from the U.S. and other countries but made clear they wouldn't wait for it. "It's important that this is done on the American side too, but we think that

a step ahead from our side, from the European Union, would help us," said Ms. Merkel.

CDS contracts have been increasingly vilified as they seem to show up in financial crises. Sales of the contracts on toxic debt crippled insurance giant American International Group. Others say investors ganged up on Lehman Brothers and Bear Stearns in 2008 by buying up CDS contracts on those financial companies.

Meanwhile, the market has boomed. Seven years ago, less than \$3 trillion of CDS contracts was outstanding; today that has mounted to more than \$25 trillion, according to the International Swaps and Derivatives Association. Because there is little publicly available information about who is buying and selling the contracts—which generally are negotiated in private off-exchange deals—it is hard for regulators and others to monitor who is on the hook for selling them, and whether certain investors might be exerting

pressure on CDS contracts against a nation's or company's debt.

The contracts can provide helpful protection for various parties. As such, any attempt to restrict CDS trades could result in an array of unintended consequences, such as more risk for the financial system and higher borrowing costs for a range of nations and companies, some warn.

Restricting CDS trading could push up borrowing costs for various nations if investors feel they have fewer ways to protect themselves if the bonds' prices decline.

The issue of a ban is expected to be discussed at a meeting of EU finance ministers in Brussels next week. Any new law to ban the contracts would have to go through the EU's often convoluted law-making procedures, and commission officials said lawyers were still examining whether an outright ban would be legal.

Mr. Barroso also said it was possible that European competition

The CDS debate | Pros and cons

Critics highlight credit default swaps' role in allowing speculators to bet against companies' or governments' ability to repay debts. Defenders say CDS are an important hedging tool. As of mid-2009, the outstanding face value of the CDS market totaled \$36 trillion.

Pros

- The CDS market supports the flow of credit into the real economy by enabling banks and bond investors to hedge credit risk.
- CDS enable financial-market participants to hedge other counterparty risks, not just those associated with direct lending.
- The CDS market remained relatively liquid and enabled credit investors to continue trading during the financial crisis, when cash bond liquidity dried up.

Cons

- CDS create a class of financial-market participant that can stand to profit when a borrower defaults.
- The volume of CDS traded isn't limited to the size of the underlying bond market, and CDS trading activity can cause movements in bond prices, for example when contracts are settled.
- As an 'over-the-counter' or privately negotiated instrument, CDS aren't sufficiently transparent to allow regulators to monitor the buildup of systemic risk.

policy could be used to deal with CDSs, allowing the commission to avoid the legislative process and enable it to act on its own. However, such action could only follow a potentially lengthy inquiry into com-

petitive practices in financial markets.

—Patrick McGroarty, Adam Bradbery, Cassell Bryan-Low, Sarah N. Lynch and Brian Baskin contributed to this article.

U.S. NEWS

ID card is focus of immigration plan

Lawmakers seek use of biometrics to identify legal workers, but proposal faces uphill battle amid privacy concerns

BY LAURA MECKLER

Lawmakers working to craft a new comprehensive immigration bill have settled on a way to prevent employers from hiring illegal immigrants: a national biometric identification card all American workers would eventually be required to obtain.

Under the potentially controversial plan still taking shape in the Senate, all legal U.S. workers, including citizens and immigrants, would be issued an ID card with embedded information, such as fingerprints, to tie the card to the worker.

The ID card plan is one of several steps advocates of an immigration overhaul are taking to address concerns that have defeated similar bills in the past.

The uphill effort to pass a bill is being led by Sens. Chuck Schumer (D., N.Y.) and Lindsey Graham (R., S.C.), who plan to meet with President Barack Obama as soon as this week to update him on their work. An administration official said the White House had no position on the biometric card.

"It's the nub of solving the immigration dilemma politically speaking," Mr. Schumer said in an interview. The card, he said, would directly answer concerns that after legislation is signed, another wave of illegal immigrants would arrive. "If you say they can't get a job when they come here, you'll stop it."

The biggest objections to the biometric cards may come from privacy advocates, who fear they would become de facto national ID cards that enable the government to track

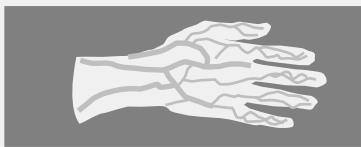
Digital Authentication | Some forms of biometric identification



FINGERPRINT

Used by Department of Homeland Security on international travelers at U.S. visa-issuing posts and ports of entry.

Source: Howstuffworks.com



VEIN GEOMETRY

Camera scans hand using near-infrared light. Software creates a reference template based on shape and location of the vein structure.



FACIAL RECOGNITION

Measures various facial 'landmarks' such as distance between eyes, width of nose, depth of eye sockets and length of jaw line.



IRIS SCANNING

Measures pupil, iris, eyelids and eyelashes. More than 200 points of reference for comparison vs. 60-70 in fingerprints.

citizens.

"It is fundamentally a massive invasion of people's privacy," said Chris Calabrese, legislative counsel for the American Civil Liberties Union. "We're not only talking about fingerprinting every American, treating ordinary Americans like criminals in order to work. We're also talking about a card that would quickly spread from work to voting to travel to pretty much every aspect of American life that requires identification."

Mr. Graham says he respects those concerns but disagrees. "We've all got Social Security cards," he said. "They're just easily tampered with. Make them tamper-proof. That's all I'm saying."

U.S. employers now have the option of using an online system called E-Verify to check whether potential employees are in the U.S. legally. Many Republicans have pressed to make the system mandatory. But others, including Mr. Schumer, complain that the existing system is in-

effective.

Last year, White House aides said they expected to push immigration legislation in 2010. But with health care and unemployment dominating his attention, the president has given little indication the issue is a priority.

Rather, Mr. Obama has said he wanted to see bipartisan support in Congress first. So far, Mr. Graham is the only Republican to voice interest publicly, and he wants at least one other GOP co-sponsor to launch the effort.

An immigration overhaul has long proven a complicated political task. The Latino community is pressing for action and will be angry if it is put off again. But many Americans oppose any measure that resembles amnesty for people who came here illegally.

Under the legislation envisioned by Messrs. Graham and Schumer, the estimated 10.8 million people living illegally in the U.S. would be offered a path to citizenship, though

they would have to register, pay taxes, pay a fine and wait in line. A guest-worker program would let a set number of new foreigners come to the U.S. legally to work.

Most European countries require citizens and foreigners to carry ID cards. The U.K. had been a holdout, but in the early 2000s it considered national cards as a way to stop identify fraud, protect against terrorism and help stop illegal foreign workers. Amid worries about the cost and complaints that the cards infringe on personal privacy, the government said it would make them voluntary for British citizens. They are required for foreign workers and students, and so far about 130,000 cards have been issued.

Mr. Schumer first suggested a biometric-based employer-verification system last summer. Since then, the idea has gained currency and is now a centerpiece of the legislation being developed, aides said.

A person familiar with the legislative planning said the biometric

data would likely be either fingerprints or a scan of the veins in the top of the hand. It would be required of all workers, including teenagers, but would be phased in, with current workers needing to obtain the card only when they next changed jobs, the person said.

The card requirement also would be phased in among employers, beginning with industries that typically rely on illegal-immigrant labor.

The U.S. Chamber of Commerce doesn't have a position on the proposal, but it is concerned that employers would find it expensive and complicated to properly check the biometrics.

Mr. Schumer said employers would be able to buy a scanner to check the IDs for as much as \$800. Small employers, he said, could take their applicants to a government office to like the Department of Motor Vehicles and have their hands scanned there.

—Alistair MacDonald
contributed to this article.

Job market shows signs of small gains

BY CONOR DOUGHERTY AND KATHLEEN MADIGAN

Two new reports show that the job market continues to make small gains, though employers will have to do a lot more hiring before a dent is made in the nation's 9.7% unemployment rate.

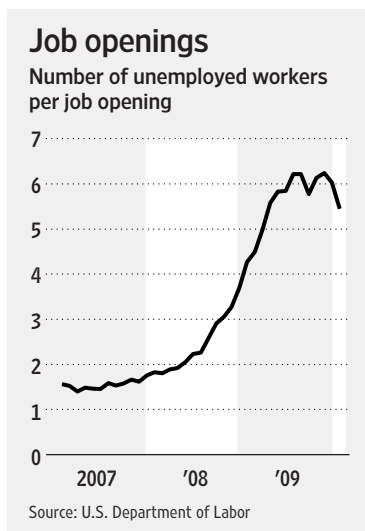
There were 2.7 million job openings on the last business day of January, up from 2.5 million a month earlier, the Labor Department said Tuesday. More openings mean more opportunities for the jobless to land positions.

The job-openings rate—a measure of openings for full- or part-time jobs relative to the total number employed—was 2.1%, up from 1.9% a month earlier and the highest reading since February 2009.

Meanwhile, the hiring rate, a gauge of new hires relative to total employment, was steady at 3.1%, while the separations rate, an indication of employees' willingness and ability to quit one job and take a new one, was also unchanged at 3.2%.

A separate report showed that small-business owners were slightly more pessimistic in February, but that layoffs slowed, setting the stage for job openings in the coming months.

The Small Business Optimism In-



dex fell 1.3 points to 88.0 last month, the National Federation of Independent Business said Tuesday. Also, 11% of firms surveyed by the group reported job openings were hard to fill, up from 10% a month earlier. "Net job creation will appear in coming months, but the gains will be painfully slow," the report said.

Taken together, the reports "are indicative of a labor market and economy that is changing direction and is in the midst of recovery," said Alan Levenson, chief economist at T. Rowe Price Associates.

New York mischief spree

BY JACOB GERSHMAN AND MICHAEL HOWARD SAUL

ALBANY, N.Y.—The Empire State last week managed a rare trifecta of disgrace.

First, Gov. David A. Paterson became embroiled in dueling scandals that ran the gamut of allegations from corruption to obstruction of justice to perjury.

Next was Rep. Charles Rangel, the dean of New York's delegation, who relinquished the chairmanship of the prestigious House Ways and Means Committee after an ethics panel chastised the Harlem Democrat for accepting corporate-sponsored junkets to the Caribbean.

And when news broke that Rep. Eric Massa, a freshman Democrat from Western New York, had abruptly decided to resign amid allegations of sexual harassment, a week of scandal assumed a sordid grandeur.

"We've never seen anything like this," said Hank Sheinkopf, a veteran political consultant. "This is like a full-employment program for law enforcement."

Like the translation of the state's Latin motto, "Excelsior," the number of political scandals has spiraled ever upward. The alleged misdeeds of Messrs. Paterson, Rangel and Massa are the capstones of a spree of mischief.

In the past four years, New Yorkers have seen another governor, Eliot Spitzer, ensnared by a prosti-

tution scandal; a state comptroller resign over an ethics scandal; a Republican state Senate majority leader convicted of federal corruption charges; a New York City Council member pleading not guilty to a 13-count federal corruption indictment that included an allegation of fraudulently billing \$177 for a bagel sandwich and a soda; an assemblyman sentenced to prison for stealing from Little Leaguers; a state senator who was expelled from office after he was convicted of a misdemeanor assault against his girlfriend; an assemblyman caught taking bribes from hospital executives; and an assemblywoman found guilty of throwing scalding coffee into the eyes of a staffer.

With two state Senate leaders now contending with federal and local corruption probes, the scandal wave may not have yet crested.

Of course, New York doesn't have a monopoly on malfeasance.

Rod Blagojevich, who was caught on tape appraising the value of President Barack Obama's former job—a seat in the U.S. Senate—may soon become the fourth Illinois governor to serve time in prison since the 1970s. A recent university study asserted that the state's Cook County has been a "dark pool of political corruption for more than 140 years."

While George E. Pataki and Mario M. Cuomo were bitter rivals in the 1990s, the former New York governors of late have found themselves shaking their heads in shared grief.

"It's just awful," said Mr. Pataki. "It makes me feel terrible for the state and the people of New York."

His predecessor in office is no less anguished: "I'm sad about it," said Mr. Cuomo. "I'm sad for the people involved who are bruised, injured, embarrassed, and angry."

According to Mr. Sheinkopf, who advises Democratic lawmakers, the scandals are a symptom of an insulated political culture that has lost sight of a guiding mission. "There's no great ideas here. What we have is just the acne of permanent government employment," he said.

Others blame Albany's campaign-finance system, which has higher contribution limits and is more loosely regulated than those in most other states. Good-government groups say Albany lacks a strong and independent ethics body to watch over the governor's office and the Legislature.

Mr. Cuomo, a Democrat, has long urged legislators to support a constitutional convention that he says could produce a more responsive government. But the chances of lawmakers getting behind such a convention, proposals for which have received scant backing in the past, seem remote.

"You can't insist that things are dysfunctional at a fundamental level without doing something about it," said Mr. Cuomo, whose son, Andrew, New York's attorney general, is seen as the front-runner to win the governorship in November.

WORLD NEWS



Sanjit Das for The Wall Street Journal

Women exchange money in a microfinance group meeting in Habibnagar, India. Microlenders said Tuesday they would share information to make sure recipients weren't taking on debt from multiple lenders.

India's microlenders to share data

As number of loans soars, creditors say they will share information to keep borrowers from becoming overburdened

BY ERIC BELLMAN

India's biggest microlenders said Tuesday they will join with credit bureaus to track their millions of borrowers, responding to international concerns that some of the country's newest and poorest borrowers may be getting in over their heads in debt.

India's Microfinance Institutions Network, which represents 31 of India's largest companies that give out small loans to poor entrepreneurs, said its members will start registering details about their borrowers with national credit bureaus. The microfinance institutions will provide borrowers' names, addresses and loan details to the **Credit Information Bureau (India) Ltd.** and **High Mark Credit Information Services Pvt. Ltd.**

While default rates on the tiny loans for rural entrepreneurs are still below 2%, increasing competi-

tion between lenders means the microfinance institutions, or MFIs, have to start keeping track of each borrower's exposure.

"The overlap between MFIs is increasing. Since there is a general attempt by everybody to grow their portfolios, there could be a negative impact," said Vijay Mahajan, president of the Microfinance Institutions Network and chairman of **Basix**, one of India's largest microfinance institutions. "There have been some pockets where there was multiple lending which led to overindebtedness."

The microlending industry has been growing at more than 50% a year for the past three years, as mostly rural borrowers have discovered the power of using loans of usually less than \$50 to expand their business and help ends meet.

At the same time, the world's biggest investors and banks have discovered they can try to help the

poor while they earn a decent return by backing microfinanced companies with loans and investments.

In the year ended March 31, 2009, the number of microlender clients surged 60% from a year earlier to 22.6 million, according to a report from Access Development Services, a New Delhi nonprofit serving the microfinance industry. This past year has seen a similar surge despite the global debt crisis.

The number of companies offering small loans to the poor has increased so rapidly that microlenders were competing for the same borrowers in the same villages. In some regions, borrowers were taking out many loans at a time. Some analysts were concerned that rural India could be headed toward a microdebt crisis.

While only a small number of borrowers may be overexposed to the loans, the worry was that if such borrowing behavior spread, it could

threaten the microlending business model by boosting defaults—and damage global enthusiasm about the positive social impact of the loans.

Mr. Mahajan said that on average, less than 10% of the people with microloans are borrowing from more than one microlender. Still, the microfinance institutions decided to join credit bureaus to calm concerns among the strategy's many fans.

It will take around one year to register the more than 20 million borrowers who have loans through the members of the Microfinance Institutions Network, which represents most of the microfinance industry in India, Mr. Mahajan said. Once all borrowers are registered, it will be easier to ensure none of them are taking on more debt than they can handle.

The Microfinance Institutions Network also announced plans to build a self-regulatory code of conduct for its members to ensure the

poor aren't being exploited or overexposed to debt.

One of the basic guidelines will be that no borrower should have loans to more than three lenders or have total loans outstanding of more than 50,000 rupees (about \$1,100), Mr. Mahajan said.

He said the organization hopes to set the industry's standards so investors, lenders and philanthropists don't have to worry that microlenders are misleading the poor.

"Our intention is to become the Nasscom of the micro-finance sector," he said, referring to the National Association of Software and Services Companies, a group that lobbies for and regulates the information technology industry in India. "We don't want to just take care of current issues but also take a long-term view" on how to nurture the micro-lending industry, he said.

—Arlene Chang
contributed to this article.

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House passes female-lawmaker bill

BY KRISHNA POKHAREL
AND VIBHUTI AGARWAL

NEW DELHI—India crossed the first hurdle to realizing a new law aimed at bringing more women into national politics, passing a bill in the upper house of parliament that would reserve one-third of the seats in national and state legislatures for female representatives.

The vote is a victory for the ruling Congress party and its presi-

dent, Sonia Gandhi, but they still face the risk of alienating party allies who support the government but oppose the new law.

The bill still has to be passed by the lower house, then by at least half of India's 28 states before it reaches the president for approval.

On Tuesday, several lawmakers opposing the bill were forced out of the parliament by marshals after they tried to disrupt the proceedings, as they did Monday. Members

of the Trinamool Congress party, part of the Congress-led ruling coalition, abstained from the vote, but said that didn't mean they were leaving the government.

The government already runs the risk of losing support from two allies that want the quota to apply only to women from the lowest rungs of Hinduism's hierarchy and the Muslim minority. The Samajwadi Party and the Rashtriya Janata Dal party have electoral bases

in two of India's poorest states, Uttar Pradesh and Bihar, respectively.

The bill passed the upper house with only one vote against it.

The main opposition Bharatiya Janata Party, along with left-wing parties and regional parties from the southern Indian states, voted for the bill. Legislators across a wide political spectrum hailed the role Indian women played in society, yet noted they were still subjected to unequal treatment and suffering.