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Casting ballots amid voter unrest in France



French President Nicolas Sarkozy and first lady Carla Bruni-Sarkozy vote at a Paris polling station. Mr. Sarkozy's ruling UMP party faced a drubbing in regional elections. Article on page 6

China takes aim at U.S. over economy

BEIJING—Premier Wen Jiabao aimed sharp words at Washington on Sunday, ceding little ground on China's currency policy and suggesting that U.S. efforts to boost its exports by weakening the dollar amounted to "a kind of trade protectionism."

By Andrew Batson,
Ian Johnson
And Andrew Browne

In his once-yearly news conference, Mr. Wen blamed U.S. weapons sales to Taiwan and President Barack Obama's meeting with Tibetan spiritual leader the Dalai Lama for a recent deterioration in what he called China's most important foreign relationship.

"These moves have violated China's territorial integrity," Mr. Wen said. "The responsibility does not lie with the Chinese side but with the United States." Mr. Wen said a good China-U.S. relationship "makes both sides winners while a confrontational one makes both sides losers."

U.S. officials on Sunday sought to play down the potential impact of Mr. Wen's tough talk on already strained relations. Fred Lash, a State Department spokesman, said that despite the recent tension, U.S. officials looked forward to "fostering a good bilateral relationship."

The U.S. provides weapons to Taiwan for defense purposes in accordance with the Taiwan Relations Act, said P.J. Crowley, another State Department spokesman, and U.S. presidents have for years met with the Dalai Lama. "Neither of these actions should have been a surprise," he said.

Mr. Wen went into detail about his personal role at the Copenhagen climate talks late last year, showing flashes of emotion as he sought to correct a widespread belief that he snubbed Mr. Obama by sending a lower-ranking official to a meeting. "My conscience is clear despite the slander of others," he said, quoting an ancient Chinese proverb. Instead, he argued, it

was China that felt insulted.

Mr. Wen's forthright comments reflect a new dynamic in what is arguably the most important bilateral relationship in the world. As the only major economy still growing strongly, and the largest creditor to the U.S., China is behaving with new assertiveness. Beijing has emerged from the global recession with a fresh confidence about its state-led economy. At the same time, it makes no secret of its disdain for U.S. economic management, and is in no mood to be lectured by Washington about how to support the world economy.

The first question Mr. Wen fielded was on China's currency policies, which have kept the yuan effectively pegged to the dollar since the government halted the Chinese currency's gradual appreciation in mid-2008. The U.S. and Europe, and increasingly China's Asian neighbors, argue that this policy has kept the yuan seriously undervalued.

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The Quirk



In Thailand, this revolt is brought to you by Green-7 ASTV toothpaste Page 29

World Watch

A comprehensive rundown of news from around the world Pages 30-31

Editorial & Opinion

The election of Gordon W. Bush. Page 15

Ex-U.K. military leader pushes Europe on defense capability

By WILLIAM LYONS
AND JAVIER ESPINOZA

The former deputy commander of the multinational forces in Iraq has warned that Europe needs a more unified defense capability if it is to continue to contest a role on the world stage.

Lt. Gen. Sir Robert Fry said he was no longer convinced in the assumption that the U.S. would continue to be Europe's prime strategic partner under any circumstances.

Gen. Fry, director of operations in the British Ministry of Defense post 9/11, said that in the emerging new world order, Europe should be looking to create conventional forces that could be deployed under a European banner.

In an interview with The Wall Street Journal Europe, he said that in an increasingly polarized world, Europe needs a better defined and more unified European defense capability.

He said: "What we don't have in Europe is any capable mechanism for command at anything other than a small scale."

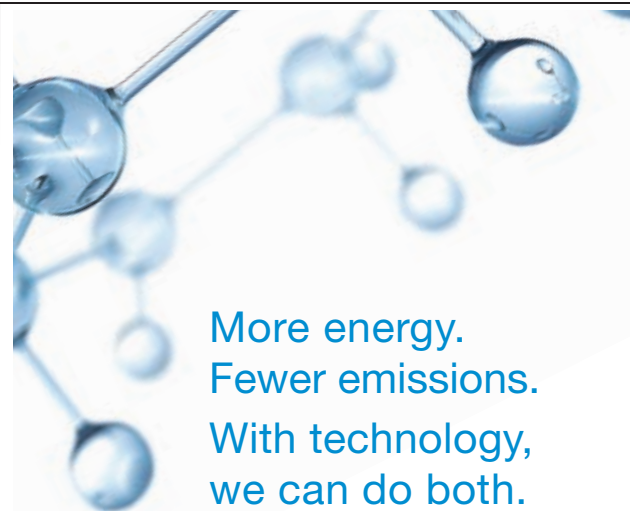
"It is only if there is a greater sense of a European identity that we can possibly contest a role to play on the world stage and continue to guarantee our trading links in a globalized environment dominated by rising powers," he said.

Under these circumstances, he said, Europe would want to "create deploy-

able conventional forces that are much more credible than forces which are capable of deploying under a European banner at the present time."

Asked to reflect on recent criticisms of U.K. Prime Minister Gordon Brown over whether there was enough money available to military commanders he said: "There was a level of ambition which was defined in the strategic-defense review, which the Labour administration implemented when it came to power, that set out a fairly ambitious manifesto for the armed forces of this country, which I don't think was ever, ever properly funded."

■ Robert Fry maps out a Europe defense strategy ... 12



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PAGE TWO

Greece takes steps to solve its problems, while Germany gropes to define its future

[Agenda]

BY IRWIN STELZER



Greece has solved its problems. Germany's remain to be solved.

The Greek authorities now know what the future holds. They will more or less stick to their austerity program. There will be more-than-occasional street demonstrations, which might require a bit of trimming here and there, but nothing major. The markets will make funds available, although at a significant premium over the rates charged countries that haven't done excessive violence to sound accounting principles or run extraordinarily high budget deficits. And if worse comes to worst, Greece can count on an implicit guarantee, one that dare not speak its name, that its richer, more prudent co-inhabitants of the euro zone won't allow it to default.

In short, the Greek government can see its future, which might be unlovely but is at least clearly laid out for it by the markets and its colleagues, most notably Germany.

It is Angela Merkel's country that hasn't solved its problems and is groping to define its future. Financially numerate German officials know they can let Greece default only if they are willing to sacrifice the European-integration project. But they also know that German voters won't tolerate a bailout of a country they feel hasn't gone through the restructuring pain that kept German wages down, making German goods competitive in world markets. Or hasn't foregone jam today to keep its budget deficit within a hair of the 3% mandated by the Growth and Stability Pact that was at the heart of the agreement to form a common currency. So Ms. Merkel



German Chancellor Angela Merkel, right, welcomed Greek Prime Minister Giorgos Papandreou at the Chancellery in Berlin

shouts "no bailout" to appease voters, while her officials try to fashion one that can plausibly go by another name.

There aren't enough olives to pay for all those German-made goods that Greeks have been importing.

That device might be needed sooner rather than later as it is difficult to predict whether or when the bond markets might turn on Portugal or Spain, the two likeliest candidates for a negative reaction to their fiscal condition, protestations of these countries' governments notwithstanding.

That is not Germany's only unsolved problem. It must also decide how much Brussels-based discipline to impose on individual members of euroland. The discussion now is all about controlling the profligate policies of the periphery countries. But, given the authority, Brussels

bureaucrats might turn on countries that fail to provide the stimulus they feel the euro zone requires—meaning they might try to tell Berlin to increase its deficit to provide a lift to the entire stagnating area. Inflation-wary Germany therefore must find a way to allow intervention in the affairs of the fiscally profligate without allowing symmetrical intervention in the affairs of the fiscally prudent.

That isn't all. Greece can't solve its problems unless in addition to putting its fiscal house in order it also develops industries that can compete in world markets. There aren't enough olives to pay for all those Mercedes and other German-made goods that Greeks have been importing. Wages are too high, and productivity is too low in Greece, Spain and other "bubble" countries to allow them to expand their exports to core EU and other countries.

In the good old days of the drachma, peseta and lire, these noncompetitive countries could devalue their currencies, as the

British are doing with sterling (to little effect so far, it must be noted). But with interest rates fixed by the European Central Bank on a one-size-fits-all basis, Germany dominating euro-zone markets, and the euro holding its own against the dollar in the past year despite a small drop in recent months, that route is closed. Even the suggested sale of state-owned assets—no, not some islands or the Acropolis—would be only a temporary palliative. Selling the family urns to fund current expenses isn't the route to a sound future.

Compounding the problem created for Greece and similarly situated countries is the reluctance of German consumers to spend. In the absence of a surge in domestic demand, Germany's recovery from last year's 5% decline in gross domestic product depends heavily on its ability to increase its exports even more, driving even higher its almost €140 billion trade surplus, the largest in Europe and three times that of second-placed Netherlands. That's bad news for countries that have been running trade deficits, which is all the countries now in trouble.

Here's a guess at how Germany will finally confront the dilemma created by its need to export its way out of recession while enabling troubled economies to remain in euroland: Conceal any bailout by giving guarantees to German banks that buy Greek and other debt if markets set impossibly high interest rates; arrange a mechanism for tighter supervision of debt-ridden countries; and avoid any policy that either requires a reopening of the Lisbon Treaty, such as a European version of the International Monetary Fund, or threatens the German export machine.

—Irwin Stelzer is a business adviser and director of economic policy studies at the Hudson Institute.

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ONLINE TODAY

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Iain Martin on Politics

blogs.wsj.com/iainmartin

"The honest answer is that nobody knows what taxes will be required in the next five years."

Iain Martin on Liam Byrne's promise on avoiding further U.K. tax increases



Continuing coverage



Reaction from Formula One teams at their first opening race in Bahrain at europe.wsj.com

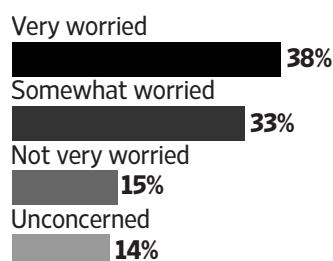
Question of the day

Vote and discuss: How does your debt level today compare to a year ago?

Vote online and discuss with other readers at wsj.com/dailyquestion

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Q: How worried are you about the safety of your bank information?



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NEWS

A sporting chance

IMG Worldwide, Reliance Industries to boost athletes in India

BY PETER LATTMAN
AND MATTHEW FUTTERMAN

Sports-marketing giant **IMG Worldwide** and Indian conglomerate **Reliance Industries Ltd.** have set up a joint venture to build a professional-sports business in India, a deal that seeks to unlock the country's vast but undeveloped sports market.

The venture will look to develop professional soccer and basketball leagues in India, as well as nurture athletic talent by building sports academies throughout the country. The deal is the brainchild of a pair of colorful billionaires, IMG owner Ted Forstmann and Reliance Chairman Mukesh Ambani.

While India has one of the world's fastest-growing economies and houses some of the most prestigious universities, its athletic prowess is underwhelming. Among large countries, India has perhaps the worst international sports records.

Since the inception of the modern Olympic Games in 1896, India has won just 20 medals, 11 of them in field hockey. (China, by comparison, won 100 medals at the Summer Olympics in 2008 alone; it won 28 in 1988.) India's men's soccer team is ranked 132nd on FIFA's world ranking list, out of 207 countries.

"If it works out the way we expect, this agreement will be transformational to IMG and beneficial to the people of India," Mr. Forstmann said in an interview.

A spokesman for Reliance declined to comment.

Industry experts see the Indian population as ripe for development in athletics. It has little in the way of a professional-sports infrastructure, and nothing that approaches the professional level of basketball or soccer leagues that exist in other countries.

Mr. Forstmann, a Wall Street deal maker who helped pioneer the private-equity business, acquired IMG in 2004. The closely held company is one of the world's largest producers and distributors of sports, managing thousands of sporting and entertainment events, from tennis's Wimbledon to New York's Fashion Week. It manages the careers of many athletes, including golfer Tiger Woods and tennis player Roger Federer.

The push into India comes on the heels of IMG's expansion into China. In 2008, IMG struck an exclusive 20-year deal with China's national television broadcaster that gave it the right to develop and market new sports events there.

The India deal pairs IMG with Reliance, India's largest private-sector company by market value. Reliance generates annual revenue of more than \$28 billion, with business holdings varying from textiles to plastics to energy.

The real potential profits from the venture will come from the development of professional-sports leagues. The IMG-Reliance venture will look to strike arrangements with India's soccer and basketball federations to help them build these leagues.

Mr. Forstmann said the venture's ambitions are to create something akin to England's Premier League, for which IMG produces and distributes television programming.

"People might laugh at that now, but let's see where we are in five years," said Mr. Forstmann, who said he became fast friends with Mr. Ambani after meeting him five years ago at a conference Mr. Forstmann hosts

each year in Aspen, Colo.

IMG already has played a major role in one of India's major sports success stories—the development and operation of the Indian Premier League cricket venture, a wildly popular form of one of the world's most popular games. On Friday, Mr. Forstmann attended the opening match of the league's third season in Mumbai.

Developing athletic talent is a key component of the IMG-Reliance venture. IMG operates the IMG Academies in Bradenton, Fla., which educates and trains some of the best young athletes in golf, tennis, baseball, soccer and basketball. That model will be taken to India.

As it does in Florida, IMG will make scholarships available to the

most promising athletes. Such investments can ultimately provide a windfall for IMG, which gains an inside track on representing the rising athletes who train at its academies.

To jump start its talent development, Messrs. Forstmann and Ambani will award scholarships to between 20 and 30 Indian athletes and send them to IMG Academies in Florida this autumn, where they will train with U.S. coaches.

IMG also will expand its business in India of managing talent, as well as the country's fashion and film celebrities. The agency already represents the young Indian tennis star, Yuki Bhambri, who is 17 years old and was the top-ranked junior player in the world last year.



A new venture hopes to take Indian sports beyond cricket. Here, cricketer Herschelle Gibbs plays Friday in the Indian Premier League.

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EUROPE NEWS

U.K.'s third party allays fear

Liberal Democrats, seen key to forming a ruling coalition, promise financial stability

BY AINSLEY THOMSON

BIRMINGHAM, England—The U.K.'s Liberal Democrats moved to calm investors' fears of a rudderless government following the next election, after two newspaper opinion polls suggested Sunday that neither the ruling Labour party nor the main opposition Conservative party would have enough seats to rule on its own.

Polls in both the Sunday Times and Sunday Telegraph indicated falling support for the Conservative Party would mean the Tories or Labour could end up in power only after striking a deal with the Liberal Democrats, expected to have the third-highest number of seats. An election must be held by June 3.

Investors have been pushing down sterling in fear of a powerless government wrestling with a fragile economy and a budget deficit expected to reach 12.6% of gross domestic product this financial year.

In an interview, Vince Cable, the Liberal Democrats' economic spokesman, moved to reassure international investors by stressing his party's commitment to financial responsibility and to maintaining the U.K.'s triple-A credit rating.

"If their concern is with financial stability, we have made it very clear that any influence we will have in government will be highly committed to a sensible, responsible approach to managing the budget," he said.

Mr. Cable also stressed that a coalition government need not be economically damaging for the U.K.

"All the evidence that we have put together from other countries in North America and Western Europe is that minority governments that have to work with other parties are better at delivering financial stability than one-party governments."

Mr. Cable said that differences



Vince Cable, the Liberal Democrat's influential economic spokesman, addresses an audience in London last month.

over the timing of spending cuts wouldn't mean an alliance with the Conservatives was impossible.

"We are not ruling out particular parties—we are not saying that at all," he said. "Whether it [spending cuts] is now or later isn't a matter of dogma that you put down in party manifestos; you have to make an economic judgment."

Labour and the Liberal Democrats say public spending cuts shouldn't be forced through too soon, as such a move could send the country back into recession, while

the Conservatives are looking to make immediate cuts to tackle the deficit.

Mr. Cable has become one of the U.K.'s most influential lawmakers on economic issues since the financial crisis erupted. His warnings about rising debt levels and possible risks to the financial system before the crisis hit lent him a credibility few others enjoyed.

Some commentators believe that if the Liberal Democrats do enter government alongside Labour or the Conservatives, Mr. Cable could get a

senior post.

Mr. Cable said Sunday that such a job would be difficult because of the economic situation, but that he wouldn't shy away from it.

"The next Chancellor of the Exchequer could well be the most unpopular person in the country, so it is not something I would like to do," he said. "But we are not backing out of responsibility. If we are given responsibility we will take it and exercise it."

—Laurence Norman in London contributed to this article.

Brown calls for reform, consumer legislation

BY ALISTAIR MACDONALD

U.K. Prime Minister Gordon Brown is set to push new plans and legislation designed to protect consumers and to reform Britain's upper house, ahead of an election in which he will likely portray his government as a champion of consumers and reform.

This week, the government will announce plans to help protect Britons from high interest rates and "poor practices" in consumer finance, particularly on credit and store cards. "One of the challenges we are confronting in the wake of the financial crisis is the behavior of some banks and credit-card companies towards you, their customers," Mr. Brown said.

Mr. Brown is likely to call an election for early May, with opinion polls increasingly pointing to a tight race. Before then, he will try to push through Parliament a number of proposals announced in the Queen's speech in November.

The consumer-protection measure will include forcing lenders to use money paid back from a customer to pay down that borrower's most expensive loans. That way, when customers take out multiple loans, the one charging the highest interest rate will be paid down first. Among other changes, Mr. Brown said it will become harder for credit-card companies to increase rates or increase credit limits without getting permission from their customer first.

Conservative lawmaker Mark Hoban criticized the move, saying that for its 13 years in government the party has failed to protect consumers.

Also, the Ministry of Justice said it will propose legislation in the coming weeks to overhaul the House for Lords, which would result in its members being elected rather than inheriting or being appointed to their titles, as is currently the case. The measures, which could even see the House of Lords renamed, were initially outlined in November.

The Lords reform legislation will put the opposition Conservative Party in a tight spot, as voting against it would allow the Labour government to portray the Tories as defenders of privilege.

Several senior Tory officials, including leader David Cameron, have aristocratic backgrounds.

The Conservatives said that Labour has had 13 years to reform the House of Lords.

"Now, just weeks before a general election, they come up with this," a spokesman said. With only about two months before the expected election, it's not clear whether the proposed legislation could even be acted upon.

Consumer finance is set to become more of an election battleground because of the effects of the credit crisis, which has seen a big rise in personal bankruptcy and was kicked off by bank's poor lending practices in the U.S. mortgage market.

The Conservatives have said they are "committed" to interest-rate caps for store cards amid other measures to protect consumers.

Catholic officials defend the pope

Roman Catholic officials defended Pope Benedict XVI amid a growing sex-abuse scandal that recently reached his former archdiocese in Germany.

By David Crawford in Dresden and Stacy Meichtry in Rome

An article published Sunday in the Vatican's official newspaper, the Osservatore Romano, said Benedict XVI's track record in fighting abuse showed he is a "vigilant shepherd of his flock, contrary to the false image of [him] as a scholar dedicated to writing books who delegates to others the job of governing the Church."

It also noted remarks Benedict XVI delivered before his election as pope in 2005, denouncing the "filth" inside Church ranks.

The article, by Bishop Giuseppe Versaldi, a professor of canon law and psychology at Rome's Gregorian University, didn't specifically address Friday's disclosure by the pope's former Munich-Freising archdiocese that a priest known to the church as a sex abuser had been returned to pastoral work there while

Benedict XVI was the presiding archbishop in 1980. The priest later was convicted of another act of abuse within the archdiocese after Benedict XVI left in 1982 to become the Vatican's chief official in charge of disciplining priests.

Benedict XVI hasn't been accused of breaking any laws. Benedict's former senior administrative deputy took "full responsibility" for the decision to return the priest to work, the diocese statement said. Benedict XVI, at that time Archbishop Joseph Ratzinger, was involved in decisions to house the priest at the archdiocese, where he was given therapy, the statement said. But the decision to put him back to work was made without his knowledge.

On Saturday, Vatican spokesman the Rev. Federico Lombardi also defended the pope. "It's rather clear that in the last days, there have been those who have tried, with a certain aggressive persistence, in Regensburg and Munich, to look for elements to personally involve the Holy Father in the matter of abuses," Fr. Lombardi said.

In an article Saturday in L'Avvenire, the official newspaper of the Italian Bishops Conference, Msgr.



Pope Benedict XVI in Rome Sunday.

Charles J. Scicluna said accusations that the pope had failed to respond quickly to sex-abuse allegations were "calumnious." Msgr. Scicluna, who heads the Vatican office in charge of handling sex-abuse cases, said the Holy See over the past nine years had reviewed 3,000 cases of alleged abuse, some dating back 50 years. Of those reported to the Vatican between 2003 and 2004, 80% were from the U.S.

He added that the Church's current statute of limitations on disciplining sex abusers is "not adequate"—noting that 60% of cases never went to trial, mainly because of "the advanced age of the accused." In 2001, Pope John Paul II introduced a statute of limitations on priestly sex abuse that kick in once the victim reaches 28 years old. "A return to the system without a statute would be auspicious," Msgr. Scicluna said.

During the sermon in Sunday morning Mass at the Heilige Familie Church in Dresden, Germany, the Reverend Vinzenz Brendler lashed out at the media, which he said is using theatrics to create the false impression that sexual abuse is a Catholic problem. "Sexual abuse affects all parts of society," he said in his sermon, citing statistics that priests are less prone to sexual deviancy than society as a whole.

Germany's most-read newspaper, the tabloid "Bild," ran a "Protocol of Shame" on its Web site Sunday listing alleged incidents of child molestation in the Catholic Church community. On Saturday, German daily "Die Welt" cited critics of the Catholic church in an article with the headline "Apology Demanded."



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EUROPE NEWS

French signal discontent

By DAVID GAUTHIER-VILLARS

PARIS—The French used regional elections Sunday to register their unhappiness and punish President Nicolas Sarkozy amid the rising unemployment and growing public debt left by last year's recession.

Mr. Sarkozy's ruling Union pour un Mouvement Populaire, or UMP, garnered 27% of the vote in Sunday's first round of balloting for the governments of France's 26 regions and territories, according to national projections based on surveys conducted by French polling agency TNS Sofres. The opposition Socialist Party and other left or green movements—which are planning to unite in the March 21 second round—collected a combined 48.2%, TNS Sofres said.

With such a gap and no coalition partners, Mr. Sarkozy's UMP is unlikely to succeed in its objective of reclaiming control of some of the 22 regions and territories that have been led by left-wing coalitions since the previous vote in 2004, political analysts said. The UMP could also lose its two regional strongholds, Alsace and Corsica, they said.

France's regions command just a tiny fraction of public spending and don't constitute a big political chal-

lenge in themselves, but the regional ballots are seen as a midterm referendum on the president and his administration.

Mr. Sarkozy said last week that the regional vote would have "regional consequences" and that it wouldn't have an impact on his agenda.

The president, who is more than halfway through his five-year mandate, has said his priority for 2010 would be to overhaul France's debt-choked state-run pension system—a hot issue here that in the past has drawn massive protests and been the downfall of some governments. Although the regional ballot won't affect Mr. Sarkozy's majority in Parliament, it could hamper his capacity to push through tough changes.

In another blow to Mr. Sarkozy, the far-right Front National movement of Jean-Marie Le Pen collected 11.7% of the vote, according to TNS Sofres projections. Ahead of the regional elections, Mr. Sarkozy promoted debates on what it means to be French, a move analysts say was aimed at luring far-right voters toward the UMP. But the debates on French identity unleashed a torrent of xenophobic comments that the government is now struggling to mute.



Agence France-Press/Getty Images

French Prime Minister François Fillon casts his vote during the first round of the regional elections in Le Mans on Sunday.

France says no need for Greek bailout now

By MICHAEL CASEY

NEW YORK—Credible efforts by Greece's government to clean up its finances have so far negated the need for any bailout from the European Union, French Finance Minister Christine Lagarde said Friday.

In offering a strong vote of confidence in the new Greek government, Ms. Lagarde said in a Wall Street Journal interview that Greece had "for once, over-delivered from what was expected" in terms of legislation intended to cut spending.

Whereas she had expected cuts worth 1.5% of gross domestic product, the government had come up with 2%, she said.

She cited the Greek government's stringent budget cuts as the key reason for the stabilization in its debt prices, rather than any talk of a bailout plan.

Focusing on the bailout speculation to explain the market's improvement is "narrowing the debate," Ms. Lagarde said.

"The Greek authorities understood that it was in the interest of everybody, not just themselves but

also members of the euro zone and the EU at large to come up with a solid plan and not something that was half-baked," she said.

"And for the first time for as long as I've been on the Ecofin (the EU finance ministers group), they over-delivered compared with what we had expected." Greece's leaders, she added, "have demonstrated that they are credible and the market responded that way."

In contrast with reports out of Europe Friday that suggested the announcement of a bailout plan for Greece was imminent, Ms. Lagarde

said no such plan would emerge if Greece doesn't default on its debt. "There is no such thing as a bailout plan which would have been approved, agreed or otherwise, because there is no need for such a thing," she said.

Nonetheless, Ms. Lagarde said that "technical experts" at the EU have been working on a contingency plan, so that if the need arose, "all we would have to do is press the button."

Echoing remarks made by many European leaders, she said "the members of the EU would take whatever measures necessary to make sure the currency is stable."

Asked about lessons to take away from the crisis, she returned to the theme of "misrepresented or undisclosed" debt numbers and called for greater and more powers at Eurostat, the EU's statistical agency. "Eurostat needs to be more intrusive, it needs to be better informed," she said.

Yet, despite her criticisms of the quality of data in the EU, Ms. Lagarde was unconcerned about the fiscal health of other heavily indebted euro-zone nations. Asked whether other countries faced financial risks, Ms. Lagarde said, "I have no idea and no suspicions."

In recent months, observers have warned that other euro-zone countries with high fiscal deficits and debt levels, in particular Portugal, Spain, Ireland and Italy, could run into problems similar to Greece's.

Ms. Lagarde gave only guarded support for the creation of a European Monetary Fund, a new project currently under debate within the European Commission. "The European Monetary Fund is one of many options that we should explore

[and] examine to see whether there is virtue and value in having it," she said. "I am not sure it is the ultimate answer to the issues we are dealing with at the moment."

The EMF would make a large pool of money available for the euro zone to provide financial aid to struggling countries under strict rules that would tie disbursements to compliance with fiscal goals. It would be modeled on the International Monetary Fund.

Asked why the E.U. is so opposed to having the IMF simply fill such a role now and come to the aid of one of the euro zone's members, Ms. Lagarde said it is complicated by the presence of a monetary union. Whereas the EU worked with the IMF to provide support to Hungary and Latvia, both members of the broader European Union but not part of the euro zone, having the IMF involved in the euro zone "is a bit different."

"It is as if California were in terrible shape and you were to call the IMF to rescue California. That's a bit odd within the same monetary zone," she said.

In reference to the euro's slide against the dollar since the Greek crisis erupted, Ms. Lagarde said she was "kind of pleased that it has come down a bit" because it means that French exporters are "not knocking on my door" and pressuring her to do something about the high exchange rate.

Asked about the U.S. authorities' decision to let Lehman Brothers' fail in September 2008, Ms. Lagarde reiterated that she considered this decision at the root of the global turmoil.

—Brenda Cronin
contributed to this article.



French Finance Minister Christine Lagarde, in New York Friday, offered strong praise for Greece's austerity program.

Bloomberg News

U.S. NEWS

Dodd bill toughens stance on banks

Federal Reserve's powers would expand considerably from change; large financial firms face the biggest hit

BY DAMIAN PALETTA

WASHINGTON—Senate Banking Committee Chairman Christopher Dodd (D., Conn.) is finalizing a bill to rework financial market rules that is expected to be tougher against banks than previously expected, people familiar with the matter said.

Though details of the bill could still change before it is introduced Monday, some details emerged Saturday as aides and White House officials conferred.

The biggest winner in the bill appears to be the Federal Reserve, which would see its powers expand considerably. Large financial companies, particularly big banks, could emerge as the biggest losers. They would face higher scrutiny from bank supervisors and potentially face sanctions for violating consumer-protection rules by an autonomous new division within the Fed.

Big banks could also be forced to comply with certain state consumer-protection rules, a move that would be considered a huge win for consumer advocates and a blow to a financial industry that had lobbied against such a move.

The bill's ultimate prospects are still cloudy. No Republicans are expected to initially support it, though Democrats hope they can eventually win support.

Mr. Dodd has spent months negotiating the bill with multiple Republicans, first Sen. Richard Shelby of Alabama and later Sen. Bob Corker of Tennessee. Mr. Dodd eventually broke off negotiations with both lawmakers in succession, and said Thursday he would forge ahead without Republican backing.

A central plank in the bill would give the government the power to seize and dismantle a large, failing financial company. This provision is intended to prevent the government from having to launch another ad hoc taxpayer-funded bailout, like the one that bailed out **American International Group Inc.** in late 2008. To pay for this power, the government is expected to require the largest financial companies to



Sen. Christopher Dodd, at a news conference last week, spent months negotiating a bill to rework financial market rules.

pay a combined \$50 billion into a fund that one day could be used to arrest a failing company.

A key change in Mr. Dodd's bill from just a few days ago is a provision giving the Fed, which appeared to be on political life support just a few months ago, the power to supervise any bank or financial company with more than \$50 billion in assets.

Treasury Department officials lobbied aggressively for this change. Treasury Secretary Timothy Geithner and Fed Chairman Ben Bernanke have argued the Fed should play a central role in bank supervision.

Even though this would appear to shrink the Fed's authority from where it is today—the central bank examines more than 5,000 bank-holding companies of all sizes—the provision would still allow the Fed to have a primary presence in most of the U.S.'s largest financial institutions.

Senate negotiators had initially

pushed to give the Fed no role in bank supervision, and only a week ago they had thought the Fed would be able to examine only roughly two dozen banks, those that held more than \$100 billion in assets.

By lowering the threshold to \$50 billion, the Fed would have primary oversight of close to 40 U.S. banks. It is also likely they might be able to oversee large, complex insurance companies or other financial firms as part of the new arrangement.

The bill would also create a systemic risk council, with an independent chairman and several other federal regulators who would be charged with monitoring emerging risks to the economy. This council would have two significant powers. First, it would be able to force a financial company that isn't a bank, such as an insurance firm or a giant hedge fund, to be overseen by the Fed.

It could also vote to strongly pressure another federal regulator

to adopt certain regulatory practices, such as tougher regulations against exotic financial products.

A centerpiece of the bill would place a new consumer-protection division within the Fed, with a director appointed by the president. The agency would have broad rule-writing power to create policies governing all financial companies, not just banks. It would take a two-thirds vote of a new systemic-risk council to overturn any policy, according to people briefed on the plan.

This division, which Mr. Dodd has referred to as a "watchdog," would have more power than many in the banking industry expected just a few days ago. It would be able to issue sanctions against any bank with more than \$10 billion of assets. It would also be able to punish certain nonbank lenders, though it would likely be up to regulators to determine which industries would be subject to such enforcement.

The Fed would also have new

powers to police the U.S.'s payment and settlement system to ensure that money is flowing between banks in a safe and sound way.

Another key provision would prevent large bank holding companies, such as **Morgan Stanley** and **Goldman Sachs Group Inc.**, from shedding their charter to elude the Fed's scrutiny. The bill is expected to include this provision to prevent banks from trying to game the regulatory architecture.

State-chartered banks with less than \$50 billion in assets would likely be overseen by the Federal Deposit Insurance Corp. National banks with less than \$50 billion in assets would be overseen by a national bank regulator.

The bill would address what kinds of risks large banks can take. The White House proposed a new policy, dubbed the "Volcker Rule" after former Fed Chairman Paul Volcker, which would prohibit banks from simultaneously owning subsidiaries with insured deposits and subsidiaries that make risky trades with the bank's own capital.

Mr. Dodd's bill isn't expected to include such strict language, but he is expected to give regulators more power to order banks to cease certain activities if it threatened the company's solvency or could lead to broader problems in the economy.

Mr. Dodd is hoping lawmakers on his panel will submit amendments later in the week so he can begin holding votes on the bill starting the week of March 22. If the bill passes, then it would advance to another series of amendments and votes on the Senate floor.

On Friday, the 10 Republicans on the panel urged Mr. Dodd not to force a quick vote because of its expected complexity. Mr. Dodd has said he has held dozens of hearings on these issues and given lawmakers months to weigh in.

The bill differs in several areas from a bill that passed the House of Representatives in December, and those differences would have to be reconciled before any package could be brought to the White House for enactment.

American woman released in Ireland

BY NEIL SHAH
AND VANESSA O'CONNELL

WATERFORD, Ireland—An American woman who was among seven individuals arrested last week in Ireland in connection with an alleged plot to murder a Swedish cartoonist has been released without being charged.

According to a person familiar with the matter, U.S. national Jamie Paulin-Ramirez, a 31-year-old mother and recent convert to Islam who was among those detained, is no longer in the custody of the Irish police.

Both Irish and U.S. authorities declined to provide further details. Ms. Paulin-Ramirez's stepfather, George Mott, said neither he nor her mother had been in contact with Ms. Paulin-Ramirez in recent days. They didn't know her current whereabouts, he said.

She had previously provided them with a mailing address on Wa-

terford's High Street, according to Mr. Mott, of Leadville, Colo.

Under Irish law, a report for each released suspect is submitted to a director of public prosecutions, who can then decide whether a suspect should be re-arrested and charged. This process "could be a matter of weeks," a spokesman said.

Ms. Paulin-Ramirez's case is the second this month involving American women who converted to Islam, and wound up attracting attention from law enforcement.

People briefed on the situation had earlier confirmed Ms. Paulin-Ramirez was among those arrested in Ireland in a case related to the alleged conspiracy to kill a Swedish cartoonist who made fun of the Prophet Mohammed.

An indictment was unsealed last week against Colleen R. LaRose, 46, a suburban Philadelphia woman who authorities said used the Web alias "JihadJane."

Ms. LaRose was accused of plot-

ting to kill the cartoonist and attempting to recruit jihadis via the Internet. She is due to appear in court on Thursday to face the charges.

Ms. Paulin-Ramirez's case is the second this month involving American women who converted to Islam, and then attracted attention from law enforcement.

Ms. LaRose's attorney, Mark Wilson, hasn't responded to requests for comment.

Ms. LaRose of Pennsburg, Pa., had told her alleged co-conspirators that her physical appearance—blonde hair and light eyes—would help her "blend in with many people," which "may be a way

to achieve what is in my heart," according to a March 4 indictment against her.

Meanwhile, in Ireland, three people were released on Friday, according to Irish police.

The police have sought and been granted an extension on the three remaining males in custody, which means these three can be held until Tuesday. Irish law allows officers to hold suspects for a maximum of seven days without being charged.

An Algerian man, believed by a person close to Irish police to be the partner of Ms. Paulin-Ramirez, is among those still in custody.

Many Waterford residents said they were surprised by last week's news of arrests in this city and Cork related to an alleged terror plot. Waterford, which has a population of about 50,000, has a relatively small Muslim community, they say, and such disturbances haven't been common.

Last Easter, Ms. Paulin-Ramirez,

a mom with a \$30,000-a-year job as a medical assistant, announced to her family that she had converted to Islam. A few months later, she began posting to Facebook forums whose headings included "STOP caLLing MUSLIMS TERRORISTS!"

On Sept. 11, she suddenly left Leadville, taking her 6-year-old son, for Denver, then for New York, to meet and marry a Muslim man she connected with online, her family says. Ms. Paulin-Ramirez, who is tall and blonde, phoned her mother and stepfather in Leadville, providing them with an address in Waterford, Ireland, they say.

Ms. Paulin-Ramirez's interest in Islam "came out of left field," said her mother, Christine Holcomb-Mott. Relatives of Ms. Paulin-Ramirez said they were distressed because her son was with her in Ireland. The boy's father is Mexican and hasn't seen the child in about five years, said Mr. Mott. Ms. Paulin-Ramirez's stepfather.

WORLD NEWS



Associated Press

Iraqi journalists, and representatives of Iraqi political blocs and entities, look at screens showing the partial preliminary results in Baghdad Sunday. Prime Minister Nouri al-Maliki is now leading.

Iraq's Maliki maintains lead in vote

Race remains close, with partial results favoring prime minister; Allawi's slate holds narrow margin in Kirkuk

By CHARLES LEVINSON

BAGHDAD—Partial parliamentary election results from all of Iraq's 18 provinces show incumbent Prime Minister Nouri al-Maliki with a sizable lead over his main challenger, Ayad Allawi, but that lead is likely to shrink and the race remains a nail-biter.

Sunday's most surprising partial results came from the contested oil-rich province of Kirkuk in northern Iraq, where Kurds and Arabs are battling for control of the provincial capital that is also named Kirkuk. With more than 60% of the vote counted, Mr. Allawi's slate, which in Kirkuk is composed largely of Sunni Arab's who oppose Kurdish claims to the city, held a razor-thin lead over an alliance of Kurdish parties.

Following last Sunday's vote, Kurds marched victoriously through the city's streets, claiming a solid victory based on their own polling data accumulated by election observers. A loss in Kirkuk would deal a blow to Kurdish claims to a city

they frequently compare to Jerusalem, because of its centrality to Kurdish identity.

After so many Kurdish officials voiced public confidence in a Kurdish win in Kirkuk, a loss could destabilize a 480-kilometer-long contested stretch of border, known as the "trigger line," separating the Kurdish north from the rest of Iraq.

Leading Kurdish politicians were scrambling to make sense of, and confirm, the numbers, which were released Sunday evening.

"It's not true," said Nermin Othman, a Kurdish lawmaker serving as Minister of the Environment in the outgoing government. "It was not like that in the beginning. Something must be wrong."

A longer-than-anticipated and often chaotic vote tally, along with fraud claims by some parties, have already caused tensions to increase in the country.

Whether parts of Kirkuk will be incorporated into Iraq's semi-autonomous Kurdish region, or remain a part of Iraq proper, is supposed to

be decided by a popular referendum, but the sensitive issue has been repeatedly postponed. Because Arabs and Kurds in Kirkuk largely vote along sectarian lines, elections are considered a census on the area's future.

Nationwide, Mr. Maliki is now leading in seven provinces, all of them in the heavily Shiite south except for Baghdad.

Mr. Allawi is leading in five provinces, while the Shiite religious slate, which includes the Islamic Supreme Council of Iraq (ISCI) and the party of anti-U.S. cleric Moqtada al-Sadr, is leading in three southern provinces.

Mr. Maliki is up by nearly 200,000 votes so far, but more votes remain to be tallied in Mr. Allawi's stronghold in northern Iraq than in Mr. Maliki southern strongholds. The race looks likely to tighten still.

Baghdad remains the prize catch, home to the country's capital city and seat of power, where more than one-fifth of Iraq's 325 parliamentary seats are concentrated.

Preliminary results for Baghdad were released on Saturday at the headquarters of Iraq's election commission, but pulled down just minutes later under puzzling circumstances.

The briefly posted results showed Mr. Maliki winning with 159,000 votes, a slate of Iran-backed Shiite religious parties coming in second with 108,000 votes, and Mr. Allawi in a disappointing third place with just 105,000 votes.

But it was unclear whether the small percentage of votes that had been counted came from predominantly Shiite areas of Baghdad, where Mr. Maliki is more likely to fare well, or from Sunni areas, where Mr. Allawi would be heavily favored.

The strong showing by Mr. Allawi and Mr. Maliki, who are both running on nationalist and nonsectarian platforms, has been widely interpreted as a popular rejection of religious-based sectarian parties.

Still, the voting has largely broken down along sectarian lines, with

Shiites voting for Mr. Maliki and to a lesser extent the Shiite Iraqi National Alliance, and Sunnis voting overwhelmingly for Mr. Allawi, who is a secular Shiite, but who has the support of the country's leading Sunni politicians.

Final results aren't expected for another couple of weeks, and negotiations to form a government are expected to take months. Already the rival parties have begun the backroom deal-making to hash out a governing coalition.

Mr. Allawi met yesterday with Kurdish leader Masoud al-Barzani, while ISCI leader Ammar al-Hakim met with another Kurdish leader, Jalal Talibani. A senior government official said representatives of Messrs. Allawi and Maliki also have been meeting with each other in recent days.

Meanwhile, a U.S. soldier was killed and two were wounded when militants fired either a mortar or a rocket at a U.S. military base in Diyala province north of Baghdad, according to a military statement.

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Netanyahu looks to mend U.S. ties

By JOSHUA MITNICK

TEL AVIV—Israeli Prime Minister Benjamin Netanyahu sought on Sunday to play down the political fallout from a row with the Obama administration over a Jerusalem building project that upended last week's visit by Vice President Joe Biden.

"First of all, I suggest that we not get carried away," he told his cabinet, in his first public remarks on the chill in relations with the U.S.

left by Mr. Biden's visit and a testy phone call from U.S. Secretary of State Hillary Clinton on Friday.

Last week, Israel's Interior Ministry said it planned to build 1,600 homes in east Jerusalem, claimed by Palestinians as the capital of a future state. Arab allies have threatened to pull their support for indirect talks with Israel, and Palestinian officials, who had just agreed to the talks, appear to be holding out for a reversal before sit-

ting down to begin negotiations.

The Obama administration has pushed hard to restart talks, and Mr. Biden's visit was aimed at reassuring Israelis of continued U.S. support. Mr. Biden bluntly criticized the timing of the announcement, and Mr. Netanyahu apologized to the vice president. Officials said the prime minister wasn't aware the announcement—by a regional planning committee under Israel's Interior Ministry—was planned during the vice

president's visit.

Palestinian negotiator Saeb Erekat said Sunday that Palestinian President Mahmoud Abbas informed Mr. Biden last week that it will be "very difficult" to participate in negotiations if the Israelis don't revoke the planned construction.

A spokesman for the U.S. Embassy in Israel declined to comment.

An Israeli official on Sunday suggested a U-turn wasn't being considered.

WORLD NEWS

Taliban blast Kandahar

At least 35 are killed in series of bomb attacks that targeted prison

By YAROSLAV TROFIMOV

KABUL—The Taliban struck Kandahar, Afghanistan's second-largest city and the target of coming U.S. military operations, with a series of bombings over the weekend, killing at least 35 people, many of them police officers.

The Islamist movement said the attacks, on Saturday night and Sunday morning, were meant to be a message to the U.S.-led coalition's commander, Gen. Stanley McChrystal, proving that the insurgents "are fully prepared and ready to fight the Americans" despite the recent surge in allied troop numbers.

The attacks' main target appeared to be Kandahar's prison, where many Taliban detainees are held. The Taliban bombers also hit the police headquarters in the city and the vicinity of the residence of the powerful provincial council chief Ahmed Wali Karzai, President Hamid Karzai's brother.

This weekend's blasts were the latest in a string of bombings and assassinations carried out by the Taliban, who aim to intimidate Kandahar's population and paralyze the Afghan government's activities in the sprawling city of one million people. Kandahar is the Taliban's spiritual home and the biggest population center of the Pashtuns, Afghanistan's largest ethnic group.

"Kandahar is important, and everyone knows that the terrorists do not want peace to come here," said Kandahar Mayor Haidar Hamidi.

Most of the explosions, which reduced entire city blocks to rubble, were diversions that aimed to distract security forces from the prison compound, Mr. Hamidi added. According to him and other Afghan officials, the insurgents attempted to repeat their 2008 raid on the prison, which at the time succeeded in freeing hundreds of incarcerated Taliban fighters. The prison has since been reinforced, and this weekend's jailbreak attempt failed.

"There was a huge flame in the air, and then the electricity was gone in the whole area. Windows shattered and the children started to cry," said Agha Shirin, a 22-year-old tailor who lives near the prison. A neighbor who lost a son and a daughter during the 2008 attack was in mourning again, after Saturday's blast killed another two of his children, Mr. Shirin added.

The majority of the victims this weekend were civilians, according to Afghan officials and witnesses. The Taliban, who tend to exaggerate or fabricate their battlefield achievements, claimed in a statement that they killed or injured "a large number" of U.S. and coalition soldiers in this weekend's attacks. A coalition spokesman said no foreign troops were hurt or killed in the attacks.

The Taliban, mindful of losing public support, said Sunday that no civilians were hit in Kandahar because the explosions occurred during curfew hours. As it happens, there is no curfew in Kandahar.

U.S. troops largely stayed out of the Kandahar area until last year, as the Canadian military, responsible for the province, suffered heavy casualties—and were unable to check insurgent advances. Last summer, the U.S. Army poured thousands of additional soldiers into the Kandahar area, taking over many parts of the province from the Canadians.

Even more American troops are

scheduled to arrive in the Kandahar province in the coming months, providing the muscle for an major offensive against the insurgents.

Meanwhile, President Karzai this weekend partially reversed his decision to oust foreign members of the country's election watchdog. In last August's elections, the Election Complaints Commission—where three of the five commissioners were international United Nations appointees—threw out nearly a million votes cast for Mr. Karzai as

fraudulent.

Last month, Mr. Karzai said all the ECC commissioners must be Afghan citizens, sparking criticism that he seeks to influence the outcome of parliamentary elections scheduled for September.

On Saturday, Mr. Karzai's spokesman said that foreigners will be allowed to keep two of the five ECC seats. He didn't specify who will have the right to appoint them.

—Arif Afzalzada and Habib Zahori contributed to this article.



Afghan soldiers secure the site of a Taliban militant attack in Kandahar Sunday.

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Head of FX Trading, North East Asia,
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WORLD NEWS

Asian consumers give region a lift

Falling unemployment, little debt give Chinese, Koreans confidence to travel; extra money for mushroom liquor

By ALEX FRANGOS

SIEM REAP, Cambodia—Resurgent tourism within Asia is helping to drive economic recoveries, and demonstrating the growing power of regional consumers.

Just ask Kwong Meng Geip, a purveyor of a medicinal mushroom spirit a few miles from the ancient temples of Angkor Wat. South Koreans who arrive on tour buses are the biggest buyers of the unique brew he makes in clay barrels. And the Koreans are flowing back after a very slow 2009.

"My business is better than before," says Mr. Kwong, as he presides over displays of the yellow-tinged liquor at the Angkor Rice Wine Workshop, a distillery and souvenir shop he owns. "It releases the hurt," he says of the liquor. Mr. Kwong attributes the medicinal benefits to the special 150 pound *soo krom* mushrooms used to make the mild-tasting liquor, which sells for \$25 a bottle.

What's happening at Mr. Kwong's shop is playing out across the region. Unlike the U.S. and Europe, where unemployment remains high and consumers are cautious, Asia's unemployment rates are falling. That has given Asians the confidence to travel, some for the first time.

More broadly, consumption spending has been driving growth across Asia. Government stimulus spending and subsidies for consumers to buy big-ticket items such as cars and appliances have helped economies expand at healthy rates. Chinese consumers bought more cars than Americans last year, for instance.

But the shift into travel spending, seen as a big-ticket discretionary item, is a sign perhaps of the next stage of the recovery. Unlike government-encouraged car purchases, "personal travel is a real indicator of consumer spending, in the sense that there are no subsidies involved," says Yuwa Hedrick-Wong, chief economist for MasterCard Worldwide, based in Singapore. He says Asian consumers, not burdened by debt, like in the West, were able to sock away money during the downturn and are now spending down that precautionary savings on travel.

Like auto purchases, tourism is a spending multiplier that puts money in the hands of a diverse set of actors in the economy, from airline pilots to taxi drivers and chamber-

Grand tour Asia

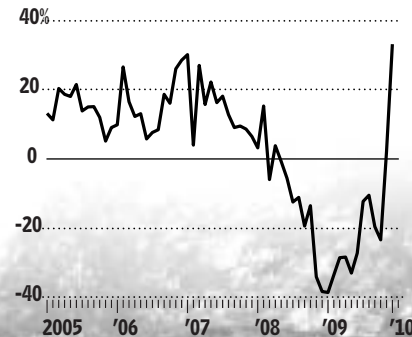
Tourism within Asia has picked up, a sign regional consumer demand is strong.

Sources: United Nations World Tourism Organization (expenditure), Korean Tourism Organization (outbound); Alex Frangos/The Wall Street Journal (photo)

Share of tourism expenditure as a percentage of GDP in 2008



Korean outbound tourism, year-on-year percentage change



South Koreans led on a tour of an ancient Buddhist temple in Cambodia.

maids. "It's a very good industry as a growth stimulus for the destination countries," says Mr. Hedrick-Wong.

The rise in intra-Asia tourism may help achieve a long-term goal sought by many policy makers around the world: a rebalancing of the global economy in which consumer spending becomes a bigger driver of Asia's growth.

To be sure, Asia's export-dependent economies still need American and European demand for their goods. And that goes for tourism. High-spending Americans and Germans are a critical source of demand in places such as Thailand and Indonesia. But more intra-Asian travel helps to ameliorate the sluggish travel recovery among Western consumers as they pay off overinflated home loans and credit-card bills.

An important source of tourism revenue for the rest of the region is

China. During the Lunar New Year holiday in February, a popular time for travel in the Chinese world, the number of mainland Chinese who went abroad increased nearly 21% from the year before to 2.4 million, according to government statistics.

Zu Hui, 28 years old, a worker at an oil-trading company in Beijing, recently took her honeymoon trip to the beach island of Phuket, Thailand. It was her first exploration outside of China, and called it "a great trip" filled with romance and water sports. She says going abroad can be cheaper than traveling within China, and it allows her to avoid the "oceans of people" who crowd China's byways during peak holiday periods. She's now planning a trip to Dubai.

In Malaysia, tourist arrivals have "not been disrupted because most of them come from Asia and the Middle East and from the emerging world," says central bank governor

Zeti Akhtar Aziz.

Malaysia bucked the global downtrend in travel and managed to attract 22 million tourists in 2009, a 7% increase from the year before. Tourism spending helped boost fourth-quarter growth to 4.5%. More than a million tourists came from China for the first time. India sent nearly 590,000 tourists to Malaysia.

Overall, Southeast Asia saw a 2% increase in international visitors in 2009, according to the Pacific Asia Travel Association. Global international travel fell 4%, says the World Travel Organization, led by Europe and North America, both down 6%.

The return of tourism activity is especially important to parts of Asia where the leisure travel industry is a key component of growth. Tourism expenditures made up 13.6% of GDP in Cambodia in 2008, 9.5% in Malaysia, and 8.4% in Thailand, according to the United Nations World Travel Organization. Taiwan cred-

ited its stronger-than-expected growth to a surge in tourism due to the relaxation of visitation rules from mainland China.

In the dusty colonial town of Siem Reap, visitors from South Korea, China and Taiwan have begun to stream in again after a sharp downturn in 2009. The number of Korean tourists venturing to Cambodia dropped 26% in 2009, as Korea's currency lost almost a third of its value during the financial crisis.

By December, however, Korean arrivals to Cambodia bounced back 21% compared to 2008 lows. Visitors from China and Taiwan also rebounded sharply in December, up 14% and 34% respectively, according to Cambodia's Ministry of Tourism. Tour guides, motor-taxi drivers, and folks like the Mr. Kwong, the winemaker, are getting busy again.

"More and more people are coming," says Lee KyungMi, owner of Damnak Spa, a small hotel and spa in Siem Reap that caters to Korean visitors. The native of Seoul cautions business is still not where it was two years ago, when a quarter-million Koreans visited Cambodia, many to see the Buddhist temples around Angkor Wat.

The main drag in Siem Reap is lined with Korean-owned hotels and Korean barbecue restaurants. And three new golf courses are also a magnet.

"Korean golfers are our major market," says Adam Robertson, manager of the Angkor Golf resort. They make up 70% of his customers. "When the Korean won devalued, that was hard to take." January and the first half of February was "very good."

High-end hotel operators in the area say they have seen a pickup in travelers from the U.S. and Europe, but they are aiming their biggest growth at Asian travelers.

"The last two months a lot more Koreans are coming," says Emmett McHenry, general manager at the Sokha Angkor Resort in Siem Reap. He has offered special deals to Chinese and Korean travel agencies and figures one-quarter of his visitors are from the two countries.

The rebound in travel spending points to a possible sweet spot in Asian growth. A modest demand recovery in the U.S. and Europe, combined with a confident Asian consumer, could be enough to keep Asia's economies humming for awhile.

—Juliet Ye
contributed to this article.

Beijing takes aim at Washington over economy

Continued from first page
ued and given China an unfair advantage at a time when many other economies are struggling.

"First of all, I do not think the renminbi is undervalued," Mr. Wen said, using the Chinese currency's official name. "We are opposed to countries pointing fingers at each other or taking strong measures to force other countries to appreciate their currencies. To do this is not beneficial to reform of the renminbi exchange-rate regime."

Mr. Wen didn't repeat the language used this month by central bank Gov. Zhou Xiaochuan, who had

said the yuan's current de facto peg to the U.S. dollar is a "special" measure that will eventually end. But Mr. Wen repeated previous statements that reforms to the currency system will continue. While he didn't rule out the possibility that the yuan could rise against the dollar, he argued it doesn't need to.

Mr. Obama, in a speech last week about his goal to double U.S. exports over five years, urged China to move to a "market-oriented" exchange rate.

The State Department's Mr. Crowley on Sunday referred questions on the Chinese currency to the

Treasury Department.

A Treasury Department spokesman declined to comment.

"I can understand that some countries want to increase their share of exports," Mr. Wen said, in an apparent reference to the Obama administration's goal. "What I don't understand is the practice of depreciating one's own currency and attempting to press other countries to appreciate their own currencies solely for the purpose of increasing one's own exports," Mr. Wen said. "This kind of practice I think is a kind of trade protectionism."

The U.S. dollar, which fell during

much of last year, has gained against major currencies in recent months. Premier Wen has previously taken a similarly uncompromising line on the currency issue. In November, he disappointed European Union officials visiting China by rejecting as "unfair" their complaints about the Chinese currency while they maintained their own trade barriers.

China is taking measures to promote imports and reduce its sizable trade surplus, Mr. Wen said. He played down China's new status as the world's largest merchandise exporter—it overtook Germany in

2009—noting that 60% of its exports are produced by foreign companies that have invested in China. Limiting China's trade would hurt these foreign companies, he said.

Mr. Wen also countered complaints over the currency by noting that China is an important export market for countries including Germany, the U.S., Japan and South Korea. China runs a sizable trade surplus, meaning that it exports more overall than it imports.

—Darrell A. Hughes and Gary Fields in Washington and Ting-I Tsai and Sky Canaves in Beijing
contributed to this article.