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European Central Bank President Jean-Claude Trichet testifies to the European Parliament in Brussels on Monday. He said euro-zone loans to Greece were possible under certain conditions.

## Trichet weighs in on Greece aid as worries drive down the euro

BY BRIAN BLACKSTONE

European Central Bank President Jean-Claude Trichet outlined conditions under which Greece could receive assistance from its euro-zone partners but stressed any package must be in the form of loans rather than subsidies.

Mr. Trichet's comments, in testimony Monday to the European Parliament, came as doubts over Europe's commitment to helping Greece weighed on the euro and drove up Greece's borrowing costs. He also took aim at growing divisions between European governments and institutions, effectively telling them to get their stories straight on Greece and to stick to them.

Loans to Greece are a pos-

sibility, Mr. Trichet suggested, as long as they don't "mix up" a transfer or subsidy that would give Athens financing advantages.

"We can only be talking about a loan without any sort of subsidy elements. That needs to be clear," Mr. Trichet said. As a precondition for such a loan, the "extraordinary situation" has to threaten the euro zone as a whole, and not just an individual country, he said.

Mr. Trichet sought to turn the volume down in the increasingly fractious debate about Greece's debt crisis. "Verbal discipline is of utmost importance," he told the European Parliament. "I would prefer that different institutions think first and then express their opinions as clearly

as possible."

Germany continued to push for consideration of international Monetary Fund participation in any aid, distancing itself from the ECB and its own national central bank, the Bundesbank, which reject an IMF role. "I say this very explicitly, in my opinion [help from] the IMF is a subject that we need to consider and that we must continue to discuss," German Chancellor Angela Merkel said Monday. Ms. Merkel repeated comments she made over the weekend that European Union leaders won't decide on an aid package for Greece at their summit in Brussels on Thursday and Friday.

Euro-zone governments will intervene to help Greece  
*Please turn to page 4*

## Google stops censoring Chinese site

BY JESSICA E. VASCELLARO AND LORETTA CHAO

Google Inc. stopped censoring its Internet-search services in China, a taking a stand against Beijing's restrictions in what may prove to be a pivotal moment in the history of U.S. companies' efforts to do business in China.

Google's move Monday puts its business in one of the world's most important markets on rocky ground, using a strategy that seeks to defy China's stance against information freedom while still keeping a foot in the country.

The company said it was redirecting people who visited its Chinese site, Google.cn, to Google.com.hk, an uncensored version of its service hosted in Hong Kong.

The change was made in the middle of the night in Beijing and the unfiltered search service becoming available to people inside China, but experts said Chinese authorities

will likely block access.

Early Tuesday morning in Beijing, China's state-run Xinhua news agency quoted an unnamed official at the Internet bureau of China's State Council Information Office, saying Google had "violated its written promise" and is "totally wrong" to stop censoring its Chinese language search results and blaming China for alleged hacker attacks.

Google officials said the company intends to continue to operate uncensored services, such as Google Maps, for Chinese Internet users. It will also plans to keep its sales and research development operations in China, a spokesman said.

David Drummond, Google's chief legal officer, wrote in a blog post that the company is "well aware that [China] could at any time block access to our services." The company has also set up a site showing users which of its services are

available in China and which are being blocked by the government.

Google is trying to continue to offer services to Chinese users outside the jurisdiction of Chinese law, a strategy that few other companies, even those who have expressed growing frustrations with doing business in China, are likely to follow.

"I'm not convinced China will allow this to continue," said John Palfrey, an Internet scholar at Harvard Law School. "The first thing that the Chinese government could do when it is angered by Google is to block traffic to that Hong Kong site," he said.

Google appears to be setting itself up to fight China's  
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Labour has run out of other people's money. Page 11

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## PAGE TWO

# By the book: a guide for lobbying

## [ Agenda ]

BY PATIENCE WHEATCROFT



For £19.99, a new copy of "How to Win Friends and Influence People" can be yours.

More than 16 million volumes of Dale Carnegie's guidebook have been sold since it was first published in 1937. Seventy-three years later, the appetite for help in getting a particular viewpoint heard is greater than ever.

Some people and businesses are prepared to pay very much more than the cost of a new book for a little influence.

Last year, bankers J.P. Morgan spent \$6.17 million on lobbying. The pharmaceuticals company Eli Lilly went considerably further, although its bill for \$11.21 million on lobbying was down on the previous year. Big oil, as usual, produced the biggest spenders: Chevron got through \$20.8 million on its lobbying efforts.

Had any of these organizations decided they needed to try and buy a little influence in the U.K., it seems they could have had an awful lot of former ministerial time for their money.

We learned this weekend that Stephen Byers, a former Treasury and Transport minister in Tony Blair's government, priced himself at between £3,000 and £5,000 a day. Whether this would have been money well spent seems highly unlikely.

Revelations about various former U.K. government ministers' efforts to sell their services have caused outrage in Parliament and the news media. Perhaps the real outrage, though, is to suggest that any business should seriously believe the way to have influence is to buy the services of a former minister.

In the influence stakes, former ministers don't make it past the starting gate. They are as dead as Monty Python's famously dead parrot. They are no more. So any business leader thinking that a



Stephen Byers priced himself at between £3,000 and £5,000 a day

few thousand pounds binged in Mr. Byers's direction could result in a change in government policy really needs to be sent back to kindergarten

As Lord Adonis, the current Transport minister, made brutally clear in an angry statement yesterday, his actions in relation to transport company National

## The difficulty for those who pay for lobbying services is in evaluating which bits work best

Express weren't influenced in the slightest by any words on the subject from Mr. Byers, though there were some.

"Pure fantasy" was how he described Mr. Byers's initial attempts to portray himself as the fixer who had turned events to National Express's advantage.

But this is not to say lobbying cannot be effective.

The difficulty for those who pay for it is in evaluating which bits work best.

Chevron's board must believe that the company is benefitting from its lobbying efforts but shareholders must also wonder whether the same result could be achieved at much less cost.

As Dale Carnegie knew, being

listened to is important for business, particularly when lawmakers can change the ground rules within which companies must operate.

A survey on European lobbying last year found that three-quarters of legislators did say representations from business helped them make informed decisions. However, six other sources of information, starting with personal research and followed by colleagues, ranked above that.

The survey, conducted by lobbying consultancy Burson-Marsteller, questioned members of both the European Parliament and 15 national parliaments. It found some interesting discrepancies. In Italy, the land of Silvio Berlusconi, for instance, 67% of respondents felt that lobbying had a positive impact on democracy. In Poland, the figure was just 3%. Overall, a significant majority thought that transparency was key, with lobbyists having to be clearly identified. In Spain, however, attitudes were pretty relaxed about this, with only 26% seeing transparency as a necessity.

In the U.K., the latest furor has fuelled calls for more transparency about would-be lobbyists. The current regime whereby they can voluntarily register their activities is now to become a statutory requirement. Since members of Parliament are

already obliged to register any business dealings they undertake, had Mr. Byers actually had any pecuniary reason for wanting to help National Express, then this should already have been in the public domain. It would only have affected him once he had left the House of Commons at the next election. After the ineptitude he has demonstrated in this episode, however, there will probably be little point in him signing up. A copy of Dale Carnegie's book would clearly be more use than anything Mr. Byers could provide.

For genuine lobbyists outside Parliament, a statutory register is unlikely to impact on their activities, but it may provide a more comprehensive industry guide than any that currently exists for those seeking to buy help. And sometimes, the professionals can be of use. Captains of industry may have access to ministers but they also have heavy demands on their time. Employing professionals who can lay the groundwork for any discussions may be an effective investment.

This is particularly true in Brussels, where navigating the corridors of power requires a very sophisticated compass.

It may mean that businesses keen to make friends and have influence in the European Union should be paying rather more attention to graduates of the European Commission and the European Parliament than national parliaments. That may be another reason why former ministers don't amount to the great asset they would like to imagine themselves to be.

As the imminent U.K. general election is set to see a big batch of former government ministers joining the jobs market, hoping not just for lobbying commissions but also some lucrative directorships, companies should react with caution. One or two of these candidates may bring useful knowledge and a few contacts. On the whole, though, would your boardroom really be enhanced by the presence of the equivalent of a dead parrot?

## What's News

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4. What's in the Health-Care Bill
5. Cries of 'Hey, That's My Jet!'

### Reader comment

europe.wsj.com

"They should focus on how to jump start the economy rather than attack financial institutions."

David Mak on Conservative's plans to introduce a U.S.-style bank levy



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### Previous results

**Q: Should British Airways management tough it out or seek a settlement with the Unite union?**

No compromise

65%

Let's talk

35%

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## NEWS

# Wagner's grandson dies

*He revived festival dedicated to the composer and ran it for 57 years*

Associated Press

MUNICH—Wolfgang Wagner, the grandson of composer Richard Wagner and the leader of the Bayreuth opera festival for more than half a century, died Sunday, the festival said in a brief statement on its Web site. He was 90.

"Wolfgang Wagner dedicated his whole life to the legacy of his grandfather," the festival said—adding that his long service as the event's leader means that he "goes into history as the longest-serving director in the world."

Mr. Wagner stepped down after the 2008 festival following a lengthy power struggle in which the patriarch long resisted efforts to dislodge him. He had led the festival dedicated to his grandfather's works since 1951, first with his brother, Wieland, then as the sole director—with a lifetime contract.

His insistence on serving out that contract led in his later years to clashes with officials who oversee the event—held every summer in the Bavarian town of Bayreuth in the small brick theater built by Richard Wagner in the 1870s. It also triggered a spat within the family that itself was worthy of opera.

For years, Wolfgang Wagner insisted that only his second wife, Gudrun, could succeed him, although government officials and festival officials refused to accept her.

By the time Gudrun died in November 2007, Mr. Wagner was insisting that only the couple's daughter, Katharina, could fill his shoes—putting him at odds with two other Wagners who also sought the job.

Wolfgang finally agreed to step aside in 2008; Katharina and Wolfgang's long-estranged daughter from his first marriage, Eva Wagner-Pasquier, teamed up to beat out a rival bid from their cousin. They took charge last year.

Born on Aug. 30, 1919, in Bayreuth, Mr. Wagner studied the trumpet and French horn before being sent to fight on the eastern front in World War II. In 1939, he was severely wounded and sent back to Berlin.

He first took charge of the festival—along with his brother, Wieland—in 1951, reviving the event that had been stopped by the war.

The pair worked to restore its tarnished name, with Wolfgang Wagner concentrating on organization and finances of the festival. He founded the "Society of Friends of Bayreuth" to accept donations and won government support.

Following Wieland's death from cancer in 1966, Wolfgang took over as sole director. In addition to increasing the funding and establishing a separate foundation to oversee the composer's library, Mr. Wagner also invited directors from abroad to direct individual operas.

While many of the versions sparked controversy, they were often groundbreaking interpretations of Richard Wagner's operas, in keeping with Wolfgang's idea of broadening their meaning by emphasizing their universal human context.

His own productions, including "Lohengrin" in 1953 and his second "Parsifal" in 1989, reflected this. Mr. Wagner remarked in 1957, that the "human, the Wagnerian being" was the most important element of his own productions.

The Wagner family's close connections to the Nazis and their ide-

ology were a recurring theme during Wolfgang's tenure.

In 1997 his estranged son, Gottfried, published a book on the issue accusing his father of failing to renounce the virulent anti-Semitism of Wolfgang's mother, Winifred, a glowing admirer of Adolf Hitler, who headed the Bayreuth festival under the Nazis in the 1930s.

During Winifred's reign, Hitler not only helped to fund the festival, but was allowed to meddle in artistic decisions.

Mr. Wagner denounced the book as "one-sided" and "primitive" and banned Gottfried—one of two children from his marriage to his first wife, Ellen—from the family home.

Its publication came at a time when Mr. Wagner was also under

pressure from Wieland's daughter, Nike Wagner, who criticized what she called her uncle's "monarchic" leadership style.

Flags were lowered to half-staff at Bayreuth's city hall and public buildings decorated with black ribbons. "With your father, Bayreuth and the entire opera world are losing one of their true greats," German President Horst Köhler wrote to Mr. Wagner's daughters.

Bavarian Governor Horst Seehofer said "it is thanks particularly to Wolfgang Wagner that the Bayreuth festival is a hallmark of Bavaria and a magnet for visitors from around the world."

Mr. Wagner is survived by his three children. There was no immediate word on funeral arrangements.



Wolfgang Wagner, above, at his final Bayreuth opera festival in August 2008.

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## EUROPE NEWS

# Madrid pushes regional cuts

Spain's central government gets powerful provincial governments to agree to reduce deficits

By JONATHAN HOUSE

MADRID—Under pressure to cut one of the European Union's biggest budget deficits, Spanish Finance Minister Elena Salgado Monday reached a broad agreement on cost-savings measures with the finance chiefs of Spain's powerful regional governments, though representatives of the country's main opposition party abstained from the vote.

The agreement represents a crucial step forward for the government of Socialist Prime Minister José Luis Rodríguez Zapatero in its plans to reduce the budget deficit to 3% of gross domestic product in 2013, in line with European Union requirements.

The government said the final budget deficit for 2009 was equal to 11.2% of GDP, down from its previous estimate of 11.4%.

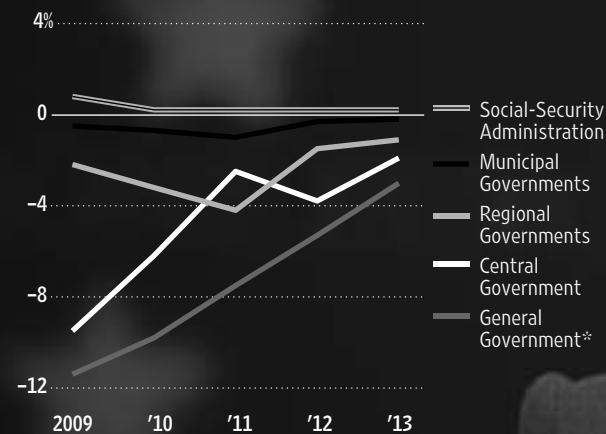
At a meeting with journalists, Ms. Salgado said Spain's regions had signed on to a plan under which her government proposes to reduce the structural deficit by around €60 billion (\$81 billion), or 5.7% of GDP, by the year 2013. The central government would shoulder the bulk of the reduction—around €55 billion—while regional and municipal governments will be responsible for cutting the remaining €5 billion.

Spain's decentralized structure of government makes the task of deficit reduction more difficult than in some other European countries. The central government—excluding the state's social-security administration—directly controls less than a third of public spending and can

## Targetting 2013

To bring the general government deficit down to 3% of GDP by 2013, Spain needs cooperation from regional governments

Estimated balances of different layers of Spanish public administration



Note: Negative numbers indicate deficit, positive numbers indicate surplus.  
\*General government balance represents total of all layers of administration.  
Source: Spain Finance Ministry  
Photo: Bloomberg News

Spain's finance minister Elena Salgado ▶



set only broad guidelines for the regional and municipal administrations that control the rest.

Spain's powerful regional governments actually control the biggest portion of spending—36% of the total in 2008—and have a long history of rapidly increasing their spending and budget deficits. Responsible for basic services like health and education, they have

borne the brunt of absorbing the millions immigrants who have arrived in recent years to take advantage of Spain's formerly buoyant economy.

Spain is grappling with the collapse of a decade-long housing boom that has pitched the wider economy into a deep recession, sent tax revenue plummeting and social-welfare costs soaring. With an un-

employment rate nearing 20%—by far the highest in the euro zone—Spain expects to spend more than €30 billion on unemployment benefits alone in 2010.

Ms. Salgado revealed some cracks in Monday's agreement: eight regions governed by Spain's main opposition group, the Popular Party, abstained from the vote on the deficit-reduction plan.

## EU consumer confidence stagnates

By PAUL HANNON

LONDON — Consumer confidence in the 16 countries that share the euro was little changed at a relatively low level in March, reflecting uncertainty about the strength of the economic recovery and about prospects for the region's labor market.

The European Commission Monday said its flash—or preliminary—measure of consumer confidence rose to -17.2 from -17.4 in February. That was in line with the expectations of economists surveyed by Dow Jones Newswires last week.

Having strengthened steadily for much of 2009, the commission's measure of consumer confidence has moved little since November, when it stood at -17.

The lack of an improvement partly reflects uncertainty about the economic outlook, and in particular how large an impact the Greek government's debt problems will have on the currency area as a whole.

Leaders from the EU's 27 members will meet Thursday and Friday, although it isn't clear whether they will be able to agree to a framework for providing help to the Greek government. If consumer confidence in the euro zone doesn't strengthen further, consumers are unlikely to increase their spending, leaving the euro zone's recovery dependent on exports.

## Trichet outlines conditions

Continued from first page  
only as a last resort if the bloc's stability is threatened, the chancellor's spokesman Ulrich Wilhelm said. In that scenario Germany would be open to "financial assistance by the IMF," he said, hinting at a potential joint aid package involving the IMF and euro-zone governments.

Mr. Trichet has strongly rejected an IMF role beyond technical assistance, saying it wouldn't be "appropriate." In a report Monday, the Bundesbank agreed, saying IMF assistance to Greece wouldn't fit the institution's mandate.

### Mr. Trichet called Greece's steps to rein in its deficit 'courageous' and said they should cut borrowing costs.

European policy makers' growing divisions put pressure on the euro Monday. The common currency briefly sank to a three-week low of less than \$1.35 after Greece's deputy prime minister Theodore Pangalos said the euro would "have no meaning" if Athens is left unprotected in the face of market speculation against its government debt. The euro later recovered as higher U.S. equities spurred greater risk taking by investors. Still, the risk premium Greece must pay on its debt rose, with the 10-year bond yield spread over safer German bonds rising

about 0.10 percentage point to 3.35 points. The cost of insuring Greek sovereign debt against default using credit default swaps also rose.

Mr. Pangalos also accused Germany of deliberately allowing Athens to twist in the wind while a weaker euro propels Germany's exports.

Greece's central bank added to the pressure, on Monday saying GDP there will contract 2% this year, more than double its previous forecast. A deeper-than-expected recession would make it even harder to achieve the ambitious deficit reduction Athens has promised. Greece's deficit was 12.9% of GDP last year, the central bank said, even higher than the government's previous 12.7% estimate. The country faces a "vicious circle" as it tries to repair its finances, since budget cuts will compound the recession, the central bank said.

Mr. Trichet offered some verbal support to Greece, calling its steps to rein in its deficit "courageous" and saying they should bring down borrowing costs. He also strongly hinted that its debt would still be acceptable as collateral for cheap ECB loans, even if credit-ratings agencies cut Greece's rating, provided Greece reduces its deficit as promised. Under current, relaxed rules introduced during the global financial crisis, Greek debt's eligibility as collateral at the ECB isn't in danger. But under precrisis rules due to be reinstated next year, further credit-ratings downgrades

### Rising strain

Spread between 10-year Greek bonds and comparable German bonds, in percentage points



Source: Thomson Reuters

could render Greek debt ineligible.

Mr. Trichet said he expects financial markets to "progressively realize" that Greece's fiscal measures are "convincing," and "if it would appear that this working assumption is too optimistic ... then we will look at the situation."

Mr. Trichet, one of the architects of Europe's common currency, also moved to quell talk that countries could face expulsion from the euro zone, an idea he has repeatedly called "absurd."

"The euro area is not a la carte," Mr. Trichet said. "We share a common destiny."

—Nina Koepfen and Geoffrey T. Smith contributed to this article.

## Activity stays weak in U.K., BOE says

By NATASHA BRERETON

LONDON—Bank of England Governor Mervyn King said that the level of U.K. economic activity is very likely to remain below its pre-recession levels and economic conditions will feel "far from normal" for some time to come, even as growth picks up.

Mr. King said the BOE's Monetary Policy Committee believes it is probable that recent data on output will be revised up "slightly" in time, but will still show a large contraction in the economy.

Latest official figures show that the U.K. economy finally started growing again, albeit modestly, in the final quarter of 2009, after a slump of six quarters resulted in the sharpest contraction in output in more than 50 years.

But Mr. King stressed on Monday that it is the level, rather than the growth rate, of activity that determines unemployment and inflationary pressures.

"The reality is that even if growth rebounds, the level of activity is still very likely to remain weak for a considerable period compared to the peak at the start of 2008," Mr. King said. "The economic environment is likely to continue to feel far from normal for some time."

Last month, the committee suspended its £200 billion (\$300 billion) quantitative-easing policy of buying bonds with freshly created central bank money, which it launched in March 2009, having slashed its key interest rate to a record low of 0.5%.

But it has stressed that it could extend the program if the economy doesn't pick up as rapidly as it expects.

Mr. King said the latest inflation data support the committee's view in its February inflation report that had annual price growth jumping above the 2% target before slipping back below it later in the year.

Economists expect official figures Tuesday to show that annual consumer-price inflation eased to 3.2% in February from 3.5% in January.

Mr. King said the committee is looking at ways to provide additional information on its inflation projections, to give a clearer view of the risks and divert attention from its central projection.

Options include a "probability ribbon," which would show a range estimate of the likelihood that inflation will exceed the target.

Responding to a question about whether the BOE could attach probability and consequences to various inflation outcomes, Mr. King said he didn't think it would be feasible in the case of monetary policy, but the approach might work for financial stability.

"I do think it should be something that we should aim to do," Mr. King said. "One of the weaknesses of what led up to 2007-2008 was that we did publish a variety of verbal warnings about the risks of the system, but we never got around to calibrating it in terms of probabilities, that if we had done that might well have caught the attention of people much more vividly."



EUROPE NEWS

# U.K. political dustup

*Labour vows to clamp down on lobbyists amid influence allegations*

BY ALISTAIR MACDONALD

Allegations that three prominent U.K. politicians offered to accept cash in exchange for peddling influence with the government have created fresh embarrassment in British politics—and especially in Prime Minister Gordon Brown's Labour Party—ahead of a spring election.

The allegations, which arose from an undercover operation run jointly by a newspaper and a television network, included three members of Parliament, all former government ministers, who aren't standing for re-election. The politicians were taped suggesting that they are available for hire by companies seeking influence at high levels of government.

The dustup has unleashed calls for a clampdown on lobbyists and pushed Labour to promise as part of its election manifesto to end self-regulation of lobbyists. Unlike in most countries, including the U.S., lobbyists in the U.K. have no statutory obligation to register themselves and their clients.

Parliament's own lax self-regulation is widely believed to have been behind a scandal last year, when revelations that politicians had abused the Parliamentary expense system severely damaged Westminster's reputation among voters.

Because three of the allegations concern former Labour ministers, Mr. Brown could be hit hard ahead of an election expected in early May. Political analysts say the news will cement an already cynical public's views about their politicians, encouraging low turnout and support for non-mainstream parties.

Former Labour ministers Stephen Byers, Geoff Hoon and Patricia Hewitt were recorded offering paid lobbying services to reporters from the Sunday Times newspaper and Channel 4's Dispatches program, who pretended to be executives from a fictitious American lobbying firm. The Sunday Times is owned by

News Corp., which also owns Dow Jones, publisher of The Wall Street Journal. MPs are forbidden from being paid to advocate in Parliament on behalf of outside interests.

Mr. Byers, a former transport minister, was taped saying he would be like a "cab for hire" for £5,000 (\$7,500) a day. Mr. Byers retracted the claims he made in the film footage. He said he had referred himself to Parliament's standards watchdog and believes he will be cleared.

Mr. Hoon, a former defense secretary, has denied wrongdoing. He didn't return calls requesting comment.

Ms. Hewitt said Monday her comments had been taken out of context and that the conversation was about work she might do once she had left Parliament.

The government rejected calls for an investigation, saying that statements from all involved speak for themselves.



Stephen Byers, recorded by Channel 4, said he would be like a 'cab for hire'.

## U.K. to double penalties owed for tax evasion

BY LAURENCE NORMAN

LONDON—U.K. Chancellor of the Exchequer Alistair Darling will announce in his budget on Wednesday a doubling of the penalties that can be imposed on tax cheats, according to a person familiar with the situation.

The move is the latest by the government to crack down on tax evasion amid an economic crisis that has hit the public finances hard. Earlier this month, the treasury gained new powers to name and shame tax cheats.

Under current rules, tax evaders have to pay back the money owed and can face fines worth 100% of the unpaid taxes. They can also face criminal prosecution.

In his annual budget statement, Mr. Darling will lift the maximum fine to 200% of the money owed.

The person familiar with the situation said the higher penalty is intended to send a clear signal there will be no letup by authorities.

# Managing risk brings peace of mind.

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## EUROPE NEWS

# Sarkozy shuffles cabinet after vote

French president replaces labor minister to overhaul pension system and names others close to Chirac to heal rifts

BY DAVID GAUTHIER-VILLARS

PARIS—A day after his conservative party was trounced in regional elections, French President Nicolas Sarkozy made minor changes to his cabinet to try to unite his party and fix France's economic problems.

Mr. Sarkozy appointed a new labor minister to handle a planned overhaul of the debt-laden state-run pension system, a hot issue here that has caused massive protests in the past and where unions energized by Sunday's vote could become more active.

Already French civil servants upset at the government's handling of labor issues plan to strike Tuesday, likely disrupting transport, postal services and schools.

For two other posts, the president picked politicians who have traditionally been close to Jacques Chirac, his predecessor. The move could help unite France's conservative family at a time when Dominique de Villepin, who was prime minister under Mr. Chirac, is considering launching his own rival party.

Mr. Sarkozy's ruling party, Union pour un Mouvement Populaire, or UMP, finished far behind a coalition of Socialist, Communist and green parties in Sunday's second round of regional elections. Several UMP leaders said their defeat should be interpreted as a wake-up call for the president, who has two years of his five-year mandate remaining.

They urged Mr. Sarkozy to return his focus to his 2007 electoral



French President Nicolas Sarkozy, left, with François Fillon, who remains prime minister after minor cabinet changes.

pledges of slimming down the state, reducing the budget deficit and halving unemployment, which now exceeds 10%.

"We must commit to pushing through four or five major reforms—not 40 reforms," former

prime minister and UMP senator Jean-Pierre Raffarin said on French television Monday. Mr. Sarkozy, who has pursued a wide agenda, is under pressure to clarify his policies.

At the start of his mandate, the French president sought to energize

France's sluggish economy by diminishing the role of state. He cut taxes, authorized more exemptions to the country's 35-hour workweek and slashed thousands of civil-servant jobs. Last year, however, he changed course as the large size of

France's public sector cushioned the devastating impact of the global financial crisis.

In his cabinet shuffle Monday, Mr. Sarkozy retained his most senior ministers in the posts they have held since he was elected in 2007: François Fillon remains prime minister, Christine Lagarde finance minister and Bernard Kouchner foreign minister.

To tackle the pension overhaul, Mr. Sarkozy replaced Xavier Darcos as labor minister with Eric Woerth, who had been budget minister.

The state-run system, under which employees help pay for the pensions of retirees, is deeply in debt, and the government would like the French to work beyond the legal retirement age of 60.

In an effort to return peace in his own political family, Mr. Sarkozy picked François Baroin, a UMP lawmaker who has been a vocal critic of the president in recent months, as budget minister. In addition, Georges Tron, another UMP lawmaker and a close ally of Mr. de Villepin, was named junior minister in charge of state administration.

Mr. de Villepin, who was acquitted in January in a high-profile slander case in which Mr. Sarkozy was a plaintiff, is working on creating his own political movement and has said he might run in the 2012 presidential elections.

In Sunday's voting, UMP won 35% of the votes; the left-wing coalitions 54%; and the Front National far-right party 9.4%.

## Ankara proposes changes to constitution

BY MARC CHAMPION

ISTANBUL—Turkey's government unveiled proposed amendments to the country's military-drafted constitution that would significantly change the balance of power in this sharply divided nation.

The 26 amendments would increase civilian control of the armed forces, and give Turkey's parliament and president more influence over key judicial bodies.

Turkey's courts came close to banning the ruling Justice and Development party, or AKP, in 2007, and blocked its attempt to relax laws banning the wearing of head scarves in universities.

The government hailed the proposed changes as a boon to democracy and to European Union membership talks, while opponents slammed them as a political power

grab that could result in political turmoil.

The proposal was "made in the AKP's kitchen" and for its own interests, said Deniz Baykal, leader of the opposition Republican People's Party.

Drafted in the wake of a 1980 military coup, Turkey's constitution has been the target of sustained criticism from the Council of Europe, an intergovernmental watchdog for civil and human rights, and from the European Union, which has set constitutional reform and subordination of the military to civilian control as requirements for Turkey's EU membership talks.

"This has to be seen more as a first step than a sufficient step" toward meeting those concerns, said Thomas Markert, secretary of the Venice Commission, the Council of Europe body that advises members on constitutional reform, in a phone interview.

Inside Turkey, the constitution is seen by supporters and opponents of the country's Islamic-leaning government alike as a cornerstone of the state that has enabled the army and courts to check, and sometimes remove, elected governments that the military and judges considered too Islamist.

Markets reacted nervously to the government plan on Monday. The main Istanbul stock index fell 0.85%, while the Turkish lira dropped 1.16% to 1.549 to the U.S. dollar.

"This package will create more tension and not resolve anything," said Asli Toksabay Esen, an analyst at the Ankara-based Economic Pol-

### Law games

Highlights from 26 proposed amendments to Turkey's constitution

#### Article 69

Banning political parties is made all but impossible, requiring support from two-thirds of parties in parliament, while MPs from a banned party can form a party under a new name after 3 years.

#### Article 125

Decisions by the Supreme Military Council to dismiss personnel, often for pro-Islamist beliefs, could be appealed in an unspecified court.

#### Article 146

The Constitutional Court, a bastion of secularism, would be expanded to 19 members from 11, of which parliament would elect 3 and Turkey's president the other 16, of which seven at the leader's own discretion and 9 are from nominations.

Sources: Economic Policy Research Foundation of Turkey (TEPAV); WSJ research

#### Article 159

The Higher Board of Judges and Prosecutors, another secularist bastion, would be expanded to 21 members from 5. Currently, all are chosen by the top courts, with the Minister of Justice and his deputy chairing. Now 4 members are to be chosen by the president, the rest by higher and lower courts, and the Minister of Justice and deputy would remain.

#### Article 15

An article that had prevented any prosecution of the 1980 military coup leaders would be eliminated.

#### Clause 41

Preferential treatment in favor of women, children, the elderly and disabled would gain protection.

icy Research Foundation of Turkey. She said the government was hurrying through reforms that need wide debate and consensus, ahead of elections next year, which are likely to produce a coalition government.

If the proposals become law, they would curb the army's right to dismiss officers at will—liberally used in the past to purge those the army's top brass deemed too Islamist. Instead, such decisions would be subject to appeal in the courts.

Also, an article of the constitution protecting leaders of the 1980 coup from prosecution would be removed—a popular if symbolic gesture, given that the statute of limitations has long since expired.

Several of the amendments would protect the AKP from the continuing threat of closure by the country's Constitutional Court, a bastion of secularist judges.

Under the plan, any bid to close a party would have to be approved

by two-thirds of the parties in parliament. If a ban were successful, legislators would later be allowed to reconstitute the party under a new name.

The Constitutional Court itself would be expanded to 19 members from 11, with the parliament appointing three of the court's members and the president naming the remaining 16—seven of these at the leader's own discretion, and possibly including nonlawyers. Currently, the government and parliament have no role in selecting the court.

The Supreme Board of Judges and Prosecutors, another powerful protector of secularist institutions that has clashed recently with the government, also would be expanded—to 21 members from five. The president would play a significant role in appointing members, as would unspecified lower level judges and lawyers less likely to be hostile to the government.

Other changes include increased labor-union rights for public servants, and guarantees for certain preferential treatments for women, children, the elderly and the disabled. That clause, however, drew suspicion from pro-secular media and politicians, who saw its wording as an attempt to promote the right to wear Islamic head scarves.

Politicians and analysts say the AKP is unlikely to get the 367 votes it needs in the 550-seat parliament to adopt the amendments.

The government already has said that if that happens, it will call a referendum on the changes, a vote analysts say it is likely to win.

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U.S. NEWS



Ken Kahalekai, a 65-year-old Maui native, is a taro farmer in Maui's Waihee Valley.



HC&S employees Garret Hew, left, and Rick Volner Jr. at the plantation.

# On Maui, water fight comes to boil

*Coalition of native farmers and environmentalists is seeking to reclaim flows long diverted by sugar plantation*

By **Stu Woo**

PUUNENE, Hawaii—Two important sides of local history are fighting over water rights here in the central valley of Maui, pitting the last of the state's once-powerful sugar plantations against native farmers who want to grow a vegetable tied to Hawaii's ancient culture.

For more than a century, the plantation has diverted water from streams for its operations. The native Hawaiians, in coalition with environmentalists, want the water back in the streams to restore the habitat and to cultivate taro, a leafy root vegetable native Hawaiians consider sacred.

After a half-decade of hearings and legal maneuvering, the Hawaii Commission on Water Resource Management is set to issue a key ruling in the dispute in coming months. The decision, which is likely to be appealed in court, will dictate how much water will be returned to four major streams in western Maui and how much will continue to flow

to the sugar plantation. An average of 60 million gallons of water flows through the streams daily, and most of it is diverted.

The ruling could have significant consequences: The sugar plantation says it could close if it loses water, while native Hawaiians hope it sets a precedent for a case involving a bigger chunk of water the plantation diverts daily.

For centuries, farms growing taro spanned the slopes above this town. The vegetable was crucial to Hawaiian culture; families would avoid having an argument if poi, a purple paste made from mashing taro roots, was on the dinner table out of respect for the taro.

"It's important because our ancestors believe they descended from taro," said 31-year-old Hokuao Pellegrino on a recent morning, as he stood before a farm he restored with his family. "It's not just any old crop we used for food. We're connected to it spiritually."

Native Hawaiians said taro farming all but ceased after foreigners

took over land and water in the mid-1800s, largely by cutting deals with King Kamehameha III and local chiefs.

Sugar plantations then thrived, hiring thousands of immigrants and locals. In Puunene, the Hawaiian Commercial & Sugar Co. pumped water and money into Maui's arid central valley, helping to turn it into a fertile commercial center.

"The plantation lifestyle built this state," said Christopher Benjamin, general manager of HC&S, the last remaining plantation and a division of Alexander & Baldwin Inc.

Sugar plantations starting closing in the 1980s because production costs rose. Mr. Benjamin said HC&S survived because it was the biggest and benefited from economies of scale. Over the past two years, though, it lost \$45 million because of a drought, he said.

The seven-member water commission's decision will be pivotal, both sides said. The struggling sugar company, which irrigates one-seventh of its plantation by diverting

most of the water from these western Maui streams, said it would be forced to close and lay off its 800 workers if it loses half the water, as the commissioner who heard the case recommended.

The native Hawaiians and environmentalists believe the decision will set a precedent for future Maui water disputes, including another pending case the commission could also address this year. That conflict involves eastern Maui streams that provide most of the sugar plantation's water. Taro farmers say they don't get enough water because of the diversions.

Arguing the water case for the coalition of environmentalists and native Hawaiians is Earthjustice, a law firm focusing on environmental issues. It said water should go back to the streams of Na Wai 'Eha, or the Four Great Waters, because the state constitution requires the government to protect and restore the environment and native Hawaiian traditions.

Lawyer Isaac Moriwake cited a

2000 state Supreme Court ruling, which forced a defunct sugar company to return some stream water. He said the decision also reaffirmed water as a public, not private, resource.

HC&S isn't the only defendant in the case. It controls the majority of the western Maui stream water in dispute, with the rest under the jurisdiction of the Wailuku Water Co., a former sugar company itself. Wailuku didn't return a call for comment.

HC&S has always been an efficient water user, says Mr. Benjamin, the HC&S general manager. The plantation's water diversions keep the naturally desert-like valley green, he says, and its long-term plan is to transform into a producer of renewable biofuels.

The state constitution also protects economic and agricultural interests, he says, and HC&S provides jobs and spends tens of millions of dollars in the local economy each year. "Our use of water is absolutely in the public interest," he says.

# Minnesota Republican Pawlenty feels heat

By **AMY MERRICK**

Minnesota Gov. Tim Pawlenty, a possible 2012 presidential candidate, has staked his reputation on making tough budget cuts. But, like other governors around the U.S., he is losing popularity as he pushes tax and service cuts in an increasingly contentious budget battle.

The Republican has proposed eliminating the state's \$1 billion budget deficit through steep cuts to health care, local governments and state agencies. He proposed lowering the state corporate-tax rate, and cutting small-business taxes by 20%.

Mr. Pawlenty's popularity among state voters has fallen to its lowest level since he was elected in 2002, said the Center for the Study of Politics and Governance at the University of Minnesota. In an early March poll, 42% approved of his job performance; 52% disapproved.

A caller to Mr. Pawlenty's weekly radio show this month berated him for his recent veto of legislation to preserve government-sponsored health-care coverage for residents who earn less than \$8,000 a year.

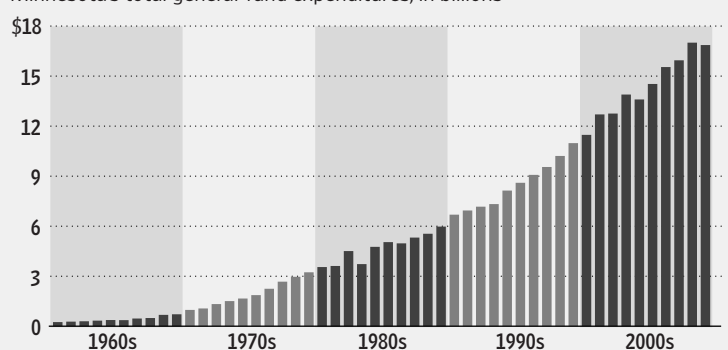
Critics in the Democratic-Farmer-Labor party—as Minnesota's Democrats are known—that dominates the legislature have accused him of being more concerned about selling himself nationally than solving the state's fiscal problems. Mr. Pawlenty hasn't said whether he'll run for president in 2012.

Mr. Pawlenty said his budget priorities were set long before he embarked on his busy travel schedule. "I've governed as a strong fiscal conservative for almost eight years and have balanced the state's budget time after time without raising taxes," he said through a spokesman. "The idea that my approach now is different just doesn't hold up."

## Growing problem

Governor Tim Pawlenty is trying to curb state spending in Minnesota after decades of steep growth.

Minnesota's total general-fund expenditures, in billions



Source: Minnesota governor's office

The conflict between the governor and the state legislature mirrors fights under way in many state capi-

tols. With many states facing historic deficits, lawmakers are divided about whether to just cut spending

or rely on a combination of spending cuts and tax increases.

In Minnesota, the clashes have been intensified by Mr. Pawlenty's increasing national profile and the state's relatively generous spending on health care. Few states, for example, offer a program rivaling Minnesota's free health-care coverage for the very poor.

"There's growing criticism of Mr. Pawlenty for tailoring his decisions about Minnesota's budget and other politics to what he needs to do nationally," said Lawrence Jacobs, director of the University of Minnesota's politics and governance center.

"Minnesota has been negatively impacted by the national economic downturn, just like every other state," said Brian McClung, a spokesman for Mr. Pawlenty. "We have made tough choices to balance the state's budget."



## WORLD NEWS

# U.S. sees shift in Pakistan relations

*In document, Islamabad seeks military and civil aid; perceived as quid pro quo for ongoing crackdown on Taliban*

By MATTHEW ROSENBERG  
AND PETER SPIEGEL

Pakistan sent a 56-page document to the U.S. ahead of strategic talks Wednesday, presenting Washington with what some officials believe is an implicit offer to crack down on the Afghan Taliban—in exchange for U.S. aid for Islamabad's military, intelligence, nuclear and other programs.

The previously undisclosed document includes requests for everything from U.S. aid in upgrading Pakistan's water and power supplies to pleas for surveillance aircraft and support in developing the country's nuclear program. U.S. officials say the document could help redefine one of America's thorniest foreign-policy relationships if it leads to a serious Pakistani clampdown on the Taliban, which uses the country as a rear base in its war against the U.S. and allied forces in neighboring Afghanistan.

In the past few months, Pakistan has rounded up several senior leaders of the Afghan Taliban on its soil in a move that U.S. officials are keen to see expand and which could play an important role in shifting the momentum of the Afghan war.

"Right now, we're looking at something that could deliver a big part of our success in Afghanistan," said a senior U.S. military official, speaking of the document and talks surrounding it.

The document outlines a range of aid Pakistan is seeking from the U.S., say American and Pakistani officials who have seen it or been briefed on its contents. Pakistan conveyed the document to the U.S. ahead of a high-level meeting between senior Pakistani and U.S. officials in Washington on Wednesday that aims to stitch back together their fraying alliance.

Many of Pakistan's requests build on its longstanding demands for more U.S. assistance. But officials from both countries say that by detailing them in a single comprehensive document, Islamabad is trying to signal its willingness to align its interests with those of Washington, its vision for such a partner-



Pakistani soldiers near the border with Afghanistan looking for undocumented arrivals from the country on Monday.

ship—and its price.

Among the requests from Pakistan outlined in the document is greater cooperation between its spy agency and U.S. intelligence outfits, more helicopter gunships and other military hardware needed to battle its own Taliban insurgency, and improved surveillance technology, such as pilotless drone aircraft. Pakistan also wants a civilian nuclear energy cooperation deal with the U.S. and a role in any future peace talks between the Western-backed Afghan government and the Taliban.

Pakistan's fears of being outflanked by archrival India, which has forged close ties to the Afghan government, are also reflected in the document's indirect language about regional security issues, U.S. and Pakistani officials say. The document also raises concerns about India's effort to modernize its sizable military, in part through buying U.S. equipment and weapons. It urges Washington to take a direct role in reviving the peace process between India

and Pakistan, which stalled in the wake of the November 2008 terror attacks on Mumbai.

The Pentagon is considering injecting up to \$500 million in additional military aid to Pakistan, paid through the Coalition Support Fund, an account used to reimburse Pakistan for military activities taken in support of U.S. operations in Afghanistan, officials say. Last year, the U.S. provided \$2.8 billion in economic and security aid to Islamabad.

If officials this week can begin the process of setting the U.S. relationship with Pakistan on a footing of greater trust and military cooperation, it would mark a success for the Obama administration's foreign policy at a time when relations with other nations, from Israel to Iran, are strained.

Still, many U.S. officials remain wary of such deals with Pakistan. Since the Sept. 11, 2001, attacks on the U.S., Pakistan has received more than \$17.5 billion in U.S. aid, a majority of which has been earmarked

for the military and security, while insisting it was doing all it could to combat the Taliban and its Islamist allies.

At the same time, U.S. officials have consistently complained that Pakistan's intelligence services continued to offer clandestine support for the Taliban, which it has long viewed as a proxy it could one day use to secure its influence in Afghanistan and keep India out after an eventual U.S. withdrawal.

"Everything with the Pakistanis is two steps forward and one step back," said a senior U.S. military official involved in talks with the Pakistanis. "Anybody who expects straight linear progress out of a strategic dialogue between these two nations is really kind of naïve." A spokesman for Pakistan's military, Maj. Gen. Athar Abbas, confirmed the document's existence and said "the military has given its input in that." But he declined to discuss its contents.

Aides to Adm. Mike Mullen,

chairman of the U.S. Joint Chiefs of Staff and the Pentagon's primary interlocutor with Pakistan's military leadership, confirmed Adm. Mullen's staff had received the document and were analyzing it.

Michael Hammer, a spokesman for the National Security Council, said the White House looked forward to this week's talks, but would not comment on any specific proposals made during meetings between "scores" of senior U.S. officials and Pakistani counterparts over the last year.

The document comes out of months of delicate and often secret negotiations between top political and military officials from both countries. The discussions are to continue Wednesday at a so-called Strategic Dialogue in Washington. The meeting is to cover everything from the fight against Islamist militants to bolstering Pakistan's struggling economy. Among officials slated to attend are Secretary of State Hillary Clinton and Gen. Ashfaq Kayani, the head of Pakistan's powerful army.

"Pakistan and the United States have been partners and allies without always having a complete understanding of each other's strategic and security priorities," said Pakistan's ambassador in Washington, Husain Haqqani, in a telephone interview. "This time we want to build an understanding that can serve as a foundation for the day-to-day relationship."

It remains unclear what has fueled Pakistan's recent apparent shift on the Taliban.

The senior U.S. military official involved in recent talks with Pakistani brass said the new seriousness in Pakistan's approach seems to be part of a realization that the U.S. has a limited time frame for directly assisting Islamabad as U.S. forces and investment in Afghanistan wane.

Some of Pakistan's requests are likely non-starters. India has steadfastly refused any outside mediation in its decades-long dispute with Pakistan. And U.S. officials say a civilian nuclear deal would be a tough sell given Pakistan's history of nuclear weapons proliferation.

# Clinton says Israel must stop construction

By JAY SOLOMON

WASHINGTON—U.S. Secretary of State Hillary Clinton reaffirmed the strength of the U.S.-Israel alliance in a speech Monday to a powerful pro-Israel lobby, but she also stressed the necessity for the Jewish state to freeze its construction in disputed territories to underpin Middle East peace efforts.

"New construction in East Jerusalem or the West Bank undermines mutual trust and endangers" the peace process, Mrs. Clinton told the annual policy conference of the American Israel Public Affairs Committee. "It exposes daylight between Israel and the United States that others in the region could hope to exploit."

Mrs. Clinton received a warm reception from the conference's more than 7,000 attendees, particularly her statements on denying Iran nuclear weapons.

But her message on East Jerusalem contrasted with the position taken by Israeli Prime Minister Benjamin Netanyahu's government in recent weeks and the views of many Jewish-American leaders.

Howard Kohr, Aipac's executive director, cautioned the administration of U.S. President Barack Obama Monday against publicly rebuking Israel in a speech delivered just minutes before Mrs. Clinton's. He restated the Netanyahu government's position that East Jerusalem is sovereign Israeli territory.

"Israel and the United States are allies, friends. They should treat each other as friends," Mr. Kohr said. "It is time to reduce the tension, set aside the past week, and pledge to work to solve problems together."

Mr. Kohr added: "Jerusalem is not a settlement. Jerusalem is the capital of Israel."

Mr. Netanyahu arrived in Washington Monday for a string of high-



Hillary Clinton addresses Monday's conference in Washington.

level meetings that will culminate Tuesday night with a trip to the White House. He also was scheduled to address the Aipac conference Monday night.

The U.S. and Israel have been locked in one of their most public

diplomatic feuds in decades amid the Jewish state's construction plans for East Jerusalem.

Israel's government announced earlier this month during a visit by U.S. Vice President Joe Biden the building of 1,600 Jewish homes in an East Jerusalem neighborhood. U.S. officials publicly upbraided Mr. Netanyahu for directly challenging Washington's foreign-policy agenda as well as for and "insulting" Mr. Biden during his visit.

The U.S. and Israel hope Mr. Netanyahu's visit can help mend the rift between the two allies.

The Israeli prime minister has announced in recent days confidence-building steps aimed at supporting the peace process, such as a willingness to immediately begin discussing with the Palestinians the borders and security arrangements of a future Palestinian state.

Mrs. Clinton was to meet Mr. Netanyahu Monday and said she hoped

to clearly align the U.S. and Israeli positions on Mideast peace.

"We will follow up on these discussions and seek a common understanding about the most productive way forward," she said.

Despite the differences over East Jerusalem, Mrs. Clinton drew loud applause from the Aipac crowd when she said the Obama administration is committed to denying Iran nuclear weapons.

Mrs. Clinton also said the U.S. will push back against efforts at the United Nations and other international forums to constrain Israel's right for self-defense and its campaign against Middle East militant groups, such as Hezbollah in Lebanon and Hamas in the Palestinian territories.

"Guaranteeing Israel's security is more than a policy position for me," Mrs. Clinton said to loud applause. "It is a personal commitment that will never waiver."



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## WORLD NEWS

# U.S. to beef up cybersecurity overseas

*Ambassador-level post may be created in wake of attacks on Google; foreign aid could be tied to policing of cybercrime*

BY SIOBHAN GORMAN

WASHINGTON—The alleged Chinese cyberattacks on Google have spurred proposals at the State Department and on Capitol Hill to establish an ambassador-level cybersecurity post and to tie foreign aid to a country's ability to police cybercrime.

"Google was a watershed moment," said James Lewis, a former State Department official and cybersecurity specialist at the Center for Strategic and International Studies. "It helped push the debate in the direction of better security."

Cybersecurity involves the protection of government and corporate computer systems from hackers.

In the wake of the cyberattacks on Google, officials at the State Department circulated a proposal to create an ambassador-like post, according to officials briefed on the proposal. This person would take on such duties as negotiating cyberpolicy at the United Nations, and making sure the U.S. has a consistent position on cybersecurity when

issues come up overseas.

The proposal, however, has run into internal resistance from the State Department's intelligence bureau, which currently oversees most cybersecurity matters at the department, said Mr. Lewis, who frequently advises the administration.

The turf wars inside the State Department became apparent several months ago, when Deputy Secretary of State James Steinberg met with the more than one dozen bureaus with an interest in cybersecurity issues and discovered many thought they should run cybersecurity for the department, officials said.

The emerging solution is to create a high-level cybersecurity position. The person in this job would either report to a top State official like the deputy secretary or to a panel of representatives from the major department bureaus involved in computer security policy, U.S. officials said.

The Senate Foreign Relations Committee is also drafting a proposal to create the post. It would be

an ambassador-type position to be confirmed by the Senate, meaning the official could be called before Congress to testify. It is modeled after the department's counterterrorism coordinator, who also carries the rank of ambassador.

The committee has been negotiating with the State Department over whether the position should be mandated by law or left to the department to establish internally, a Senate Democratic aide said.

Another proposal gaining political momentum is a broader measure that would create a cyber post at the State Department and establish attachés for cybersecurity in U.S. embassies. This would also require the U.S. administration to identify the countries that are havens for cybercrime and which ones are doing little to combat it.

The findings, updated annually, would be used to prioritize the U.S.'s foreign-aid programs to combat cybercrime.

Countries that fail to improve efforts to counter cybercrime could also face U.S. penalties. The presi-



Google Inc. will shift its search engine for China off the mainland and maintain other operations in the country. Above, Google China headquarters in Beijing.

dent would have a menu of options for punishment—from limiting new foreign aid to restricting financing from the Overseas Private Investment Corp., a U.S. agency that helps U.S. businesses invest overseas.

The proposal is set to be unveiled

Tuesday by Sens. Kirsten Gillibrand (D., N.Y.) and Orrin Hatch (R., Utah).

"One of the greatest threats we have to our national security is cybercrime, cyberespionage, cyber terror, and cyberattack," Ms. Gillibrand said.

## Google stops censoring its Chinese Internet-search site

*Continued from first page*  
rules on its own and to manage what's likely to continue to be a complicated relationship with Beijing as it tries to ensure that the government doesn't block its services.

By turning away, at least in part, so publicly from China at this time, Google could force other companies to think twice when making compromises just to be able to be part of China's tremendous growth.

Google declined to comment on

whether the Chinese government had sanctioned its decision and would allow it to continue to control the Google.cn domain, which it was routing users through. Officials

The announcement comes after months of suspense over the fate of Google's Chinese business, which has been in jeopardy since Jan. 12, when the company said it would stop censoring its search results after it was hit by cyber attack it traced to China. Google said at the time that it was increasingly trou-

bled by China's attempts to limit free speech.

Google's decision to shutter Google.cn, had been seen as increasingly likely after a series of Chinese officials made it clear they expected Google to follow the laws of China. Minister of Industry and Information Technology Li Yizhong recently said Google would "have to bear the consequences" if it violates China's rules.

Over the weekend, China's state-owned Xinhua news agency pub-

lished a commentary accusing Google of trying to advance its own political agenda by "playing an active role in exporting culture, value and ideas." The state-controlled, English-language China Daily, meanwhile, ran an editorial suggesting Google was pushing Washington's agenda.

Youssef Squali, an analyst at Jefferies, wrote Monday ahead of the move, that Google.cn accounted for just 1% to 2% of the company's net revenue.

The decision to stop censoring Google.cn would be a "strategic loss for the company" in the long term, he wrote, but he added that "exiting China would not be too damaging for Google" because of the company's strengths in most other markets.

Google's decision could be a boost to local rival Baidu Inc. Google has about 36% of China's search revenue, while Baidu has about 58%, according to Analysys International, a research firm.



Premier Wen Jiabao fielded foreign executives' questions in Beijing Monday.

## Wen meets with business

*China premier tells foreign audience he aims to boost confidence*

BY IAN JOHNSON

BEIJING—Chinese Premier Wen Jiabao on Monday made good on a pledge to interact more with foreign businesses, amid growing complaints that the investment environment in China is souring.

Mr. Wen fielded a series of polite questions from a meeting with more than 60 foreign executives, who were in Beijing to attend a business summit. Among the companies represented were **HSBC Holdings PLC**, **Dow Chemical Co.** and **Morgan Stanley**.

The topics, ranging from climate change to fiscal policy, provided no new insights into Beijing's thinking.

"It's important to reinforce your confidence in China," Mr. Wen told the businessmen in a 90-minute question-and-answer session in the Great Hall of the People. "And I believe we can do it."

The same day, the American Chamber of Commerce in China released a survey showing that growing numbers of its members feel unwelcome in China.

At the gathering, Mr. Wen reiterated his desire to reduce China's

carbon emissions and his opposition to protectionism.

He also pledged further reforms of China's financial system and to reduce China's dependency on exports, a policy some have said contributed to the global trade imbalance.

**Mr. Wen fielded a series of polite questions from a meeting with more than 60 foreign executives, amid growing complaints of a souring investor climate.**

But in some ways, these statements were unimportant; the meeting itself was the message.

The session was held on the same day as the start of a trial involving an Australian mining executive, Stern Hu, that had come to symbolize an increasingly negative opinion in the foreign business community. Mr. Wen's goal seemed to be to allay these concerns, with him explicitly stating that foreign busi-

nesses are still vital to China's development.

Although Mr. Wen has previously met with foreign business leaders attending the annual China Development Forum, it was the first time that his question-and-answer session was open to the foreign press. In addition, it was the first time he was flanked by key members of his cabinet in the session.

Later, highlights of the session were broadcast nationally on state-run television.

Part of the convivial atmosphere, Mr. Wen noted, was because the questioners were friendly. Indeed, none touched on the fate of Mr. Hu, on Google Inc.'s decisions in China, on import-substitution policies, or on surveys that have shown a bleak attitude toward doing business in China.

Private sessions didn't raise these issues either, said Doug DeVos, president of **Amway Corp.**

"None of that came up," Mr. DeVos said. "It was all policy and directional. It was a very positive forum."

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