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THE JOURNAL REPORT

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INTERVIEW 10

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Obama visits Afghanistan

BY PETER SPIEGEL
AND JONATHAN WEISMAN

KABUL, Afghanistan — U.S. President Barack Obama, making an unannounced trip to Afghanistan, rallied the U.S. troops he sent into the eight-year-old war here and delivered a personal message to Afghan President Hamid Karzai that corruption and drug trafficking can no longer be tolerated.

Speaking from a podium in a giant hanger at Bagram Air Base north of Kabul, the president told about 2,000 troops, "My main job here today is to say thank you on behalf of the entire American people."

He said that progress has been made in the past few months of the troop surge and added, "You are bringing hope and opportunity to a people who know a lot of pain and suffering."

The president, wearing a bomber jacket, spoke amid cheers for about 20 minutes before shaking hands with several soldiers and then departing the event.

The secret trip was Mr. Obama's first visit to Afghanistan as president, and came almost four months after his Dec. 1 West Point speech announcing the escalation of forces in the country.

The visit, which began Sunday night, put the U.S. president's credibility behind the Karzai government, but the first message sent by se-



U.S. President Barack Obama, left, speaks with Afghan President Hamid Karzai at a meeting at the Presidential Palace in Kabul on Sunday.

nior U.S. officials was a stern warning.

Mr. Obama's message to Mr. Karzai was "to make him understand that in his second term there are certain things that have been not paid attention to, almost since Day One," National Security Adviser James Jones said, such as "battling corruption, taking the fight to the narco-traffickers," which, he said, have become the economic engine of the insurgency that Afghan and NATO troops are battling.

The two presidents also discussed efforts to reconcile with elements of the Taliban-

led insurgency and to reintegrate willing guerrillas back into Afghan society.

Mr. Karzai, speaking to the press in Kabul, said he wanted to "express the gratitude of our people for the help that America has given us for the last eight years." He thanked U.S. taxpayers for "rebuilding and re-establishing the institutions" of Afghanistan.

"The American people are encouraged by the progress that's been made," Mr. Obama replied. The U.S. president then hailed "the tremendous sacrifices" of U.S. and coalition troops that are "far away

from home." "I want to make sure they know how proud their commander-in-chief is of them," he added.

Mr. Karzai will visit Washington May 12 for further consultations.

The trip was shrouded in secrecy for security reasons. The White House informed Mr. Karzai of the visit on Thursday. Mr. Obama ostensibly was spending the weekend with his family at the presidential retreat of Camp David, in Maryland. In fact, Air Force One took off from Andrews Air Force Base for Afghanistan on Saturday night, arriv-

ing just after nightfall local time Sunday at Bagram Air Base. He then helicoptered to the presidential palace in Kabul shortly after 8 p.m.

The importance of the trip was underscored by the delegation he took. His foreign-policy entourage included the top echelons of the National Security Council, along with U.S. Ambassador to Afghanistan Karl Eikenberry and Gen. Stanley McChrystal, commanding general of allied forces in the country, who met him in Afghanistan. He also brought along White House Chief of Staff Rahm

Emanuel and senior White House adviser David Axelrod, a key political adviser.

After the two presidents met, Mr. Obama gathered with the Afghan cabinet and his wide circle of U.S. officials.

Mr. Obama's visit comes just weeks after the first major offensive of the surge: a drive into the southern town of Marjah, which had become a Taliban stronghold. Thus far, the Marjah operation has been seen as a success, with U.S. Marines retaking the town with fewer casualties than expected.

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The only feasible bailout for Greece is to cut spending and red tape. Page 11

Bank-tax concept gains steam

By BOB DAVIS

WASHINGTON—The U.S. and European governments are moving toward a consensus on taxing large banks to cover the cost of any future bailouts rather than asking taxpayers to foot the bill, as happened regularly in past banking crises.

The tax proposals vary. Germany and Sweden would use the money to fund a "resolution authority" that would use the money to shut troubled banks whose failure would put the broader economy at risk. Others, such as France, would assess the fee after a crisis passed.

The U.S. is split. Congress is moving toward imposing a levy to build a fund before a crisis. The Obama administration favors the post-crisis option, a difference that will be

worked out as legislation on financial regulation moves through Congress.

The proposals face opposition from banks, who argue that the levies are discriminatory and would limit their capacity to lend.

"Global policy makers should be very cautious about advancing any public policy that removes capital from the system, be it in the form of a tax, a fee or otherwise," said Rob Nichols, president of the Financial Services Forum, a trade association of large U.S. financial institutions.

The possible bank taxes are part of a wave of potential bank regulations on tap in the coming months. In the U.S., now that health-care legislation is effectively complete, Congress and the administration are turning to financial regulation, which

would create a consumer-finance-protection agency, and also enact rules limiting the businesses in which banks can operate and the levels of capital they must hold.

Similar efforts are under way in Europe, where the International Monetary Fund is proposing a resolution agency for the European Union.

Officials in the U.S., Europe and the IMF say the bank-tax concept has gained so much momentum that it is likely to be on the agenda when of the Group of 20 industrial and developing nations meet in Canada in June.

"Reforms would put in practice the principle that large institutions should bear the costs of any losses to the taxpayer," U.S. Treasury Secretary Timothy Geithner said in a speech last week.

Please turn to page 19



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PAGE TWO

The EU needs long-term solutions to come out of the euro-zone crisis

[Agenda]

By IRWIN STELZER



If he had really meant what he sang, Noel Coward would be very unhappy that so many are being beastly to the Germans merely because Chancellor Angela Merkel doesn't see any reason to bail out Greece. Or to take steps to reduce her country's competitiveness and its trade surplus.

After all, Germany bit more than a few bullets to get where it is: wage restraint by trade unions, budget restraint by the government, fewer welfare goodies than its southern euro-zone colleagues were doling out, paid for with borrowed money. Don't look to frugal Germans until after you agree to an International Monetary Fund austerity program, is Ms. Merkel's message to euro-zone bureaucrats, Greece, Portugal and whichever other country will come knocking on her door. Then, and only then, and only after a unanimous vote of euro-zone member states, will she contribute to coordinated bilateral loans. That's a bit of a retreat for her, in response to pressure at last week's EU summit. But a tactical retreat only.

European Commission President José Manuel Barroso sounds appeased, but only slightly, because Ms. Merkel has stalled bailout efforts into some indefinite future. He says the commission believes "determined and coordinated action" in support of Greece "is needed now," and makes it clear that his remarks are aimed at Ms. Merkel, who sees no such urgency.

Never mind that she was the chief supporter of his successful bid for a second term: If you want loyalty, buy a dog, as we say in Washington.



German Chancellor Angela Merkel doesn't see any reason to bail out Greece

Lorenzo Bini Smaghi, an executive-board member of the European Central Bank, is even angrier. He took to the German press to oppose Ms. Merkel's call for intervention by the IMF. He told *Die Zeit*, "Resorting to the

rest of the world keeps the euro higher than it would otherwise be, making it more difficult for its partners to compete in world markets. That problem cannot be solved until the noncompetitive, profligate members get their labor costs down and their productivity up.

The problem of enforcing the agreed 3% limit on deficits is even more difficult, as its solution involves the surrender of some sovereignty. Rather than confront this intrinsic flaw in the euro system, there is a tendency to emulate the ostrich. One top EU official told me that the problem has been caused by U.S. hedge funds and the anti-EU media.

Believe that—and many EU officials certainly do, especially after several hedge-fund operators dined together in New York to trade ideas about the situation—and you can contentedly sit at the next commission meeting believing that if the big, bad hedge funds can be reined in, and the press muzzled, all will be well. Greece will get its budget deficit down from 12.9% to 3% in a relatively few years, Spain's

rest of the world keeps the euro higher than it would otherwise be, making it more difficult for its partners to compete in world markets. That problem cannot be solved until the noncompetitive, profligate members get their labor costs down and their productivity up.

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"You'll see a brutal post-mortem and something akin to a Tory civil war."

Iain Martin on what will happen if Conservatives lose in the coming U.K. general election



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regional and central governments will go through with plans to cut the nation's deficit in half by 2013, and Portugal will reduce its deficit from 9.3% of GDP last year to 2.8% by 2013. Oh, and you would have to believe the optimistic growth forecasts that underlie these projections.

Thoughtful euro-zone executives, even those who believe a papering over might get them through this crisis, are considering a range of more durable reforms. One is the establishment of some sort of central review body with the power to fine or otherwise discipline countries that let their finances run wild. Another possibility is the bifurcating of the euro into a eurosud and a euronord—to permit the southern countries to devalue.

But even such moves would merely avoid the problems that, in the words of a recent report from the European Commission, have kept European growth "lower than that of our main economic partners, largely due to a productivity gap that has widened over the past decade."

Low expenditures on research and development, and a "less dynamic business environment" are cited as major villains. The injection of dynamism would require major labor-market reforms to increase mobility between jobs and between countries, dismantling regulations that impede the establishment of new businesses, and reducing taxes to encourage R&D spending and risk taking.

If this crisis isn't to be wasted, that is the direction in which a reluctant Europe will have to be dragged.

No one, least of all the markets, is betting that will happen any time soon.

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

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NEWS

Myths of trade data

Global interchange of parts used to make products distorts statistics

By JOHN W. MILLER

Pascal Lamy, director-general of the World Trade Organization, carries in his briefcase a folder full of numbers he uses to brief audiences from Boston to Beijing on the state of global commerce.

They make for dramatic reading: The WTO says world trade fell 12.2% in 2009. On Friday, the organization predicted that trade would bounce back sharply this year, rising 9.5%.

But these figures don't tell the whole truth about trade.

According to some economists, trade in finished products—the things consumers actually buy, such as cars, computers and iPods—declined by much less than 12.2% last year. That's because as much as two-thirds of the value of goods that go into trade statistics represent intermediate parts, which are imported from other nations and used to make finished products that then get re-exported. Economists call this the "valued-added effect." If the value of imported parts were stripped out, however, global trade would have declined by between 4% and around 8% last year, economists say.

By ignoring the multinational composition of goods, conventional trade data also make trade imbalances between some trading partners seem larger than they are.

China imports a huge quantity of parts from places like Japan and South Korea, but when those components are assembled into finished goods and shipped to the U.S., all the pieces count as Chinese exports, inflating the U.S. trade imbalance with its most polarizing trade partner.

A study by the Sloan Foundation in 2007, for example, found that only \$4 of an iPod that costs \$150 to produce is made in China, even though the final assembly and export occurs in China. The remaining \$146 represents parts imported to China. If only the value added by manufacturers in China were counted, the real U.S.-China trade deficit would be as much as 30% lower than last year's gap of at \$226.8 billion, according to a number of economists.

At the same time, the U.S. trade deficit with Japan would have been 25% higher than the \$44.8 billion reported last year, because many goods that China and others export to the U.S. contain parts purchased in Japan.

The current method of calculating trade data is a headache for senior trade officials like Mr. Lamy. "It makes everything appear more volatile," he said recently in Brussels. "That creates a political problem."

At a time of financial crisis, Mr. Lamy would prefer that politicians, civil servants and academics focus on finished products. Big swings in trade flows make commerce appear more volatile than it is, he says. Inflated trade deficits with China stoke fears in the U.S. about job losses.

The latest round of global trade talks, which began in 2001, has stalled because of political fears about trade in the U.S., India and other countries. More than 100 members of Congress recently urged the administration of President Barack Obama to label China as a "cur-

rency manipulator." At recent Senate conference, Sen. Arlen Specter (D., Pa.) said that "we have lost 2.3 million jobs as a result of the trade imbalance with China between 2001 and 2007."

Some economists say that whatever the political consequences, the current method of reporting trade figures more accurately captures the economic impact of trade. It shows "how much the amount of trade has now exceeded the overall value of finished products," says Simon Evnett, an economist at the University of St. Gallen in Switzerland. For economists, he says, "this is good because it shows how companies have been slicing up their value chains and producing parts" in many

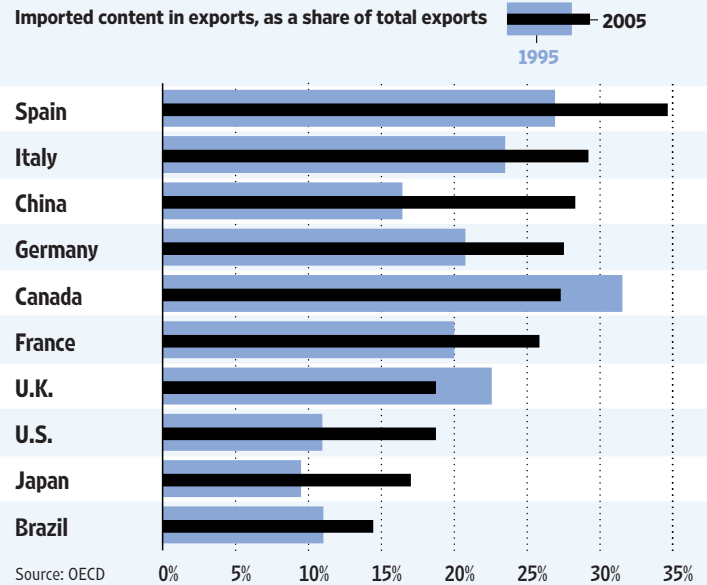
different countries.

The current approach has another advantage: It is easier to track the value of all products being exported and imported without attempting to determine which items are finished goods and which are merely parts. Individual nations' trade statistics are remarkably standardized around the world compared with other economic data, such as unemployment or inflation. National customs offices count imports and exports by tallying up the bills of lading that accompany all shipments. The WTO, World Bank and other institutions then obtain those numbers from every country.

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EUROPE NEWS

House of Lords fights reform effort

Labour proposal hits resistance from within the party and the Lords; questions over Church of England's role

BY ALISTAIR MACDONALD

Britain's House of Lords, which has staved off a century of efforts to bring more accountability to its unelected members, is once again fighting a government reform effort.

Less than two weeks ago, the Ministry of Justice said it would lay out proposals for a new effort to reform the 700-year-old institution and force its membership to be elected to their positions, rather than be appointed to them or inherit them. The proposal would shrink the body to 300 members from more than 700 and subject members to a U.S.-style recall system if they are deemed incompetent, a person familiar with the matter said.

The proposal would shrink the body to 300 members from more than 700 and subject members to a recall system if they are deemed incompetent.

But as the Labour government raced to win approval for a proposal on the reforms before it formally calls a spring election—rendering Parliament inactive—the plans ran into a familiar combination of problems. Many members of the House of Lords are protective of their status, and they and some members of the elected House of Commons fear that creating a second elected chamber would weaken the Commons' authority. Now it is "fifty-fifty" whether the proposal will go ahead, this person said.

"We are in a very clear majority" opposing the reform, said David Lipsey, a prominent opponent to such reforms. "We are much better off with a complimentary expert house than a rival democratic

house," Lord Lipsey added.

Among democracies, the U.K. is almost alone in having an unelected upper chamber. The Lords, which traces its history back to the 13th century, has 679 so-called peers—most appointed by political leaders—who serve in the Lords for life, as well as 25 appointed by the Church of England, and 92 who inherited their titles. Its primary role is to scrutinize government and amend legislation passed up from the Commons. Unlike the U.S. Senate, it can't directly kill bills, though it can delay and amend them, and the Lords has little say on budgets.

A century of slow modernization by various governments hasn't achieved the often-stated goal of democratizing the body. In 1911, after the Lords repeatedly rejected a budget that taxed wealthy landowners, the Liberal government passed a bill that effectively ended the Lords' ability to directly reject legislation. The Lords could hold up a bill for three successive Parliamentary sessions before Commons could force it through.

In 1958, the then-ruling Conservative Party increased the ability of a government to create peerages, diluting the predominantly hereditary makeup of the Lords. In 1999, after a titanic battle, then-Prime Minister Tony Blair managed to whittle down the number of hereditary peers to 92 as what the government called the "first stage ... to make the House of Lords more democratic."

The Justice Ministry's latest attempt to publish draft legislation came after almost three years of consultation and argument. Janet Whitaker, among supporters of the reform from the Lords, says it is wrong to argue that an elected second chamber would rival Commons. "If you are elected to a position to scrutinize legislation and get Commons to think again, that is what you will do," Baroness Whitaker said.

Minister of Justice Jack Straw



Getty Images

Members of the Law Lords in the House of Lords wait for the queen at the annual opening of Parliament last November.

had hoped to publish his proposals early next week, but they are being held up amid disagreement from within the Lords and from within his own Labour party.

The biggest disagreement has been over whether the Lords should be fully elected or whether 20% should be appointed. That would allow the Commons still to claim greater legitimacy from the electorate and allow the government to place nonelected members into government by appointing them as Lords, in the way the current business secretary, Peter Mandelson, has been. In the U.K., members of the ruling government must also be members of Parliament.

Other areas of contention have focused on losing the Church of

England's 25 representatives, which would effectively question the church's role as the country's established faith.

The battle also involves more trivial arguments, such as what to call the new body. Prime Minister Gordon Brown is against calling it the Senate, the person familiar with the matter said, meaning a reformed Lords may be called something more generic, like the Second Chamber.

A snag in pursuing the latest reform effort came last week when Lord Mandelson—whose place in the government would be in jeopardy without his appointment to the Lords—raised questions at a Tuesday cabinet meeting and later at a meeting Thursday of a government

group called the Democratic Renewal Council, the person familiar with the matter said. Lord Mandelson has raised questions about the role of the Church of England bishops who are members, among other worries. Other cabinet members see little point in publishing the draft, given it can't become legislation and will either way be in Labour's manifesto—its official platform for the next election.

The reform process is being led by Mr. Straw, a political veteran who had hoped to get the reforms proposed before the election is announced. That could leave it in the hands of the opposition Conservative Party, which has backed the idea of Lords reform but could have a different agenda if it wins power.

'Special relationship' queried

BY ALISTAIR MACDONALD

LONDON—The U.K. should be less deferential and more willing to say no to the U.S., and Britons should stop harping about the "special relationship," a committee of British lawmakers spanning the three major political parties said in a new report.

The British media likes to obsess over the relationship between the U.K. and the U.S., and politicians often emphasize the importance of the diplomatic ties between the two long-time allies.

"The U.K. needs to adopt a more hard-headed political approach towards our relationship with the U.S. with a realistic sense of our own limits and our national interests," said the report, titled "Global Security: U.K.-U.S. Relations." The report was prepared by a committee of lawmakers from the ruling Labour Party and the opposition Conservatives and Liberal Democrats.

"Yes, we have a special relationship with the U.S., but we must remember that so too do other countries including regional neighbors," the report states.



President Barack Obama, right, with Gordon Brown, is widely seen in Britain as being less attached to the U.K. than previous U.S. presidents have been.

The report takes a pessimistic look forward, asking how long the relationship will remain special, given shifts in geopolitical power.

"Over the longer-term the U.K. is unlikely to be able to influence the U.S. to the extent it has in the past," it says.

U.S. President Barack Obama is widely seen in Britain as being less attached to the U.K. than previous presidents have been. An inquiry

into the Iraq war here has underscored concerns that the British government followed the U.S. into the Iraq war with too few questions or conditions attached.

The Conservative Party has recently indicated that if it wins a spring election, it would deepen relations with countries beyond the special bond with the U.S., partly in anticipation of a relative decline of American power in the years ahead.

Armed gang raids Switzerland casino

BY DEBORAH BALL

A gang of masked men raided a large casino in Basel, stealing hundreds of thousands of Swiss francs, a week after the Swiss government approved the expansion of gaming.

Early Sunday, about 10 men dressed in black pulled off a daring heist of the Grand Casino of Basel. The thieves pulled up to the casino in a pair of gray Audi sedans bearing French license plates, and then smashed the front door. Once inside, the men, brandishing machine guns and pistols, ordered the 600 guests and employees to drop to the ground, according to a statement by prosecutors. Investigators said the men spoke French. The casino sits about 200 meters from the Swiss-French border, and five minutes from the Basel airport.

The thieves lightly injured a few guests and casino guards in a scuffle. The men fled toward the French border, where the Swiss police lost

them. The Basel prosecutor said the thieves stole hundreds of thousands of francs. French and Swiss authorities are cooperating in the search for the men.

The heist is reminiscent of a March 6 robbery of a poker tournament at a hotel in central Berlin, where thieves stole €240,000 (about \$323,000).

Basel's Grand Casino opened in 2003 and holds several hundred slot machines and more than a dozen game tables.

The theft comes just a week after the Swiss government gave the green light for regions that don't currently have casinos to seek a license this spring. After determining that an expansion of gaming hasn't led to higher rates of gambling addiction in Switzerland, Bern also approved an expansion of the number of slot machines and an increase in the upper limit on bets allowed for all casinos. At the moment, there are 19 casinos in Switzerland.

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EUROPE NEWS

Missing evidence | Here are some airliner accidents where crash investigators have failed to retrieve "black boxes":

Date	Airline	Crash location	Black box lost	Fatalities
June 1, 2009	Air France	Atlantic Ocean	Voice and data recorders still not recovered	228
Jan. 20, 1992	Air Inter (France)	Mont Sainte Odile, France	Data recorder tape destroyed	228
Jan. 3, 1992	Commutair (U.S.)	Saranac Lake-Adirondack Airport, NY	Voice recorder tape destroyed by fire	2
Dec. 29, 1991	China Air Lines (Taiwan)	Taipei	Data recorder tape destroyed by fire	5
May 26, 1991	Lauda Air (Austria)	Near Bangkok	Data recorder tape destroyed by fire	223
Nov. 27, 1989	Avianca (Colombia)	Near Bogota	Data recorder tape destroyed by fire/heat	107
Nov. 28, 1987	South African Airways	Indian Ocean	Data recorder never recovered	159

Source: Aviation Safety Network
Photo: Associated Press



Workers check an unmanned submarine in Recife, Brazil, in preparation for a third attempt to locate wreckage of an Air France jetliner that crashed last June.

Germany cools to EU unity, turning inward

By Marcus Walker

BERLIN—Germany's conditions for any aid for Greece, which other euro-zone countries were forced to swallow at a European Union leaders' summit last week, signal a broader division that threatens to hamper Europe's ambitions as a global power: Germany has cooled to unity, except on its terms.

In the past two years Germany effectively vetoed joint European action to rescue banks and stimulate growth, and rejected euro-zone calls for more teamwork on economic policy. Now German Chancellor Angela Merkel has forced the euro zone to agree that Greece will get help only when it is on the verge of bankruptcy, and will get part of it from the International Monetary Fund—terms that most other European leaders accepted only through gritted teeth. What is more, Germany retains a veto over any decision to use the Greek rescue plan.

Berlin's line on Greece "is yet another example of German economic unilateralism," says Charles Grant, director of the Center for European Reform, a London think tank.

Ms. Merkel has threatened to boot financially wayward countries out of the euro zone. EU treaties would have to be amended to allow such a sanction, and Germany knows there is little chance of other countries agreeing. But her comments reflected Germans' growing irritation at European calls for the country to open its wallet.

The chancellor insisted last week that she is defending the European bargain that was struck in the 1990s to create a shared currency, and said her tough stance would be good for Europe. She denied Germany is pursuing narrow national interests.

But German media and other European politicians have noted the shift in tone from the grand historical visions of former chancellor Helmut Kohl to Ms. Merkel's hard-nosed pragmatism. German newspapers have compared her in recent days with the "iron chancellor" Otto von Bismarck and the "iron lady," former U.K. prime minister Margaret Thatcher.

Threats to expel another country from Europe's monetary union would have been unthinkable under Mr. Kohl, analysts say.

When Germany achieved reunification in 1990, Mr. Kohl's government reassured neighbors that the newly powerful nation sought "a European Germany, not a German Europe." Now Ms. Merkel is pushing for "a more German Europe," says Jonathan Eyal, director of studies at the Royal United Services Institute, a London think tank.

Luxembourg Foreign Minister Jean Asselborn last week pointed to frustration in other euro-zone capitals, accusing Berlin of forgetting that the EU and the euro are "a peace project, a community of destiny," and of putting domestic politics ahead of European solidarity. German public opinion is strongly against lending money to Greece.

The tensions over Greece are the latest chapter in a gradual divergence of German interests and the project of European integration. Until the 1990s, the two were practically identical: With war memories still strong, Germany could regain national unity and international acceptance only by immersing itself in European institutions.

EU eyes real-time flight data

Aviation regulators look to use satellites to stream critical 'black-box' information

By Dan Michaels
and Andy Pasztor

Prompted by difficulties retrieving flight-data recorders after recent fatal airliner crashes, European aviation regulators want to start using satellites to transmit critical safety information about accidents.

The idea of beaming real-time safety data from jetliners to the ground gained new impetus last June, when an Air France jetliner crashed into the Atlantic Ocean en route from Rio de Janeiro to Paris, killing all 228 people onboard. The Airbus A330's digital data and cockpit voice recorders, called "black boxes," still haven't been located as investigators kick off their third search effort several kilometers beneath the surface.

At a global aviation summit starting Monday in Montreal, the European Union and other European aviation organizations for the first time will call for streaming in-flight data about aircraft maneuvers and pilot commands via satellites. Representatives of EU transport commissioner Siim Kallas will press officials from other countries to support expanded use of satellite links to supplement data captured by traditional black boxes, according to one of his top deputies.

The presentations before the International Civil Aviation Organization, an arm of the United Nations, will mark the first official government endorsement of such data streaming.

A report prepared by a French-led group of international experts concluded that the concept of transmitting data during emergency situations "is becoming more robust and accepted." The study also found it would be cost-effective if only es-

sential data were sent.

Plans are at an early stage, with technical and economic hurdles still to be resolved. Still, aviation safety officials from the U.S., other countries and global industry groups endorse the idea in principle.

"It's smart to move in that direction," said Robert Francis, former vice chairman of the U.S. National Transportation Safety Board.

The EU and other European aviation organizations for the first time will call for streaming in-flight data about aircraft maneuvers and pilot commands via satellites.

Andrew Sukawaty, chief executive of satellite-services provider Inmarsat PLC, said the concept is "gaining enormous momentum" and "the industry is definitely moving on this."

For many years, the idea of replacing onboard "black box" data recorders with satellite feeds has been discussed and largely dismissed in aviation circles. Obstacles included the cost of high-volume data transmissions, questions of where data would be stored and privacy issues.

The biggest challenge has been overcoming the lack of perceived urgency.

Since the mid-1970s, missing or damaged black boxes have blocked investigators from finding the probable cause in only a small number of major airliner crashes. Out of more than 3,000 accidents involving western built commercial aircraft, fewer

than a dozen cockpit voice recorders and flight data recorders weren't found, according to records of the International Air Transport Association, a global airline trade group. And in most of those cases, enough wreckage was retrieved to piece together a crash scenario, or air-traffic control tapes and other evidence helped investigators determine what happened.

The crash of Air France flight 447 was the first in many years to leave almost no trace, frustrating investigators and fueling public pressure for changes. Weeks later, when a Yemenia Airways Airbus A310 crashed in the Indian Ocean on landing in Comoros, recovery crews struggled to locate parts of its black boxes. And divers searching for wreckage of an Ethiopian Airlines Boeing 737 that crashed in the Mediterranean Sea on takeoff from Lebanon on January 25 also faced big problems recovering black box components.

Following this string of problems, proponents of satellite data transmissions say that no opportunity should be lost to help get to the bottom of even one or two especially puzzling crashes. Flights over oceans and polar regions, where radar coverage is sparse, could gain significantly from data links, advocates say.

Among the only clues from the Air France crash was a series of routine maintenance updates transmitted during its final minutes, which pointed to malfunctioning airspeed indicators followed by cascading failures of flight-control computers and other onboard equipment. Some 8,000 long-haul jets currently rely on the same satellite links to inform maintenance bases about issues such as engine performance and

components that need attention.

Now, one leading idea for streaming safety data is to use these existing connections to transmit a burst of information during emergencies.

Advocates propose programming onboard computers so that multiple problems signaling an impending crash would automatically trigger a broadcast. The download would only contain a fraction of the data recorded on today's digital black boxes. But even a few key facts that aren't routinely transmitted today—ranging from a plane's speed and heading to basic pilot activity—could prove vital in crash analysis.

"Experts agree that some small enhancements to the maintenance messages already transmitted by many commercial airliners could greatly aid accident investigators," said Bill Voss, president of the Flight Safety Foundation. Heads of the Federal Aviation Administration in the U.S., the European Aviation Safety Agency and ICAO have agreed to back the initiative, according to industry officials.

The U.S. and EU are currently developing highly computerized air-traffic control networks relying on satellite data links, but they will take years to develop and deploy. Industry officials want to move faster to safeguard crash data.

Before industry can make firm commitments, however, "we need two or three solutions to be put on the table," according to Guenther Matsching, IATA's senior vice president of safety.

Mr. Voss said simplicity will be vital. I hope "the industry doesn't allow the pursuit of more elaborate solutions to get in the way of some real near-term progress," he said.

U.S. NEWS

Obama uses 'recess' clout

Partisan tensions flare as appointments bypass Senate confirmation

By MELANIE TROTTMAN
AND BRODY MULLINS

U.S. President Barack Obama's decision during the weekend to circumvent the Senate in filling 15 administration posts intensified partisan tensions in the capital, with lawmakers from each party blaming the other.

Citing months of "Republican obstruction," Mr. Obama on Saturday said he would use recess appointments to put union lawyer Craig Becker on the National Labor Relations Board and fill 14 other administration posts that were vacant because of stalled Senate confirmations.

Republicans on Sunday attacked the move, but Democrats said they had no choice because Republicans were blocking dozens of nominations. Partisanship has intensified in recent weeks, following the enactment last week of a controversial health-care overhaul.

Democrats passed the measure after a year-long battle with Repub-

licans, who opposed it.

"It's going to make problems worse," said Sen. Lindsey Graham (R., S.C.) in an appearance Sunday on NBC's "Meet the Press."

Sen. Charles Schumer (D., N.Y.), speaking on the same program, said Republican efforts to block dozens of nominations left Mr. Obama with few alternatives. "We have no choice but to do recess appointments."

White House adviser David Axelrod said it was "necessary, unfortunately, for the president to do what he did." Appearing on CNN's "State of the Union," Mr. Axelrod said Republican attempts to block Mr. Obama's nominees in the Senate were "not good for the country [and] it's certainly not fair play."

Mr. Obama's action, which came as Congress shut down for a two-week break, marked another step in the White House's turn toward a more-combative approach toward congressional Republicans.

The decision to appoint Mr. Becker, a general counsel for the

Service Employees International Union and labor federation AFL-CIO, is a win for labor unions, which helped the president secure passage of his health-care overhaul. Republicans and business groups had fought Mr. Becker's nomination, saying he wouldn't be impartial on a board that supervises union elections and referees disputes between employers and employees.

Mr. Obama also said he would make a recess appointment of Democrat Mark Pearce to the NLRB, but not the pending Republican NLRB nominee, Brian Hayes.

The president said he would fill two top Treasury Department posts by making recess appointments of Jeffrey Goldstein as undersecretary for domestic finance and Michael F. Mundaca as assistant secretary for tax policy.

Presidents in both parties have long used their power to bypass Senate confirmation to make appointments during congressional recesses. In modern times, Republican and Democratic presidents have



Senate Minority Leader Mitch McConnell (R, Ky.) this month in the U.S. Capitol.

used the recess-appointment power to install appointees blocked by partisan conflicts when the Senate was controlled by the opposition party.

In 2005, then-President George W. Bush angered Senate Democrats when he bypassed their objections and appointed John Bolton as U.S. ambassador to the United Nations. At the time, Democrats, including Mr. Obama, then a senator from Illinois, and now Senate Majority Leader Harry Reid, criticized the move.

Mr. Reid once threatened to keep the Senate in session indefinitely in

a bid to prevent Mr. Bush from appointing people to his administration without Senate approval.

When Mr. Bush used a recess appointment to install Charles Pickering on the federal appeals bench in 2004, Mr. Schumer called it a "finger in the eye to all those seeking fairness and bipartisanship in the judicial nominations process."

Mr. Obama telegraphed earlier this year that he might use recess appointments to bypass any Republican Senate opposition.

—Deborah Solomon
contributed to this article.

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WORLD NEWS



Associated Press

'Red shirts' protested during an antioverment demonstration Sunday in Bangkok. Talks between Prime Minister Abhisit Vejjajiva and opposition leaders are due to resume Monday.

Thai premier meets protest leaders

In surprise negotiations shown on live television, the two sides show no sign of ending their bitter confrontation

By JAMES HOOKWAY

BANGKOK—Thailand's Prime Minister Abhisit Vejjajiva negotiated with opposition 'red shirt' leaders on live television Sunday—a startling development that followed another large antioverment rally in the Thai capital over the weekend—but the two sides remain divided on the protesters' demand for fresh elections.

The talks, which resume Monday, are aimed at resolving a political dispute that pits Mr. Abhisit against tens of thousands of protesters who say Thailand's army and judiciary conspired to put him in power in late 2008 at the expense of a government supporting the country's ousted populist leader, Thaksin Shinawatra.

The protests are now in their third week. After spilling blood in

ritual sacrifices and then spreading out across Bangkok in a vast convoy, the demonstrators on Saturday succeeded in forcing army personnel tasked with providing security to withdraw from the area surrounding the main protest site.

And on Sunday, protest leaders got a face-to-face public session with Mr. Abhisit, who previously had refused to meet directly. The broadcast negotiation was unusual in a country where political tussles often are resolved away from the public eye.

During the broadcast, one of the main protest leaders, Veera Muk-sikapong, told Mr. Abhisit their demand is "simple and direct: Dissolve Parliament for the people to decide again."

Mr. Abhisit, an Oxford-educated economist, responded that calling fresh elections wouldn't cure Thai-

land's far-reaching political divides. "I have to make a decision based on a consensus from the entire country, including the red shirts," Mr. Abhisit said. "Will dissolution really solve the problem?"

The crisis revolves around the role of Mr. Thaksin, a former telecommunications magnate who used populist policies such as low-cost health care and easy credit to build a powerful grassroots support base in Thailand's poor but vote-rich rural heartlands. Mr. Thaksin or his supporters have won every election in Thailand since late 2000, and Mr. Thaksin was the only Thai leader to have been re-elected before he was removed from power by a military coup in September 2006. He remains wildly popular in Thailand's north and northeast.

The army, ardent royalists and middle-class activists regard Mr.

Thaksin as a divisive populist who circumvented Thailand's system of democratic checks and balances to expand his power and business interests. He is now living in Dubai to avoid imprisonment on a corruption conviction.

Many of the protesters, immediately recognizable by their red clothing and formally known as the United Front for Democracy Against Dictatorship, say their marches are more about a return of democracy than bringing Mr. Thaksin back to power. However, Mr. Thaksin has been regularly addressing the rally at night by video-links and his image can be seen on T-shirts, posters and face-masks at the main protest site. At their peak, the protests attracted as many as 150,000 people, and on Saturday police estimate that more than 60,000 people participated.

While the protests so far have

been peaceful, the threat of violence has increased in recent days. Some analysts suggest Mr. Abhisit agreed to direct, televised talks as the protest leaders demanded they be granted a symbolic victory that would enable them to leave Bangkok with their heads high.

Several grenades have hit government targets since the protests began, though authorities say there is no evidence that demonstrators were behind the blasts.

On Sunday prior to the negotiating session, demonstrators threatened to invade the army base Mr. Abhisit has been using as government headquarters if he refused to meet them face-to-face. One of Mr. Abhisit's aides said in a televised statement that the prime minister agreed to begin talks with the protest leaders in the afternoon to forestall the threat of any clashes.

Shiite party is kingmaker after Iraq vote

By MARGARET COKER

BAGHDAD—Iraq's main Shiite slate, with its third-place finish in parliamentary elections, has emerged as kingmaker in efforts to form a new government here, but members are divided on how to wield that power amid growing sectarian tensions, according to some of the leaders of the group.

Meanwhile, a nonbinding opinion issued late last week by the country's Supreme Court has further blurred how the already-complex process of building a next government will unfold.

How Iraq forms its next govern-

ment is being closely watched in the U.S. and the region, as the fragile democracy teeters between a continued period of politics dominated by sectarian issues or a new future less fueled by them. The country's Shiite majority has enjoyed a lock on power since the fall of Saddam Hussein in 2003, yet voters have indicated a in this March election that they are interested less in religion and more in other issues.

Ayad Allawi's Iraqiya bloc won 91 seats in the 325-member parliament, beating incumbent Prime Minister Nouri al-Maliki's alliance, which garnered 89 seats, according to preliminary final results released

on Friday.

According to the constitution, the party with the largest bloc of seats in parliament gets the first chance to form a government. That had widely been interpreted as meaning the slate that won the most seats in the election.

However, the court's nonbinding opinion appeared to widen the definition of "bloc" to mean the largest number of seats controlled by a single alliance at the time that parliament inaugurates its first session, which may not happen for several weeks.

Aides to Mr. Maliki and members of his State of Law coalition have

jumped on the court's broadened interpretation as giving them a chance to sideline Mr. Allawi and his Sunni-dominated bloc by forming a grand alliance with another political slate, thus locking in more seats than Iraqiya.

The court's opinion appears to strengthen the bargaining position of the Iran-backed Iraqi National Alliance, the Shiite umbrella group. It won 70 seats, the third-highest total in the election.

In an interview with The Wall Street Journal over the weekend, Mr. Allawi said that he anticipated an easy alliance between his Iraqiya slate and Iraq's Kurdish bloc, which

finished fourth, given his strong friendship with the veteran Kurdish politicians who lead all the major parties within their bloc.

That still wouldn't give him the majority needed to form a government. Mr. Allawi also said that he was confident of coming to an agreement with Shiite parties as well, to build an "inclusive" national government.

Leading members of the Shiite alliance say that their support is still up for grabs, although there are indications that the party that won the most votes within the Iraqi National Alliance could be leaning towards Mr. Allawi's camp.

WORLD NEWS

Search continues for Korean sailors

No more survivors found from patrol boat that sank near border with North Korea; 46 missing and feared dead

BY EVAN RAMSTAD

SEOUL—South Korean naval and civilian rescue teams worked in cold, rough waters for a second day Sunday, but again found no more survivors from a patrol boat that sank after an explosion in the Yellow Sea near the maritime border with North Korea.

Rescue boats saved 58 sailors in the hours immediately after the explosion Friday night, but 46 others are missing and the likelihood of survival appears slim.

The cause of the explosion, which happened in the stern of the ship, hasn't been determined. Because the ship was near the maritime border, officials are considering the possibility that North Korea was involved.

South Korea's defense ministry said the military was on alert, but there were no major changes in posture, a sign that civilian and military leaders didn't believe the country had been attacked.

President Lee Myung-bak met with national security advisers again Sunday to discuss the rescue and investigation into the sinking of the patrol boat. A spokesman for Mr. Lee said it was too early to know what caused the explosion.

The vessel broke in two, defense officials reported, and a portion of its hull remained above the surface in a capsized position. Because of difficult water and weather conditions, as of Sunday afternoon divers hadn't been able to get close enough to the stern of the sunken vessel.

The incident is likely to rank as one of the worst for the South Korean Navy since the Korean War of the 1950s. In 1974, 159 sailors died when a ship sank in stormy weather. In 1967, North Korea shot and sank a South Korean vessel, killing 39 of 79 crew members.



South Korean marines carry boats from Baengnyeong island near the disputed border with the North to search for survivors and bodies from the sunken ship.

The ship, called Cheonan, was in relatively shallow water 1.8 two kilometers from the west-southwest shore of Baengnyeong Island, South Korea's western-most territory in the Yellow Sea.

The military took relatives of the missing sailors to the island and some boarded a ship to sail near the sunken Cheonan. On Saturday, some

relatives scuffled with military police at a naval base and complained that officials were too slow in explaining what happened.

While there was no immediate indication of North Korean involvement, the maritime border about 10 kilometers from where the Cheonan sank has in recent years been the most tension-plagued area of the

long standoff between the Koreas. North Korea has never accepted the border line, drawn by the United Nations a soon after the Korean War ended in a ceasefire in 1953.

The two Koreas traded fire in the region this past Nov. 10, when a North Korean naval vessel strayed south of the border and remained there despite warnings from a South

Korean patrol ship. When the North's ship fired shots after the warnings, the South's vessel fired a barrage of shots. The North's ship caught fire and returned to port. In June 1999, South Korea sank two North Korean warships in the Yellow Sea area, killing an unknown number of sailors. Seven South Korean sailors were hurt at that time.

Missing dissident found in China

BY GORDON FAIRCLOUGH

SHANGHAI—One of China's high-profile dissident lawyers, missing for more than a year, has resurfaced and is apparently living in mountains in northern China known as a place for Buddhist pilgrimages.

The dissident, Gao Zhisheng, who has gained a reputation for taking on the government in legal cases, disappeared from his hometown in February last year. His case has drawn significant international attention, because he was missing for so long and because he had reported being tortured by authorities when detained previously.

Mr. Gao told the Associated

Press in a telephone interview on Sunday that he is living in Shanxi province and is "free at present." Mr. Gao also told the AP that he wants "to be in peace and quiet for a while, and be reunited with my family." The dissident told Reuters in a separate phone conversation Sunday that he was released about six months ago.

In 2006, Mr. Gao was arrested and placed under house arrest with intense surveillance by security agents. His wife and children fled China about a month before Mr. Gao's 2009 disappearance. They were later granted asylum in the U.S. Chinese officials offered vague and at-times conflicting statements

about Mr. Gao's whereabouts.

In January, a Chinese foreign-ministry spokesman, responding to a question from a reporter, said Mr. Gao was "where he should be" after "relevant judicial authorities have decided this case." The spokesman's comments, however, weren't included in the ministry's official transcript of the news conference.

British Foreign Minister David Miliband raised Mr. Gao's case, among other human-rights concerns, when he visited China this month.

At a news conference with Mr. Miliband, Chinese Foreign Minister Yang Jiechi said Mr. Gao "has been sentenced for committing the crime

of subverting state power."

It is unclear whether Mr. Yang was referring to a previously reported 2006 conviction, for which he received a suspended prison sentence, or to the results of a new trial. Mr. Gao said in a statement issued before he disappeared that Chinese security forces beat him and applied electric shocks to his genitals during a 2007 detention.

Reuters reported that Mr. Gao, known as an advocate for political reform, appeared to be under police surveillance when interviewed by phone Sunday, and he declined to make extensive comments.

He told the AP that he isn't allowed to accept media interviews.

Beijing says industrial profits surged

BY PATRICIA JIAYI HO

BEIJING—Profits at China's major industrial enterprises more than doubled in the year's first two months, as profitability returned to levels last seen before the financial crisis, according to the National Bureau of Statistics.

The news of a 119.7% rise in in-

dustrial profits in the January-February period from a year earlier comes as many large Chinese companies have issued strong profit expectations ahead of their 2009 earnings results.

However, the statistics bureau also sounded a note of caution Friday against an overly optimistic characterization of the increase in

January and February, saying that while it indicates economic recovery and growing demand, it is also due to a low base of comparison in 2009.

"The current industrial profit increase is relatively high, but still is considered to be of a recovering nature," the statistic bureau said.

Industrial profits had fallen

37.3% in the first two months of 2009, the bureau said, adding that profits had "merely" returned to precrisis levels.

Compared with the first two months of 2008, industrial profit in the first two months of this year was up 17.4%—significantly lower than the 30% average rate over the past 10 years, the bureau said.

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INTERVIEW



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Chairman of the Tory policy review and the Conservative research department, Oliver Letwin says: "This will be one of the great reforming periods in modern British political history"

Defining the Tory's message

Oliver Letwin strongly advocates introducing transformational free-market principles to U.K. public sector

[Oliver Letwin]

BY WILLIAM LYONS
AND IAIN MARTIN

Meeting Oliver Letwin takes you straight to the heart of the Cameron project. David Cameron, the leader of the U.K.'s opposition Conservative party, happens to be outside Mr. Letwin's office in the Norman Shaw building adjoining the Houses of Parliament. When Mr. Letwin emerges from a meeting room clutching a bundle of policy documents, Mr. Cameron jokingly tells him to behave himself. When it comes to interviews, Mr. Letwin has a troubled past.

In the 2001 electoral campaign, he let slip as the opposition's chief secretary to the Treasury that the Tories would cut public spending by £20 billion, at a time when his party had publicly only committed to £8 billion. It proved a key point in the campaign as the then-chancellor of the exchequer, Gordon Brown, gleefully seized on the Tories' plans.

Mr. Letwin was hounded by journalists, sought a low profile and was then accused by Labour of going into hiding.

How times change. Nine years later, with the condition of Britain's public finances having deteriorated so sharply since the recession, proposing cuts of £20 billion would sound rather modest.

Mr. Letwin is now more experienced in dealing with the media. Today, as we shuffle into his office two doors down from Mr. Cameron's, he is granting a rare interview in his role as chairman of the Tory policy review and the Conservative research department. It is a position that puts him at the center of the Conservative's policy making. A manifesto for the election will soon be published. He is one of the key architects of the party's plans for what it hopes to do in government.

Before then, there is the small matter of a U.K. election, almost certain to be held on May 6. It is a contest that the Tories had

been firm favorites to win outright, but the party's poll lead has almost vanished, and Mr. Cameron seems a long way from Downing Street with only 5½ weeks remaining until polling day.

What about those polls? Isn't Mr. Letwin getting worried?

"I have never thought the election was, in any way, a sure thing, and if you look at the swing we have to achieve to get an overall majority, it's greater than in any time since 1931. There is still a very good chance that we are going to be able to do it. But it will not be easy."

What then is the Conservative offering to British voters after their 13 years out of power? Some traditional Tories have questioned whether voters know what Mr. Cameron's Conservatives are really about.

Mr. Letwin rejects this suggestion, and with some passion. If his party wins the forthcoming general election, he says, it will radically restructure Britain's public-sector services.

"This will be one of the great reforming periods in modern British political history," says Mr. Letwin, his voice rising an octave in emphasis. "We are shifting public policy away from state control towards social responsibility, and that is a very profound shift."

"The problem as we see it is that the relationship between the state and society, local government and public services is still top down, micromanaged, and it is failing. It's not responsive. So we have to change the system.

"The only long-term way of digging us out of the deficit hole that Brown has got us into is to get more for less.

"We will implement a very systematic and powerful change agenda where hospitals compete for patients, schools compete for pupils, welfare providers compete for results in getting people out of welfare and into work. So we get to the point where it [the public sector] is efficient because it is answering to the people it is serving and not to bureaucracy."

For a man who was once special adviser to Keith Joseph, a former Conservative politician and one of the architects of "Thatcherism," and who claimed that "400 years from now people will still be talking about Mrs. Thatcher," he offers a powerful advocacy of introducing transformational free-market principles into Britain's public sector.

But whichever party emerges victorious from the election, it will inherit one of the worst set of economic circumstances since the Second World War. The chancellor of the exchequer revealed in Wednesday's budget that the net borrowing for the financial year will total £167 billion—equivalent to 11.8% of GDP. Britain's national debt looks set to almost double, hitting £1.4 trillion in 2014-15 from an estimated £776 billion for this year.

In these circumstances, haven't the Conservatives struggled to construct a coherent economic case? Weren't they too concerned to change their image by focusing on social policy and then found themselves without a clear analysis when the financial crisis came?

Mr. Letwin says no and that he focused on government waste and debt when he was shadow chancellor between 2003 and 2005.

"I spent most of my time saying this was a hugely wasteful and burdensome bureaucracy. That was not successful politically, but it was the right analysis and we continue to hold it. Everything we said for very many years has come true. The structural deficit is now the single, biggest economic problem Britain faces.

"The question you have to ask is what is it about Britain that has got substantially better since 1997? What is it that has improved about our economic circumstances in that time?" The Conservative MP for West Dorset is stuck for an answer.

The last time that the Conservatives were in power, under John Major, the issue of Europe proved very divisive. Can other Europeans expect a repeat if the Tories

win?

Last year, Mr. Cameron infuriated the leaders of France and Germany by pulling out of the main center-right grouping in the European Parliament, the federalist EPP, and forming a rival caucus with parties more hostile to European integration.

But with a crowded domestic agenda, Mr. Letwin claims there is little room for the Euroskeptic wing of the party to pick a fight with Brussels.

"Our focus is firmly on the domestic agenda and getting these changes in place. Of course much of this, our environmental agenda for example, can only be carried through in cooperation with our European partners. But we also have a determination to ensure that there is not a further transfer of powers without a referendum."

In the end, if the Tories make it into power, it will all come back to attempts to restore the health of the economy. Mr. Letwin won't discuss the emergency budget that shadow chancellor George Osborne has promised within the first 50 days of a Tory government. But he says they do have a "growth agenda."

"What George has focused on is trying to get business taxes restructured so that we promote growth. It is a policy about how government fosters a new enthusiasm and energy in engineering, design and the hi-tech industries. We have noticed that we have an unbalanced economy both in terms of North-South and financial services versus industry and manufacturing. We have a huge potential to shift that."

Mr. Letwin has to dash to a meeting with Conservative MPs. As he leaves, he is carrying bundles of election leaflets. He is off to explain how his policy review should be translated during the campaign into simple messages on the doorstep.

If he has got it right and Mr. Cameron then wins power, his policy guru Mr. Letwin will claim a substantial share of the credit. Equally, if the Tory leader fails, Mr. Letwin can expect to be accorded a good deal of the blame by his party.