

S.E.C. TRIES TO GET ITS EDGE BACK

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Europeans discuss aid for Greek debt

Specifics remain unclear; markets zig and zag as Germans deny any deal

BY JACK EWING AND DAVID JOLLY

European nations are discussing various ways to help troubled Greece cope with its mountain of government debt, officials indicated Tuesday, as conflicting reports sent markets on a roller coaster ride, bolstering the faltering euro and contributing to a stock market rally that later pulled back from its heights.

The specifics of any bailout remained unclear and officials played down reports that Germany and France had already

agreed on a rescue plan for Greece.

"This will be further discussed in the coming days," Olli Rehn, who is about to take over as European economic affairs commissioner, said in an interview in Strasbourg. "We are talking about support in the broad sense of the word. I cannot specify it now. Solidarity goes both ways."

A strong rally on Wall Street faltered when a spokesman for Angela Merkel, Germany's chancellor, said it was "wrong" that Berlin had already decided to provide financial assistance to Greece.

At the same time, governments in Greece and Portugal, seeking to regain the confidence of bond market investors, vowed to carry out their planned austerity measures despite threats of strikes

and political turmoil at home.

In an interview in his residence on Tuesday, Portugal's prime minister, José Socrates, said he was committed to bringing the deficit within 3 percent of the nation's annual economic output by 2013. "This government, as we have shown in the past, is determined, one, to bet on economic recovery, and two, to put the public finances in order."

The prime minister said Portugal did not need help from the European Union. "We don't need anything from Brussels," he said. "We know exactly what

we will do. We don't need any help; we will solve our problems."

As for Greece, a person in the German government with knowledge of the continuing negotiations, who did not have permission to comment publicly on them, confirmed that Germany was involved in direct consultations with the other 15 countries that use the euro over possible ways to help the Greek government. But he said any actions would take place "within a European framework"

"It's just about finding a way to potentially give Greece a little breathing room," he said. He dismissed reports that Germany was considering a unilateral aid package for Greece. "The idea that we would go it alone is completely nuts."

Jean-Claude Trichet, the European Central Bank president, also fueled optimism among investors that Brussels was preparing some sort of concerted action when the news emerged that he was cutting short attendance at a conference in Australia to attend the DEBT, PAGE 14

E.U. SEEKS 'ECONOMIC GOVERNMENT'

With the euro in crisis, the bloc's new president will argue for a new strategy at a summit meeting Thursday. *PAGE 3*



GONCALO SANTOS FOR THE NYT

ONLINE: 'WE DON'T NEED ANY HELP'

Prime Minister José Sorates said

Portugal's economic program was on track
and did not require E.U. intervention. "We
don't need any help; we will solve our
problems." global.nytimes.com/europe

Beijing fears the perils

World News

BRIEFLY

Europe



MOSCOW

Russia asserts U.S. plan for missiles is impeding treaty

Russia's top general said Tuesday that U.S. plans for a missile defense shield in Europe were directed against Russia and that differences over the issue were holding up an arms treaty with Washington, Russian news agencies reported.

The remarks by Gen. Nikolai Y.
Makarov, chief of the general staff, revived questions about the chances for an agreement soon on a successor to a Cold War-era nuclear weapons reduction treaty that expired in December.

President Barack Obama pleased Russia by scrapping the Bush administration's plans to deploy elements of a missile shield in Poland and the Czech Republic, which was bitterly opposed by Moscow. General Makarov said Russia still had serious concerns about Mr. Obama's revised plans, which are based on sea- and land-based missile interceptors in Europe, despite American insistence that they are no threat to Russia. (REUTERS)

LONDON

Conviction of alleged bomber overturned by Scottish court

The conviction of a man accused of wanting to become a suicide bomber was overturned Tuesday after a court in Scotland ruled that the trial judge did not properly instruct the jury on the provisions of Britain's anti-terrorism laws. Prosecutors indicated that they would not seek new charges against Mohammed Atif Siddique, 24, who was sentenced to eight years in prison in 2007.

Prosecutors said during the fourweek trial that Mr. Siddique, a Scottish college student, had scoured Islamic extremist Web sites for information about bomb-making and other tactics. He was reported to have told other students that he intended to become a suicide bomber. (AP)

BELFAST

Authorities make arrests in police officer's killing

The police in Northern Ireland arrested two men and a woman Tuesday on suspicion of being involved in the killing of a policeman.

Two other men have been charged with murder in the March 2009 killing of a constable, who was shot in his patrol car.

A splinter group called the Continuity I.R.A. claimed responsibility for the shooting. The attack came two days after another faction, the Real I.R.A., shot and killed two British soldiers as they collected pizzas outside their base. They were the first fatal attacks on British security forces since 1998. (AP)

Africa



DAKAR, SENEGAL

Nigerian Parliament votes to elevate vice president

The Nigerian Parliament voted Tuesday to make Vice President Goodluck Jonathan, the acting president, filling a power vacuum that has persisted since President Umaru Yar'Adua's departure for medical treatment in November.

The vote ended weeks of political uncertainty, with Mr. Yar'Adua's cabinet and supporters insisting there was no need to replace him, little word from the president himself about his condition and outbreaks of citizen discontent over what many said was the government's failure to follow the Constitution.

With Mr. Yar'Adua in a hospital in Saudi Arabia, a tenuous truce in the restive, oil-producing south of the country has fallen apart, and religious and ethnic clashes have broken out in the north in which hundreds have died. Mr. Jonathan, 53, is a former governor of oil-producing Bayelsa state. His calm demeanor and southern background are regarded as assets in the effort to resolve the conflict over oil in the south.

KHARTOUM, SUDAN

Chad and Sudan take steps to smooth border conflict

Sudan and Chad agreed Tuesday to end their proxy wars and engage in negotiations and development projects to rebuild their war-ravaged border areas.

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President Idriss Deby of Chad made a surprise visit Monday to Khartoum for talks with President Omar Hassan al-Bashir of Sudan after ties between the oil-producing countries hit bottom, with each supporting rebels fighting the other's government. Both presidents said they supported the Darfur peace talks in Qatar, and a mediator in Khartoum welcomed Mr. Deby's visit. (REUTERS)



EUROPEAN PRESSPHOTO AGENCY

José Manuel Barroso, front row, second from right, with members of the new European Commission, which was approved Tuesday by the European Parliament after months of delays.

Debt worries focus of E.U. talks

STRASBOURG

New president makes case for strong central governance on economy

BY STEPHEN CASTLE

With the European Union's single currency in the grip of the worst crisis in its history, the bloc's new president is to use the growing alarm over debt levels to argue for a new form of "economic government" in Europe, steered by the

Herman Van Rompuy, the new president, will present his proposal to the leaders on Thursday at a summit meeting in Brussels, now certain to be dominated by worries about deficit and debt levels in Greece.

According to a draft of one of two documents circulated before the meeting, Mr. Van Rompuy will argue that "recent developments in the euro area highlight the urgent need to strengthen our economic governance."

omic governance."
"Whether it is called coordination of

policies or economic government," it adds, "only the European Council is capable of delivering and sustaining a common European strategy for more growth and more jobs."

His proposals could take primary responsibility for stewardship of the 27 nations' economic coordination out of the hands of finance ministers, elevating it to the level of heads of government. The plans could also reduce the role of the European Commission, the bloc's executive arm.

The prime ministers would be asked to sign on to national reform targets, to which they would be held accountable at regular intervals, at least once a year. The targets should be agreed to by June this year and assessments of progress would be made public.

"Recommendations for the euro area as a whole and its member states should be strengthened, with a stronger focus on competitiveness and macroeconomic imbalances," says the draft. "This would be in line with the importance of economic spillover effects in the monetary union and the challenges the euro area is facing."

Diplomats say that markets will ex-

pect a strong signal on debt levels in Greece, Portugal and Spain from the E.U. leaders at the meeting and that the leaders will, at the very least, need to make a statement on the Greek situation.

On Tuesday, the president of the European Commission, José Manuel Barroso — whose second term in office was endorsed by the European Parliament in Strasbourg — insisted that the "euro area has the capacity to deal with the difficulties."

Though private discussions about a last-ditch bailout of Greece have taken place behind the scenes, the E.U. leaders are hoping that they can reassure the markets that this will not be necessary. Some analysts have argued that the heads of government should use the summit meeting to draw up procedures and structures to deal with a potential default in the euro zone.

But Mr. Van Rompuy will hope to use the crisis to concentrate minds on the task of medium-term reforms. He will suggest that leaders agree to accept a maximum of five overall targets. These, to be proposed by Mr. Barroso, are likely to include such areas as spending on research and development, objectives for

the digital economy, energy and green growth and overall employment goals. Individual countries would eventu-

Individual countries would eventually set out their own detailed objectives, differentiated according to their starting points.

Governments and the European Commission would also identify "the most pressing bottlenecks and barriers hampering growth." The billions of euros spent by the E.U. in structural fund subsidies or lending from the European Investment Bank would be used as incentives, the draft says.

Meanwhile, European members of Parliament formally voted a new European Commission into power on Tuesday, ending months of stalled policy making. By 488 votes to 137, with 72 abstentions, the legislators approved the new commission after more than three months of delays.

Originally scheduled for last autumn, the vote was postponed by the introduction of the Lisbon Treaty, which is designed to enhance the global influence of the European Union. It was postponed again in January when Bulgaria, facing criticism over its nominee's business ties, was forced to come up with a substitute.

President eases dispute with activists in Chechnya

MOSCOW

Dropping of libel suits requested by his mother and clergy, aides say

BY MICHAEL SCHWIRTZ

Chechnya's powerful president, Ramzan A. Kadyrov, backed down Tuesday from a conflict with human rights defenders and journalists, withdrawing several libel suits at the request, aides said, of his mother.

It was a rare concession from Mr. Kadyrov, who has exercised nearly unchecked authority over the volatile south Russian region. The lawsuits were prompted by accusations that the Chechen leader has used kidnapping, torture and murder in his Kremlin-supported effort to grind down a lingering Islamic separatist movement.

"His mother insistently asked him to do this," said Alvi A. Karimov, Mr. Kadyrov's spokesman, adding that prominent Chechen cultural figures and clergy had also advised him to drop the suits.

Mr. Karimov and others could not say whether the Kremlin, to whom Mr. Kadyrov is ultimately answerable, had anything to do with the decision.

Russia's leaders have appeared of late to be shifting their strategy in Chechnya and the Caucasus region from war to economic development, and his mother's wishes aside, Mr. Kadyrov's move seems more the result of Kremlin pressure, observers said.

"It is obvious that Ramzan Kadyrov was advised to find some way out of the uncomfortable situation he got himself into," said Oleg P. Orlov, director of the rights group Memorial. "I think this advice came from Moscow."

Mr. Kadyrov sued Mr. Orlov last autumn, asking prosecutors to open a criminal case after Mr. Orlov accused the president of complicity in the July murder of his colleague, Natalya Estemirova. Although the criminal suit has been dropped, Mr. Orlov and Memorial must still pay Mr. Kadyrov about \$2,200 after losing a civil suit in October. Ms. Estemirova's murder is unsolved.

Mr. Kadyrov also dropped claims against Lyudmila M. Alexeyeva, an 82-year-old human rights worker, and journalists with Novaya Gazeta, the independent newspaper known for its criticism of Russia's policies in Chechnya.

Mr. Kadyrov's decision came just a few weeks after President Dmitri A. Medvedev appointed a personal envoy to oversee the region, raising questions of whether the Chechen leader could loose his direct access to officials Moscow.

Tymoshenko plans to contest loss in Ukraine

KIEV

THE ASSOCIATED PRESS

Prime Minister Yulia Tymoshenko of Ukraine plans to challenge the results of the presidential runoff that the opposition leader Viktor Yanukovich appears to have won, her campaign said Tuesday.

Ms. Tymoshenko has canceled two planned appearances since the polls closed Sunday night.

Her allies said she would not concede until the appeals have run their course and recounts have taken place at a number of polling stations. The official announcement of complete results was expected Wednesday.

Thousands of Mr. Yanukovich's supporters gathered outside the headquarters of the Central Election Commission on Tuesday for a rally that his team said was organized to defend the results of the election.

The commission said Mr. Yanukovich was leading by 3.5 percentage points with only 0.02 percent of precincts left to count. Unlike past elections, this vote has been praised by international monitors as being free and fair. The U.S. Embassy, for one, hailed it as "another step in the consolidation of Ukraine's democracy."

"We will recognize defeat only after a decision by the courts," said Andriy Shkil, a member of Ms. Tymoshenko's coalition in Parliament. "We will appeal both the preparation and conduct of the election."

The Web site of Ukrainskaya Pravda and Russia's ITAR-Tass news agency reported that Ms. Tymoshenko told party officials that she would "never recognize" the legitimacy of the runoff and planned to demand a third round of voting. Ms. Tymoshenko has not issued any calls for mass protests against the vote like those of the 2004 Orange Revolution, in which she was a leading figure.

France turns to symbolism to define 'national identity'

PARIS

BY STEVEN ERLANGER

Prime Minister François Fillon of France has announced a few symbolic measures to provide concrete results from France's bitterly contentious debate over "national identity."

In a special cabinet meeting Monday, Mr. Fillon also threw the discussion, initiated several months ago by President Nicolas Sarkozy, to an "experts committee" of politicians and historians, bringing the debate to an end in its current public form.

Mr. Fillon disclosed a set of new requirements that the French news media mocked as small measures designed to extract him from a discussion that appeared to lead nowhere except toward regional elections in March, in which the governing conservative party hopes to pull votes away from the far right. Mr. Fillon said that French schools would now be ordered to fly the French flag and to have a copy of the 1789 Declaration of the Rights of Man and of the Citizen in every classroom.

There will be a form of young citizens' manual for students, and new citizens will have to speak better French, know more about "the values of the republic" and take part in a more solemn but undefined ceremony — but the details were vague.

"The emphasis will be put on the respect for the values of the republic," Mr. Fillon said, "notably the principle of equality between men and women," language aimed at the perception that Muslim immigrants are suppressing women by forcing them to wear head scarves or veils.

The debate on national identity, fiercely defended by Mr. Sarkozy, has been attacked by the opposition Socialist Party as aimed at immigrants, much like the discussion of banning the full facial veil, which has produced much heat but few results so far. There has been



THOMAS COEX/AFF
François Fillon on Tuesday said a panel of
"experts" would take over the discussion.

little discussion of expanding the idea of French identity to include the values and contributions of immigrants, but much oratory about the need to enforce existing norms and principles.

The minister of immigration and national identity, Éric Besson, a former Socialist, has led the debate, and it is viewed as having damaged his political prospects. But the government said that more than 58,000 people have participated in the debate on an Internet site.

Mr. Fillon said that the debate would continue in various forms through the government's term and that Mr. Sarkozy would make another speech on the subject in April. "Nothing is worse and damaging than things unspoken and stigmas that we know have always played into the hands of extremists," Mr. Fillon said, arguing that the debate over identity could not be left in the hands of the far-right National Front.

Olivier Le Cour Grandmaison, a historian, dismissed the initiatives as insignificant. "The mountain has given birth to a mouse, and none of these measures will change anything," the newspaper Le Monde quoted him as saying. "The crisis of national identity has been created by the government. All this agitation is only an electioneering business."

The former Socialist leader François Hollande said on his blog that the debate "has given birth to a commission."

German Catholics deal with child abuse scandal

BERLIN

BY NICHOLAS KULISH

The Roman Catholic Church faces yet another child abuse scandal, this time in Pope Benedict XVI's native Germany.

The widening public scandal began last month with allegations that three priests at the elite Canisius Jesuit high school in Berlin had sexually abused students there in the 1970s and 1980s. In the midst of a steadily growing uproar over the handling of that case, the German newsmagazine Der Spiegel published an article over the weekend that said nearly 100 clerics and laypeople had been suspected of abusing children and teenagers nationwide since 1995.

The rector of Aloisiuskolleg high school in Bad Godesberg — an affluent neighborhood in the former German capital of Bonn where diplomats and leading politicians live — resigned Monday over accusations of misconduct. On Tuesday a local newspaper, the Aachen-

In the pope's native country, charges are fueling anger.

er Zeitung, reported new accusations of sexual abuse against two priests in the diocese in Aachen.

"The subject of sexual abuse will be a topic at the plenary meeting of the German Bishops' Conference," Nina Schmedding, a spokeswoman for the group, said Tuesday, adding that it had been put on the agenda for the meeting later this month "due to the current

Many of the cases now coming to light are unlikely to be prosecuted because the statute of limitations requires crimes to be reported within 10 years of the victim's 18th birthday. But the revelations have driven an open debate here on the church, its policies for dealing with abuse cases — or, critics say, covering them up — and even the vows of cel-

ibacy taken by priests.

Germany is home to about 25.2 million Catholics, according to the German Bishops' Conference, but that number has fallen by more than three million since German reunification in 1990.

German Catholics greeted Benedict's election as pope in 2005 with enthusiasm, but things soured in recent years after a series of missteps.

In particular, Benedict faced outrage

In particular, Benedict faced outrage in his homeland over his decision last year to rehabilitate a group of schismatic bishops, including one who denied the scope of the Holocaust.

The abuse of children by clergy members remains one of the most difficult for the church. In December the Vatican accepted the resignations of several Irish bishops after a report by the Irish government detailed the physical, sexual and emotional abuse of children by Roman Catholic priests in church-run residential schools, many of them run by the Christian Brothers. The report found that both the Catholic hierarchy and Irish state agencies covered up complaints by 320 Irish children who said they were

abused by priests between 1974 and 2004. On Monday at the Vatican, Pope Benedict told members of the Pontifical Council for the Family that he condemned the abuse of children by members of the clergy, but he has not commented directly on the situation in Germany.

Spiegel said that at least 94 clerics and laymen had been suspected of abuse since 1995, based on a poll of 27 Catholic dioceses in Germany, with all but 3 of the German dioceses taking part in the survey. Franz Kretschmann, a spokesman for the diocese in Aachen, said that two cases were under police investigation, one against a teacher working for the church and one against a member of the clergy, and two additional internal investigations against priests.

Victor Homola contributed reporting from Berlin, and Elisabetta Povoledo

New team is trying to resharpen S.E.C.'s edge

WASHINGTON

BY JENNY ANDERSON AND ZACHERY KOUWE

Bernard L. Madoff haunts these corridors like the He-Who-Must-Not-Be-Named of Wall Street.

In the headquarters of the U.S. Securities and Exchange Commission, Mr. Madoff's name is rarely spoken. More than seven months after he was sentenced to prison for orchestrating a global Ponzi scheme, shaken S.E.C. employees are still struggling to come to grips with how they failed to catch him before it was too late.

Many here refer to the scandal - a \$65 billion fraud that, despite several red flags, went undetected by the S.E.C. for more than two decades - as "the event" or "the incident."

It is the job of Robert S. Khuzami, the S.E.C.'s head of enforcement, to unmask the next Madoff - and, equally daunting, to convince skeptics that the commission can reassert itself and adequately police Wall Street.

Since arriving at the S.E.C. a year ago this month, just as the Madoff scandal was grabbing headlines, Mr. Khuzami has reduced paperwork, created specialized teams to plumb hedge funds and other worrisome areas and tried to make the S.E.C. quicker and more nimble.

Unlike some at the commission, Mr. Khuzami, 53, talks openly about the Madoff fiasco. "For a group of people committed to investor protection and prevention, the tragedy of investors' losses are not lost on anyone," he said in an interview in his bright corner office in Washington.

While Mary L. Schapiro, as chairwoman, is the public face of the commission, Mr. Khuzami and his lieutenants are the officers on the beat. Their first challenge is to shake off the psychic blow of the Madoff affair.

Not since the 1950s, when budget cuts and deregulation defanged the commission, have its stature and influence sunk so low. Mr. Khuzami, a straight-talking former federal prosecutor and Wall Street executive, says he wants to infuse the S.E.C. with the ethos of a startup company, making it faster, more proactive and even a bit entrepreneurial.

The practical challenges are formidable. Wall Street vastly outdoes the S.E.C. in terms of people, money and, many in the financial industry argue, talent. The administration of President Barack Obama has requested a budget of \$1.3 billion for the S.E.C. for 2011. Hedge fund stars can make that in a year. Big banks usually pull in the equivalent in revenue in a single week.

On Monday, what S.E.C. officials had hoped might be a quick victory in a prominent case instead turned into another potential headache. Mr. Khuzami and a squadron of S.E.C. lawyers filed into a federal district courtroom in New York where the commission was trying to end its long investigation into the takeover of Merrill Lynch by Bank of

But Judge Jed S. Rakoff — who last September rejected as too low a \$33 million settlement that the S.E.C. had reached with Bank of America — again raised questions about the commission's handling of the case. If he rules against the second settlement, for \$150 million, the case is set to go to trial on March 1.

At the heart of Mr. Khuzami's effort is the commission's new Office of Market Intelligence, a clearinghouse for the tips and referrals that stream into the S.E.C. The head of that unit is Thomas A. Spor-



Members of the U.S. Securities and Exchange Commission's Enforcement Division, from left: Kenneth Lench, Daniel M. Hawke, Cheryl Scarboro, Robert S. Khuzami, Thomas A. Sporkin, Robert B. Kaplan and Lorin L. Reisner. Since becoming director, Mr. Khuzami has cut red tape and created specialized teams to examine hedge funds and other worrisome areas.

kin, son of Stanley Sporkin, the outspoken retired federal judge who earned recognition across the United States in the 1970s for his investigations of corporate malfeasance as director of

enforcement at the commission The S.E.C. also has established five investigative units, hoping to transform some of its many generalists into spe-

One of those units focuses on structured products and securitization, which spawned some of the most dangerous instruments of the financial collapse. The others focus on the market in municipal securities, cases stemming from the Foreign Corrupt Practices Act, market abuses like insider trading, and asset management, including hedge

The S.E.C. has been criticized for meting out relatively light punishments in some recent cases. The commission also has not satisfied critics on Capitol Hill — and many ordinary Americans who had hoped to see charges leveled at banking executives after the financial

funds

Mr. Khuzami recognizes that the cases the S.E.C. brings, or does not bring, will define his tenure and, possibly, the future of the commission. "It's all about the cases, in the end," he said.

It may surprise many just how difficult it has been for the S.E.C. to act. Under Ms. Schapiro's predecessor, Christopher Cox, investigators had to get

Wall Street vastly outdoes the S.E.C. in terms of people, money and, many in the financial industry argue, talent.

approval from the five commissioners to negotiate financial penalties against corporations. Ms. Schapiro lifted that restriction. Enforcement lawyers had always had to get permission from the commission to open an investigation if it involved subpoenas. Ms. Schapiro has authorized the enforcement division to do that on its own.

Team Khuzami hardly comes across as the Untouchables, but members say they are energized and up to the job.

Kenneth Lench, a lawyer who heads the structured products group, is trying to become an expert in an arcane corner of Wall Street. He totes heavy textbooks on securitization law and says he now reads trade publications like Derivatives Week, the bible of the market in financial derivatives. He also attended an industry conference last month with 10 other S.E.C. lawyers.

"It is a real challenge to keep up with the Street in developing these products," Mr. Lench said. He said he hoped to recruit people from Wall Street and to acquire technology that would put the S.E.C. on a more equal footing with the industry.

Daniel M. Hawke, head of the market

abuse unit, is also looking for outside talent. He said he had recently received an e-mail message that read: "I know where the bodies are buried. I've been on the Street for 20 years.'

Still Mr Hawke is narticularly excited about the prospect of applying the expertise gained in one case to others.

For instance, he recalled a case stemming from a tip about unusual stock trading before a merger of two drug companies. After poring over thousands of trading records, S.E.C. investigators found a pattern of rapid buying and selling at a brokerage firm in Esto-

Then they mined trading data from the firm and discovered that two traders had hacked into Business Wire, letting them see news releases involving a wide range of companies before they were released. With enough evidence to charge the traders with securities fraud, the S.E.C. quickly froze more than \$32 million in 200 accounts at the Estonian brokerage firm.

"We need to sustain what we learned from that case," Mr. Hawke said.

It is too soon to know whether the announcements will lead to the revitalization of an institution viewed for a long time as captive to the industry it regu-

Joel Seligman, president of the University of Rochester, who is an expert on the history of the S.E.C., said the commission needed two things to turn itself around: a sustained period of serious enforcement and several structural repairs, the most important of which was becoming self-financed through some form of fees or penalties so it would no longer be hostage to congressional budget masters.

The S.E.C. has hired some talent from Wall Street. Norm Champ, former general counsel of Chilton Investment, a multibillion-dollar hedge fund, was named last year as an associate director in the examinations group in New York. Richard Bookstaber, a former Wall Street risk manger, joined the new division of risk, strategy and financial inno-

But a relatively tight budget and antiquated technology still pose major challenges for the S.E.C., outsiders say.

The S.E.C. plans to propose a rule this spring to require the self-regulating agencies like NYSE Euronext, which operates the New York Stock Exchange, to give the commission the same data they receive. But it is unclear who would pay for such a measure and what systems the S.E.C. would need to handle that much data.

Despite the S.E.C.'s recent travails, Stanley Sporkin is optimistic. "Khuzami is really shaking things up," he said. "We have a new chef in the kitchen, and now we get to try his cooking.'

Louise Story contributed reporting from

China passes Germany to become the top exporter

BERLIN

BY JUDY DEMPSEY

Disappointed but not surprised, Germany lost its status as the world's leading exporter, as China's surging economy pushed it into first place last year, according to official German data published Tuesday.

Chinese exports amounted to \$1.2 trillion in 2009, while German exports totaled \$1.1 trillion, or €797 billion, the German Federal Statistical Office said. Germany became the top world exporter in 2003, surpassing the United States.

Apart from the sheer size of China, it was the global economic downturn that propelled it past Germany as top exporter, as Germany's trading partners in the United States and the European Union cut back on investments, consumers cut back on spending and banks cut back on lending.

Last year Germany also sustained the worst annual decline in its trade balance since figures were first gathered back in the 1950s. Although German exports still outpaced imports by €136.1 billion in 2009, the surplus in 2008 was €178.3 billion.

The decline in German exports was most acute inside the European Union, Germany's largest market. Exports to the bloc fell 19.1 percent in 2009, to €503.5 billion. Exports to non-E.U. countries fell 17.1 percent, to €299.7 billion.

German exports to the United States have been particularly hard hit by the global downturn, with many sectors, from engineering, forest products, furniture and the automobile industry reporting sharp declines in exports, according to the data released Tuesday.

The Federation of German Industries, an influential employers' group, said Tuesday that "it had only been a question of time" before China would become the world's No.1 exporter, in part because of the magnitude of the export sector in the Chinese economy.

"In terms of those living and working in China, it is about 15 times more than Germany," said Werner Schnappauf, director of the federation, which represents 100,000 businesses with eight million employees.

Marc Tenbieg, adviser to the German Association of Small and Medium Enterprises, noted that even if China retained the top spot, Germany's export sector would remain the engine of the German economy. He said the group had been surprised that Germany had held on so long, "given the huge rise of China and the sheer size of its economy.'

The figures showed an uptick in German exports for the month of December, to €69 billion, an increase of 3.4 percent from a year earlier.

Researchers at Deutsche Bank wrote in a note Tuesday that they expected German exports to start increasing in the coming months as companies started investing again and consumer spending slowly picked up.

Much depends on the rate of recovery by the world economy. Hans-Peter Keitel, president of the Federation of German Industries, has been very cautious, saying in a recent speech that 'bank balance sheets still show a substantial need for further write-downs while economic stimulus packages have ended in several countries."

Markets stumped as Germans deny making deal to aid Greece on debt

planned summit meeting of European leaders on Thursday.

Mr. Trichet will attend the meeting of the European Council called by Herman Van Rompuy, the European Union president, an E.C.B. spokesman said.

Regina Schüller, a spokeswoman in Frankfurt for the E.C.B., said Mr. Trichet had been planning to attend the council meeting Thursday even before he left for Australia.

"In order to make it back in time for the meeting he had to leave Sydney a day early," she said. "It was pure logistics."

She had no comment on the reports that Europe was moving closer to a bailout of Greece.

The E.C.B. president often participates in such summit meetings, which bring together the leaders of the 27 E.U. member states and the head of the European Commission, José Manuel Barroso, a former prime minister of Portugal. But this one is being held at an especially difficult time for the euro.

Investors have grown wary of the feeble public finances of a number of countries that use the euro - particularly Greece, Portugal, Spain and, to a lesser extent, Italy - raising the fear that the entire currency system could come under attack. The currency has fallen by more than 9 percent against the dollar from a late November peak.

Bilal Hafeez, global head of currency strategy at Deutsche Bank in London, noted Tuesday that net short positions had reached a record 43,741 on Feb. 2 on the Chicago Mercantile Exchange, up from a week earlier, when there were 39,539 net short contracts outstanding meaning, in effect, that investors have made more than \$7.5 billion in bets against the European currency.

"Everyone's positioned for the euro to fall further," Mr. Hafeez said. "But if there's good news out of Europe, watch out for the euro to swing back up quite sharply on short covering," he added, referring to the practice where traders who had sold, or shorted, the currency are forced to repurchase it to cover their

The euro rose 0.7 percent versus the dollar to trade at \$1.3739. At one stage on Monday, the euro had hit a fresh eightmonth low below \$1.36. The euro also recovered 0.9 percent against the yen.

While the meeting in Brussels was called to address a number of issues, including Europe's longer-term economic

"If there's good news out of Europe, watch out for the euro to swing back up quite sharply."

competitiveness, Haiti and climate change, the E.C.B. spokesman said "economic problems in Greece and probably some other countries will be an important issue.'

Meanwhile, Greece's Socialist government, on the eve of the first nationwide strike against new austerity measures, insisted that it would move ahead

as planned. Prime Minister George Papandreou told a cabinet meeting that the reforms "must go ahead now."

'Our primary duty now is to save the economy and reduce the debt, aiming to do so through the fairest possible solutions," said Mr. Papandreou, who is to meet in Paris with French President Nicolas Sarkozy on Wednesday ahead of Thursday's summit in Brussels.

The Greek government announced that it was studying proposals to raise the average retirement age to 63 from 61 by 2015. A new pension law would forbid any voluntary exit from the system and establish a new fund to manage its reserves of €30 billion, or \$41 billion.

"These reforms are not just tinkering," Labor Minister Andreas Loverdos told the parliamentary committee in charge of drafting the changes. "They constitute a major overhaul to make the system viable in the coming decades."

Under intense pressure from European Union partners and market speculation — which sharply hiked Greece's borrowing costs — Mr. Papandreou's center-left government has committed to a four-year austerity plan meant to tame a gaping budget deficit and soar-

The budget deficit for 2009 represents 12.7 percent of Greece's annual economic output, more than four times the limit supposedly allowed by the E.U., while the public debt has exceeded 113 percent of its annual G.D.P.

The measures announced so far have angered powerful labor unions, and civil servants have called a nationwide strike Wednesday. The walkout will affect state schools, hospitals, tax offices and local government offices, while all Greek airports will be closed to international and domestic flights. Private sector workers plan to walk off their jobs on Feb. 24 in a separate strike.

The cost of insuring Greek debt using credit default swaps fell 19 percent, according to Markit, a data provider.

The cost to insure Spanish, Portuguese and Italian debt fell by similar percentages, reflecting greater investor confidence the nations will be able to overcome their debt problems.

At the same time, yields on Greek, Portuguese and Spanish sovereign debt dropped sharply. The yield on Greek 10year debt fell to 6.3 percent, narrowing the spread with the benchmark German

In Lisbon, Prime Minister Sócrates faces growing controversy over allegations that his government tried to meddle with the news media. Portugal's opposition on Tuesday voted to start hearings in Parliament on whether the government tried to remove troublesome journalists.

Under normal circumstances, such a brouhaha would hardly attract notice outside of Portugal. But the controversy comes as Mr. Socrates's government is seeking to pass a 2010 budget that is crucial to controlling a deficit equal to 9.3 percent of the country's G.D.P. The budget is also crucial to Mr. Socrates's party remaining in power.

As in Greece, Portugal's debt problems go hand in hand with a weak central government that has been unable or unwilling to impose financial discipline. Mr. Sócrates is trying to run Portugal with less than a majority in Parliament. Some economists argue that it is unfair to lump Portugal and Spain with

"Spain and Portugal are in a different ballpark than Greece," Erik F. Nielson, a top economist at Goldman Sachs. wrote in a note to investors. While Portugal needs to attack its deficit "in a much more aggressive manner," the country is in a better position than Greece because it has less long-term debt coming due.

Stephen Castle, Judy Dempsey, Rachel Donadio and Nicholas Kulish contributed



With the economy weak, the Portuguese are coping with rainy days, as are the Greeks.