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Change afoot in Myanmar, but only on junta's terms

PYAPON, MYANMAR

With economic changes, some see the possibility of a slow political shift

INTERNATIONAL HERALD TRIBUNE

In the dried mud of the Irrawaddy Delta, workers are welding together the final pieces of a pipeline that the country's ruling generals say will keep the lights on in Yangon, the main city, after years of debilitating blackouts.

Residents who for years were lucky to get eight hours of power a day may soon have the luxury of refrigerators that stay cold and televisions that stay tuned.

But it won't make much difference for one 64-year-old Yangon resident on a lakeside road blockaded by the police: Daw Aung San Suu Kyi, the Nobel peace laureate and country's best-known dissident, lives in a blacked-out world, barred from most communication with anyone outside her walled compound. Her telephone line was cut years ago, and she has no computer or television, her lawyer says.

These are the dueling realities of Myanmar today. After years of deadlock and stagnation, change is coming, but strictly on the junta's terms.

There is guarded hope among businessmen and diplomats that Myanmar, or Burma as many people still call it, may be gradually moving away from years of paranoid authoritarianism and Soviet-style economic management that has left the majority of the 55 million people in dire poverty. A new constitution is to be introduced later this year, and the junta is planning the first elections in two decades. Analysts say that the election is not likely to be fully competitive or fair but that it could result in the military's decentralizing some of its power.

"Burma is at a critical watershed," said U Thant Myint-U, a historian and former U.N. official who has written widely on the country. "We're clearly moving towards something other than a strict army hierarchy with just one general at the top."

What passes for hope in Myanmar is incremental change and the prospect that the military will gradually fade from politics, allowing this country of vast resources, with land so fertile it once fed large parts of the British Empire, to participate at last in the economic dynamism that surrounds it.

Signs of change abound. The military, which has been in power for close to five decades, has issued permits for private hospitals and schools, neither of which were officially permitted before. It has sold a raft of state-run factories and assets to cronies in the private sector and appears to be lifting some of the punitive restrictions on ownership of cars or motorcycles. The country is taking steps to revive its troubled but potentially lucrative rice exports.

In a sign that some prosperity is trickling down to the poor, there are reports, unverified, of farmers' exchanging buffaloes for motorcycles, according to U Thin Maung Thann, president of Myanmar Egress, a private organization in

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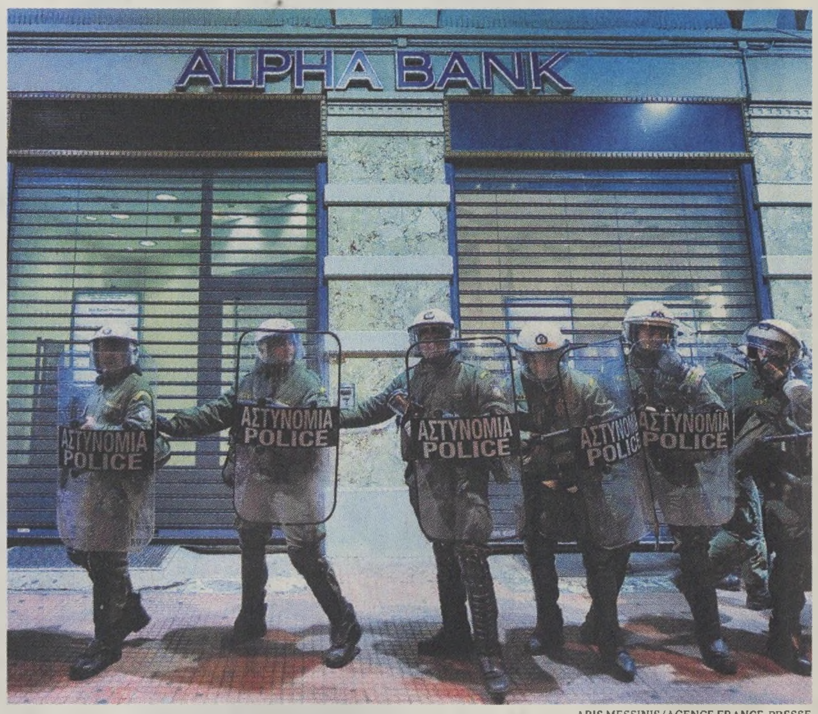

ARIS MESSINIS/AGENCE FRANCE-PRESSE

GREECE Tough austerity measures enacted by the government have led to public demonstrations, some of them violent. There are fears the cutbacks will stall economic recovery.

MICHAEL SOHN/THE ASSOCIATED PRESS

GERMANY The government of Chancellor Angela Merkel is insisting on steep spending cuts by the most indebted countries. It faces criticism for not doing more to support growth.

MELANIE FREY/EUROPEAN PRESSPHOTO AGENCY

FRANCE The administration of President Nicolas Sarkozy has supported expanding public spending when times are tough. Subsequent growth, it believes, will revive tax receipts.

DANIEL OCHOA de OLZA/THE ASSOCIATED PRESS

SPAIN Protesters in Madrid with a banner stating "No to pension cuts." The prime minister has proposed pushing back the retirement age to 67 from 65 to shore up pension finances.

Europe in a hole: Which way out?

PARIS

Budget-trimming cure could have dangerous side effects, critics say

BY STEVEN ERLANGER

Across Europe, from profligate Greece to newly strait-laced Ireland, governments are promising deep, painful cuts in public spending even as they face the likelihood of a new recession.

To protect the value of the euro, satisfy investors and appease Europe's economic taskmaster, Germany, the region's most heavily indebted countries believe they have no choice but to slim down. Reviving economic growth and reducing unemployment must wait until countries get their fiscal houses in better order, the thinking goes.

But some argue that Berlin is pressing too hard, and that the region's new fixation on debt has created a "cult of austerity" that could make it harder to recover from the slump. Drastic budget cuts, if implemented as promised, could set off deflation, send already high unemployment rates surging, bring governments down and even create popular opposition to the euro, critics say.

The pressure "will impose terrible strains on the government and society" for years to come, said Jean-Paul Fitoussi, professor of economics at the Institut d'Études Politiques in Paris. "It's self-defeating, because if you have austerity and deflation in Greece, Portugal and Spain, then the European economy will not recover, firms will fail and jeopardize the banks."

Opposition to austerity is spoken softly in official circles, as political leaders fret that markets will punish countries that show weak resolve to lower

GERMANY, PAGE 16

MERKEL URGES RULES ON E.U. DEBT LIMITS
Angela Merkel, the German chancellor, urged better E.U. rules to ensure that members respect debt ceilings. *PAGE 16*

PARIS

Range of 'stealth taxes' shares a common goal of filling depleted coffers

BY MATTHEW SALTMARSH

France, promising to help limit climate change, is planning to introduce a carbon tax. In Finland, where the government says it wants to improve diets, taxes are back on candy and soft drinks. Similarly, Denmark added tobacco and some fatty foods to the list.

Britain is taking a different tack, considering a so-called horse tax.

All these taxes may be presented as serving virtuous ends, but they also share something else in common: they help plug budget holes swollen by a severe recession, big bailouts and billions in stimulus spending intended to ease the pain.

And at a time when political leaders in Europe and the United States are publicly committed to not increasing income tax rates on the middle class, these taxes also share the advantage of raising revenue without drawing too much attention to the tightening fiscal noose.

As a result, analysts say, taxpayers from California to Copenhagen should brace themselves for more "stealth taxes" — indirect levies like sales taxes, or micro-charges on services once provided free or at low cost, like registering a pet.

Such charges can have many benefits for tax collectors. For one thing, they are less volatile and less dependent on the economic cycle than corporate or income taxes. For another, they are less prone to avoidance and less costly to collect. Finally, analysts note, they are generally easier to enact.

"Politics comes into it," said Stephen Matthews, a tax expert at the Organization for Economic Cooperation and Development. Raising income taxes is more of a "last resort," he said.

TAXES, PAGE 16

Cardinal in Ireland apologizes over scandal

DUBLIN

'Ashamed,' he hints at resignation for his handling of abuse cases

BY JOHN F. BURNS AND RACHEL DONADIO

Speaking at an extraordinary St. Patrick's Day sermon, the leader of the Roman Catholic Church in Ireland said Wednesday he was "ashamed" of the role he had played decades ago in handling accusations of child sex abuse against a priest who went on to sexually assault scores of children.

"I want to say to anyone who has been hurt by any failure on my part that I apologize to you with all my heart," Cardinal Sean Brady said at the sermon in Armagh cathedral in Northern Ireland. "I also apologize to all those who feel I have let them down. Looking back, I am ashamed that I have not always upheld the values that I profess and believe in."

His broad apology raised the possibility that he might step down as abuse scandals rock his own country, one of the world's most heavily Catholic, and a widening scandal in Europe has shadowed even the pope.

Cardinal Brady has faced numerous calls for his resignation in recent days, following revelations that he took part in an abuse investigation in 1975 in which 10- and 14-year-old youths who said the priest, the Rev. Brendan Smyth, had abused them were forced to sign secrecy oaths as part of the church's inquiry.

Cardinal Brady never went to the police, and Father Smyth was arrested in the 1990s and admitted to molesting and raping about 100 children in Ireland and the United States. Father Smyth died in prison in 1997.

As recently as Monday, Cardinal Brady vowed not to resign unless the pope explicitly asked him to. But in his sermon Wednesday, the cardinal said he would immerse himself in reflection and soul-searching, saying, "The Lord is calling us to a new beginning."

"None of us knows where that new beginning will lead," he said.

Hundreds of new allegations of sexual abuse are engulfing the Catholic Church in Ireland and other parts of Europe.

Pope Benedict XVI himself has been under scrutiny, after the German church suspended a priest who had been allowed to work with children for decades after a court convicted him of molesting boys. In 1980, Benedict, then Archbishop Joseph Ratzinger, allowed the priest to move to Munich for therapy after allegations of abuse.

At the Vatican on Wednesday, Benedict said that he planned to issue a pastoral letter to Irish bishops addressing the sex abuse issue, which he hoped would help "repentance, healing and renewal."

In unscripted remarks in English at his weekly audience Wednesday, the pope said he would sign the letter Friday and send it out soon afterward. He said that the Irish church had been

CHURCH, PAGE 3

MARCO LONGARI/AGENCE FRANCE-PRESSE

WORLD NEWS

Weapons at the ready An Israeli patrol in the West Bank on Wednesday. Israel sought to reduce tensions in a diplomatic feud with the United States. *PAGE 3*

Threats as a weapon in Marja

Intimidation by the Afghan Taliban may have jeopardized the success of the NATO offensive there. *PAGE 5*

3 killed in Uganda riots

Security forces opened fire and killed three near the capital after a blaze at a tomb of traditional leaders. *PAGE 4*

BUSINESS

Banks in Italy to stand trial

An Italian judge on Wednesday ordered JPMorgan Chase, Deutsche Bank, UBS and a banking unit of Hypo Real Estate Holding to stand trial for fraud in their handling of interest rate swaps acquired by the city of Milan. The prosecutor alleges the banks made illicit gains by misleading Milan about costs. *PAGE 15*

Jobs bill sent to Obama's desk

An $18 billion bill that gives companies a tax break for hiring people unemployed for 60 days or more was passed by Congress and sent to the president for his signature. It passed with 11 Republicans voting for it while one Democrat opposed it. *PAGE 18*

Japan expands stimulus

In a bid to shore up a deflation-plagued economy, Japan's central bank eased monetary policy further on Wednesday by enlarging a loan program for banks, setting the country on a path that diverges from those of other industrialized nations. *PAGE 15*

VIEWS

Thomas L. Friedman

President Obama was right to criticize Israel on settlement expansion. Israel, America and the moderate Arabs need their own strategy in order for a plan for a two-state solution to work. *PAGE 6*

Moment of truth for Israel

The crisis in relations with the United States has undercut its leader's fence-straddling and goes to Israel's basic schism, writes Bernard Avishai. *PAGE 6*

ONLINE

Flying in Asia on the cheap

In the Frugal Traveler blog, Matt Gross notes that flights within Asia today can cost as little as a long-haul bus, thanks to a well-established network of low-cost carriers. Like their European counterparts, these are generally no-frills experiences, but at these fares, you can't really complain. O.K., maybe you can complain a little — about the booking process.
frugaltraveler.blogs.nytimes.com

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IN THIS ISSUE

CURRENCIES NEW YORK, WEDNESDAY 2:30PM

				PREVIOUS
Euro	—	€1=	$1.3770	$1.3770
Pound	▲	£1=	$1.5360	$1.5240
Yen	▼	$1=	¥90.120	¥90.270
S. Franc	▼	$1=	SF1.0510	SF1.0540

Full currency rates Page 18

STOCK INDEXES WEDNESDAY

The Dow 2:30pm	▲	10,757.48	+0.67%
FTSE 100 close	▲	5,644.63	+0.43%
Nikkei 225 close	▲	10,846.98	+1.17%

OIL NEW YORK, WEDNESDAY 2:30PM

Light sweet crude	▲	$82.48	+$0.97

Trimming budgets has risks, critics warn

GERMANY, FROM PAGE 1

debt. But Germany, which has insisted on steep cuts in public spending in the most indebted countries, is facing criticism for harping about the dangers of debt without doing more to support growth, mainly by buying more from its neighbors.

The French finance minister, Christine Lagarde, warned Berlin that it must increase its domestic demand to help partners in trouble. Could Germany, with its high savings and big trade surplus, "do a little something," she asked in an interview with The Financial Times. "It takes two to tango. It can't just be about enforcing deficit principles."

The debate is partly about economics — what steps European countries need to take to tackle their demons of high debt and slow growth. But it is also about leadership, as the European Union struggles to define its mission during the deepest economic crisis in its history.

The Germans insist the problem is debt. Addressing it means radical and immediate cuts in public spending, using the pressure from markets to impose changes that are politically difficult but crucial to long-term health.

France has a different, softer approach, akin to the U.S. perspective. Public spending must expand in times of economic crisis to bolster employment and growth, which will gradually cut the deficit through increased tax receipts. Many European countries need to streamline their public sectors, France argues, but not as shock therapy.

German rigor has worked well for Germany, which has kept wages down, overhauled its social-welfare system and remained one of the world's top exporting countries. Psychologically, Germans remain obsessed with inflation and saving. But Germany consequently has a big trade surplus with its euro-zone partners. And that imbalance makes it harder for less competitive countries to grow out of their own problems.

The Germans note that Spain, Portugal, Greece and Italy did not play by the rules of monetary union, drafted largely by Germany.

"Wages rose very fast, productivity stayed low and governments went on a spending spree, and that makes Germans angry, because they did the opposite," said Thomas Klau of the European Council on Foreign Relations.

The Germans are preaching harsh budget cuts, tax increases, changes to pension systems, a later retirement age and a quick return to government deficits closer to the euro-zone requirement of 3 percent of gross domestic product, a far cry from Greece's 12.7 percent for this year.

On the other side are worries that this sounds similar to the austerity mantra that helped prolong the Great Depression of the 1930s. Mr. Fitoussi said that it risked throwing the Mediterranean countries into deflation, which would create huge political and social pressures and short-circuit Europe's economic recovery. Forecasts already predict recession for the most of the southern rim for at least another year or two.

While Greece clearly must overhaul its public sector — and stop manipulating its economic statistics — market credibility does not require murdering the economy, argued Mr. Fitoussi, who is close to Joseph E. Stiglitz, the American economist who has advised Greece. Mr. Stiglitz warns of "deficit fetishism," arguing that further recession could increase the deficit beyond the government's ability to cut spending.

Even the International Monetary Fund, Mr. Fitoussi said, having learned lessons from the Asian crisis of the 1990s, would not try to impose as much austerity all at once, but would instead try to alleviate the immediate debt crunch and help revive growth before insisting on the biggest cuts.

The United States, too, has taken a different tack, accumulating new debt to stimulate growth and worrying later about reducing deficits. The U.S. budget deficit this year will be 11.2 percent of G.D.P., nearly the level of Greece. But Washington can better afford it. Not only does it control the dollar, which remains the world's reserve currency, but gross U.S. debt is only half that of Greece when measured against G.D.P.

France, hit less hard by the crisis, is trying to find a median — with moderate stimulus, no tax increases, support for small and midsize businesses, and a deficit growing to 8.2 percent of G.D.P., even as unemployment has climbed back over 10 percent.

To an extent, smaller economies like Greece have to bow to the demands of the market. Iceland with its bank disasters, Ireland with its real estate and bank bubbles, also have buckled down to cut budgets considerably in the face of plunging tax receipts, but their politicians are expected to suffer.

Moreover, accumulated debt in Southern Europe has become an urgent issue, with Greece only the most egregious example. The Greek ratio of debt to G.D.P. is forecast for 125 percent and climbing; Italy is at nearly 118 percent and the euro zone itself is at 84 percent.

But inevitably the policies to deal with the debt have to balance political and economic realities. Elected governments may promise drastic cuts, but it is not clear they can stay in office to implement them.

Greek unions are striking regularly, determined to keep their perks, and consumer organizations are decrying a new poverty. Babis Delidaskakis, an economist with INKA, the Greek consumers' federation, called the sudden cuts "a nefarious dead end for the economy."

"Can the Greek government survive this?" asked Julian Callow, chief European economist at Barclays Capital. "Spain looks better, but the government hasn't even begun to get tough on the fiscal side. This is going to have to be a six- to eight-year project to stabilize these debt-to-G.D.P. ratios — and it gets progressively harder to keep at it."

HANNELORE FOERSTER/BLOOMBERG NEWS

A shopping center in Frankfurt. Germans continue to be resolute savers, but some E.U. countries wish they would buy more.

"Governments went on a spending spree, and that makes Germans angry, because they did the opposite."

E.U. casts doubt on deficit pledges

BRUSSELS

5 countries are warned about relying too heavily on a robust recovery

THE ASSOCIATED PRESS

The European Union on Wednesday warned Germany, France, Spain, Italy and the Netherlands that they were relying too much on a strong economic recovery to meet debt reduction targets.

Reports from the European Commission, the E.U.'s executive arm, said that the five countries had "rather optimistic" growth forecasts in their programs to cut their budget deficits to the E.U. limit of 3 percent of gross domestic product.

It said the budget figures could be worse than the countries expected if growth remained slow.

Germany's "budgetary strategy is not sufficient to bring the debt ratio back on a downward path," the commission said.

Berlin needs to reconcile possible tax cuts — promoted by the Free Democrats, Chancellor Angela Merkel's coalition partner — with the need to reduce budget spending, it said. It also noted that Berlin had not spelled out what cuts it would make after this year.

Germany, which has the largest economy in Europe, is not facing rocketing debt and deficit levels but still needs to act because debt is mounting and the rising cost of pensions and social security could make it hard to finance spending obligations in the long term.

French budget plans do not leave "any safety margin if economic developments turn out worse than projected" by the government, which has made "markedly favorable" growth assumptions, the commission said.

It called on France to specify spending cuts and show exactly how it would bring down its deficit and its debt — which will keep increasing until 2012 as France takes out a "grand loan" of €35 billion, or $48 billion, to finance a stimulus program.

Spain may need to draft additional measures to reduce its huge deficit — estimated at 11.4 percent of G.D.P. this year — by 2013 because it may be too optimistic about growth beyond this year, the commission said.

It also cautioned Madrid to overhaul its pension system to reduce spending. The Spanish government faced protests when it tried to do that by raising the retirement age from 65 to 67.

The commission told Italy that its debt and deficit could be higher than anticipated because the government's growth outlook was likewise too high. It also said that the government had not described how it planned to make reductions, and could spend more than it assumed.

It also said that Italy needed "a swift and durable recovery in productivity growth" to get its economy growing again. That implies developing more lucrative industries that could generate increased earnings from exports.

The commission told the Dutch government to give more detail on how it would reduce its deficit and debt by 2013.

Britain told to do more

The European Commission on Wednesday told Britain to do more to cut its huge deficit because the current plan failed to guarantee it would meet an E.U. deadline of 2014-15 for getting the gap below 3 percent of gross domestic product, Reuters reported.

The British budget deficit is expected to exceed 12 percent of G.D.P. in 2010 and a draft copy of the Commission report, obtained by Reuters, has already embarrassed Prime Minister Gordon Brown just a few weeks before parliamentary elections.

Britain has defended its budget plans, saying they took into account a need to support the economy through the downturn.

Merkel urges rules to enforce E.U. debt limits

FRANKFURT

Under one proposal, repeat offenders could be expelled from euro zone

BY JACK EWING

Chancellor Angela Merkel of Germany said Wednesday that the European Union needed better rules to ensure that Greece and other members obeyed debt limits, and she tacitly endorsed a proposal to eject countries from the euro zone as a last resort if they did not comply.

Speaking before a session of the Bundestag in Berlin, Mrs. Merkel said that under a proposal made last week by Wolfgang Schäuble, the German finance minister, "it would even be possible to exclude a country from the euro zone when over the long term it no longer fulfills the conditions."

"Otherwise we can't work together," Mrs. Merkel said.

Her comments came two days after finance ministers from the 16 countries that use the euro promised loans, if necessary, to help Athens overcome its massive debt problems.

The ministers have not yet agreed on how to structure the aid, and the statement by Mrs. Merkel on Wednesday seemed to suggest that European leaders were interpreting the aid promise in different ways.

A hurried aid package is "certainly not the right answer," Mrs. Merkel said. She placed the burden on Greece to implement an austerity program that is designed to slash a budget deficit equal to 12.7 percent of gross domestic product.

"The turnaround must come from Greece," she said.

Rhetoric from other leaders like Nicolas Sarkozy, the president of France, has put more emphasis on providing financial aid.

Mrs. Merkel said the most important goal was to ensure the stability of the monetary union.

Europe "shouldn't rush to provide help that doesn't achieve anything in the long term and merely weakens the euro," she said.

Referring to the treaty that created European monetary union and obligated members to observe debt limits, Mrs. Merkel said leaders must ask "how can we develop the treaty so that we can deal with such a situation."

Current sanctions against countries that violate rules on budget deficits and debt, which require them to pay fines, are "idiotic," the German chancellor said.

"A country that has no money can't pay money," she said. "We would only hasten the insolvency."

Mrs. Merkel also repeated her support for rules that would ban investors from buying credit default swaps, a form of insurance against default by bond issuers, if they did not own the underlying debt.

Such a rule "will only work on a Europe-wide basis," Mrs. Merkel said, in an apparent reference to British resistance to the proposal.

London is home to most of Europe's hedge funds.

"We must not forget that the Greek situation wasn't created by speculators — speculators made it worse," Mrs. Merkel added.

"It was created by years-long violation of the Stability and Growth Pact," she said, referring to the treaty that created the euro.

RAINER JENSEN/EPA

Angela Merkel said the stability of the monetary union was the most important goal.

'Stealth taxes' share goal of filling depleted coffers

TAXES, FROM PAGE 1

Not that income taxes are entirely off the table. President Barack Obama has vowed to restore the higher tax rates of the Bill Clinton era on those earning more than $250,000 a year. And the British government recently returned its top tax rate to 50 percent after years of declines. But those increases are aimed at the wealthy.

With the public angry over the cost of bailing out the financial system, the idea behind such measures, Mr. Matthews added, is "to be seen to be tough on the rich."

But countries like Denmark, the Netherlands, France and Belgium already set their top rates around 50 percent — sometimes higher. For most countries, there is not room to go much further on that front.

President Nicolas Sarkozy of France, for example, was elected in 2007 promising to put more disposable income in people's pockets. In the areas of income, corporate and wealth taxes, he has kept his pledge, capping increases. But with the bills from the financial crisis now landing — and the deficit rising — he is becoming more creative.

The taxpayers' advocacy group Contribuables Associés claims that since Mr. Sarkozy was elected, at least 20 new taxes have been introduced, including one on crustaceans and mollusks to help pay for a rebate on diesel fuel for fishermen. Co-payments for some medications have gone up, as well as television license fees.

An official from the office of Éric Woerth, the French budget minister, disputed the group's figure, saying it was much lower. The official, who spoke only on condition of anonymity, said that the overall fiscal burden for households and companies had fallen under the government of Mr. Sarkozy.

Other countries have leaned toward increasing or extending the value-added, or sales, tax.

The average V.A.T. rate in the European Union climbed to 19.8 percent in 2009 from 19.5 percent in 2008. It would have been higher but for a temporary cut in Britain that expired in January.

A KPMG survey from October forecast that the average rate in Europe would hit 20 percent this year or next.

Beyond the taxes on unhealthy foods, Denmark recently removed exemptions on travel agencies, property management and the supply of buildings and land. Finland, besides resurrecting taxes on candy and carbonated drinks, raised the V.A.T. rate.

"There will also be a mixed bag of other indirect taxes and smaller stealth taxes, which combine revenue generation with others goals like improving the environment," Niall Campbell, global head of indirect tax at KPMG, said by telephone from Dublin.

Britain raised the duty it adds to airplane tickets last year and it will jump again on Nov. 1. While billed as an environmental tax, critics note the revenue goes directly to the Treasury.

The Institute for Fiscal Studies, a British research group, estimates that revenue from the airline ticket tax will almost double to £3.3 billion, or $5.1 billion, in 2013 to 2014 from £1.8 billion, or $2.8 billion, in 2009 to 2010.

France has announced plans for a carbon tax, intended to encourage conservation. It would be levied on fuels as a proportion of their emissions. While it will initially be revenue-neutral, with a host of exemptions, critics, including the opposition Socialist Party, argue that it will fall disproportionately on the poor.

Other taxes are even more narrowly defined.

Last year, Northern Ireland announced that it would increase the cost of a dog license tenfold, to £50, ostensibly to better tackle the problem of strays and violent attacks.

London released a draft bill in January that would establish an animal health agency, the cost to be met partly by livestock owners. Equestrians have called it the horse tax and are angry that a leisure industry will have to pay for a measure to aid farmers, who already receive payments from the European Union.

Di Grissell, a former jockey and owner of Grissell Racing, a racehorse training facility in East Sussex, England, expects her personal income and business to be squeezed.

"The government's being [illegible] crafty by bringing in back-door tax increases," she said. "The good guys — people who work and are trying to build businesses — are being taxed to the hilt."

A similar trend is playing out in parts of the United States, where states have been trying to replenish diminished coffers. In 2008, Winter Haven, Florida, started charging "accident response fees" to move the financial burden of tending to accidents directly to at-fault drivers.

This month, Nevada officials drafted an emergency regulation to raise entrance fees and season passes for state parks to help plug a gap in state funds, according to The Associated Press.

Data from the Tax Policy Center, a joint venture of the Urban Institute and the Brookings Institution, show that total state and local revenue as a percentage of personal incomes has been steadily rising since the start of the past decade.

By contrast, experts said, most Western governments will not tinker with the corporate tax. Here, receipts naturally fall during downturns as companies earn less. Corporate taxation is also seen as a zero-sum game, as raising rates could lead companies to flee to lower-tax jurisdictions.

In recent years, the overall tax burden has been volatile. Among O.E.C.D. members it was at its highest level around 2000, then dropped in response to the dot-com recession, before rising again.

"Governments have tended to use the benefits of new growth over the past decade to cut taxes rather than improve public finances," Mr. Matthews of the O.E.C.D. said.

"They thought that growth was sustainable," he added. "In hindsight, it clearly wasn't."

Rosneft shares stumble on warnings of court seizure

MOSCOW

Former Yukos executives seek relief in London over 2007 bankruptcy

BY ANDREW E. KRAMER

Shares in Russia's state oil company, Rosneft, slumped Wednesday after the company reportedly warned its trading partners that a British court could seize assets under a lawsuit filed by former executives of Yukos Oil.

An overseas branch of Yukos, now organized as a foundation based in the Netherlands, won a $380 million lawsuit against Rosneft in a Dutch court in 2007 but has been unable to collect the award.

The case stemmed from disputes during the bankruptcy proceedings against Yukos in Russia in 2007.

The development that unsettled markets Wednesday was disclosure of an effort by the Yukos representatives to collect in commercial court in Britain, where Rosneft has a trading business and lists its shares.

The case is one of half a dozen pending before European arbitration panels, the European Court of Human Rights and elsewhere stemming from the dissolution of Yukos, once the largest Russian oil company. It was dismantled and bankrupted in a politically tinged tax-fraud case from 2003 to 2007. Its most valuable assets were acquired by Rosneft, in which the Russian state owns a majority stake.

Rosneft notified trading partners and banks about the litigation, Reuters reported Wednesday, citing oil traders. The company pumped 2.1 million barrels of crude a day last year, about a fifth of Russia's total output.

The London litigation in itself poses only a moderate risk to Rosneft, which had revenue of $46.8 billion and profit of $6.5 billion in 2009. But a successful collection by Yukos could set a precedent for larger claims still being adjudicated.

In one of those cases, former Yukos shareholders and executives are suing Russia in the human rights court for about $100 billion, which they claim is the entire value of Yukos at the time of what they consider an expropriation.

A Rosneft spokesman did not answer calls Wednesday. A woman who answered the phone at the company's investor relations department declined to comment and said Rosneft would later post a notice on its Web site.

The company's shares slid 1.7 percent in Moscow on Wednesday, a day the exchange overall rose about 1 percent.