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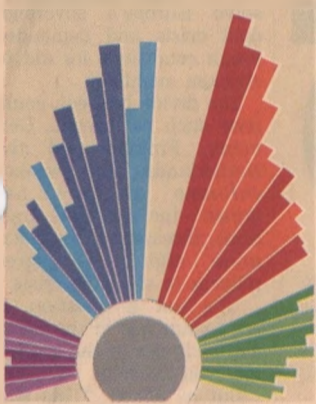


World Business Newspaper

### TOMORROW IN FT WEEKEND

#### House & Home

Does it make sense to commute?  
The costs of travelling to the office in London, New York, Washington and Hong Kong.



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##### Oil surges amid fears over Saudi clash

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##### Bet on Angry Birds

Rovio, the Finnish developer behind the highly successful Angry Birds game, has raised \$42m from investors who are making a high risk bet that the mobile phone app is the next Super Mario, a multimedia franchise that can expand beyond its smartphone origins. **Page 15; [www.ft.com/technology](http://www.ft.com/technology)**

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Joseph Biden, the US vice-president, has warned Russia it risks scaring away investors unless it moves to strengthen the rule of law and introduce political reforms. **Page 2**

##### Emotional hearing

Congressional hearings on "radicalisation in the American Muslim community" opened on an emotional note when a Muslim-American congressman broke down in tears as he described the "scapegoating" of members of the religion in the US. **Page 3**

##### US influence at risk

The US risks a sharp loss of influence at institutions such as the World Bank if Congress will not pay promised contributions, officials say. **Page 6**

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# Spanish downgrade is blow for eurozone

Moody's cuts rating by one notch to Aa2

Berlin insists no swift decisions on rescues

By Victor Mallet in Madrid, David Oakley in London and Quentin Peel in Berlin

The euro fell against the dollar and stock markets slid on Thursday after Moody's downgraded Spain's sovereign credit rating and revived investor fears about weaker eurozone economies.

Spain, which held triple A ratings from all the main rating agencies before the global financial crisis, had its Moody's rating cut by one notch to Aa2 – two notches below the top level and the same as that from Standard & Poor's.

The euro tumbled further against the dollar to one-week lows and was down 0.7 per cent to \$1.3802 at the end of London trading. Spanish government bond prices fell, and at one point the yield on its 10-year debt rose to 5.55 per cent, the highest since January 11.

European Union officials said they did not expect any special steps at an emergency EU summit today in Brussels, in spite of the renewed market jitters.

The slow pace of European decision-making has caused hand-wringing among some EU policymakers. They fear that leaders are again misjudging financial markets' patience.

Germany is adamant that no detailed decisions on rescue measures will be taken at the summit. In Berlin, a senior official ruled out use of European

rescue funds to finance the buying of government bonds, describing such a move as "inconceivable".

The official said that Angela Merkel, German chancellor, would make it clear that use of the permanent European stability mechanism, which launches in 2013, can only be used as a "last resort" when the stability of the euro itself is under threat.

But the package to be finalised by a full EU summit on March 24 and 25 will include measures to "strengthen" the existing €440bn European financial stability facility, and possible changes in the "implementation" of the Greek and Irish rescue packages, he added.

Moody's blamed the credit downgrade on its newly pessimistic assessment of the capital needs of the Spanish banking system – which would require between €40bn and €120bn extra depending on the level of "stress" – and on the lack of fiscal discipline among Spain's autonomous regions.

Hours later, the Bank of Spain issued detailed figures on capital requirements, broken down for each bank, and concluded that the entire system required only a further €15.15bn.

An irritated Elena Salgado, Spanish finance minister, said she disagreed with Moody's on capital. "Whoever says that a particular amount is needed will have to say for which financial institution," she said.

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### Banking ban



Spain's Supreme Court has sentenced Alfredo Sáenz (above), Santander chief executive, to jail and banned him from banking for three months. Even if his appeal fails, Mr Sáenz will not go to prison because he has no previous convictions and the sentence is short. "We do not expect him to miss a single day of work," Santander said.

Report, Page 15

## France recognises Libyan rebels and urges talks on airfield strikes

By Peggy Hollinger in Paris and Peter Spiegel in Brussels

France is talking to its allies about targeted air strikes on Libyan airfields and has recognised a leading opposition group in a bid to rally the international community against Muammar Gaddafi's regime.

In an attempt to stiffen the resolve of other EU leaders ahead of a summit on the Libyan crisis in Brussels today, the French government on Wednesday suggested its international partners should consider more flexible and rapid military responses to the escalating violence. President Nicolas Sarkozy also met leaders of the Libyan National Council, which officials said was tantamount to French recognition of the group as the "legitimate representative of the Libyan people".

Mr Sarkozy's more assertive stance puts him way ahead of France's European partners and on a possible collision course with Washington, which has been more circumspect about backing the rebels amid Pentagon concern about the opposition's make-up and intentions.

France's move gained little traction at a meeting of Nato defence ministers. Anders Fogh Rasmussen, Nato secretary-general, said the alliance would not proceed with a no-fly zone without a "strong legal base" and "firm regional support", both of which appear unlikely.

"I can't imagine the international community and the UN standing idly by if Colonel Gaddafi continues attacking his people systematically," Mr Rasmussen said. "But I have to say, we do not look for intervention in Libya." French recognition of

the LNC received little support from European foreign ministers meeting in Brussels.

French officials said air strikes against Libyan airforce facilities, which could take place before the introduction of a no-fly zone, was only one of a range of options under discussion among Nato defence ministers. Mr Sarkozy would not be making specific proposals at today's summit, they added. They also insisted any military action would require authorisation under a United Nations Security Council resolution.

**Additional reporting by Joshua Chaffin in Brussels, James Blitz and Alex Barker in London and Jennifer Thompson in Paris**

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### World Markets

#### STOCK MARKETS

	Mar 10	prev	%chg
S&P 500	1299.16	1320.02	-1.58
Nasdaq Comp	2707.78	2751.72	-1.60
Dow Jones Ind	12016.28	12213.09	-1.61
FTSEurofirst 300	1131.78	1144.75	-1.13
DJ Euro Stoxx 50	2909.73	2935.11	-0.86
FTSE 100	5845.29	5937.3	-1.55
FTSE All-Share UK	3037.39	3086.02	-1.58
CAC 40	3963.99	3993.81	-0.75
Xetra Dax	7063.09	7131.8	-0.96
Nikkei	10434.38	10589.5	-1.46
Hang Seng	23614.89	23810.11	-0.82
FTSE All World \$	(u)	226.0	

#### CURRENCIES

	Mar 10	prev	Mar 10	prev
\$ per €	1.380	1.392	€ per \$	0.725 0.718
\$ per £	1.605	1.621	£ per \$	0.623 0.617
¥ per €	0.860	0.859	¥ per £	1.163 1.165
¥ per \$	83.1	82.7	¥ per €	114.6 115.1
¥ per £	133.3	134.1	£ index	80.5 80.9
\$ index	79.3	78.8	€ index	95.46 95.72
Sfr per €	1.289	1.293	Sfr per £	1.499 1.506

#### COMMODITIES

	Mar 10	prev	chg
Oil WTI \$ Apr	102.70	104.38	-1.68
Oil Brent \$ Apr	115.43	115.94	-0.51
Gold \$	1,429.25	1,428.70	0.55

#### INTEREST RATES

	price	yield	chg
US Gov 10 yr	101.92	3.40	-0.08
UK Gov 10 yr	100.64	3.67	-0.08
Ger Gov 10 yr	93.79	3.25	-0.04
Jon Gov 10 yr	99.99	1.30	0.00
US Gov 30 yr	103.44	4.54	-0.07
Ger Gov 2 yr	99.59	1.71	-0.04
	Mar 10	prev	chg
Fed Funds Eff	0.14	0.14	
US 3m Bills	0.07	0.10	-0.03
Euro Liber 3m	1.13	1.13	0.00
UK 3m	0.72	0.72	

Prices are latest for edition

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Finland	€160	Qatar	QRI5
France	€3.30	Romania	Roni6
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Jordan	JOD25	Sweden	Skr32
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## World news

# Berlusconi hits back at magistrates

## Move to curb alleged meddling in politics

## Critics fear attack on legal independence

By Guy Dinmore and Giulia Segreti in Rome

Nicola Berlusconi, currently facing four trials on corruption and sex-related charges, has proposed sweeping reform of the judiciary to curb what he calls hostile political interference by leftist magistrates.

Preparing for a prolonged battle, magistrates and opposition leaders condemned the draft legislation agreed by the cabinet on Thursday, describing them as punitive measures driven by a desire for revenge and

aimed at weakening judicial independence.

Although the proposals have no direct bearing on the beleaguered Italian prime minister's current trials, they appear to have scant chance of success in the climate of hostility dominating Italian politics. The changes require the support of two-thirds of parliament, where Mr Berlusconi's centre-right coalition can barely muster an absolute majority – or, failing that, a national referendum.

Asked at a press conference how his proposals were influenced by his trial next month on charges of having sex with Karima El Mahroug, an alleged underage prostitute known as “Ruby Heartstealer”, the 74-year-old prime minister

replied: “Absolutely zero.”

The billionaire, who is also charged with corruption and tax fraud relating to his media empire, reiterated his innocence in all cases and expressed confidence that he would be acquitted. He pledged to defend himself in court – a promise he has made repeatedly but not kept over the past three years.

His trial on charges of bribing his former UK lawyer, David Mills, to give false testimony is due to resume in Milan on Friday, but he will be absent as he is due to attend a European Union summit in Brussels. According to diplomats and Italian officials, Mr Berlusconi's determination to reform the judiciary, which is widely criticised in soci-

ety for its slowness and expense, is in danger of becoming an obsession that is marginalising important government business.

One example cited is a telephone conversation between Mr Berlusconi and Barack Obama, US presi-

dent, on February 24 to discuss Libya, which the prime minister began with a long tirade against the Italian judiciary.

Mr Berlusconi appeared on Thursday with half his face covered by a surgical plaster following an opera-

tion to his jaw resulting from an assault last year by a deranged man brandishing a souvenir model of Milan cathedral.

He said: “For the first time in the history of the Italian republic a complete, organic, clear and convincing text of a reform for the judicial system, in the interest of all citizens, has been presented.”

He argued that if the reforms had been enacted already then attempts to “eliminate the current government by judicial means” could not have happened.

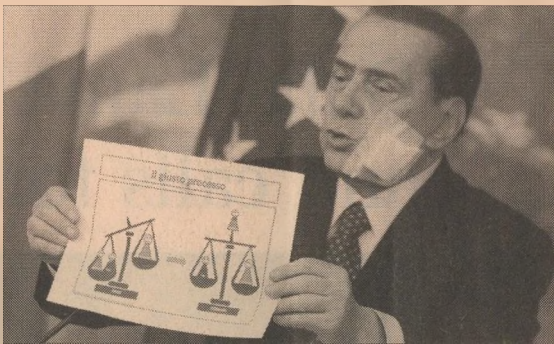
The most controversial changes contained in 10 separate proposed laws would separate the careers of judges and prosecutors. The governing body of the magistracy would be split

in two, with half its members chosen by parliament.

Parliament would also appoint half of a new body that would rule in disciplining magistrates. Judges accused of malpractice could be served lawsuits by aggrieved citizens.

It is not clear whether the government intends to abandon separate efforts to curb the powers of investigating magistrates to use phone-tapping, or to set limits on the length of trials that could have the effect of cancelling out Mr Berlusconi's cases involving tax fraud and corruption.

The prime minister says he has spent millions of euros in his defence while no case has resulted in a final conviction after all stages of appeal.



Silvio Berlusconi explains his plans in Rome yesterday Reuters

## Portugal urged to tap crisis fund soon

By Chris Bryant in Vienna

Portugal should decide soon whether to seek assistance from the eurozone's crisis-fighting fund, Austria's finance minister warned.

Speaking to the Financial Times on the eve of a summit of eurozone leaders, Josef Pröll, finance minister and head of the conservative Austrian People's party, also urged Ireland to agree more budgetary action in return for a possible cut in borrowing costs.

Austria is among a bloc of northern eurozone countries that have given priority to fiscal discipline to solve Europe's sovereign debt crisis and demanded tough conditions for aid to stricken members.

The divide between countries such as Austria, Germany, Finland and the Netherlands, and weaker eurozone members has grown increasingly fractious, threatening to undermine efforts to agree reforms to stem the crisis.

“It's not a question of good countries in the north and bad ones in the south,” Mr Pröll insisted.

But he added: “This is a crisis of sovereign debt in some countries. The markets don't trust the politicians' will or ability in some of our member countries and therefore we need more discipline.”

He stressed that eurozone governments could not force Portugal to accept help from the €440bn European financial stability facility (EFSF), emphasising that Lisbon had managed to fund itself in the market – though at a high cost.

“But my signal to Portugal is to look at Greece and Ireland: don't be too late. Make your decision soon: yes or no,” he said.

“If the concrete numbers in Portugal say that they cannot refinance the country in the next years without help, then they should very soon take advantage of the [EFSF] umbrella. But, as I said, we cannot force them, that's the reality.”

Responding to the wish of Ireland's new government to lower the interest rate on its bail-out loan, Mr Pröll said he was only willing to negotiate if Ireland made more concessions. “If Ireland comes up with a proposal to reduce their interest rate, the other question will be what can they do more at a national level to reduce their debt and deficit,” he said. “But simply to demand ‘reduce our interest rate’ is just not enough.”

Mr Pröll also indicated he was willing to agree a lengthening of the maturity of International Monetary Fund/European Union loans to Greece, so long as Athens stuck by its budgetary commitments. He said he was sceptical about using the EFSF to buy bonds of troubled governments or to fund their buy-backs.

Read the full transcript at: [www.ft.com/europe](http://www.ft.com/europe)

# Eurozone talks look for pact on stabilisation

## Currency measures

## Trichet to use meeting as lobby for stronger action, write Peter Spiegel, Quentin Peel and Ralph Atkins

Leaders of the 17 eurozone member states will meet in Brussels today in an attempt to revive the momentum of negotiations for a comprehensive package of stabilisation measures for their common currency, due to be finalised within two weeks.

Officials involved in the talks say that there are still major differences on key aspects of the deal, including how and whether to raise the lending capacity of the €440bn (\$390bn) European financial stability facility – the emergency eurozone rescue fund set up last year.

Northern countries, such as Germany, the Netherlands and Finland, are seeking stronger commitments from the most indebted member states to curb their

deficits and boost competitiveness, in exchange for agreement to increase their financial guarantees to the EFSF.

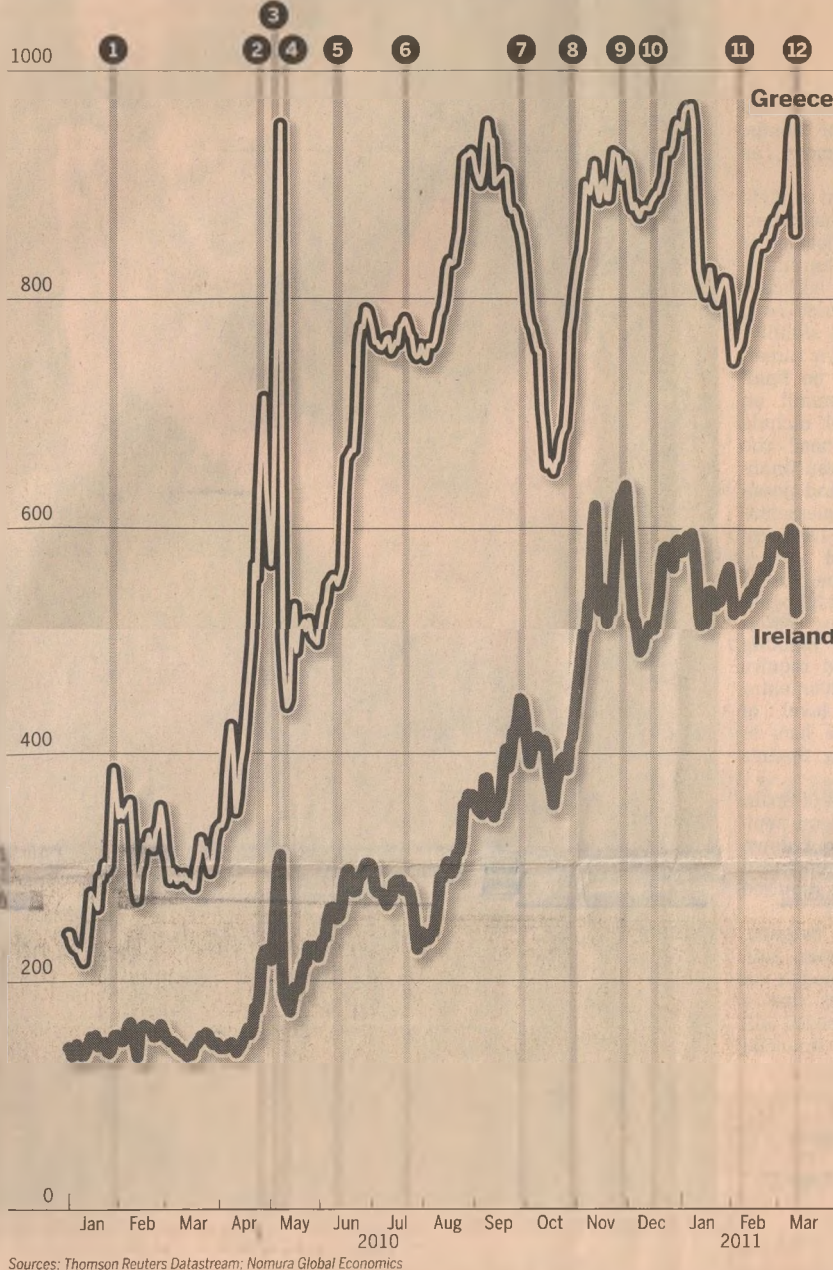
Southern members are equally adamant more action is needed to support austerity measures in the most indebted countries of the monetary union, such as Greece, Ireland and Portugal, and help them recover growth and competitiveness. No final decisions are expected at today's informal meeting of eurozone leaders, although they are expected to agree on the outlines of a new pact to co-ordinate national economic and fiscal policies, such as a strict cap on public debt, raising pension ages and limiting wage rises to productivity.

Jean-Claude Trichet, president of the European Central Bank, is expected to use the meeting to lobby for stronger action by the eurozone governments to cut public spending and boost their revenues. The pact on economic governance – now called a “pact for the euro” – would only be on one part of the much-anticipated “grand bargain” promised by the end of the month.

Financial markets have not given the pact much attention, however, with analysts saying it will have little immediate impact on the debt crisis currently weighing on Ireland, Greece and Portugal, which have seen their borrowing costs rise sharply in recent days. Instead, they have been closely watching whether EU leaders adopt new measures aimed at shoring up peripheral economies in the short-term, such as giving the EFSF more powers to act quickly to lower struggling governments' borrowing costs and

## How crisis measures failed to stop the rot

Government bond yields: 10-year spread over German bunds (basis points)



Sources: Thomson Reuters Datastream; Nomura Global Economics

1 Spread between interest charged on Greek and German debt widens to almost 400bp

2 Greece requests financial assistance from eurozone members and the IMF

3 Greece agrees a deal with the EU and IMF for €110bn of financing over three years

4 Policymakers announce a €750bn emergency financial safety net: €500bn from the eurozone, including the €440bn European financial stability facility, and €250bn from the IMF

5 Germany agrees an €80bn cuts package; Portugal approves austerity package

6 Only seven of 91 banks fail EU stress tests

7 Ireland begins €40bn measures to bailout Anglo Irish Bank and Irish Nationwide, sending budget deficit to 32% of GDP



8 European Council agrees to establish a permanent crisis resolution mechanism, known as the European stability mechanism, by 2013

9 Ireland agrees an €85bn bail-out package and adopts huge spending cuts

10 European leaders announce they are 'ready to do whatever is required' to protect the euro

11 More cracks emerge at a summit of European leaders as countries object to a Franco-German plan to commit eurozone nations to co-ordinate economic policies

12 Moody's downgrades Spain's sovereign debt, S&P warns it may do the same for Portugal



Riot police during student protests in Athens in December

## Next in line?

Government bond yields: 10-year spread over German bunds (basis points)



Source: Thomson Reuters Datastream

raise its lending capacity.

Because of rules adopted to gain credibility in the financial markets, the fund can loan only about €250bn of the €440bn it can raise. Increasing its lending capacity to a full €440bn would require the eurozone's six triple-A rated countries – including Germany, France and the Netherlands – to raise their loan guarantees.

In addition, there remain significant disagreements

over whether lending rates given to countries receiving bail-outs should be lowered in order to make their debt loads more manageable, with a northern bloc of Germany, Finland and the Netherlands resisting a moderate pricing policy.

The “pact for the euro” to be presented to leaders retains many measures first suggested by a German version of the plan that gener-

ated significant opposition last month, including the

imposition of “debt brake” laws that would strictly limit eurozone governments' spending.

But enforcement of the pact appears to have been watered down. In addition, new language inserted into the draft over the past week gives individual member states significant leeway in how they interpret the agreement.

“The choice of the specific policy actions necessary to achieve the common

objectives remains the responsibility of each country but particular attention will be paid to the set of possible measures mentioned below,” according to a draft seen by the Financial Times.

Several other measures in the pact, including suggestions that countries should end indexing wage increases to inflation and that some should increase retirement ages in state pension plans, are already

part of existing EU fiscal reviews.

But the debt brake measures could have significant impact on fiscal policies. The draft says that member states will be given the choice on how to implement such a brake but requires them to “make sure that it has a sufficiently strong binding nature”.

Comment, Page 11  
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# Miner of the seams of US politics

## OBITUARY

David Broder  
Political journalist  
1929-2011

It used to be said, not unkindly, of David Broder, the “dean” of Washington political journalism who died on Wednesday at the age of 81, that there was no lieutenant-governor, no matter how obscure, from any of the 50 states that he had not interviewed in the past half century.

An indefatigable miner of the seams of politics who had covered every party political convention since 1956, he was first and foremost an old-school shoe-leather reporter.

His essential faith in the wisdom of US voters and the politicians they elected was undiminished over the years, occasionally in the face of evidence, from Richard Nixon to George W. Bush, that it was misplaced. Principally a columnist in his later years, he came to be seen as the personification of the Washington political establishment.

His home for the past 45 years was the Washington Post. He had been recruited, was a likely vice-presidential choice. He won a Pulitzer Prize in 1973, as, separately, did his newspaper, for his commentaries on the Watergate scandals that led to Mr Nixon's resignation. But he was sometimes a reluctant partner in the aggressive reporting of his colleagues, Bob Woodward and Carl Bernstein, never quite

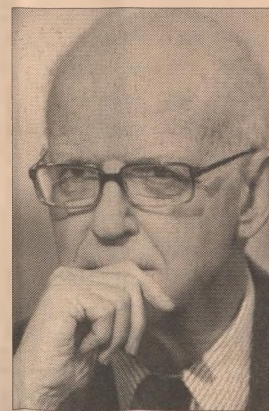
extracting from candidate Nixon in 1968 that Governor Spiro Agnew of Maryland was a likely vice-presidential choice.

He won a Pulitzer Prize in 1973, as, separately, did his newspaper, for his commentaries on the Watergate scandals that led to Mr Nixon's resignation. But he was sometimes a reluctant partner in the aggressive reporting of his colleagues, Bob Woodward and Carl Bernstein, never quite

believing that an elected politician could stoop so low. After the 9/11 terrorist attacks, he lavishly praised Bush, comparing him favourably to Abraham Lincoln, a judgment that seemed excessive even at the time.

But he managed to walk the fine line between reporting and commentary, traditionally walled-off compartments in US newspapers, generally with impunity. He was a television regular, appearing on the influential NBC *Meet the Press* programme more than anybody else. But the Post felt he crossed the line in the Monica Lewinsky affair when he wrote and talked of his disdain for President Bill Clinton's morals, prompting the paper to restrict his news reporting on the subject.

His last column appeared on February 6 and he died from complications from his diabetes. He is survived by his wife of 59 years, the former Ann Collar, and four sons.



David Broder: won a Pulitzer Prize for Watergate work

Jurek Martin

# US warns Russia over investor risk

## Moscow needs to reform, says Biden

By Isabel Gorst in Moscow

The US vice-president has warned Russia it risks scaring away investors unless it moves to strengthen the rule of law and introduce political reforms.

“Nations need to follow a certain set of rules and those rules get your system straight, don't make it a gamble [to do business] and have certainty,” Joseph Biden told an audience at Moscow State University on Thursday.

The speech crowned a two-day visit by Mr Biden to Moscow aimed at cementing the “reset” in their relations and boosting trade and investment.

“The reset is working, working for all of us, working for Russia, and I would presumptuously say working for the world,” he said.

Mr Biden, who in the past has been critical of the

Kremlin, praised Dmitry Medvedev on Wednesday, commending the Russian president's efforts to strengthen ties with the US and promote a high-technology hub outside Moscow to stimulate economic modernisation.

The tone was more restrained at talks on Thursday with Vladimir Putin, where the Russian prime minister called for an end to “outdated stereotypes” and urged an end to visa restrictions. “We would turn a very important page and everything would start over. This would create a new moral atmosphere,” he said.

Mr Biden's talks with Putin were wedged between meetings with human rights groups and opposition leaders, signalling that the US would not tolerate curtailment of freedoms.

In his speech, Mr Biden raised concerns about the rule of law, citing the case of Mikhail Khodorkovsky, the jailed oil tycoon.

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