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A homeowner in Madrid, right, shortly before learning Wednesday that her eviction was suspended pending negotiations with the lender Bankia, which was nationalized May 9.

## If Spain is rescued, who foots the bill?

LONDON

Any bailout would strain Europe's resources and leave little aid for others

BY LANDON THOMAS JR.

The urgent question of who will provide the money that Madrid needs to stay in business has become the latest challenge for European policy makers, as Spain fast eclipses Greece as the focus of the euro zone debt crisis.

A European bailout of Spain, the euro zone's fourth-largest economy, after Germany, France and Italy, is becoming a more distinct possibility. With each passing day, turmoil mounts over the government takeover of the giant Spanish mortgage lender Bankia, the flight of money to safer borders and a worsening recession.

A rescue, if it came, would strain the resources of Europe's new €700 billion, or \$867 billion, bailout fund that is to become available this summer. And it would leave little margin for any additional bailouts.

On Wednesday, the European Commission urged Spain to take market-calming measures, and Lael Brainard, an under secretary at the U.S. Treasury Department, arrived in Madrid for talks with government officials, as part of a regional tour. Meanwhile, worries about Spain helped send stock markets down broadly in Europe, with Wall Street also retreating in afternoon trading.

In the bond market, the Spanish government's borrowing costs are fast approaching the symbolically dangerous level of 7 percent on 10-year bonds. The rise has stoked worries that Spain might need bailouts similar in scope — though many times larger — than those extended to Greece, Portugal and Ireland. Interest rates in that range had pushed them out of the debt markets that governments rely on to finance their operations.

"At 7 percent, it will be very hard for Spain to obtain funding," said Santiago Carbo Valverde, an economics professor at the University of Granada and a research consultant for the Federal Reserve Bank in Chicago. "It's not just the government either, but big banks and

companies as well. The markets will close."

On Wednesday, Spain's economy minister, Luis de Guindos, acknowledged as much when he said current interest rates were "not sustainable in the long term."

The yield, or interest rate, on Spain's 10-year bond rose 0.21 percentage point Wednesday, to 6.61 percent. In Italy — a country whose debt burden of 120 percent of gross domestic product is much higher than Spain's — the yield on 10-year bonds rose about 6 percent, hitting a 10-month high.

Since the nationalization of Bankia on May 9 signaled the perilous state of Spain's banking industry, and drew new attention to the limited ability of the government to shore up the banks and prevent the flight of capital from the country, the prime minister, Mariano Rajoy, has insisted that Spain will not need a Greek-style bailout.

No head of state would welcome such intervention, because as Athens and Dublin and Lisbon have found, those rescues typically come with demands for deeper budget cuts and new fiscal rigor.

But Mr. Rajoy's administration has been floating the idea of engineering a bailout by other means — getting Europe's rescue fund to provide money directly to the country's banks or to buy Spanish government bonds on the open market, without Europe's demanding new levels of scrutiny and tough pay-

SPAIN, PAGE 14

## Israeli defense chief seeks interim accord

TEL AVIV

BY JODI RUDOREN

Defense Minister Ehud Barak of Israel on Wednesday called for "an interim agreement — maybe even unilateral action" in the conflict with the Palestinians, giving the first hint of support by the current government for an idea that has been gaining traction among analysts and advocates here amid a years-long stalemate in the peace process.

"Inaction is not a possibility," Mr.

Barak said, referring to the changing demographics that many believe threaten Israel's future as a Jewish democracy. "Israel cannot afford stagnation. It will be a difficult decision to make, but the time is running out."

Both Mr. Barak and Prime Minister Benjamin Netanyahu, speaking at a major security conference here, said the broad unity government they formed earlier this month presents a unique opportunity for a peace deal, and both said they prefer a final-status solution of two states for two peoples. But with internal

Many experts see bilateral talks as all but impossible and are pushing a new paradigm.

political divides among both Israelis and Palestinians, and the instability on the street across the region created by the Arab Spring, many experts here see bilateral negotiations as all but impossible and increasingly are pushing for a new paradigm.

Mr. Barak, who spoke about the Pal-

estinian conflict almost as an afterthought at the end of a wide-ranging lecture, did not offer any specifics; a senior aide said later that he "didn't go into detail on purpose," explaining that "what he's talking about is the importance of taking action."

In recent weeks and months several leaders and thinkers from across the political spectrum have offered plans for interim, unilateral moves, ranging from an Israeli withdrawal of settlers and forces to the security barrier it has built

ISRAEL, PAGE 5

## Another heart risk: Exercise is bad for some, U.S. study says

NEW YORK

BY GINA KOLATA

Could exercise actually be bad for some healthy people? A well known group of researchers, including one who helped write the scientific paper justifying the American guidelines promoting exercise for all, say the answer may be a qualified yes.

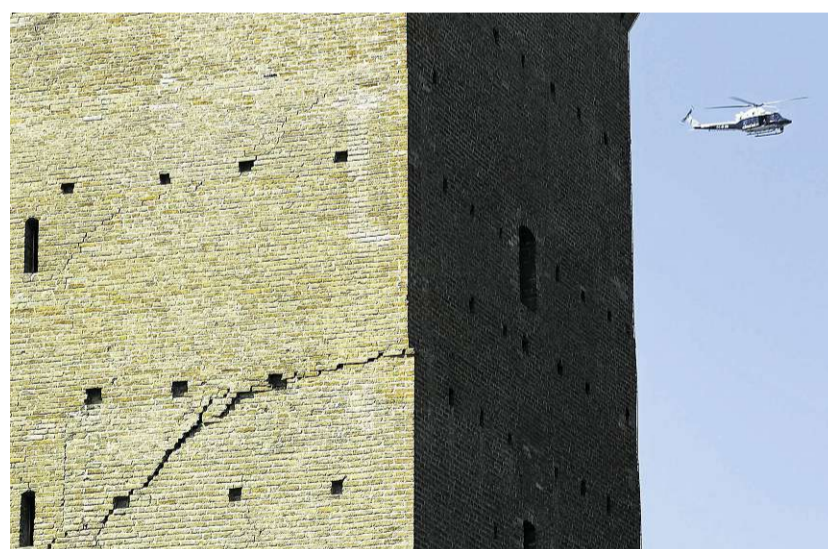
By analyzing data from six rigorous exercise studies involving 1,687 people, the group found that about 10 percent actually got worse on at least one measure related to heart disease — blood pressure or levels of insulin, HDL cholesterol, or triglycerides. About 7 per-

cent got worse on at least two measures. And the researchers say they do not know why.

"It is bizarre," said Claude Bouchard, lead author of the paper, published in PLoS One, and a professor of genetics and nutrition at Louisiana State University system's Pennington Biomedical Research Center, part of the Louisiana State University system.

Dr. Michael Lauer, director of the Division of Cardiovascular Sciences at the National Heart, Lung, and Blood Institute, the lead federal research institute on heart disease and strokes, was among the experts not involved in the study who applauded it as well done and

EXERCISE, PAGE 5



Quakes' economic toll A police helicopter on Wednesday over San Felice sul Panaro, in Emilia-Romagna, where industries are suffering after two quakes. PAGE 5

## E.U. urges tighter coordination of euro zone banks and budgets

BRUSSELS

BY JAMES KANTER AND PAUL GEITNER

The European Commission on Wednesday urged euro zone countries toward greater fiscal integration, even as it prodded national governments to live up to the budget rules they had already agreed on.

José Manuel Barroso, the president of the commission, said it was important for the euro zone to commit to tighter cooperation now, in order to restore investor confidence, even if the results of such a strategy — including the creation of a banking union and the issue of

bonds backed jointly by euro zone members — were still a long way off.

"For full confidence in the future of the euro area, it is important that member states agree to launch a process toward more integration — financial and economic integration," Mr. Barroso said.

Mr. Barroso made his call as the commission, the European Union's executive arm, released report cards on the economies of the 27 E.U. members that underlined the difficult role that the commission plays in a bloc where much power still rests with national capitals.

The commission cautioned François Hollande, the new French president, against overspending in trying to spur

EURO ZONE, PAGE 14

### WORLD NEWS

#### New atrocity reported in Syria

U.N. cease-fire monitors said 13 people had been discovered slain in the east, shot with their hands bound behind their backs. Kofi Annan's deputy told the U.N. Security Council that the uprising was unlikely to stop without political negotiations, which appeared to be impossible at the moment. PAGE 5

#### Taylor sentenced to 50 years

Charles G. Taylor, the former president of Liberia and a once-powerful warlord, was sentenced to 50 years in prison for his role in atrocities during the Sierra Leone civil war in the 1990s. His legal team said it would appeal. Prosecutors had sought a term of 80 years. PAGE 4

#### Romney's foreign policy hurdle

With the U.S. presidential election barely five months away, some key Republicans have not openly endorsed the candidate Mitt Romney. The reason, according to several Republicans, is concern about his aggressive statements. PAGE 8

### BUSINESS

#### Technology and time-wasting

Children in poorer U.S. families are using gadgets heavily, but often in ways that harm learning and discipline. PAGE 13

#### Patent law hurting innovation

Court decisions in hip-hop music carry a warning for lawsuits in the technology industry, Eduardo Porter writes. PAGE 13



PAGE TWO Heroine for the poor Daw Aung San Suu Kyi spent her first full day outside of Myanmar in 24 years among downtrodden Burmese workers in Thailand.

### VIEWS

#### How China flouts its laws

The fundamental question the Chinese government must face is its own lawlessness. The country does not lack laws, but rather the rule of law, writes Chen Guangcheng. PAGE 6

#### Maureen Dowd

Will the earth's rotation slow down? Will we be hit by another planet or galaxy? Will our magnetic field wither? Will we ever stop singing the apocalyptic blues? PAGE 7

### ONLINE

#### A threat to Kofi Annan's legacy

Kofi Annan, the former United Nations secretary general, has navigated through multiple wars in the Middle East, the Balkans breakup, African genocides, a corruption scandal that touched his family and many other crises, receiving a Nobel Peace Prize along the way. But friends and critics alike say Syria could be Mr. Annan's undoing. global.nytimes.com/middleeast

Table with columns for various countries and their stock market indices.

Table with columns for 'IN THIS ISSUE' and page numbers.

Table with columns for 'CURRENCIES' and exchange rates.

Table with columns for 'STOCK INDEXES' and market data.

Advertisement for a Dior watch, featuring a close-up of the watch face and the brand name.