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THE WALL STREET JOURNAL.

Euro falls as debt doubts spread

BY MARCUS WALKER

The euro tumbled as debt woes spread across the euro zone from Greece, where pledges of austerity and fiscal rigor failed to allay fears that the bloc's economic recovery might be derailed.

The euro fell to a session low of $1.4505 on Tuesday, its lowest level since early October.

The exploding budget deficits of weaker economies such as Greece, Ireland, Portugal and Spain have forced financially stronger countries, led by Germany, to think about a possible rescue of Greece—if it proves necessary to shore up other euro-zone members.

Monday's nationalization of an Austrian bank, along with rumors of trouble at another Austrian lender exposed to crisis-hit Eastern Europe, also roiled markets.

Soaring deficits such as Greece's are testing the credibility of the euro zone's stability pact, in which governments promise not to spend wildly and count on other members of the 16-nation currency bloc to rescue them.

"Greece is seen in the market as an example of what may happen to other countries in the euro zone," says Diego Iscaro, economist at IHS Global Insight in London. "Europe has a lot of treaties but no clear mechanism for how to deal with such cases," he adds.

Fresh signs of crisis in Europe's banking sector have compounded concerns about the euro-zone's periphery. Vienna moved to calm fears over its banking system on Tuesday as the Austrian central bank denied local media reports that a large cooperative lender, **Österreichische Volksbanken** AG, was on a watchlist for troubled banks. The report, in the daily Die Presse, was enough to hit Austrian bank shares and put more pressure on the euro, a day after Austria surprised markets by nationalizing a key regional lender, Hypo Group Alpe Adria.

Greece has no easy way out of its budget woes. The prospect of austerity has already sparked protests by pensioners, students and public-sector unions in the past two weeks, and officials fear a wave of social unrest.

Politicians and financial markets "want to make us wear an Irish costume," says shipyard worker and labor leader Theodoros Koutras, alluding to the deep cuts in state spending and wages that Ireland announced to tame its deficit.

Mr. Koutras's Communist-backed union confederation, the All Workers' Militant Front, aims to mobilize hun-

Please turn to page 8

Turning sour

How many dollars one euro buys

Source: WSJ Market Data Group

Getty Images

After delays, Dreamliner is in the air

Boeing Co.'s long-delayed 787 Dreamliner made its first flight Tuesday under cold, cloudy skies, marking a milestone for the company's marquee commercial jetliner program that is more than two years behind schedule.

The first Dreamliner rolled down runway 34 Left at Paine Field in Everett, Wash., at 10 a.m. and smoothly lifted off, heading north. Thousands of people, including hundreds of Boeing employees, gathered at the field, which is the site of Boeing's wide-body jet factory, where Dreamliners are assembled.

The Quirk

In Corsica, pigs roam, bulls fly—and people get out of the way. Page 29

World Watch

A comprehensive rundown of news from around the world. Pages 30-31

Editorial & Opinion

Increasing coziness between Iran and Venezuela. Page 15

RBS discovers possible trouble at China operations

Royal Bank of Scotland Group PLC's ABN Amro operations in China said it has uncovered potential irregularities within its small and medium-size enterprise-banking business, in response to a Wall Street Journal inquiry.

By Rick Carew in Hong Kong and Denis McMahon in Beijing

The scale and nature of the potential problems at ABN Amro China remain unclear. ABN Amro has one of the biggest foreign-banking franchises in China, operating 18 retail-banking outlets in the country.

"As a result of an internal investigation, we have identified potential irregularities involving a very small number of accounts within our SME banking business in China," an ABN Amro China spokeswoman said in a statement. "We took immediate action to notify the relevant authorities and further investigations are under way."

She declined to give further details about the potential irregularities, citing the investigation.

ABN Amro's SME business is among the operations RBS is planning to sell to **HSBC Holdings** PLC. RBS wants to sell its China retail outlets and SME lending business, as well as its retail business in India and Malaysia, to HSBC, keeping its wholesale and investment-banking businesses across Asia. That deal is still being finalized and needs regulatory approval, according to people familiar with the situation. A representative for HSBC declined to comment.

China's banking regulator is tightening the supervision of foreign banks' lending to SMEs, an area of focus for many foreign banks in China as they have tried to expand their businesses. Two bankers at other foreign banks said the Chinese regulator told them it was pushing for tighter supervision of their operations in response to concerns about possible problems at ABN Amro.

The banking regulator wouldn't confirm this was the case and said it wasn't able to immediately reply to faxed questions about the potential irregularities at ABN Amro or its supervision measures.

ABN Amro said it was beefing up its own standards in response to discovering the potential irregularities.

A European banker based in Shanghai said that under draft regulations from the China Banking Regulatory Commission, bank clients could open new accounts only by visiting a bank branch in person. While the new rules would apply to all banks, foreign banks have much smaller branch networks than their domestic peers, limiting their ability to attract customers. Some foreign banks have only a single location.

The draft regulations require that clients be videotaped as they open accounts.

The regulator has asked that the new measures be in place by the end of December and has said banks aren't allowed to open accounts until the requirements are met, the banker said. Violations could potentially result in the suspension of operations for three months, this person said.

In an internal notice sent by the regulator to foreign banks in mid-November and reviewed by The Wall Street Journal, Yan Qingmin, head of the CBRC's Shanghai branch, urged foreign banks to increase the number of employees involved in internal risk control and to set up antifraud departments.

"Chinese enterprises have gradually become the major source of clients for foreign banks, but many foreign banks have inadequate experience in dealing with Chinese customers, especially small- and medium-sized Chinese companies," Mr. Yan said in the notice. "The failure of foreign banks to identify potential risks (unique to China's small- and medium-sized firms) has created opportunities for criminals."

—Rose Yu in Shanghai contributed to this article.

PAGE TWO

At end of the noughties, it's farewell to a decade of debt and disaster

[Agenda]

By Iain Martin

As Christmas 1999 came into view 10 years ago, a fear of the Millennium bug was all the rage.

It was said—mainly by tech consultants who promised to avert disaster only if you paid them a sizeable fee—that when the clocks struck 12 and a new millennium began it was possible the computers and servers that are the glue of the modern world would cease to work. Planes might fall from the sky, supermarkets could conceivably run out of food and the banking system would go into meltdown.

Well, thank goodness none of that happened, especially a meltdown of the banking system. The very thought. Ridiculous.

For that particular meltdown we had to wait another eight years, and when it came, a computer glitch wasn't to blame. At root, the causes of the financial crisis were boringly old-fashioned and predictable. An excess of cheap money, pumped out for too long, inflated a bubble and encouraged wild behavior on the part of governments, financiers and many consumers. The novelty came with the complex instruments designed inside banks, which too few of those using them properly understood. Then new technology only exacerbated the crisis, or sped it up, by making the contagion spread faster. But it wasn't the cause.

If you want the ultimate answer as to why the crisis happened, you will find it in human behavior and our perennial tendency to value hope more than we do experience. Of course we need optimism to keep us going. But when the good times are rolling, the cry that "this time it is different" will rarely be far behind.

Agence France-Presse/Getty Images

It is possible to become quite depressed by the prospects for the next decade

The implication is always that there will be no downturn. Unfortunately, it usually isn't any different, but we do keep on forgetting this rather basic reality.

As it was with finance in this decade, so it was with war. On that front, too, there was an excess of optimism in the West about the extent of our capabilities when we came under attack. We could certainly invade Afghanistan and then Iraq, but once we were there would we know how to deal with the aftermath and then find our way to the exit? For all the enhanced weaponry and technological improvements it would appear that the governments that led the invasion hadn't considered this aspect of those two conflicts for more than 10 minutes. They thought: "This time it's different."

The next decade can be better than this one. Although I concede it couldn't be much worse.

The connection is history and the widespread contemporary ignorance of and contempt for the past and its lessons. Perhaps this is strange, in one sense at least: History seems in vogue and there have never been more books written and television programs produced poring over every detail of wars won and lives lived.

However, we tend to pity those from the past, choosing to measure them against an exaggerated conceit of our own progress and imagined superiority. Impressed by ourselves we patronize our ancestors, overrate that which is new for its own sake and think we always know better than those who went before did.

In this decade, it was that superior, smug, attitude that meant too many political and corporate leaders failed to ask simple penetrating questions of the kind that a Margaret Thatcher might have. Asking and then listening to the answers is no guarantee of success, but it can help a lot.

So, we just repeated some of the biggest errors in history. What's the encore? From a European or American perspective, it is possible to become quite depressed by the prospects for the next decade. If in 1999 the principal popular fear was the silly Millennium bug, 10 years on you can take your pick from the economy, a looming pensions crisis, global warming if that's your thing and much else besides.

Look at the weight of debt under which the countries worst hit by the crash are going to labor, and it is hard to be upbeat. According to the OECD, Britain's debt as share of GDP will jump from 46.9% in 2007 to 94.1% in 2011. In Spain it goes from 42.1% to 74.3%; in France from 66.9% to 99.2%.

But if overoptimism is a human curse, so is excessive pessimism. The West has just been taught another important lesson about hubris. Do we choose to learn or ignore it?

Western countries, face huge competition from emerging powers. Will they simply sit back on welfare and pension entitlements or will they respond with creativity and verve?

For there are truly great opportunities. The technological changes of the past quarter of a century aren't a threat; they are the equivalent of a second industrial revolution that will likely eventually tower over this dismal decade's problems. The countries that exploit these developments in science and engineering will prosper because they opt to work harder, be more productive and save and invest more. It will take all that and more to work through the legacy of the noughties, but it can be done as it was done after similar disasters.

The next decade can be better than this one. Although I concede it couldn't be much worse.

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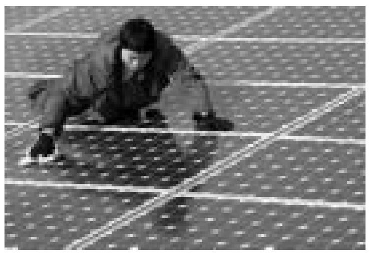

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Environmental Capital

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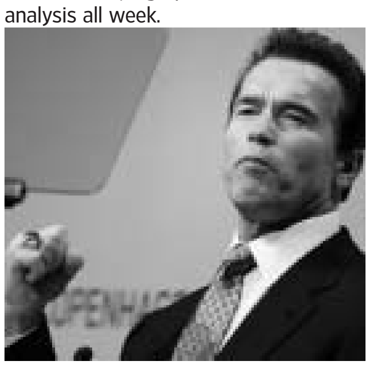
"[P]essimism reigns at the big Copenhagen Climate talks"

Keith Johnson rounds up reaction on WSJ.com's Environmental Capital blog, which is carrying up-to-the-minute analysis all week.



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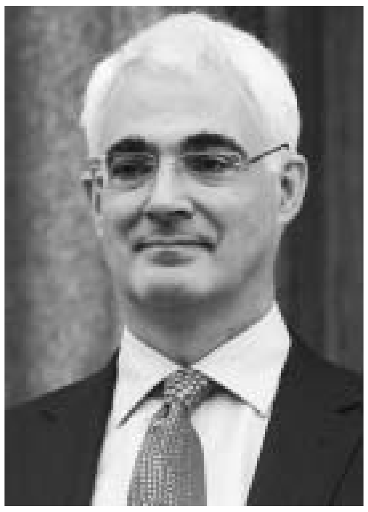

Alistair Darling is quizzed today about last week's U.K. Pre-Budget Report.

Question of the day

Should developed nations finance the efforts of developing nations to reduce greenhouse gases?

Vote online, see vote results and discuss with other readers, at europe.wsj.com

Previous results

Q: Has Cadbury done enough to fend off the hostile offer from Kraft?

Yes **53.8%**

No **46.2%**

What's News

■ **The euro fell** to a session low of $1.4505 as debt woes spread across the euro zone from Greece, where pledges of austerity and fiscal rigor failed to allay fears that the bloc's economic recovery could be derailed. **1, 20**

■ **Royal Bank of Scotland** shareholders approved the bank's participation in an insurance plan that will increase the U.K. government's stake in the group to 84%. **19**

■ **The EU ended** one of the world's longest-running trade battles as it agreed to cut import tariffs on bananas from Latin America grown by U.S. corporations. **8**

■ **Boeing sent** the long-delayed Dreamliner on its first flight and now must turn the cutting-edge jet into a mass-produced money maker. **1**

■ **U.S. producer prices** and industrial production jumped, highlighting inflation worries as the Fed begin deliberations on interest rates. **10**

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Mechanical pump offers alternative to heart transplant. **27**

A battle of billionaires rages in boardroom of Arsenal. **28**

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NEWS

Vivendi aims to carefully rebuild units

By Max Colchester

Getty Images; Bloomberg News

Lady Gaga, performing last week in New York at the launch of Vevo, is part of CEO Jean-Bernard Levy's methodical approach.

PARIS—**Vivendi** SA boss Jean-Bernard Levy chatted with singer Shania Twain as Lady Gaga performed on a white Steinway piano at a party for Vivendi-owned record company Universal Music in New York's Skylight Studios last week. Hours later, Mr. Levy was back in Paris, before packing up for Brazil to meet regulators about Vivendi's new mobile-phone business there.

Eight years after an overambitious acquisition strategy nearly bankrupted Vivendi, Mr. Levy is taking a small-picture approach to rebuilding one of the world's biggest entertainment, media and telecom firms.

But unlike other big European media conglomerates such as Germany's **Bertelsmann** AG, which recently shed its music business in order to focus on its media assets, Mr. Levy doesn't believe in specialization. Vivendi reaps its €25 billion ($36 billion) a year from a wide range of activities—from French pay-TV channel Canal Plus to World of Warcraft videogames and a mobile-phone operator in Morocco—and Mr. Levy is happy with the assortment.

Trying to squeeze Vivendi into a mold "is old-school," said the 54-year-old engineer, whose first job was working in human resources for state-owned France Télécom, in an interview. "Defining clear borders is from an era when it was clear what telecoms and what television was. We span all these borders."

Mr. Levy says he doesn't look to extract synergies among his units but wants them all to deepen their individual reach. With $5.8 billion in proceeds expected from the recent sale of its 20% stake in entertainment firm **NBC Universal**, Vivendi is seeking bolt-on acquisitions for each of its divisions. Among the possible options are more telecom and media businesses in emerging markets, as well as buying the remaining minority stake in French mobile-phone operator SFR that Vivendi doesn't already own, he said. He didn't rule out raising the company's dividend but only if it could prove sustainable over the long term.

The strategy has downsides. Analyst and investors have criticized Vivendi saying that its companies would be worth more on their own without the added layer of management that makes up Vivendi's holding company headquarters in Paris. In 2006, an investment fund took a 4% stake in Vivendi and pledged to break up the company. The hedge fund eventually backed off. Some analysts also question Vivendi's continued attachment to Universal Music, whose business is suffering as global compact disc sales plummet.

"It's hard to see how their strategy will translate into added value for the shareholder," says Claudio Aspesi, an analyst at Sanford C. Bernstein.

So far, however, the company's approach is paying off. In the first nine months of 2009, Vivendi's revenues rose nearly 10% to €19.5 billion from the year-earlier period, as a drop in music sales was offset by high demand for videogames by people saving money to stay home in the evenings and play with their consoles.

"Visions are overrated," says Robert Kotick, chief executive officer of Vivendi's Santa-Monica-based videogame business **Activision Blizzard**. "Vivendi's focus is simple: make money."

In many ways, Mr. Levy's piecemeal approach is a reflection of Vivendi's tumultuous past.

When Mr. Levy became CEO in 2005, Vivendi was a skeleton of its former self. In the late 1990s and early 2000s, the company's former CEO, Jean-Marie Messier, had overloaded the company with €20 billion in debt in order to build a global media company. Among Vivendi's assets were four Gulf Stream jets, a castle outside Paris and a publishing company.

Interim boss Jean-Rene Fourtou—who is now Vivendi's chairman—put Vivendi on a diet and called in Mr. Levy to help. Messrs. Levy and Fourtou spent two years orchestrating dozens of sales as they cut the company's debt to €5.5 billion by the end of 2004 before Mr. Levy took the helm as CEO.

Mr. Levy has brought a more subdued style to Vivendi. Mr. Messier, a former Lazard investment banker, jetted off weekends to his $17.5 million home in New York. Mr. Levy carries subway tickets in his wallet and escapes to his farm in northern France on weekends in his Renault Espace minivan.

"It's a question of temperament," says Mr. Levy. "I'm never going to compromise rationality for emotion."

Mr. Levy has made a series of targeted acquisitions. He merged Vivendi's pay-TV unit Canal Plus with its French competitor TPS to create France's biggest pay-TV group. In 2007 Vivendi bought BMG Music Publishing from German media group Bertelsmann and added it to Universal Music. A year later the company merged its existing computer games unit with U.S.-based Activision to create Activision Blizzard, the world's biggest computer games maker by revenue.

Mr. Fourtou, the chairman, says Vivendi now hopes to push the accelerator on acquisitions thanks, in part, to the windfall from the recent sale of the company's 20% stake in NBC Universal—which Vivendi said was too small to give it control of strategy—to **General Electric** Co. "We're entering a new period in the company's history," he said in an interview.

The big challenge at Vivendi is Universal Music, where sales fell 5.2% to €2.97 billion in the first nine months of the year as consumers world-wide flock to online music instead of the CD rack.

Universal Music is going on the offensive, by getting into digital music itself. Last week, Universal Music and **Google** Inc.'s YouTube launched a new online music-video Web site called Vevo, which allows customers to view music videos free. According to Universal Music Chief Executive Doug Morris, Vevo will provide the company with a new array of advertising and marketing possibilities.

Credit Suisse pays $536 million to settle sanction investigation

By John Kell

Credit Suisse Group said it expects to pay $536 million to settle a five-year investigation involving parties subject to U.S. economic sanctions and their access to the U.S. banking system.

The Swiss company said it previously conducted an internal review of some U.S. payments involving countries, individuals and entities that could be subject to U.S. sanctions. In December 2005, the company decided to end the business in question and undertook independent investigation into the Zurich-based payment activity and other practices.

By 2006, Credit Suisse ended its business with all Office of Foreign Assets Control parties, including closing an office in Tehran.

Credit Suisse first disclosed the probe in 2007. A company spokesman declined to comment beyond the news release.

As a result of the settlement, Credit Suisse expects to record an additional pretax charge of 445 million Swiss francs ($431.3 million) in the fourth quarter.

Earlier this year, Lloyds TSB Group PLC's banking unit reached a deferred-prosecution agreement with the Manhattan district attorney's office and the U.S. Department of Justice, and agreed to pay $350 million in fines and forfeiture over stripping.

Between the mid-1990s and 2007, the Lloyd's unit altered wire-transfer information that allowed transactions by clients in Iran, Sudan and other countries to avoid detection. Both companies have cooperated with the U.S. probe.

Countries under sanction by the U.S. include Sudan, Syria, North Korea and Iran.

Agence France-Presse/Getty Images

World leaders began arriving Tuesday for the climax of the U.N. climate conference in Copenhagen. California Gov. Arnold Schwarzenegger, right, talks to Danish media there.

Divisions deepen on climate

Leading economies spar over splitting responsibility for curbing greenhouse-gas emissions

COPENHAGEN—The United Nations' effort to muster global action against climate change appeared to move backward Tuesday, as the world's leading economies traded barbs over the most basic questions about how to divide responsibility for curbing greenhouse-gas emissions.

By *Jeffrey Ball, Stephen Power* and *Guy Chazan*

World leaders began arriving Tuesday for the climax of the two-week U.N. climate conference in the Danish capital as disagreements deepened among negotiators for the U.S., the European Union and a bloc of developing nations led by China.

Several leaders, including U.S. President Barack Obama, U.K. Prime Minister Gordon Brown, U.N. Secretary-General Ban Ki-moon and Danish Prime Minister Lars Loekke Rasmussen, have begun calling their counterparts in various countries in an attempt to salvage a deal by the Friday deadline, according to people familiar with the calls.

The disagreements involve fundamental issues: the size of emission reductions that individual countries should take on, the amount of money rich countries should pay poor countries to help fund a cleanup, and the extent of monitoring that countries should have to accept so other nations can verify they actually are implementing whatever environmental steps they promise to take.

"This is not a climate-change negotiation," said Janos Pasztor, director of the U.N. secretary-general's climate-change support team. "It's about something much more fundamental. It's about economic strength." Countries, he added, "just have to slug it out."

Ed Miliband, the U.K.'s climate-change minister, said Copenhagen "could still fail," but was "more on track than it was [Monday]." He said delegates were narrowing their differences, and there was hope those could be eliminated by the end of the week. But he warned there was still a long way to go. A deal "remains a very tough ask," he said.

As the wrangling continued, a new draft agreement circulated Tuesday moved backward from an earlier proposal, lacking any targets for carbon cuts and financing. The provisions are to be "elaborated," the new draft said.

The new draft stipulated that developed countries were historically responsible for most global emissions of greenhouse gases and so "must take the lead in combating climate change" by abating their carbon emissions and providing money and technology to poorer nations. That was a bow to developing nations, following a protest Monday by members of the Group of 77, which includes poor countries as well as large emerging economies like China, India and Brazil, whose representatives briefly walked out of the talks.

The anger and distrust spilling into the open in Copenhagen have been building over more than a decade of climate diplomacy.

An existing climate-change treaty, the Kyoto Protocol, requires developed countries that ratified it to cut their emissions by a collective 5% from 1990 levels by 2012. But that accord doesn't curb greenhouse gases from the world's two biggest emitters, which together account for 40% of greenhouse-gas emissions. China, as a developing country, isn't required to cut its emissions, and the U.S. didn't ratify the treaty. The basic purpose of the Copenhagen conference was to come up with some way to rein in emissions world-wide.

The U.S. and China each announced specific pledges to address greenhouse-gas emissions before the Copenhagen conference started. But the two have been locked in a standoff over the U.S.'s insistence that China commit to a legally binding agreement—a step China has resisted—and the degree to which China's actions should be open to international review.

Developing countries argue that wealthy nations have reneged on past pledges to address climate change. In particular, China suggests the U.S. has failed to honor its agreement under a broad document called the U.N. Framework Convention on Climate Change to constrain U.S. emissions and to provide money for developing countries to curb their own greenhouse-gas output. The U.S. was a party to the 1992 accord, even though the U.S. didn't ratify the Kyoto Protocol, which grew out of the framework.

Wealthy countries are "not willing to take any real action," said Xie Zhenhua, the head of China's delegation at the talks.

China also doesn't want to submit to international verification of whether it is meeting emissions targets that it funds on its own.

U.S. officials say they are only asking Chinese officials to give substance to a joint statement issued by Chinese President Hu Jintao and Mr. Obama when the U.S. president visited China last month.

Amid the bickering, one arcane detail has taken on great symbolic importance: the fact that the U.S. wants to use 2005 as the "baseline" year for cutting emissions, instead of 1990 as called for in earlier agreements.

Todd Stern, the top U.S. climate negotiator, said that change was justified, allowed and not very important.

"The reality is we didn't become part of Kyoto, and the framework convention has a 1990 baseline. But it was in a nonbinding, aspirational context," he said.

European leaders are concerned the U.S. and China will try to opt out of any binding deal by blaming each other for not offering ambitious proposals.

The EU has said it will cut its emissions 20% by 2020, and by 30% if a strong global deal is reached. The EU doesn't want to "sell [its] targets cheap," said Andreas Carlgren, environment minister of Sweden.

But U.S. officials say they are being unfairly criticized. Europe's proposed emissions cuts are measured against 1990—which was before the Soviet Union's breakup sent Eastern Europe's economy, and its emissions, plummeting.

Measured against 2005, said Mr. Stern, the U.S. negotiator, the EU's target for 2020 amounts to an emissions cut of only 13%. And that, he said, isn't as aggressive as the 17% cut from 2005 that the U.S. has promised.

"I have fielded questions all year long from many of my counterparts about why isn't the U.S. doing more, and as I say, the U.S. is doing a lot. The only measure by which it looks like the U.S. isn't doing as much is 1990," he added.

—Alessandro Torello and Jing Yang contributed to this article.

Obama ties home efficiency to job creation

By Keith Johnson And Henry J. Pulizzi

How to make the case for climate legislation in the middle of the recession? Hammer home the "green jobs" theme.

President Barack Obama called on Congress to provide consumers with tax incentives to make their homes more energy efficient, a proposal he said would boost job creation, stimulate consumer spending and ease greenhouse-gas emissions. "Insulation is sexy stuff. Here's what's sexy about it: saving money," Mr. Obama said in remarks at a suburban Washington Home Depot Inc. store.

The president's "cash for caulkers" proposal is part of the White House's plan to address the high unemployment rate and combat global warming ahead of Mr. Obama's trip to the Copenhagen climate-change summit later this week. The proposal would provide federal tax incentives to people who insulate their homes or purchase new energy-efficient appliances.

Lawmakers could include the measure in jobs legislation now being crafted. "We want them to do it soon," Mr. Obama said. He characterized the proposal as a quick way to put people back to work while saving money and cutting emissions.

The 'cash for caulkers' proposal would provide federal tax incentives to people who insulate their homes or purchase new energy-efficient appliances.

The Alliance for American Manufacturing urged Congress to give products made in the U.S. preference in the proposal, an idea that could heighten the political debate. "If the federal government provides home owners with incentives to purchase products stamped 'Made in Mexico' or 'Made in Japan' or 'Made in China,' will factory workers in America be called back to work?" the group said in a statement.

Also Tuesday, Vice President Joe Biden offered his latest progress report on the stimulus package passed earlier this year. In a memo for the president, Mr. Biden said the clean-energy part of the stimulus plan—some $80 billion out of the $787 billion total—could help create more than 700,000 jobs and was "laying the foundation for a clean energy economy that will create a new generation of jobs."

That includes 253,000 jobs created by direct government spending, and the potential for 469,000 more jobs as the clean-energy sector grows in response. But the vice president's memo contained a word of caution: "The 253,000 direct jobs works out to a cost of about $90,000 a head—just for one year. Clean-energy manufacturing jobs are even more expensive to create, costing about $135,000 per job."


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COPENHAGEN SUMMIT

Put up, then power, the Christmas lights

[Environmental Capital]

DISPATCHES FROM THE SUMMIT

Copenhagen has splashed out on every kind of green widget to shore up its environmental credentials as host of the world's biggest climate-change conference in years. Here's one you may not have seen yet: An extra "green" Christmas tree.

At the Danish capital's City Hall Square, 15 to 20 volunteers can sit on stationary bikes located around a massive, decorated tree and pedal away to keep it lit, at least during the day. The bikes are connected to electrical tie-ups that ultimately power hundreds of lights on the tree.

"Pedal power" isn't really oddball in this most friendly of biker cities, says local Lena Madsen. Between 30%-40% of Copenhagen's 600,000 or so people commute by bike to work every day, according to city brochures, even in the frosty winter.

Late at night, the big tree continues to sparkle—but thanks to traditional power outlets, not pedal power—once the volunteers have gone home. A worker at the Christmas tree site says Copenhagen's greenish tendencies are maintained at night even without the volunteers. He says the electricity that keeps the tree lit into the night comes from wind power, which this small Scandinavian country relies on for about 20% of its total power, among the highest ratios in the world.

—Spencer Swartz

Getty Images

An activist in a demonstration on Tuesday. A major protest is planned for Wednesday to coincide with the arrival of global leaders.

Private finance counts

Mobilizing large amounts of private finance, rather than smaller amounts of public funding, is what is needed to achieve necessary global emission cuts, the head of the International Energy Agency, Nobuo Tanaka, said Tuesday.

The United Nations wants rich nations to commit to $10 billion a year of fast-track finance to help developing countries fund emmissions cuts over the next three years, with the amount later rising to between $100 billion to $200 billion annually by 2020.

Mr. Tanaka said that an overarching agreement at Copenhagen will be the real key to trigger the private investment needed. In its most recent World Energy Outlook, the IEA estimated around $10.5 trillion in investment will be needed to 2030 in low-carbon energy and carbon-abatement projects.

—Selina Williams

Chávez attends after all

Venezuela's President Hugo Chávez said Monday he will attend the climate talks, despite saying a few days ago that they could be a "waste of time."

Mr. Chávez and Bolivian President Evo Morales will go to the talks together this week, representing the regional trade group Bolivarian Alternative for the Americas, the Venezuelan government's press office said.

—Dan Molinski

COPENHAGEN SUMMIT

Future of solar power in India: cloudy

BY AMOL SHARMA

AWAN, India—India inaugrated its largest private solar-power project Tuesday in rural Punjab state, a milestone in the country's push to make solar a significant contributor to its energy mix. But the challenges the plant's builder faced in setting up the project—and the tough operating economics—show the hurdles to India's ambitions

Getting money to build the plant was easy compared with getting the required 152 signatures from local bureaucrats in the state of Punjab, says eco-entrepreneur Inderpreet Wadhwa. Making a profit on the project could prove to be even tougher.

Mr. Wadhwa is the founder of **Azure Power** Inc., which built the plant on 13 acres of farmland in this village in northern India. The plant started generating power this month.

India has set a target of generating 20,000 megawatts of solar power, or roughly 13% of its current national power output, by 2022. Mr. Wahdwa thinks that is overly ambitious. "Let's walk before we can run," he says.

India produces about 8% of its energy from renewable sources such as wind and hydropower. Solar power has great potential, experts say, because it can work almost anywhere in India. But it has been stifled here by the high costs of the technology and the inability of power companies to get tracts of land big enough for the large arrays of solar panels that capture sunlight and generate electricity.

The Indian government is trying to encourage more investment in solar energy by increasing subsidies for the projects and mandating that state utilities purchase solar power. Big power companies such as India's **Tata Power** Co. and **Reliance Power** Ltd. say they are planning some small solar projects, while renewable energy start-ups such as New York-based **Astonfield Renewable Resources** Ltd. are also targeting India's solar industry.

Some experts say no amount of government support will help if solar technology doesn't get cheaper. "To achieve scale, you'll need private participation, and that will only happen if the projects are viable without significant state support," said Jai Mavani, head of infrastructure and government consulting at KPMG India.

Mr. Wadhwa, a 37-year-old native of Amritsar city in Punjab, founded Azure in 2007 after leaving a career in the U.S. at software giant Oracle Corp. After raising venture financing and cutting an initial agreement to build the plant with the Punjab government early last year, Mr. Wadhwa set out to acquire land amid the region's wheat and rice fields. He quickly ran into a thicket of bureaucratic problems.

He had to negotiate terms of a 32-year lease with various village and district officials, then with several more officials in the state's rural land ministry. It took months and, "the price kept going up at every level," Mr. Wadhwa said.

He also needed sign-offs from the state pollution board and even the railways ministry, which had to approve his request to run a power cable under the local tracks. He ended up paying more than double the market rate for the land, roughly $420 per acre per year.

Vishwajeet Khanna, Punjab's secretary of science and technology, says the Azure project has always had strong support at the highest level of the state government. He said both the government and solar companies have naturally had a steep learning curve. "This is the first project of this scale. We're very excited," Mr. Khanna said.

After all the installation costs, Azure needs much more than the 19 cents per unit of power that the Punjab state utility has pledged to pay. The central government may pick up the slack. The New and Renewable Energy Ministry's latest solar policy, which will be laid out in detail in January, could guarantee companies like Azure as much as 38 cents per unit of power. Mr. Wadhwa said subsidies and falling prices of solar equipment over time will make his project viable. He is hoping to break even in about six years.

Olivier Culmann/Tendance Floue for The Wall Street Journal

Inderpreet Wadhwa basks amid his company's solar panels in Punjab state. The project began generating power this month.

EUROPE NEWS

EU to cut import tariffs on bananas

End to lengthy dispute will lower prices on Continent, trim revenue for former colonies, raise profit for U.S. companies

By John W. Miller

BRUSSELS—The European Union ended one of the world's longest-running trade battles Tuesday as it agreed to cut import tariffs on bananas from Latin America grown by U.S. corporations like **Dole Food** Co., **Fresh Del Monte Produce** Inc. and **Chiquita Brands International** Inc.

The settlement, which national lawmakers are expected to ratify within four months, trade officials say, means less-expensive bananas for Europeans, more profit for U.S. fruit companies and lower revenue for some former EU colonies. It ends a 16-year-old trade dispute over access to the EU's $6.7 billion banana market, the world's largest.

Since 1993, when it set up its tariff-free zone, the EU has offered the best import rates to 12 former colonies, places like Cameroon, Ivory Coast and Belize.

The deal upset governments in countries like Colombia, Costa Rica and Guatemala, where U.S. companies run industrial fruit plantations.

Five Latin American countries, backed by the U.S., filed their first formal trade complaint at the World Trade Organization in 1993. As the dispute escalated, other countries joined the battle against the EU tariffs.

Since then, the EU has offered tariff cuts several times. Each time, the Latin American nations found them insufficient and filed another WTO complaint. In 1999, the WTO authorized the U.S. to impose $191.4 million of trade sanctions on the EU. The last WTO ruling, again upholding the complaint, was issued in early 2008. Trade ministers tried, and failed, to secure a deal as part of the Doha Round of trade talks.

Finally, this year, the four groups involved found common ground in a separate deal. Delegates from the EU, U.S., former EU colonies and the Latin American banana powers met in Geneva over 100 times for a total of 400 hours of talks, WTO officials say.

The deal: The EU will reduce tariffs on bananas from Latin American countries to €114 ($167) a ton in 2017 from €176 today, in return for Latin American countries dropping their WTO case.

The EU's former colonies will continue to receive virtually tariff-free access for its banana shipments to the EU, and will get a one-time cash payment of €200 million.

Ecuador hailed the deal as a victory "for all Latin American nations." WTO Director-General Pascal Lamy welcomed the end of "one of the most technically complex, politically sensitive and commercially meaningful legal disputes ever brought to the WTO."

Banana imports from the former colonies will fall 14%, costing them $40 million a year, and imports from other countries will increase 17%, according to a study by the Geneva-based International Centre for Sustainable Trade and Development. Banana prices in Europe will fall 12%, the study added.

The EU's old colonies "will face challenges in adjusting to the new situation," said Karel De Gucht, the EU's trade commissioner. "But the EU will do its best to help. With a more stable environment, all stakeholders will be able to focus more on the improvement of production conditions in banana supply chains."

The new fight, says Alistair Smith of Banana Link, a Norwich, U.K.-based advocacy group, will be over "labor and environmental conditions at banana plantations all over the world."

Reuters

Ecuadorean workers wash bananas before packing them to be exported

Food fight

The settlement Tuesday between the European Union and Latin American countries over banana tariffs puts an end, for now, to one of the world's oldest trade disputes. A chronology:

1993:
The EU offers special low banana tariffs to its most recent colonies. Colombia, Costa Rica, Guatemala, Nicaragua and Venezuela file a complaint at the World Trade Organization.

1994:
WTO rules against the EU.

1996:
Latin America files another WTO complaint, alleging the EU didn't respect a previous one.

1997:
WTO rules against the EU.

1999:
WTO authorizes the U.S. trade sanctions of $191.4 million against the EU

2005:
Latin American countries file another WTO complaint.

2007:
WTO again rules against EU.

2008:
Trade ministers at a global summit in Geneva fail to find a compromise.

2009:
Latin American countries, U.S. and EU agree to a new tariff regime.

Source: World Trade Organization

Euro tumbles as debt woes from Greece, others spread

Continued from first page

dreds of thousands of workers in a nationwide strike on Thursday.

So far the government has shied away from Irish-style cuts to public-sector pay. Markets are penalizing Greece for failing to announce new concrete steps to bring its government finances back under control, many analysts said.

A televised speech by Greek Prime Minister George Papandreou late Monday set the goal of cutting the budget deficit from nearly 13% of gross domestic product this year to under 3% in four years' time.

Greek bond prices fell sharply on Tuesday, reflecting their higher perceived risk of default. The interest yield on Greek 10-year bonds reached more than 2.5 percentage points higher than ultra-safe German bond yields in Tuesday's trading, up from around two percentage points before the prime minister's speech.

Other euro-zone government bonds reacted less sharply, but risk premiums for most of the euro-periphery countries have risen in the past month as investors have flocked to the safety of German and French bonds.

EU governments, financial markets and credit-rating agencies are piling pressure on Greece to flesh out its promises with a concrete plan of action by January. Greek Finance Minister George Papaconstantinou visited Berlin and Paris on Tuesday, stops on a roadshow aimed at reassuring EU governments and markets; he continues this week to London and Frankfurt. Mr. Papaconstantinou told reporters in Paris he wasn't discussing a bailout.

In an interview, Mr. Papaconstantinou said he understands the risk if the newly elected Socialist government can't show by early 2010 that a decisive overhaul of public finances is under way. He expects to have to borrow just over €50 billion ($73.22 billion) from bond markets next year, including roughly €20 billion in the first quarter alone to refinance maturing debt.

"There is a scenario in which the market dries up," he said. "I wouldn't say it's completely out of the question, but it's not likely by any stretch of the imagination," he says.

EU governments, markets and credit agencies are piling pressure on Greece to flesh out its promises.

If that happens, Greece would have to go to other EU member states such as Germany or to the International Monetary Fund for loans, which would come with stringent conditions.

"I don't want to be the finance minister who took Greece to the IMF," Mr. Papaconstantinou said. "It's not going to happen, because we're going to do what it takes," he said.

Greece had no problem selling bonds in November, despite riling markets by stating that this year's budget deficit would be nearly 13% of GDP—twice the previous government's estimate only weeks earlier.

Prime Minister Papandreou, attending an EU summit in Brussels on Friday, said massive inefficiency and "widespread corruption" are keeping investment away and hobbling the economy.

Athenian café owner Costas, who gave only his first name, can testify to that. He says he has had to budget about €10,000 in bribes to various public agencies that he says wouldn't give him various permits he needs until after his new café opened for business last month. He is still waiting for a permit to put out chairs and tables.

The government admits it doesn't know exactly how many people work for it. That is partly due to a history of haphazard hiring by politicians who have traditionally rewarded their supporters with public-service jobs.

Even public servants who do have an office often leave it at 2 p.m., says Evangelos Antonaros, a lawmaker for the conservative New Democracy party who was the previous government's spokesman.

That culture extends to Greece's rickety education system, where students are frequently forced to pay for supplementary classes in the gray economy to fill in the holes left by lackluster teaching.

Katerina Karamatsiou, a young Athenian, recalls her high-school physics teacher telling the class: "What's the point in teaching you? You all go for private tuition after school anyway." The same teacher offered such after-hours, tax-free tuition himself, she says.

Mr. Papaconstantinou admits such experiences are common in public services. "When you have to pay doctors in public hospitals with an envelope of money, then there is no public system," he says. As result, he says, many Greeks ask themselves: "So why pay taxes?"

Despite the government's campaign to persuade Greeks that the old ways can't go on, many ordinary Greeks believe the media and financial speculators are exaggerating the country's problems.

"I believe banks in England are writing bad comments on the situation here because they want money from this small country," says shopkeeper Athanasia Katsigianni. But Greece, she says, "is like a crème caramel: Always trembling, but it stays standing."

—Brian Blackstone in Frankfurt, Alkman Granitsas in Athens and Andrea Thomas in Berlin contributed to this article.

German recovery likely to be slow

Economic-expectations index fell in November

By Nina Koeppen And Geoffrey T. Smith

MANNHEIM, Germany—Economic expectations for Germany deteriorated in December, indicating that the country's recovery may slow after a surprisingly vigorous rebound earlier in the year.

The ZEW think tank said Tuesday that its economic-expectations index fell for the third consecutive month, to 50.4 points from 51.1 points in November.

"We are still at the bottom of a recession" and the economic recovery will only be slow, said ZEW President Wolfgang Franz.

Meanwhile, the Ifo think tank predicted that Germany's economy will grow again in the coming two years. It forecast 1.7% growth for next year and growth of 1.2% in 2011. But growth will remain fragile because fiscal-stimulus measures will peter out and financing conditions remain difficult.

"In order to transform the recovery into a self-sustained boom, the German economy needs domestic demand," said Carsten Brzeski, an economist at ING Bank. "Tax cuts for households and companies could help," he added.

Current economic conditions in Germany improved, but the overall assessment remained negative. ZEW's corresponding indicator rose by five points to minus 60.6 points, according to its survey of 277 analysts and institutional investors.

Separately, wage growth in the 16 countries that use the euro slowed sharply in the three months to the end of September, contributing to a significant easing in the rate of increase in labor costs for euro-zone businesses.

European statistical agency Eurostat said labor costs in the third quarter were 3.2% higher than in the 2008 period, a much smaller increase than the 4.3% recorded in the second quarter.

Wages were 3.1% higher than in last year's third period, having risen by 4.2% in the second quarter.

The combination of fewer people working and slower wage growth means consumer spending is likely to remain weak in the months to come. That in turn should help convince the European Central Bank that it doesn't need to raise its key interest rate soon to clamp down on inflationary pressures.

—Paul Hannon contributed to this article.

U.K. retail prices climb, as inflation rate rises

By Natasha Brereton

LONDON—British consumer prices jumped in November, while retail prices rose for the first time since January, but that doesn't alter the chance that the Bank of England will keep policy loose for a lengthy period.

Still, some analysts raised concerns that an expected bounce in prices could be more enduring than expected, with much of the impact of sterling's weakening yet to have its full effect on inflation.

The inflation rate rose to a year-to-year 1.9% in November, from 1.5% in October, data from the Office for National Statistics showed, higher than the 1.7% forecast by economists polled by Dow Jones Newswires.

In monthly terms, consumer prices rose 0.3%, compared with 0.2% in October and forecasts of a 0.1% gain.

The BOE's Monetary Policy Committee, which targets inflation at 2%, has predicted inflation will rise to about 3% early next year. But it says it will disregard what it expects to be a temporary jump, due to base effects from energy and the reversal of a temporary sales-tax cut.

"With the economy experiencing significant amounts of spare capacity as highlighted by labor market weakness and very modest wage increases, the outlook for medium-term inflation pressures is benign," said James Knightley, U.K. economist at ING Bank.

"With fiscal policy set to be tightened aggressively in coming years, we see inflation moving back below target in 2011, which will allow the Bank of England to tighten monetary policy relatively slowly," he added.

Since the intensification of the financial crisis in September 2008, the BOE has taken unprecedented action to cushion the blow. It slashed its key interest rate to a record low of 0.5% in March, and embarked on a program of quantitative easing that will see it pump a total of £200 billion ($325 billion) in newly created money into the economy.

November's rise in inflation was mainly due to energy prices, with fuels and lubricants rising 10.8%. Second-hand cars, heating oil and clothing prices, and air and boat fares also contributed to the gain.

Michael Saunders, chief U.K. economist at Citibank said the pound's decline has pushed up core consumer-goods prices by only about a third of what might be reasonably expected. "Most of the effects still lie ahead and will continue to boost inflation in the coming year," he said.

Russia removes police official

By Gregory L. White And Olga Padorina

Reuters

President Dmitry Medvedev, seen Tuesday in Moscow, removed a police official who Hermitage Capital alleges figured in probes against the investment fund.

MOSCOW—Russian President Dmitry Medvedev removed a senior Moscow police official alleged by Hermitage Capital to be a key figure in criminal probes against the investment fund.

A lawyer for Hermitage, Sergei Magnitsky, died in a Moscow jail last month where he had been held for a year on charges related to that case. Several top prison officials were removed and disciplined after his death, which shook Russia's business and legal communities. A criminal investigation into his death is under way.

The Kremlin didn't provide any explanation for the removal announced Tuesday. A spokeswoman for the Moscow City Police said the official, Major-General Anatoly Mikhalkin, tendered his retirement a month ago and that Tuesday's announcement was a formality.

In mid-November, the city's new police chief, who has been installing a team of top officers to replace those he inherited, said Mr. Mikhalkin was to be replaced as part of a normal personnel rotation. Mr. Mikhalkin, who was head of the tax-crimes unit in the Moscow police department, couldn't be reached to comment.

"This might appear to be the removal of a midlevel official, but it's a serious blow," to corruption, said Kirill Kabanov, head of the National Anti-Corruption Committee, an independent group. "The president is making targeted strikes" in his campaign against corruption, he said.

Hermitage said that Mr. Mikhalkin's signature was on a number of key orders in the criminal probe against the fund and that he supervised the investigator who Hermitage alleges was responsible for a $230 million fraud committed by corrupt officials against the Russian government that the fund says it exposed.

Hermitage alleges that investigators illegally took control of companies that had belonged to the fund and fraudulently won refunds of taxes that Hermitage had paid. The fund has provided detailed evidence for its allegations to Russian prosecutors and other authorities, but so far there has been no response. Police officials have denied the allegations and say that Hermitage evaded taxes.

Hermitage, founded by U.S.-born William Browder, was one of the largest foreign-portfolio investors in Russia and a frequent defender of the Kremlin until Mr. Browder was denied entry into Russia in 2005. He has been charged with tax evasion, which he denies.

"President Medvedev has taken an important step by going after the people who are directly responsible for the persecution of Sergei Magnitsky and the loss of $230 million in state funds," Mr. Browder said in a statement.

U.S. NEWS

U.S. moves to cut antiterror red tape

Obama orders staff to streamline sharing of clues among local, state and federal agencies in order to prevent attacks

By Cam Simpson
And Siobhan Gorman

WASHINGTON—The Obama administration announced Tuesday that it planned to make it easier for local, state and federal authorities to share clues that could thwart potential terrorist attacks.

At issue are the reams of reports, guidelines and advisories produced across the U.S. government every day that aren't sensitive enough to get classifications such as "top secret," but are still too sensitive to make immediately available to the public.

Right now, government agencies use a tangle of more than 100 categories for this sort of sensitive information. By one count, there are 117. Many of the categories have their own rules for how the information can be shared both inside and among agencies.

That red tape can contribute to keeping information from officials who could help connect dots and deter a terrorist attack, officials said.

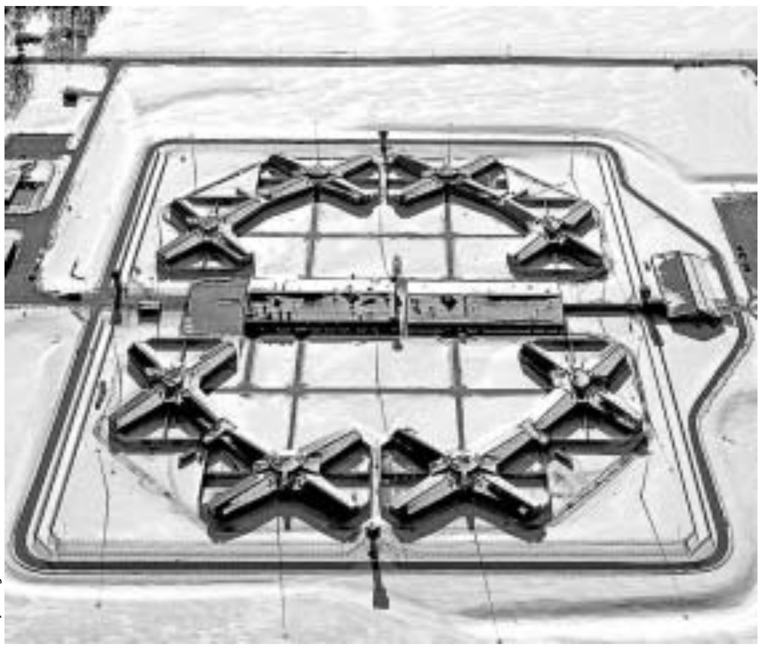
President Barack Obama has ordered his staff to craft an executive order to consolidate those categories down to one, "Controlled Unclassified Information," according to a White House official involved in the effort.

The executive order will also create a standardized set of rules for handling and sharing such data within all agencies, the official said.

The Obama administration also announced that it is expanding a program that collects and analyzes potential terrorism tips from local police officers so that, by 2014, all U.S. states will have the capability to analyze that data and share it with other states and the federal government, a senior homeland security official said.

The effort will take two to four years because it involves training analysts and setting up technology in 50 states, officials said.

Mr. Obama in May asked Homeland Security Secretary Janet Napolitano and Attorney General Eric Holder to lead a task force to study barriers to sharing sensitive information that still exist long after the Sept. 11, 2001, terrorist attacks. The failure of agencies to share information about the Sept. 11 hijackers and the conspiracy was later seen as a serious problem across the government.



Getty Images

Thomson Correctional Facility, shown from above Tuesday, was built nearly a decade ago, but has been largely unused because Illinois couldn't afford to run it.

The effort could become more urgent in the face of a spate of cases this year involving homegrown terrorist threats. The executive order will aim to make some information more available to the public when it is no longer sensitive, the White House official said. Officials said they would try to protect information "only where there is a compelling requirement to do so."

The most critical aspect of the new policy will be how the administration defines its new category, Controlled Unclassified Information, said Steven Aftergood, a government-secrecy specialist at the Federation of American Scientists. Early drafts of the definition, he said, included loopholes that could allow agencies to restrict access to any data they chose just by rewriting agency policy.

Another key issue will be implementation of the policy. One reason so many government documents have been labeled as sensitive is that employees felt their work was too important to share widely, and it isn't clear how the Obama administration's policy will change that, Mr. Aftergood said. "I'm not sure that the problem that drove the creation of the 117 categories [of sensitive information] has been solved," he said, "but I admire the attempt."

Illinois prison picked to hold terror detainees

By Evan Perez

President Barack Obama has ordered the federal government to acquire a largely unused Thomson, Ill., prison to house about 100 prisoners from Guantanamo Bay, an administration official said Tuesday.

The Thomson plan is another step in the administration's effort to close the offshore prison housing terror detainees.

It will likely take several months before any prisoners make the move from Cuba to Illinois, because the prison is expected to undergo security improvements. The White House also still faces a general legal prohibition enacted by Congress against bringing Guantanamo detainees to the U.S. other than for trial.

Illinois Gov. Pat Quinn and Sen. Richard Durbin (D., Ill.) were set to be briefed by administration officials at the White House on the decision, the official said.

The Thomson prison would "house federal inmates and a limited number of detainees from Guantanamo Bay, Cuba," the official said.

Using the Illinois prison faces opposition from some local officials and residents for security reasons, but also has attracted support from other residents eager for jobs and from Mr. Durbin, who lobbied the president for the move.

The state-of-the-art facility, built nearly a decade ago, remains mostly empty, because the state doesn't have the money to run it at full capacity.

Mr. Obama's Jan. 22 executive order calling for closure of Guantanamo within a year was part of the new president's symbolic sweeping away of the Bush administration's terrorism policies, which helped win him international support.

Wholesale prices increase as industrial output rises

By Meena Thiruvengadam
And Jeff Bater

Surging wholesale prices and a sizable gain in industrial production in November pushed inflation worries to the surface Tuesday as Federal Reserve policy makers began their two-day meeting on interest rates.

The producer price index for finished goods jumped by a seasonally adjusted 1.8% in November from a month earlier, the Labor Department said Tuesday, following a 0.3% gain in October.

The increase last month was driven by a 6.9% increase in energy prices, primarily gasoline, home-heating oil and liquefied gas.

Excluding the often-volatile energy and food components, so-called core prices also posted a hefty gain, rising 0.5% from October—the biggest one-month gain in more than a year. Economists use core prices to gauge underlying inflationary pressures in the economy.

"Fed members will have to start asking harder questions about what inflation will look like as the recovery continues, and the answer could mean that the outlook is not as tame as they thought," said Joel Naroff, of Naroff Economic Advisors.

Still, many economists see the bounces as payback for past months' price declines and not meaningful signs of inflation. "Despite today's nasty numbers, the chances of runaway inflation remain small," Capital Economics Ltd. economist Paul Dales wrote in a note to clients.

Mr. Naroff also noted that "the pathway from wholesale costs to retail prices is not direct." The Labor Department releases November consumer-price figures Wednesday.

Meanwhile, a separate report released Tuesday by the Fed showed U.S. industries boosted production in November, a sign companies could be restocking their shelves and storerooms after furious liquidation during the recession.

Industrial production increased by 0.8% in November from the prior month, according to the Fed, while the rate at which industries used their available capacity—also seen as a gauge of inflation—rose to 71.3% from a revised 70.6% in October.