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# THE WALL STREET JOURNAL.

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EUROPE

Tuesday, December 22, 2009

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## Abbas warns of renewed violence

BY CHARLES LEVINSON

AMMAN, Jordan—Palestinian President Mahmoud Abbas said there wouldn't be another Palestinian uprising as long as he remained in office, but warned the current calm might end once he steps down, which could be as soon

as June.

In a 60-minute interview, Mr. Abbas also rebutted charges by Israel that he was responsible for holding up peace talks with Israel. He said he twice presented privately a compromise on settlements to Israeli Defense Minister Ehud Barak. But, Mr. Ab-

bas said, Mr. Barak ignored the offer. Mr. Barak's office didn't respond to requests for comment.

Mr. Abbas has insisted on a total freeze to settlement-building in the West Bank and East Jerusalem before sitting down for direct talks with Israeli Prime Minister Ben-

jamin Netanyahu, who has so far refused. Mr. Netanyahu's coalition partners also have strongly rejected any such concession.

Mr. Abbas said he would resume direct talks if Israel implemented an "undeclared" building freeze.

His offer—first publicly

disclosed in an interview last week with Israel's Haaretz newspaper—would require Israel to fully freeze settlement construction, including in East Jerusalem, for five months. But as a possible compromise, Israel could do so without any controversial declaration, giving its leadership

political cover, he said.

A senior official in Mr. Netanyahu's office called the offer "unrealistic," a "total non-starter."

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■ Sgt. Gilad Shalit has become an Israeli cause célèbre .....8

## French visit to China sparks deals

Several French and Chinese companies signed agreements Monday covering aviation and nuclear energy during French Prime Minister François Fillon's visit to Beijing. Engine and aerospace equipment supplier Safran SA signed an agreement to supply parts for the C919 passenger airplane that Commercial Aircraft Corp. of China is developing.

Relations between the countries have improved since Beijing froze them last year after French President Nicolas Sarkozy met with the Dalai Lama, whom Beijing accuses of seeking Tibetan independence from Chinese rule. Mr. Sarkozy restored contact with Chinese President Hu Jintao during international summits in April and September.



China's Prime Minister, Wen Jiabao, right, toasts his French counterpart Francois Fillon, center, and French Finance Minister Christine Lagarde at a signing ceremony.

## Eurostar restores some trains

BY CHRISTINA PASSARIELLO AND SARA SCHAEFER MUÑOZ

PARIS—Partial Eurostar rail service is due to resume Tuesday after a three-day hiatus, with the Anglo-French company rushing to fix the problem it said caused several of its trains to break down: powdery snow that seeped through protective filters and triggered a major engine malfunction.

The emergency-repair job gives stranded travelers renewed hope of getting to their destinations by Friday, Christmas Day, even though it is still unclear when the service will return to normal. Some some 90,000 people are already believed to have been affected.

The popular Eurostar rail

line, which runs between London and Paris and Brussels, has been suspended since Saturday after five trains came to a halt as they were crossing the English Channel tunnel on Friday night, leaving thousands of passengers in the dark and cold for hours.

Eurostar Chief Executive Richard Brown said at a news conference Monday that service would resume at two-thirds capacity on Tuesday, meaning with seats for 26,000 passengers.

The shutdown, which is happening at one of the busiest travel periods of the year, has prompted outrage not only among frustrated travelers, but also among members of the French government. French Transport Minister Dominique Bussereau announced an investigation

into the causes of the mishap, saying a technical shutdown of the service because of weather conditions was unacceptable. "We can't accept that this fundamental link ... doesn't function because snow falls," he said on French radio Europe 1.

French President Nicolas Sarkozy, meanwhile, summoned the president of French rail operator SNCF, a shareholder in Eurostar, for an emergency meeting and urged him to get the services back on track.

The snow that has fallen in northern France over the past few days appears to be at the root of the problem. As part of its yearly "winterization" process, Eurostar fits its train cars with filters that are supposed to block snow. This time, however, the fil-

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## PAGE TWO

# If you can't explain why you betrayed customers, please at least apologize

## [ Agenda ]

BY PATIENCE WHEATCROFT



"A Christmas present to remember from £69," proclaimed the unsolicited e-mail that arrived in many in-boxes on Saturday. Eager to cash in on the online gift-buying trend, the company was offering "the perfect present for your nearest and dearest - an experience they'll never forget."

Had the e-mail landed a week earlier, the advertising might have been persuasive, but on Saturday this missive was doomed to failure for it came from **Eurostar**. After more than 2,000 passengers had been trapped on trains in the Channel Tunnel throughout Friday night, the offer of "an experience they'll never forget" sounded perfectly possible - and highly unattractive.

By now, Eurostar's marketing department should have woken up to the fact that it is in the midst of a public relations disaster and one which has been exacerbated by its own inept handling of a deeply difficult situation.

Even yesterday afternoon, as tens of thousands of people had their travel plans thrown into total disarray, the company still seemed to have failed to comprehend the need to apologize. The front page of its Web site said "we continue to strongly advise customers whose journeys are not essential not to travel, and to change their tickets for travel on a later date or have their tickets refunded." There is no suggestion that family celebrations may be ruined because of Eurostar's failure.

When the Web site spells out the compensation it is prepared to pay travellers who had booked for last Friday and Saturday, it studiously avoids any hint of contrition, although what is on



Richard Brown, the CEO of Eurostar, in St. Pancras station.

offer —€170 (\$243), "reasonable" out-of-pocket expenses and a free ticket — is hardly going to make up for the horrendous time spent by passengers trapped overnight in stinking heat and without water. Instead of an apology, the company merely asks for claimants to be patient because it expects that it will take up to eight weeks to deal with their requests.

## Why is it that the festive spirit so imbues the transport sector?

That alone should be enough to justify the calls for the resignation of the chief executive of Eurostar, Richard Brown. Whatever the reasons for the extraordinary failure of the trains, the handling of compensation is a matter that will not be victim of the vagaries of the weather or any external circumstances. If the company had judged it important to make amends rapidly to those customers it had so badly let down, then it could have brought in the extra staff to ensure that this happened. Now many of those customers will be vowing never to do business with Eurostar again.

Rarely is **British Airways** cited as an exemplar in the public relations sphere but this week it has turned a potential adversity to its advantage. Having won, at least temporarily, its battle with the trade unions and, courtesy of a high-court injunction, been able to avoid the strike that had been threatening to hit its services over the festive period, BA decided it would take the opportunity to try and kindle some goodwill amongst its core customers. Members of its **Executive Club** who had flights booked over the holiday period were treated to a rather different e-mail from that sent out by Eurostar. It thanked them for their support and loyalty during a difficult time and it told them they were the lucky recipients of between 10,000 and 25,000 extra BA Miles.

"Please accept these BA Miles as a gesture of goodwill," it said, in a move which should have generated warm and friendly feelings even amongst BA's highflying regulars. Since the trade union is intent on having another strike ballot which might well result in a strike in the new year, chief executive Willie Walsh may have judged that he will need plenty of support from his regular customers over a difficult period yet to come.

London Underground could learn from his example, as it looks set to be brought to a halt this

week by strikers. Why is it that the festive spirit so imbues the transport sector?

Ironically, Eurostar has its own industrial relations problems besides its mechanical ones. Drivers from the U.K.'s Aslef trade union were due to strike last Friday and Saturday and again over the coming weekend. The company had insisted that it would be able to cope by using French and Belgian drivers, having already reached an agreement with the train managers, who had also been threatening to strike. The striking drivers are certainly not claiming any part in the breakdown of the service but it would be a double disaster for the company were it to manage to resume services today, only to hit trouble again a few days later.

Eurostar is not merely a train operator. It has tried to position itself as a cultural phenomenon. Only last month, on its fifteenth birthday, it was boasting about how it has "transformed the U.K.'s relationship with the continent." According to Mr Brown, the train service "has enriched lives on both sides of the channel."

That was not quite the implication when President Nicolas Sarkozy of France issued an ultimatum to the company to get the trains running again. Eurostar's failure to function, apparently because of the cold weather, made it look like an embarrassment on both sides of the Channel. Guillaume Pepy, the French chairman of the company, had been left in no doubt about his president's position.

The British government is also intervening, demanding that the inquiry now launched into the fiasco should report not to Eurostar but to the transport minister. But then, while it is not broadcasting the fact, it is the British government which owns the U.K. end of the train operator. It ought to want to ensure that it has more capable management in charge of the train set.

## What's News

■ **Partial Eurostar service** is due to resume Tuesday after a three-day hiatus, as the Anglo-French firm rushed to fix the problem it said caused trains to break down: snow that seeped through protective filters and triggered a major engine malfunction. 1

■ **French drug maker Sanofi** agreed to acquire Chattem, a U.S. consumer-products company, for \$1.9 billion. 22

■ **European stocks gained**, led by a rally among energy shares. Meanwhile, the euro and the yen lost ground against the U.S. dollar. 27

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### Most emailed in Europe

1. A Grand Time for Great Wine Values
2. Opinion: Change Nobody Believes In
3. Fund Boss Made \$7 Billion in Panic
4. California Cuisine for Techies
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### New Europe

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"Auschwitz is a symbol of the evil in us all and yet the human race remains as evil as ever."

A reader comments on the theft of the "Arbeit Macht Frei" sign at Auschwitz



### Continuing coverage



See our "Bitter Century" video series exploring Armenia-Turkey relations at [wsj.com/multimedia](http://wsj.com/multimedia)

### Question of the day

**Vote and discuss:** Has your holiday travel been affected by the weather?

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No

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## NEWS

# U.K. leaders plan televised debates

By JOE PARKINSON  
AND LAURENCE NORMAN

LONDON—Leaders of U.K. political parties have agreed to a series of live televised debates in the approach to next year's general election, marking the first time British candidates will emulate a facet of U.S.-style presidential contests.

Prime Minister Gordon Brown of the governing Labour Party, Conservative leader David Cameron and Liberal Democrat leader Nick Clegg have agreed to meet in three 90-minute contests hosted by three national broadcasters: Independent Television News, Sky News and the British Broadcasting Corp.

The move could change the pace of the U.K. campaign, which is traditionally driven by coverage from the campaign trail. Although the regular quizzing of the prime minister in Parliament pits party leaders against one another, the U.K. hasn't used one-on-one televised debates.

Britain's opposition parties have long called for televised debates, only to block those calls when gaining power. Unlike in the U.S., U.K. voters

pick local lawmakers, and the prime minister is the leader of the party that wins a parliamentary majority.

Still, the U.K. has come close to holding televised debates. In 1997, then-Prime Minister John Major agreed to the idea, motivated by the opposition Labour Party's large poll lead. But talks broke down.

Mr. Brown remains most likely to

**Britain's opposition parties have long called for televised debates, only to block those calls when gaining power.**

call an election in May, Labour Party insiders and political analysts say.

December's Ipsos-Mori poll for the Observer newspaper, taken in the aftermath of a poorly received prebudget report, saw the Conservatives stretch their lead back to 17 percentage points, with a 43%-26% lead over Labour.

Analysts said the debates might draw closer attention to the candidates' characters than the tradi-

tional parliamentary debate and campaign-trail stops. Mr. Cameron, who leads in the polls and has publicly pushed for live televised debates, said the move could "enliven British democracy."

"When every other democracy seems to have these debates we're going to have them here in Britain and that's a good thing," Mr. Cameron said after delivering a speech in London on Monday.

For both Mr. Cameron and Mr. Brown, the debates represent a gamble. Mr. Cameron could jeopardize the poll lead his party has held for two years, while Mr. Brown is often criticized for less-assured media appearances than his opponent. Mr. Brown said he welcomed the opportunity to "discuss the big choices the country faces."

"The country needs to debate whether we lock in the recovery or whether we choke it off; whether we protect the [National Health Service], schools and police or whether we put them at risk to pay for tax cuts for the wealthy few," Mr. Brown said. Details about the formats of the debates will be made public in the new year.



Televised debates represent a gamble for U.K. Prime Minister Gordon Brown, left, and Conservative Party leader David Cameron.

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## EUROPE NEWS

# Auschwitz sign is recovered

Polish police arrest five in connection with the theft; motive appears to have been profit

ASSOCIATED PRESS

WARSAW—Polish police have recovered the infamous Nazi sign stolen from the former Auschwitz death camp, and said Monday that it appeared to have been taken by criminals seeking profit.

Five men were arrested late Sunday after the sign reading “Arbeit Macht Frei,” or “Work sets you free,” was found cut into three pieces near one of their homes in a snowy forest outside Czernikowo, a village near the northern Polish city of Torun, across the country from the memorial site.

The brazen pre-dawn theft Friday of one of the Holocaust’s most chilling symbols provoked outrage around the world.

Polish leaders launched an intensive search for the 4.8-meter sign, which spanned the main gate of the camp in southern Poland where more than one million people, mostly Jews, were killed during World War II.

The men’s arrest late Sunday came after more than 100 tips, said Andrzej Rokita, the chief police investigator in the case. Police said it was too soon to say what the motive for the theft was, but they are investigating whether the Nazi memorabilia market may have played a part. The suspects don’t have known neo-Nazi or other far-right links, Mr. Rokita said.

“Robbery and material gain are considered one of the main possible motives, but whether that was done on someone’s order will be determined in the process of the investigation,” added deputy investigator Marek Wozniczka.

Mr. Wozniczka said the suspects will be charged with theft of an object of special cultural value and could face up to 10 years in prison. He said other charges could be added during the investigation.

The suspects haven’t been identified publicly, but Mr. Rokita said they were between the ages of 20 and 39 and that they had past offenses “either against property or against health and life,” implying that at least one of them has a record of violent crime.



A replica of the stolen ‘Arbeit Macht Frei’ sign was put at the entrance to the former death camp, above. Below, the entrance after the sign was stolen Friday.

Four of them are unemployed and one owns a small construction company, he said. He didn’t give any other details.

Four of the five men are believed to have carried out the theft, removing the steel sign from above the Auschwitz gate in the town of Oswiecim, about 48 kilometers west of Krakow.

“It seems they cut the sign up already in Oswiecim, to make transport easier,” Mr. Rokita said at a news conference in Krakow. It was “hidden in the woods near the home of one of them.”

Police in Krakow released a photograph showing investigators removing the cut-up sign, covered in brown protective paper, from a van. A second photograph showed one of the suspects being pulled from the van, a hooded sweatshirt hiding his face.

Museum authorities at the Auschwitz memorial welcomed the news that the sign had been found. Spokesman Pawel Sawicki said authorities hope to restore the sign to its place as soon as it can be repaired, and were working to develop a new security plan.

A replica of the sign, produced when the original underwent restoration work years ago, was hung in its place Friday.

In an emailed statement, Rabbi Marvin Hier, founder and dean of the Simon Wiesenthal Center, welcomed the sign’s swift recovery. “Whatever the motivation, it takes warped minds to steal the defining symbol of the Holocaust from the world’s most renowned killing field,” he said.

The chairman of Yad Vashem, Israel’s official Holocaust memorial, also expressed relief. “The theft of the sign, which had become a symbol both of the ultimate evil that found its expression in Auschwitz, and of the memory of the Shoah—Jewish Holocaust—gave pain to Holocaust survivors and people of conscience everywhere,” Avner Shalev said in a statement. “The concern expressed by people around the world illustrates the importance and awareness of Holocaust remembrance today.”

Noach Flug, an Auschwitz survivor and chair of a consortium of survivors’ groups, welcomed the sign’s recovery and called for tighter security.

After occupying Poland in 1939, the Nazis established the Auschwitz I camp, which initially housed German political prisoners and non-Jewish Polish prisoners. The sign was made in 1940. Two years later, hundreds of thousands of Jews began arriving by cattle trains to the wooden barracks of nearby Birkenau, also called Auschwitz II.

More than one million people, mostly Jews, but also Gypsies, Poles and others, died in the gas chambers or from starvation and disease while performing forced labor. The camp was liberated by the Soviet army on Jan. 27, 1945.

The grim slogan “Arbeit Macht Frei” contrasted so dramatically with the function of the camp that it has been etched into history. The phrase appeared at the entrances of other Nazi camps, including Dachau and Sachsenhausen, but the long curving sign at Auschwitz was the best-known.

## A rising euro poses a threat to parts of bloc

BY MATTHEW DALTON AND LAURENCE NORMAN

BRUSSELS—The euro is overvalued by between 7% and 8% relative to other major currencies, and a further rise could be a “serious concern” for the more open euro-zone economies, the European Commission said.

Since March, the euro has climbed against the U.S. dollar, as economic conditions appeared to improve. That trend reversed itself in recent weeks, due in part to concerns about Greece’s fiscal position, said the commission, the European Union’s executive arm.

In a separate report Monday, ratings firm Standard & Poor’s said a fresh rise in the level of the euro will impose an especially heavy burden on the struggling economies of Greece, Spain and Ireland.

Those are the countries whose “real effective” exchange rate has increased most since 2005. That means their competitiveness has been undermined by both the rising euro and relatively strong increases in domestic labor costs compared with their main trading partners and euro-zone neighbors.

Exporters with slow-rising or falling labor costs can better withstand currency changes that make their goods more expensive.

**The European Commission said significant debt problems in Greece and Dubai have underscored concerns throughout the entire financial system.**

S&P said it sees the euro rising to \$1.70 over the next year from the \$1.44 it was trading at Monday. “Such a development would be an additional burden on those countries for whom the recent rise of the euro has already translated into a loss of international competitiveness, such as Italy, Greece or Ireland,” the report said.

The European Commission said debt problems in Greece and Dubai have underscored concerns throughout the financial system. The commission said it will recommend measures that will help to close Greece’s budget deficit early next year.

The euro-area economy is recovering but fragile and still largely dependent on “massive” support from central banks and national governments, the commission said.

In Berlin, the German finance ministry said the unwinding of fiscal-stimulus plans in Germany and elsewhere in Europe will contribute to the slower recovery ahead.

On Friday, the German upper house of parliament approved a new package of €8.5 billion (\$12.18 billion) in fiscal stimulus measures for 2010, pushing total stimulus spending next year to €22 billion.

The government has predicted that the German economy will expand 1.2% in 2010 after contracting 5% this year.

—Patrick McGroarty in Berlin contributed to this article.

# Prices for emissions permits fall

BY KEITH JOHNSON

The failure of the United Nations climate summit in Copenhagen to produce a strong, binding agreement to cut carbon-dioxide emissions sowed gloom in European carbon markets Monday, with prices for carbon-emissions permits falling more than 8%.

There were also political echoes to the Copenhagen summit’s acrimonious conclusion. Some senior officials, including British Prime Minister Gordon Brown and British climate-change secretary Ed Miliband, criticized the current U.N. framework for addressing climate change, which requires consensus among more than 190 countries.

“Never again should we face the deadlock that threatened to pull down those talks,” Mr. Brown said Monday. “Never again should we let a global deal to move towards a greener future be held to ransom by only a handful of countries.”

The slumping price for carbon re-

flected disappointment among traders and businesses that the nonbinding Copenhagen Accord didn’t stipulate how much big countries such as the U.S. or China have to reduce their emissions of greenhouse gases. The deal also left unresolved most of the big issues of how to curb emissions linked to climate change.

Because the U.S., China and other major economies didn’t agree to binding emissions cuts, European countries didn’t increase their own pledges to reduce greenhouse-gas emissions. European officials, who had considered curbing emissions by 30% from 1990 levels, instead maintained their target of a 20% reduction from 1990 levels by 2020.

That helped push prices for carbon permits to €12.41 (\$17.73) per metric ton Monday, down from €13.58 Friday. Carbon-permit prices have fallen 14% since the beginning of the Copenhagen conference, a reflection of how expectations steadily fell as countries bickered

over how much they would cut emissions and who would pay for it.

The European Union’s emissions-trading plan caps the amount of greenhouse gases that power companies and the like can emit. They can purchase carbon permits on the market in order to comply with emissions limits.

Investors in low-carbon or no-carbon energy technology, such as solar panels, wind turbines and nuclear power, say the prices for carbon permits must be much higher than current levels—in some cases, as much as €60 a ton—to make their systems cost-competitive with coal, oil or natural gas.

The two-week Copenhagen conference appeared set to end with no agreement at all, until last-minute bargaining among leaders from the U.S., China, Brazil, India and South Africa produced a final statement. A handful of countries, including Sudan, Venezuela and Bolivia, declined to endorse the 11th-hour deal. That left confer-

ence organizers to “take note” of the Copenhagen Accord on Saturday morning without securing unanimous agreement of the three-page text.

Many analysts said the problems evidenced in Copenhagen could spell the decline of the U.N. approach to tackling climate change, which has been in operation since 1992 and prioritized global accord. Instead, they expect the rise of international climate negotiations among smaller groups of countries.

“The end game in Copenhagen was symbolic of the conference’s broader procedural failings,” says Michael Levi, director of energy security and climate change at the Council on Foreign Relations in New York. He said that the U.N. process will likely still play a role for some matters but that much big-picture political wrangling may require a different venue.

“You need leaders to break through a lot of these issues, and you can only seat top leaders at a smaller table,” Mr. Levi said.

EUROPE NEWS

# Eurostar set to partially restore rail link

Continued from first page

ters were ineffective in screening the "volume of snow" in northern France, Mr. Brown said at the news conference. The snow was also unusually fine, allowing it to pass through the filters, he added.

When the train sped from the last bit of land in France into the Channel Tunnel, the snow that had seeped through the filters and lodged inside the trains' power cars melted amid the warmer air of the tunnel, Mr. Brown said. The resulting moisture caused the engines to stop.

Eurostar is now in the process of equipping its 27 trains with new, tighter filters that should be able to keep out finer snow. The company has also asked independent rail experts to conduct a separate investigation into the breakdowns, which are the worst the rail line has experienced.

"We have a thorough winterization program," Mr. Brown said during an interview at London's Victorian-era St. Pancras train station, London's departure point for Eurostar. "This failure, we have never experienced it before."

Alstom SA, the company that supplied the high-speed trains to Eurostar about 15 years ago, isn't involved in the investigation into the causes of the breakdowns, according to Virginie Hourdin, a spokeswoman for Alstom's transport unit. Ms. Hourdin said Alstom engineers were at Eurostar's disposal but added that Eurostar has so far opted to carry out maintenance of the rolling stock by itself.

Snow and ice are a persistent threat to transport technology.

In the 1950s, the Pennsylvania Railroad's sturdy GG-1 electric locomotives suffered the same prob-



A Eurostar customer wipes her eye as she waits in St. Pancras station, London, on Monday. About 90,000 people are believed to have been affected by the train chaos.

lem of small snow crystals getting into engines through air vents. The fleet was modified with new vents and better insulation for the motors and operated until the 1980s.

David Brice, an independent railway consultant who spent 35 years

at British Rail, said Eurostar problems over the weekend illustrate a crucial oversight in the rail company's planning: the lack of back-up power to get passengers out of the tunnel in a timely manner. Some people were stuck in the Chunnel—

the tunnel under the Channel linking Britain with the Continent—for 12 hours. "There shouldn't be more than a couple of hours delay," said Mr. Brice.

For example, Mr. Brice added, ventilation in the tunnel should be

adequate to have a standby diesel locomotive that could ensure faster evacuation. Eurostar declined to comment.

—David Gauthier-Villars in Paris and Daniel Michaels in Brussels contributed to this article.

# Eurostar-crossed travelers plot new routes

BY JAVIER ESPINOZA

LONDON—Stranded passengers at Eurostar's St. Pancras international train station in London have gone from feeling hopeless and angry to just looking at ways to get home.

Kostas Danas, a 28-year-old university lecturer who is relocating to Paris from Cambridge, decided to book a flight to get to Thessaloniki, Greece.

On Saturday, he was supposed to travel to Paris, where he would then take a flight to his native Greece to spend Christmas with his family and then fly back to start his new job in France.

"I feel stuck here. I had to take decisions quickly. After they said on Sunday at 8 p.m. that there were not going to be any trains [Monday], I decided to book a flight," Mr. Danas said. He estimates the total cost of missing his Eurostar train will be around £300 (\$485).

"Eurostar will compensate for any hotel or transport expenses but I'm staying at a friend's house," he said. "They are not going to compensate for all the hassle, though."

Other passengers who have been coming back since Saturday agreed there has been conflicting information.

"This is the first and the last time I am using Eurostar," said a passenger going to Brussels. "I will go back to my organization in Brussels and will advise our travel agent not to send my colleagues via the Eurostar

**Eurostar stalls**

Key numbers for the high-speed train service.

- London to Paris travel time: **2 hours, 15 minutes**
- Trains stuck in tunnel late Friday: **5**
- Passengers on the stuck trains: **2,000**
- Passengers stranded: **About 90,000 as of Monday**
- Seats available Tuesday, if service resumes: **26,000**



to London," he added.

Andrea Murcia, a 30-year-old French-Colombian who works in the hotel and tourism industry in Paris, came with her husband for a brief weekend and said the trip has turned into a nasty experience.

Ms. Murcia says Eurostar staff told her and her husband on Saturday that the company will only reimburse them for one night and not for meals or transportation. But they were later told they could expense accommodation and expenses for the last couple of days.

"We haven't kept any receipts because they told us initially they wouldn't be paying for us," she said. "We are still hopeful that we can get a train [Tuesday] so we can make it in time for our flight to Colombia

which leaves on Christmas Eve. We have been waiting to go there for three years."

The couple explored the option of getting a bus from Victoria Station in London to Paris or Brussels, but they were told there are no seats available until Dec. 26.

Another route the couple and many others are considering is taking the train from King's Cross to Dover, England; the ferry from Dover to Calais, France; and then a train from Calais to Paris. The trip takes about 10 hours. "We have the option to go to Calais but we are not sure if we are going to find any trains from there to Calais. I'm tired of eating only fast food here," she said.

At South Station in Brussels, the Eurostar waiting room was almost

empty Monday afternoon, after hundreds of passengers were turned back this weekend, and sent to hotels throughout the city.

Eurostar employee Nejib Ben Abid handed out croissants and coffee. Eurostar officials told him to set up the stand on Monday morning. They were a bit late: The pile of croissants went mostly uneaten. "It's very quiet compared to the weekend," said Mr. Ben Abid. "Kind of nice."

He and his colleagues told travelers that there might be a train Tuesday or Wednesday.

Two Chinese women students living in London said they would wait for the next train no matter how long it took.

"We're not sure the bus and ferry are safe," said Yingzhi Xu. "We are getting tired of visiting the same places in Brussels over and over again," said Yu Pei, her friend. "We wonder if we [will] get back in time for Christmas."

David Low, a 26-year-old engineer from Scotland, was supposed to take the 6:57 p.m. train to London from Brussels on Sunday. Arriving on Sunday, he was told to spend the night at the Congress Hotel in Brussels.

The hotel was full of weary Eurostar travelers, he said. At breakfast, they traded exit strategies.

"The ones who could afford it were getting expensive flights out of town," he said. "Nobody knows how long it will be before the next train."

A receptionist at the Congress

said the hotel hosted about a dozen Eurostar passengers this weekend—that was all it had room for—whose rooms had been paid for by Eurostar.

Mr. Low tried to get Eurostar to pay for a trip to Paris so he could wait there, where he has friends and family, for the next train. Eurostar refused, he said, so he planned to get a bus to Calais, a ferry to Dover and then a train to London, paid for by Eurostar. Total time: around eight hours.

Mr. Low was philosophical. "The safest plane is one that doesn't take off," he said, quoting a professor in an avionics course he says he once took.

All three passengers said Eurostar's handling of the situation had been professional, though not exceptional.

Marie Hugon, a 30-year-old lawyer who works in Brussels, waited for a Thalys train back to her native Paris. It was delayed more than two hours.

"It's warmer in the Eurostar waiting room," she said.

A spokesman for the Belgian Ministry of Transport said the Belgian government would look into conducting an investigation, "but the breakdown didn't happen on Belgian soil, so it will probably be [the] French and English governments who will investigate."

—John W. Miller in Brussels contributed to this article.

## U.S. NEWS

# Jobless New Yorkers struggle to make it

High unemployment takes heavy toll in middle-class neighborhoods, where foreclosures are rising and recovery seems far off

BY SUZANNE SATALINE

High unemployment is spreading pain in the neighborhoods of New York City, not only in the poorest areas but also in once-secure middle-class enclaves, where some residents are falling behind on rent and mortgage payments.

Among the hardest-hit spots are the northern Bronx and southeastern Queens. Both areas have seen unemployment double since the third quarter of 2007, according to the Fiscal Policy Institute, a nonpartisan fiscal-policy think tank.

"The recovery in the labor market is a long way off and it will be a long time coming to middle-income neighborhoods," said James Parrott, the institute's deputy director and chief economist.

Close to half of all New Yorkers work for small and medium-size businesses, "and they don't readily recover in a downturn," Mr. Parrott said. And since New York represents 5% of the national economy, a slow recovery and long-term joblessness could have implications for the rest of the country, he said.

New York City has shed 144,000 jobs since August 2008, leaving it with an unemployment rate of 10% as of November.

The Bronx, with its big public-housing complexes, lower education levels and large unskilled population, long has had the highest unemployment rate in the city. In the third quarter, the Bronx's jobless



Elena Brijatiouk, an unemployed research scientist, speaks with a recruiter at New York City job fair Dec. 9.

rate was 13%, the institute said. In the northernmost stretch, populated by middle- and working-class families, bordering Westchester County suburbs, unemployment was 12.2% in the third quarter, more

than double the rate of two years earlier, the institute found.

Neighborhood residents, city officials and economists said there have been more foreclosure actions this year in that northern part of the

Bronx, with an increase in small-business closings, illegal renting of bedrooms and basements, and court petitions by landlords seeking back rent.

Restaurant worker Gregory

Ramsden, 46 years old, who rents in the Norwood section neighborhood in the north Bronx, near the New York Botanical Garden, has been looking for full-time work since June. He has been teaching classes in English as a second language, but hasn't had enough money to pay the rent on his apartment since July. His landlord has begun eviction proceedings against him.

"I'd take anything. I'd take a job cleaning toilets," said Mr. Ramsden, who used to make \$50,000 annually, the median income for this area. "I believe I'm running out of options."

On the southeastern strip of Queens, where generations of families have entered the middle class by buying starter homes, unemployment has doubled in the past two years to 12.2%.

The area, which is known principally as Jamaica, was besieged by predatory lenders, and hundreds of homeowners have defaulted on their mortgages. There were more than 1,800 foreclosure cases filed in 2008 in the Jamaica section, and 1,589 filed as of the third quarter of this year, according to the Furman Center for Real Estate and Urban Policy at New York University.

Residents said the hundreds of vacant homes have attracted illegal dumping, more rodents and break-ins. "You've got squatters going in," said Yvonne Reddick, district manager of a community board for the area.

# Sierra Club's pro-gas stance angers members

BY BEN CASSELMAN

LIVERPOOL, N.Y.—When energy companies began preparations to drill for natural gas in upstate New York last year, the local Sierra Club quickly organized against them.

The group's New York chapter demanded studies on the environmental risks, pushed for stricter regulations and called for a statewide ban on most gas drilling. The drilling hasn't begun as the state works to develop regulations.

It would have been a typical story of environmentalists battling industry, except for one thing: The national Sierra Club is one of natural gas's biggest boosters.

Carl Pope, the Sierra Club's executive director, has traveled the U.S. promoting natural gas's environmental benefits, sometimes alongside Aubrey McClendon, chief executive of Chesapeake Energy Corp., one of the biggest U.S. gas companies by production.

The national group's pro-gas stance has angered on-the-ground environmentalists in several states who say their concerns are being marginalized.

"It makes us look like the extremists that the industry wants to call us anyway," said Beth Little, a board member of the Sierra Club's West Virginia chapter, which is more skeptical about drilling than the national organization.

The rift in the Sierra Club, one of the country's oldest and most prominent conservation groups, highlights deep divisions in the broader environmental community over natural gas. And pressure from local ac-

tivists is forcing some major environmental groups to revisit their positions on drilling.

Some activists, such as Mr. Pope, believe increased drilling—with appropriate safeguards—is the best way to wean the U.S. off coal, which they see as the greater environmental threat.

Others, many of them in areas affected by drilling, see potential risks—air pollution, increased water use and soil and water contamination—as too high.

"It's been an at-times rancorous debate in the environmental community," said Bruce Baizel, an attorney for Earthworks, a national environmental group focused on energy issues.

That debate will likely grow more heated following Exxon Mobil Corp.'s announcement last week that it is buying XTO Energy Inc. The deal will make Exxon, already a significant target of environmentalists, into the biggest U.S. natural-gas producer.

The industry has made the environmental benefits of gas a centerpiece of an \$80 million lobbying effort that aims to promote increased use of gas to generate electricity and fuel cars and trucks. Burning natural gas releases about half as much carbon dioxide as burning coal to produce the same amount of energy and also emits far fewer smog-causing gases such as nitrogen oxide.

National groups such as the Sierra Club, the Environmental Defense Fund and the Natural Resources Defense Council have backed natural gas as a so-called bridge fuel that can help the country move away from coal and oil without waiting for re-



Activists rally against drilling for natural gas in the New York City watershed prior to a public hearing on the issue last month.

newable sources of energy, such as wind and solar power, to catch up.

The support of environmental groups has helped the industry win key backers in Congress, where a bipartisan "Congressional Natural Gas Caucus" formed this year.

But local opposition presents a challenge to the coalition. Grassroots groups have sprung up across the country to raise environmental concerns, particularly about the alleged risk of drinking-water contamination

from hydraulic fracturing, a process in which large volumes of chemical-laced water are injected down wells to release gas trapped in underground rock formations.

Companies say that their drilling practices, including hydraulic fracturing, are safe, and that existing regulations are sufficient. There have been few independent studies to assess how widespread problems are.

"There are legitimate questions, and they can be answered legiti-

mately," said Mr. McClendon, Chesapeake's CEO. "I feel we're on the right side of history here."

Meanwhile, a U.S. House bill to regulate hydraulic fracturing has drawn 49 co-sponsors, and a companion bill has been introduced in the Senate.

Exxon is sufficiently concerned about the legislation that its merger agreement with XTO allows the company to back out of the deal if Congress makes hydraulic fracturing illegal or "commercially impracticable."

## U.S. NEWS

# U.S. space plans involve private firms

White House moves to outsource major parts of program; closely held start-ups could rocket astronauts into orbit

BY ANDY PASZTOR

The Obama administration appears set to chart a new course for U.S. space exploration by promoting the use of private companies to ferry astronauts into orbit, according to people familiar with the matter.

The controversial plan would mark a trailblazing departure for the nation's space program by allowing a group of closely held start-up companies, for the first time, to compete for a central role in an arena previously dominated by much larger, publicly traded contractors with long track records working for the National Aeronautics and Space Administration.

The initiative is part of a broader realignment of goals for an agency suffering from low morale and chronic budget shortfalls that also has been whipsawed by changing priorities in successive administrations.

But even as it moves to outsource major components of the space program to private industry, these people said, the White House is planning to hedge its bets in various other ways. One likely option is to ramp up funding for certain in-house rocket programs that over the next few years could serve as a technical safety net, and eventually provide the families of more-powerful boosters required for longer-term exploration of the solar system.

The White House also intends to jettison policies that have been in place for more than a decade, by pushing for international cooperation and funding to develop spacecraft able to land and explore the surface of the moon, and ultimately perhaps Mars or one of its moons.

The administration's emerging endorsement for the spending blue-

print comes at a crucial time, because senior White House aides are now laying out a plan for space exploration in the next fiscal year that is expected to meet stiff resistance in Congress. By splitting funding between NASA's traditional way of doing business and innovative private-sector initiatives, the administration is trying to forge a compromise that would bridge broader disagreements inside NASA and among segments of the aerospace industry.

The disputes revolve around the likely safety and reliability of relying on private space systems that have yet to be tested or, in some cases, even designed. Among the companies set to gain from the new policy are closely held **Space Exploration Technologies Corp.**, founded by Internet entrepreneur Elon Musk. SpaceX, as it is known, already has a NASA contract for as much as \$1.6 billion to transport cargo to the International Space Station. By the spring of 2010, the company is slated to conduct the first test flight of its larger Falcon 9 rocket intended to carry astronauts to the station.

If the White House launches a new era of commercial crew transportation, "the significance of that decision would be on par with government-supported development of railroads" that crossed the continent during the previous century, Mr. Musk said in an interview on Sunday.

But the emphasis on commercial-style services also presents opportunities for aerospace heavyweights such as **Boeing Co.** and **Lockheed Martin Corp.**, both of which are anticipated to vie for contracts, according to industry and government officials.

Separately, Boeing in the next few weeks is expected to emerge as one of the winners in a small-scale NASA competition for research grants to

work on advanced crew transportation concepts.

NASA's revised trajectory was discussed in broad terms during an Oval Office meeting last week between President Barack Obama and agency chief Charles Bolden.

Some details were reported on the Web site of the American Association for the Advancement of Science.

While no firm decisions have been made and budget numbers remain in flux, there appears to be broad agreement inside the administration over using private rockets and capsules to access the orbiting space station. "There is clearly a recognition that if you want to do that, it should be done seriously and with enough funding" to succeed, according to one senior administration official involved in the deliberations.

The changes come four months after a presidentially appointed study group, chaired by former Lockheed Martin Chairman Norman Augustine, sharply criticized NASA's moon-oriented exploration program, dubbed Constellation, as shortsighted and underfunded. Instead, the committee advocated switching to commercially run rocket programs as a way to let NASA devote scarce resources to more-ambitious exploration goals.

NASA officials have declined to discuss the deliberations, except for the renewed focus on international cooperation. In a speech earlier this month, Mr. Bolden indicated he has explicit instructions from the president to engage the Chinese, European governments and other countries.

"There are not a lot of things I can tell you with certainty" about the agency's direction, the NASA chief said. "But I can tell you, [Mr. Obama] said, do that."



A Soyuz spacecraft, pictured Friday, in Kazakhstan. The rocket blasted off Monday with a Russian flight commander and U.S. and Japanese flight engineers aboard.

## Health bill clears a key hurdle in the Senate

BY GREG HITT  
AND JANET ADAMY

WASHINGTON—The Democrat-controlled U.S. Senate, voting 60-40, swept aside Republican objections and moved to close off debate on health overhaul legislation, marking a milestone moment for President Barack Obama's most pressing domestic initiative.

All 58 Democrats and two independents voted to approve the first—and most crucial—of three motions needed to break off action, as the Senate entered a fourth week of debate on the bill. All Republicans voted no.

The roll call, which began shortly after 1 a.m. Monday, was effectively a test vote for the sweeping bill. The action made clear the White House has enough votes to ensure passage—likely on Christmas Eve—of the broadest health legislation in a generation. The measure would ensure that some 30 million Americans will gain insurance coverage over the next decade, while taxes will rise on groups ranging from medical-device makers to customers of tanning salons.

Mr. Obama said Monday that the Senate action was "big victory for the American people." He said the bill would reduce the deficit long term, countering criticism that the

legislation is too expensive.

The more than 2,000-page Senate bill needs to be reconciled with House-passed legislation, but is likely to form the core of any final bill presented to Mr. Obama for his signature.

With the vote looming, Senate Minority Leader Mitch McConnell (R., Ky.) urged "Democrats to put party loyalty aside" and join with Republicans in derailing the bill. "It's not too late," he said, warning Democrats they would pay a price for moving the bill. "The impact of this vote will long outlive this one frantic, snowy weekend in Washington."

Democrats accused Republicans of engaging in scare tactics and insisted the legislation—while not popular in opinion polls—would meet an urgent national need. "We're going to move forward," said Sen. Tom Harkin (D., Iowa). "We're not going to vote fear. We're going to vote hope."

Months in the making, the Senate bill would sharply expand Medicaid—the federal-state health program for the poor—and create tax subsidies to help low- and middle-income people comply with a new mandate to carry insurance.

The Senate bill would generally leave the existing employer-based health-insurance system intact. Americans who already have cover-

age on the job wouldn't be likely to see big immediate changes. Larger companies would be required to pay a fee to the government if they didn't offer affordable insurance to employees and if the employees later sought government help paying for insurance.

Last-minute additions toughened restrictions on insurers. Starting next year, they would be barred from denying coverage to children with pre-existing conditions. As before, that provision would apply to adults starting in 2014. The bill would create a national exchange, or marketplace, where individuals and small businesses could buy insurance.

To pay for the program, the measure would impose cuts of some \$480 billion over a decade in payments to providers of Medicare, the federal health program for the elderly and disabled. The provision is at the core of Republican objections. The bill also would impose new fees of billions of dollars a year on insurers, medical-device makers, pharmaceutical makers and others. And it would establish a tax on insurers offering high-value health policies.

Another late change would hit customers of indoor tanning salons, who would pay a 10% tax. That replaced a proposed tax on cos-

metic surgery, which was projected to raise about \$5 billion over a decade. The Senate bill doesn't directly affect income taxes.

The Congressional Budget Office estimated the bill would cost \$871 billion over a decade and leave 31 million fewer people uninsured than if current law were in place—although 23 million Americans, many on the edges of society, would still be uninsured. It projected the bill would hold federal deficits to \$132 billion less than they otherwise would be over a decade, owing to new taxes and other changes.

If the Senate bill passes and goes to a conference committee with the House, as expected, the House is likely to do most of the reconciling. That's because Senate Majority Leader Harry Reid—after battling for weeks to get the minimum number of votes needed to avert a Republican filibuster—has little room to maneuver. The House passed its version on Nov. 7 on a 220-215 vote.

Mr. Obama hopes to sign a final bill before his State of the Union address after the first of the year so he can turn to other issues, in particular the economy and jobs, in a bid to boost support for Democrats in the 2010 elections.

A flurry of weekend deal making amid a December snowstorm locked in the final elements of the Senate bill

and got the support of the last Democratic holdout, Ben Nelson of Nebraska. He won a tightening of rules to ensure that no federal money allocated under the bill is used to fund abortions, and got more money for his state in the Medicaid program.

Democratic leaders also threw in \$10 billion in spending on community health centers, a nod to liberals. The agreements set the stage for Monday's key procedural vote.

The issue is likely to define the battle lines of the 2010 midterm elections, given the partisan nature of the Senate vote.

Republicans said the legislation would impose big costs on government and taxpayers, and they denounced Mr. Nelson. Sen. Tom Coburn (R., Okla.), speaking on the Senate floor Sunday as the chamber spent a third weekend in a row tackling health care, labeled the Nebraska deal the "full Nelson." He added: "It's a shame the only way we can come to a consensus in this country is to buy votes."

In the coming negotiations, the House will almost certainly be forced to give up the government-run insurance plan that is part of its bill.

The final bill is also likely to embrace a version of the Senate's proposed tax on high-value insurance plans, rather than add a surtax on the wealthy, as the House wanted.

## WORLD NEWS

# Abbas says he won't allow intifada

*Palestinian president, in an interview, regrets lack of peace deal with Israel, but says U.S. must step up pressure*

BY CHARLES LEVINSON

AMMAN, Jordan—Palestinian President Mahmoud Abbas, smoking Marlboro Reds in a leather armchair inside the cramped office he keeps at the Palestinian embassy in Amman, cracked jokes and exuded what he said was a newfound calm that had come to him since his decision in early November not to stand for re-election.

Mr. Abbas's pledge to prevent a violent uprising in the Palestinian territories comes as Palestinian frustrations mount over stalled peace talks and growing tensions with Jewish settlers in the West Bank. Many analysts and ordinary Palestinians have warned that a third *intifada*, or violent uprising, could be around the corner.

"As long as I'm in office, I will not allow anybody to start a new intifada. Never never," Mr. Abbas said. "But if I leave, it's no longer my responsibility and I can't make any guarantees."

Mr. Abbas said he has proved his ability to keep Palestinian frustrations from boiling over into widespread violence in recent years, especially during the Gaza War. "At that time everybody asked me to go to a third intifada, but I prevented anybody from doing it," he said. "I promise and I can do."

Israeli security officials have praised Palestinian security services in recent months, but maintain that Israel's own military operations in the West Bank are equally critical to the decrease in violence. Mr. Abbas's comments, raising the specter of violence if there is any change in Palestinian leadership, may be aimed at putting pressure on the U.S. and the broader international community to push more aggressively for a peace agreement.

Mr. Abbas voiced frustration with the administration of U.S. President Barack Obama, urging it to apply more pressure on Israel to freeze settlements and accept 1967 borders as the framework for negotiations. He called on Mr. Obama to get the peace process back on track by presenting a U.S.-drafted peace proposal to both parties.

"Now the ball is in the international community's court and in America's court," Mr. Abbas said. "They have to come and say this is the end game and pressure the Israeli government."

A spokesman for the White House had no immediate comment.

In the interview, Mr. Abbas reflected on his five years as Palestinian president, saying a steadfast commitment to peace was what he was most proud of. His failure to conclude



Palestinian President Mahmoud Abbas said he has proved his ability to keep Palestinian frustrations from boiling over into widespread violence in recent years, 'But if I leave, it's no longer my responsibility and I can't make any guarantees.'

a final peace deal with Israel would remain his greatest regret, he said.

The president has been on a political rollercoaster in recent months. His fortunes were on the rise in the latter half of 2009, as West Bank security and the economy improved. But when he appeared to surrender to U.S. and Israeli demands—first agreeing to meet with Mr. Netanyahu in New York in September, and then backing the shelving of a

United Nations report alleging Israeli war crimes in the Gaza War—his administration was plunged into crisis.

Mr. Abbas said he never withdrew his support for the report and simply accepted the U.N. Human Rights Council's decision to defer the vote to the next session. He said Arab and Islamic states on the council agreed to the delay before he added his assent.

Just two months ago, polls showed Mr. Abbas narrowly losing to rival Palestinian faction Hamas in elections. He made the decision not to run in elections amid this low point. His poll numbers have ticked higher since then.

Palestinian elections were originally due to be held in January, but were postponed because of a continuing rift between Fatah, Mr. Abbas's more moderate Palestinian

party in the West Bank, and Hamas, the Islamist militant group that controls the Gaza Strip.

Elections are now tentatively slated for June 28, but could be further postponed if differences between the two rival factions aren't resolved. Mr. Abbas declined to endorse a successor, but called jailed Fatah leader Marwan Barghouti "a man of good reputation with a strong history of resistance."

## Israeli leader discusses deal for Shalit

BY JOSHUA MITNICK

NAHARIYA, Israel—Sgt. Gilad Shalit, held captive by Hamas since June 2006, has become a cause célèbre in Israel, where his possible release has eased some concerns on the right that any prisoner exchange to win his freedom would present a serious national-security threat.

Prime Minister Benjamin Netanyahu has met several times in the past two days with half-a-dozen cabinet ministers to discuss a possible release. In recent weeks, Israeli and Hamas negotiators have hammered out a proposed deal: Israel would release as many as 1,000 Palestinian prisoners, in exchange for the 23-year-old soldier.

Hope surged in September, when Hamas released a "proof of life" video, showing an apparently healthy Sgt. Shalit with a current newspaper. The video—which the

government acquired in exchange for a limited release of female Palestinian prisoners—seemed to launch recent negotiations over terms of a wider detainee release that would lead to Sgt. Shalit's freedom.

Israel's 7.5 million people—who are subject to compulsory military service—have transformed Sgt. Shalit into a national son and brother, rather than a prisoner of war. Israelis are haunted by the memory of then-Maj. Ron Arad, an air-force navigator taken prisoner of war in southern Lebanon in 1986. Successive Israeli governments never sealed a deal for his release. Today, Maj. Arad is widely believed to be dead, though Israel's official position is that he is still alive.

The Shalit family established "The Army of Friends of Gilad"—a grassroots campaign of neighbor volunteers, advertising executives and a public-relations strategist. They aim to promote Sgt. Shalit's

cause and prevent a repeat of Maj. Arad's unresolved captivity.

Sgt. Shalit's supporters have pitched a tent outside Mr. Netanyahu's office in Jerusalem. They also have put images of Sgt. Shalit's youthful visage on billboards; for months, one stood across from the military's headquarters in Tel Aviv.

A story Mr. Shalit wrote in school, nine years before he was captured, has been turned into a children's book and an art exhibit.

A year after his capture, a teacher rediscovered the story, about a shark and a fish who overcome mutual fear to strike up a friendship. Lee Rimon, an artist who runs a gallery here, commissioned artists to illustrate the book, which is titled, "When the Shark and the Fish First Met."

The book, which was published two years ago, became a bestseller. Ms. Rimon helped guide an exhibit of illustrations from the tale,

through 11 Israeli cities and the Knesset, or parliament, in Jerusalem. She is looking for overseas publishers.

"The main thing is that Gilad's name should always be in the public consciousness," Ms. Rimon says. Swapping Palestinian prisoners accused or convicted in militant attacks, doesn't bother her, she says.

"I'm not at all logical" about the prisoner swap, she says. "I consider Gilad as part of my family."

One recent morning at a public library in Netanya, a coastal city 30 kilometers north of Tel Aviv, a group of sixth-graders on a field trip listened to an explanation about Sgt. Shalit's life and the book.

After speaking with the children, the library director, Lea Alon, said, "We have a social mission" to tell people about Sgt. Shalit. "He is everyone's soldier. We don't get into the question of price."

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## WORLD NEWS



Mourners at the funeral ceremony of Iranian Grand Ayatollah Hossein Ali Montazeri, a critic of the regime and spiritual leader of Iran's opposition, in Qom on Monday. Security forces moved against protesters in the procession, according to reports.

## Iran clashes with mourners

*Opposition, turning cleric's funeral into protest, is met with stones, tear gas*

BY FARNAZ FASSIHI

BEIRUT—Hundreds of thousands of Iranian mourners, including opposition leaders and influential senior clerics, attended the funeral of the country's top dissident cleric in the holy city of Qom on Monday, turning the event into one of the largest antiregime protests the city has seen in three decades.

The funeral procession of Grand Ayatollah Hossein-Ali Montazeri, one of the harshest critics of the regime, began peacefully. But opposition protesters used the charged procession to chant publicly against Iran's leaders, and security forces and riot-police responded by attacking mourners with shoes, stones and tear gas, according to news reports and videos circulating on the Internet.

On Sunday, Supreme Leader Ayatollah Ali Khamenei issued a tepid condolence message for the deceased cleric, a founding architect of the Islamic Republic, who fell out with the regime in the late 1980s. When the message was read to mourners in Qom on Monday, many jumped up and down, booing and screaming, "Khamenei is a murderer, his leadership is finished," according to videos posted to opposition Web sites and to YouTube.

By nightfall, Mr. Montazeri's house was under siege by security services, his son Ahmad told the BBC's Farsi-language service. Mr. Montazeri's family canceled a memorial service planned that evening at a mosque in Qom, according to a statement issued by his son and posted on opposition Web sites.

"We received word that Basij and Revolutionary Guards have en-

tered the mosque and are waiting for us with batons," Ahmad Montazeri wrote in the statement.

Authorities have banned press coverage of the event. It was impossible to independently verify reports from a handful of opposition sites. The sites have reported reliably on protests in the past, and videos posted on YouTube match their accounts.

BBC's Persian service, a source of news for many Iranians, was jammed Sunday, knocking it off air inside Iran, the British Broadcasting Corp. said.

Opposition leaders Mir Hossein Mousavi and Mehdi Karroubi, as well as Mr. Khamenei's brother, Hadi, who is also a critic of the regime, attended the funeral.

Mr. Mousavi's Web site, Kalameh, reported that his car came under attack on his return trip to Tehran, and a bodyguard was injured, but Mr. Mousavi was unharmed.

The opposition called for the grand ayatollahs of Qom, Iran's highest clerical officials, to call for a national day of mourning Tuesday to protest what the opposition called the insulting way the government security forces treated mourners in Qom.

Qom serves as the spiritual capital of Iran's ruling clerics. A dusty city in the desert plains south of Tehran, it is dotted with turquoise minarets and golden domes, and has been instrumental in shaping Iran's politics for the past century.

Analysts said Monday's massive protests in Qom and the presence of high-profile grand ayatollahs in the funeral ceremonies elevated the opposition's profile, further denting the credibility of Mr. Khamenei and

President Mahmoud Ahmadinejad.

"Mr. Khamenei's legitimacy was questioned in Qom today, and that is a significant blow to the regime. It will be extremely hard to recover from this," said Mohamad Javad Akbarein, a former cleric from Qom and a Shiite scholar now living in Beirut.

Mr. Montazeri was once in line to succeed the founder of the revolution, Ayatollah Ruhollah Khomeini, as supreme leader. But he fell out with the regime and became one of its highest-profile critics. In recent months, a protest movement ignited by contested June 12 elections adopted the frail cleric as its spiritual leader.

Opposition leaders, including Messrs. Mousavi and Karroubi and their supporters, accused Mr. Ahmadinejad of stealing the June vote, which the government denies. Over months of protests since, demonstrations have veered from protesting the elections and its results to denouncing the regime itself.

Mr. Montazeri's death, at 87 years, delivers a blow to the opposition by snuffing out its most senior and outspoken religious advocate. But his passing also appeared to have galvanized protesters. Opposition leaders have called for demonstrations to continue throughout the week, culminating on the seventh day of his passing, which coincides with the Shiite religious holiday of Ashura.

Mourners carried pictures of Mr. Montazeri and held up green banners, the opposition color. One group of mourners chanted, "Montazeri, we will continue your path, even if the dictator rains bullets on us," according to one video from an opposition Web site.

## In death, grand ayatollah could unify Iran's opposition

[ Capital Journal ]

BY GERALD F. SEIB



Can a deceased Ayatollah offer in death what no one alive seems to be able to provide: a single, unifying figure for Iran's opposition?

That's the central question that emerges from the weekend death of Grand Ayatollah Hossein Ali Montazeri, a towering figure in the history of Iran's revolutionary government. At the time of his death, he was perhaps the most credible face of the country's persistent opposition movement.

The role Ayatollah Montazeri will play in death will come into clearer focus in the next two weeks. His admirers Monday began to vent their sorrow in funeral processions, at the outset of a 10-day religious holiday that figures to produce more public shows of opposition.

Ayatollah Montazeri was a religious leader of considerable import—indeed, he once was designated to become the nation's supreme religious leader—but in the last six months was most noteworthy as the senior religious leader most openly sympathetic with the opposition movement that sprang up in Tehran's streets after June's disputed presidential election. Yet at 87 years of age, in poor health, and restricted to the holy city of Qom, he was never likely to become the active leader of a movement opposing the regime of Supreme Leader Ayatollah Ali Khamenei and President Mahmoud Ahmadinejad.

Indeed, one of the most serious shortcomings of the opposition movement, despite its resilience in the face of concerted government attempts to squelch it, has been the absence of a catalytic personality to serve as its heart and soul. The logical leader should be Mir-Hossein Mousavi, the presidential candidate who appeared to be robbed of his chance at victory in that June election. But he is too reserved and cautious by nature, and too vulnerable to pressure from the government, to have really stepped into that role.

Mehdi Karroubi, former speaker of the Iranian parliament, and Mohammad Khatami, the former Iranian president, both also have become champions of the reform movement. Yet they also are equally exposed to government pressure.

In death, though, Ayatollah Montazeri will be immune from government pressure and intimidation. His withering criticisms of the regime are on the record, and can't be compromised.

It isn't unusual for revolutionary and counter-revolutionary figures to provide inspiration from the grave. Indeed, the Iranian opposition already has, to some extent, one such figure, albeit of far less stature: Neda Agha-Soltan, the 26-year-old woman whose death at the hands of government agents trying to suppress a street protest was captured on video and galvanized government foes in and out of Iran.

History offers other examples. Newspaper publisher Pedro Chamorro, murdered by enforcers for Nicaraguan dictator Anastasio Somoza Debayle in 1978, became the rallying figure for the Nicaraguan revolution in following years—and, ultimately, the galvanizing figure for the counter-revolution that followed. Similarly, both the Cuban revolution led by Fidel Castro and the counter-revolutionaries that resisted him rallied around a deceased Cuban nationalist, José Martí.

The potential role for Ayatollah Montazeri as an opposition icon lies not just in his vocal dissents in the latter months of his life, but in the outsized role he played in his country's history over the last quarter-century. It's a role that may not be immediately apparent to those who don't follow Iranian politics closely.

Ayatollah Montazeri was close to Iran's ultimate revolutionary leader, Ayatollah Ruhollah Khomeini, and was a leader of the incipient revolution against the Shah of Iran while Ayatollah Khomeini was in exile. After the revolution, Ayatollah Montazeri was selected to succeed Ayatollah Khomeini as the country's paramount religious leader.

And history would have taken a much different turn had that course been followed. Ultimately, though, Ayatollah Montazeri, though a staunch believer in an Islamic justice system, had liberal beliefs that separated him from not just Ayatollah Khomeini, but the other conservative mullahs who surrounded him.

Ayatollah Montazeri slowly fell from grace with the ruling establishment, then was ousted when he objected to the mass killing of Iranian opposition figures in the wake of the Iran-Iraq war. After speaking out, he was stripped of his position and sent to house arrest in the holy city of Qom.

Yet he remained a respected religious figure. Karim Sajadpour, an Iran analyst at the Carnegie Endowment for International Peace, thinks his greatest influence in death may be on fellow clerics. "Given the overwhelming popular reaction to Montazeri's death, I'm sure it has gotten some clerics rethinking their support for their government, or their acquiescence to governmental repression," he says.

Thus, the chance that Ayatollah Montazeri may take on in death an opposition role greater than the one he was playing in the final weeks of life. Odds are equally good that President Ahmadinejad will try, perhaps brutally, to suppress that impulse.

In either case, the developments pose a new test for U.S. President Barack Obama. He continues to try to deal with the Iranian regime while showing sympathy for the opposition movement that wants to be rid of it.

That balancing act will get tougher as the U.S. moves next month toward more economic sanctions against Iran's government to protest its nuclear program. The memory of Ayatollah Montazeri hovering over the proceedings may make the balancing act trickier still.

## U.S. mourns cleric, in nod to protesters

BY JAY SOLOMON

WASHINGTON—The Obama administration publicly mourned the passing of Iran's Grand Ayatollah Hossein Ali Montazeri, in an unusual move U.S. officials said was designed to align the White House with Iran's democratic movement.

But U.S. officials also stressed that Mr. Montazeri's death and the continuing political protests inside Iran are unlikely to significantly alter President Barack Obama's overall

strategy of seeking to engage Tehran in the near term.

Few inside the U.S. administration say they see any imminent threat to the Iranian regime's hold on power, forcing Washington to remain open to negotiations with President Mahmoud Ahmadinejad's government over Tehran's nuclear program.

Many U.S. diplomats and strategists also continue to believe that any aggressive and overt American support for Iran's democrats at this stage could hasten a broader political crack-

down by Tehran's security forces.

"It's unlikely that anything in the short term of any significance is going to change toward Iran," a senior U.S. official briefed on Iran policy said Sunday. "With Montazeri's voice gone, what happens to the movement? That remains to be seen."

Mr. Montazeri emerged in recent months as an unlikely channel of messages from Iran's opposition parties, known as the Green Movement, to the White House, U.S. officials and Iranian opposition leaders said.

## WORLD NEWS

# Weapons probe broadens

*Hong Kong-registered company signed contract to lease arms-filled plane detained in Thailand*

The search for the organizers of an airplane carrying North Korean weapons bound for Iran and detained in Thailand has led to a company in Hong Kong.

By Alex Frangos, Daniel Michaels and Jonathan Cheng

A company called Union Top Management Ltd., registered in Hong Kong, signed a contract this month to lease the cargo plane, according to documents obtained by arms-trafficking researchers in Belgium and the U.S.

Attempts to reach Dario Cabrerros Garmendia, listed in public documents as Union Top Management's owner and director, were unsuccessful. A Dario Cabrerros signed a contract on behalf of Union Top Management on Dec. 4 to lease the plane.

A woman who answered the phone at an office in Hong Kong given on Union Top Management documents provided an email address for Mr. Cabrerros. An email sent to the address was returned as undeliverable. Union Top Management's filings list a Barcelona, Spain, postal address for Mr. Cabrerros. A person at the address said by telephone that neither Union Top Management nor Mr. Cabrerros is listed among the building's tenants.

Thai officials seized the Il-yushin-76 aircraft and its cargo—missiles and guidance systems—on Dec. 11, setting off an international hunt to determine its origins. The Union Top Management contract and a flight plan were revealed in a report by TransArms, of Chicago, and the International Peace Information Service, of Antwerp, Belgium. Both organizations study conflicts around the world.

The documents show a circuitous planned itinerary from Pyongyang to Montenegro, with stops in Iran and Ukraine, among other places. A string of companies from New Zealand to the Republic of



Georgia was involved in organizing the transport, and Hong Kong-registered Union Top Management appears to be among them.

Hong Kong is part of China but operates as a special administra-

## A string of companies was involved in organizing the transport.

tive region with its own laws. There isn't any indication that China is involved in the matter.

Hundreds of chartered "secretary firms" specialize in registering entities quickly and cheaply in Hong Kong and offshore. "It's a low-tax jurisdiction, there's a reliable legal system, no currency controls, and pretty much free transmittance

of money in and out. All the good infrastructure that legitimate companies come for can also attract illegitimate ones," says Dane Chamorro, Hong Kong general manager of Control Risks, a consulting firm.

The secretary firms file paperwork, and provide corporate officers and board members for the companies, as permitted under Hong Kong law. The actual owners of companies aren't obliged to serve as board members, enabling them to avoid disclosing their identity in public documents. Companies must register in Hong Kong to open a local bank account.

In the case of the plane, a Hong Kong secretary firm called Acota Ltd. set up Union Top Management on Sept. 1. From filings, it appears Mr. Cabrerros took control of Union Top Management on Nov. 10.

Brenda Cheng, an Acota executive who is identified as Union Top Management's company secretary in public filings, says she doesn't remember Mr. Cabrerros. She said her firm helps companies quickly apply for legal status and that she serves

as the corporate secretary for many companies. This arrangement isn't unusual for Hong Kong secretarial firms. Ms. Cheng said "I don't know what they do," when asked about Union Top Management's business.

For illicit traders, setting up in Hong Kong is "all part of the standard layering procedure to distance the actual players from reality," says Steve Vickers, chief executive of FTI-International Risk, a Hong Kong-based investigation firm. He says Hong Kong is just another stopping point in these types of ventures and that the city's rules aren't unique.

Hong Kong has faced criticism for failing to cooperate with foreign officials in tax-evasion cases. It pledged to update its information-sharing laws to enhance coordination with tax officials abroad after it was revealed that Hong Kong had been used as an incorporation spot for international tax-evasion programs.

—Jonathan House contributed to this article.

# China aims to lift industrial production

DOW JONES NEWSWIRES

BEIJING—China is aiming for industrial-production growth of about 11% next year to help meet its economic-growth target of roughly 8%, Minister of Industry and Information Technology Li Yizhong said Monday.

## Beijing's 11% target for industrial-output growth is slightly lower than this year's 12% target.

It was the first official announcement from Beijing that it is maintaining the economic-growth target it set for previous years.

The 8% target has become a kind of standard—Beijing has set it for several years, even those when the economy grew at a much faster pace—and the announcement was seen

less as a prediction than as an affirmation of a minimum target for growth.

China is widely expected to post growth above 8% this year and close to 9% in 2010.

Beijing's 11% target for industrial-production growth next year is slightly lower than this year's 12% target.

The ministry's conference came after senior government officials held their annual work meeting earlier this month, where they decided to focus more on balanced economic growth—dealing with excess production capacity, for instance—even as they reaffirmed policies to support the recovery.

Details of how they will affect the shift have been scant, however, and Mr. Li's remarks also lacked many specifics.

He said the ministry will curb excess production capacity next year—something Beijing has emphasized since July—and encourage consolidation in various sectors including automobiles, shipbuilding and steel.



A welder works Thursday on construction of a bridge in Zhengzhou, China.

# WTO denies China appeal of film ruling

BY JOHN W. MILLER

The World Trade Organization on Monday dismissed an appeal from Beijing over the WTO's August ruling against Chinese restrictions on distribution of Hollywood movies and other Western media, sealing one of China's biggest-ever losses at the WTO.

The decision, if implemented by China, could prove lucrative for U.S. and other foreign companies. Despite its size, China remains one of the least-profitable markets for U.S. movie studios. China allows only 20 foreign films to be released every year in theaters there. It is also illegal to sell music over the Internet in China, a hindrance to Apple Inc. and its iTunes music-downloading business.

"U.S. companies and workers are at the cutting edge of these industries, and they deserve a full chance to compete under agreed WTO rules," U.S. Trade Representative Ron Kirk said. "We expect China to respond promptly to these findings and bring its measures into compliance."

China now has one year to comply with the WTO ruling, which can no longer be appealed. If it doesn't, the U.S. would have the right to levy trade sanctions equivalent to the revenue lost by music, movie and even videogame makers because of Chinese distribution laws, which could amount to billions of dollars.

Chinese officials couldn't be reached for comment.

WTO officials rejected China's argument that a defense of its "public morals" gave it the right to impose laws such as an order obliging foreign firms to distribute media through a state-owned firm called China Film Group Corp.

China's appeal wasn't expected to sway WTO arbiters. The defense-of-morals argument had only been tried once before, by the U.S. in 2005 to defend a ban on Internet gambling—and it failed. Monday's decision "was pretty much what everyone expected," says Nikolay Mizulin, a Brussels-based trade lawyer with Hogan & Hartson LLP.

It has been a busy year in trade politics for China, which joined the WTO in 2001 and is now the world's second-biggest exporter by value, after Germany. It has faced off with Western trading partners this year over intellectual property, brand names, poultry trade, tire tariffs, antidumping rules and export quotas for raw materials. It has also been the biggest target for protectionist measures, according to formal reports issued by the WTO. China has upgraded its legal team in Geneva, and plans to file more cases within the organization, according to WTO officials.

On Monday, the WTO also said it would open an investigation into claims by the European Union, Mexico and U.S. that China used export quotas and tariffs to keep products such as coke, bauxite and magnesium cheaper for its domestic factories than they are on international markets, in violation of WTO rules.

China applied the measures two years ago, when commodity prices were at recent highs. It sought to keep supplies plentiful on its home market to drive down prices. Chinese manufacturers are making increasingly complex goods, such as cellphones and computers, making them more dependent on low-cost minerals.