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WEEKEND JOURNAL

THE WALL STREET JOURNAL.

VOL. XXVII NO. 215

EUROPE

Friday - Sunday, December 4 - 6, 2009

DOW JONES
A NEWS CORPORATION COMPANY

europa.WSJ.com

Senators heap criticism on Fed, spare Bernanke

BY LUCA DI LEO AND MICHAEL R. CRITTENDEN

WASHINGTON—U.S. senators criticized the Federal Reserve but offered measured support for the central bank's leader in a confirmation hearing Thursday.

Members of the Senate Banking Committee signaled at a hearing that Fed Chairman Ben Bernanke is likely to be confirmed for a second term as head of the central bank. But that may come at a steep price—lawmakers said the Fed had “failed” or done a “horrible job” as a regulator in the runup to the mortgage meltdown and financial crisis, and suggested they would push ahead with a proposal that would strip it of much of its regulatory authority.

Committee chairman Christopher Dodd said, however, that he didn't know how soon the committee would hold a confirmation vote, and couldn't say whether it would come before year's end.

For his part, Mr. Bernanke acknowledged that the central bank made mistakes, say-

ing the Fed hadn't done a “perfect job” at regulating excessive risk-taking in the financial sector. The Fed chief's initial term officially expires Jan. 31. He was nominated for a second term by President Barack Obama in August.

Mr. Dodd, a Connecticut Democrat, said that Mr. Bernanke's reappointment would send the right message to financial markets and that he had done a “very good job” at the helm of the central bank.

But those compliments weren't extended to the central bank itself. “Why should I give an institution that failed... that type of exclusive authority?” Mr. Dodd asked, referring to proposals to broaden the Fed's role as a financial regulator.

Mr. Dodd's Republican counterpart, Sen. Richard Shelby of Alabama, said he has traditionally held the Fed in high regard but that the central bank's actions over the last year had eroded his view.

“I fear now, however, that our trust and confidence were misplaced,” Mr. Shelby said.

The comments highlight

the disconnect in Washington between opinions of Mr. Bernanke's leadership during the financial crisis and a growing skepticism about the central bank's wide-ranging authority to respond in times of financial stress.

Since the end of 2007, Mr. Bernanke's Fed has used extraordinary powers in a bid to prevent another Great Depression, including the bailout of big financial companies together with the Treasury that has put U.S. taxpayers' money at risk.

Lawmakers from both parties have praised Mr. Bernanke's performance—likely assuring him a second four-year term as chairman—but at the same time have proposed cutting the Fed's powers and opening up the central bank to broader government audits. Some lawmakers have even said they want new blood at the helm of the central bank.

“You are the definition of a moral hazard,” said Sen. Jim Bunning (R., Ky.), a longtime Fed critic. “I will do everything I can to stop your nomi-

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Reality TV: Moscow style



Prime Minister Vladimir Putin sent his strongest signal yet Thursday that he plans to return to Russia's presidency, telling millions of TV viewers that he will consider running in 2012. Mr. Putin retains huge power despite formally stepping down in 2008 after his eight-year presidency.

Agence France-Presse/Getty Images

Suicide blast kills Somali ministers and 19 students

A suicide blast at a medical school graduation ceremony in Mogadishu killed several Somali government ministers and at least 19 students, highlighting what some officials

By *Abdinasir Mohamed* in Mogadishu, Somalia, and *Sarah Childress* in Nairobi, Kenya

say is al Qaeda's burgeoning role in the insurgency that is trying to take power in the troubled east African country.

Three Somali ministers—of health, education and higher education—were killed in the bombing Thursday, said Mohamed Ali Nur, the Somali ambassador to Kenya. The minister of youth and sports was critically wounded, according to U.S. officials. Mr. Nur said



Health Minister Qamar Adan Ali, moments before she was killed.

initial reports from Mogadishu indicated at least 19 students had been killed, and many others injured.

The chief suspect in the attack was al Shabaab, a U.S.-designated terrorist group with links to al Qaeda, according to an African Union official. The Somali militia group has vowed to overthrow the government and claimed responsibility for previous bombings in Mogadishu, including a suicide attack in September, when two truck bombs exploded at African Union headquarters, killing 17 peacekeepers and four civilians. A spokesman for al Shabaab couldn't be reached on Thursday.

Since the early 1990s, Somalia has struggled to establish a viable state, with a tangled web of clans and militias overseeing government affairs. The lawlessness has given rise to piracy, which has become a booming business in

Somali coastal towns and a major threat to shipping routes through nearby waters.

Until recently, the country's problems didn't include al Qaeda. For the past several months, though, foreign fighters tied to the terrorist group have been arriving from countries such as Pakistan and Yemen. Since then, attacks by Somali militants have grown more sophisticated and deadly.

U.S. and Somali officials say al Qaeda fighters have been teaching al Shabaab militants how to plant improvised-explosive devices and rig suicide bombers. The foreigners' goal, U.S. officials say, is to establish an African base from which to attack Western targets.

“It's new to us; it's not a Somali thing,” Mr. Nur, the So-

mali ambassador, said of the suicide attacks in Somalia.

Thursday's bombing was another blow to the government of President Sheikh Sharif Sheikh Ahmed, who came to power earlier this year with the task of bringing order to a country that has known only chaos for 15 years. The government, relying on African Union peacekeepers, controls a small portion of Mogadishu. Southern and central Somalia is largely controlled by al Shabaab. The region north of Mogadishu is ruled by clans, and the coast, pirates. The northernmost part of Somalia is an autonomous region known as Somaliland, which is relatively peaceful.

Mr. Ahmed has concentrated on bringing dissenting

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Bahrain BD 1.50 - Egypt \$1.75 (CV)
Jordan JD 2 - Kuwait KD 1 - Oman OR 2
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PAGE TWO

The bridge: a generational dialogue

[Agenda]

BY KEN COSTA AND OSVALD BJELLAND

Sometimes it is difficult to find reasons to be optimistic. The world is struggling to shake off a global recession, wars rage, electorates have lost faith in politicians and entire nations are threatened by climate change, corruption, poverty and pandemic disease.

Yet we believe there is at least one important cause for hope. A new generation of young leaders are emerging, more aware and better prepared technologically to deal with global challenges than we were. Our generation is well-placed to encourage and help this new breed of leaders—though we haven't always been the best role models.

Many of us who came to positions of authority in the 1990s and the early years of this century have shown a breathtaking disregard for the consequences of our actions. The market economy has lifted millions of people out of poverty and generated other welcome trends, but these achievements have come at a price. We have overconsumed, overspent and overpolluted. Endowed with unprecedented wealth and extraordinary opportunities, we responded not by embracing the responsibilities that go with power and privilege, but by turning our backs.

The cruel irony is that our generation will not suffer the consequences: Others will have to bear our burden. So we have a financial, environmental and moral imperative to lighten the load.

We cannot do this by ourselves. Half the world's population is now under 25. How can we hope to solve intergenerational problems if we do not engage younger people in identifying and implementing the solutions? The good news is that they are willing and able, and more politically and socially aware, than we ever imagined. We



Ecological-organization activists during a protest this week in Kiev

need to build a bridge to them and then help them shape a better world out of the one they are inheriting.

How to construct this bridge was a prominent topic at the last gathering of the Performance Theatre, an alliance of leaders from the worlds of business, politics and academia. At our discussions—held in Washington D.C. earlier this month—we concluded that a deeper understanding of how the next generation communicates was the prerequisite for stronger engagement.

Social media and social networking have revolutionized the way young people speak to each other and organize themselves. Facebook alone now has more than 300 million users and counting. And many blogs have larger readerships than well-established national newspapers.

Young people are better informed, they are more swiftly informed, and they are taking action everywhere—at stark odds with the all too common perception that the young care neither about humanity nor the planet. Disillusionment with traditional business and politics is emphatically not the same as indifference about the issues

themselves.

In 2008, Oscar Morales, a Colombian electrician in his early 30s, set up a Facebook page to protest against the paramilitary group FARC. This activism by one young man spiraled into a global movement of 12 million, described by U.S. Secretary of State Hillary Clinton as “the largest anti-terrorism demonstration in history.” What a 21st-century Edmund Burke might call “the digital little platoons” are here to stay.

These new networks already have shifted the balance of power—consider the way the Internet helped propel Barack Obama to the U.S. presidency—and changed the way that politics is conducted in Washington and Westminster alike.

From the Performance Theatre's discussions in Washington, it was clear that younger people have much more than just energy to offer: They also have wisdom. We need to disabuse ourselves of the notion that it is only for the senior to mentor the junior. Today's leaders can offer expertise, contacts and perhaps sagacity—but so can the leaders of tomorrow. Their views need to be heard if we are to shape a better economic system

for all.

Inspired by this thought, we have formed a partnership with “One Young World,” a new online platform to encourage leadership among young people (oneyoungworld.com). We call this initiative “The Bridge,” and its purpose is to promote dialogue and the exchange of ideas between our generation and the next.

In February, One Young World will convene a summit in London. “Counsellors”—who will include the two of us and Lord Browne from the business sector as well as international luminaries such as Desmond Tutu, Bob Geldof, Muhammad Yunus and Kofi Annan—will guide an assembly of some 1,500 delegates (all of them under the age of 25) from almost every country in the world through debates and discussions on issues ranging from climate change to interfaith dialogue. Counsellors will take resolutions passed in these sessions to the world's deliberative bodies, ensuring the delegates' views are heard by key decision-makers everywhere.

In Westminster Abbey, there is a statue to commemorate the remarkable life and work of William Wilberforce, who played a huge role in shaping the moral and social imperative to abolish slavery. The statue's inscription features the following sentence:

In an age and country fertile in great and good men he was among the foremost of those who fixed the character of their time.

Fixing the character of our time through a shared economic and moral sense is the task that lies today before us all—young and seasoned alike.

—Dr. Osvald Bjelland is chairman and founder of Xyntéo, an advisory firm that helps business leaders prepare for the low-carbon economy. Ken Costa is chairman of Lazard International and Gresham Professor of Commerce at Gresham College. They are both on the foundation board of the Performance Theatre (thepercormancetheatre.com).

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“Commentators predicted he would be undone by his aggressive style—but maybe not like this.”

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Yesterday's results

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THE WALL STREET JOURNAL EUROPE
 (ISSN 0921-99)
 Stapleton House, 29 - 33 Scrutton Street,
 London, EC2A 4HU

SUBSCRIPTIONS, inquiries and address changes to:
 Telephone: +44 (0) 207 309 7799. Calling time from 8 a.m. to 5 p.m. GMT. E-mail: subs.wsje@dowjones.com.
 Website: www.services.wsje.com
ADVERTISING SALES worldwide through Dow Jones International. Frankfurt: 49 69 9714280; London: 44 207 842 9600; Paris: 33 1 40 17 17 01.
 Printed in Belgium by Concentra Media NV. Printed in Germany by Dogan Media Group / Hürriyet A.S. Branch Germany. Printed in Switzerland by Zehnder Print AG WIL. Printed in the United Kingdom by Newsfax International Ltd., London. Printed in Italy by Teletampa Centro Italia s.r.l. Printed in Spain by Bermont S.A. Printed in Ireland by Midland Web Printing Ltd. Printed in Israel by The Jerusalem Post Group. Printed in Turkey by GLOBUS Dünya Basilnevi.
 Registered as a newspaper at the Post Office. Trademarks appearing herein are used under license from Dow Jones & Co. ©2009 Dow Jones & Company. All rights reserved. Editeur responsable: Patience Wheatcroft M-17936-2003.
 Registered address: Boulevard Brand Whitlock, 87, 1200 Brussels, Belgium

NEWS

Sarkozy, Brown won't meet this week

Possible talks in London are scrapped amid tensions over French president's criticism of 'Anglo-Saxon' capitalist model

BY ALISTAIR MACDONALD
AND LAURENCE NORMAN

A possible meeting between French President Nicolas Sarkozy and Prime Minister Gordon Brown in London this week has been scrapped, Mr. Brown's office said Thursday, amid signs of tension between the two governments.

The prime minister's spokesman said scheduling conflicts on both sides meant that the visit by Mr. Sarkozy to London wasn't possible.

"There were discussions between No. 10 and the Elysée about a potential visit by President Sarkozy to London. However, diary constraints meant that a meeting this week was not possible. The prime minister is looking forward to seeing the president at the European Council in Brussels next week," the spokesman said.

One person familiar with the matter said U.K. irritation over the French leader's recent criticism of the "Anglo-Saxon" capitalist model meant Mr. Brown "wasn't in a rush to carve out time for Mr. Sarkozy." A meeting would have taken a lot of juggling of schedules, something "which given [the] circumstances we weren't prepared to do," he said.

A Downing Street spokesman said there was no snub and that both sides agreed the two leaders should meet next week in Brussels.

Earlier this week, U.K. Treasury officials expressed public annoyance about Mr. Sarkozy's comments in a speech suggesting that the appointment of France's Michel Barnier to succeed Ireland's Charlie McCreevy as the European Union's internal markets commissioner was a victory for the European model of finance at the expense of London's Anglo-Saxon model of freer markets. Mr. Brown had gained some prominence over Mr. Sarkozy during the peak of the financial crisis with his push for a more coordinated response among nations.

The British media portrayed Mr. Sarkozy's comments as gloating and a forewarning that the new commissioner would clamp down hard on London's large financial-services sector.

"Monsieur Sarkozy must surely recognize that he has undermined the EU with his statements and put a question mark over the impartiality of his nominated commissioner that will not be easily dispelled," the chief executive of the British Bankers' Association, Angela Knight, said Wednesday night.

U.K. Treasury official Paul Myers said Wednesday night that Mr. Sarkozy's comments were motivated by domestic politics as France heads into regional elections in March.

The U.K., home to the EU's largest financial center, was worried about ceding control over the City of London to a powerful new EU committee. It also wanted to ensure that its taxpayers wouldn't be forced to fund bailouts for banks operating across the bloc's borders or spend money on other measures.

U.K. Chancellor of the Exchequer Alistair Darling said on Wednesday he looked forward to working with Mr. Barnier, adding that he had invited him to come to London.

A spokesman for the French pres-

idency said Messrs. Sarkozy and Brown would meet in separate bilateral talks on the sidelines of the European Council on Dec 10-11. They also met last weekend at a Commonwealth Summit on climate change in Trinidad and Tobago.

The Labour government's decade-plus rule of Britain has been characterized by mainly good relations with France. Mr. Brown's predecessor, Tony Blair, clashed with French President Jacques Chirac over the war in Iraq but is a fluent French speaker who vacationed frequently in France. Mr. Brown has also enjoyed mainly warm relations with Mr. Sarkozy.

—Geraldine Amiel in Paris
contributed to this article.



British Prime Minister Gordon Brown, left, and French President Nicolas Sarkozy plan to meet at the European Council in Brussels next week, after possible talks in London were scrapped.

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DRIVE THE CHANGE



EUROPE NEWS

ECB to withdraw stimulus slowly

Governing council divides on timing; bank holds key rate steady as inflation worries fade

BY BRIAN BLACKSTONE

FRANKFURT—European Central Bank President Jean-Claude Trichet signaled that the bank's planned withdrawal of stimulus measures would proceed gradually, as signs emerged of a split within the ECB's governing council over the timing of the move.

"The improved conditions in financial markets have indicated that not all our liquidity measures are needed to the same extent as in the past," Mr. Trichet said. He stressed that the bank would "gradually phase out" the programs.

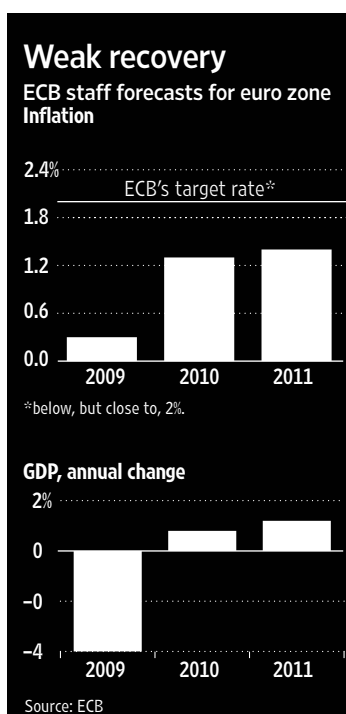
The remarks came as the ECB said it would hold its main policy rate steady at 1%, as expected. With ECB officials projecting inflation will remain well below the central bank's target of just under 2% into 2011, euro-zone interest rates are likely to remain where they are for the foreseeable future, economists say.

The decision by the governing council to begin curbing the stimulus measures was reached, Mr. Trichet said, by "consensus," ECB code for a decision that wasn't unanimous. Unlike the U.S. Federal Reserve, the ECB doesn't announce vote counts or dissents, and doesn't publish minutes of its meetings that give more details on the internal debate.

"The word consensus may sound nice but it means there was some disagreement," said Barclays Capital economist Julian Callow.

Squeezing off too quickly some of the easy credit the ECB has pumped into the financial system could lead to renewed pressure on banks that still face tens of billions of euros more in potential loan losses. Conversely, keeping liquidity programs in place for too long could fuel new asset bubbles.

In addition to cutting its main policy rate to 1% in May, the ECB



Jean-Claude Trichet, president of the European Central Bank

flooded the market with cash at the height of the crisis through new lending programs and purchases of debt securities. Banks have borrowed over €500 billion (\$752 billion) so far under a one-year lending program that Mr. Trichet said would be wound down in the coming months. The third installment of cheap, one-year loans to banks, due later this month, will be the last, he said.

Unlike previous loans under the program, the December installment won't be offered on an unlimited basis at 1%. The ECB left open the option of charging more for the December loans by indexing them to future changes in the main policy rate.

The divide on the ECB council suggests that some members may not be as optimistic as others that

the euro zone's recovery has taken hold. Though the euro zone emerged from recession in the third quarter, some economists are concerned that a strong euro, which undermines exports, and other pressures could hamper the recovery.

In a news conference after the rate decision, Mr. Trichet appeared to take pains to repair any rift within the council. He repeated several times that the bank's steps to rein in stimulus shouldn't be taken as a signal of future rate changes. These and other similar comments may have been an attempt to mollify different camps within the ECB, economists said.

Mr. Trichet renewed his call for a stronger U.S. dollar, which at one point Thursday reached a

near-16-month low against the common euro-zone currency. Europe has a "very important stake" in a firm U.S. dollar, Mr. Trichet said. "I trust the sincerity of the U.S. authorities" at the Treasury Department and Federal Reserve when they say a strong dollar is in the interest of the U.S., he added.

For the euro zone, Mr. Trichet said he expects "a bumpy road" next year, though not a return to recession. The ECB projects gross domestic product growth of just 0.8% next year and 1.2% in 2011, implying minimal price pressures for years to come. The bank anticipates continued tepid inflation with a rate of just 1.4% in 2011, suggesting it is confident that it can maintain its expansionary monetary policy.

BOE weighs move to sell corporate debt

BY LAURENCE NORMAN

LONDON—The Bank of England said Thursday it is considering further efforts to boost liquidity in the corporate-bond market by offering to sell corporate debt as well as buy it.

The move was welcomed by market participants, some of whom had requested the bank agree to start selling corporate debt. However, the central bank made it clear that any sales would be offset by extra purchases, so that its bond-buying quantitative-easing program won't be affected. The central bank launched its quantitative-easing program in March after pushing interest rates down to a record low 0.5% to combat a deep recession.

The BOE said there would be consultation on its proposal until Dec. 16. If the bank decides to go ahead, the program would start as soon as possible in 2010. The central bank said that while conditions in the sterling primary corporate-bond market have improved, trading conditions in secondary markets "continue to be somewhat restricted."

The BOE said it would seek to continue the plan for as long as "abnormal conditions" persist. The central bank has so far bought £183 billion (\$303 billion) in bonds since the start of its quantitative-easing program in March. However, only £1.53 billion of those purchases have been corporate debt.

Because of the limited size of its corporate-bond holdings, the bank has little room for increasing overall liquidity in corporate-debt markets. However, the move would offer the BOE a tool to smooth over temporary periods of low trading volumes in the secondary market—either because of an event that caused investors to take fright or because liquidity tends to drop off at certain points, like the end of the year.

More governments pledge troops for Afghanistan

BY STEPHEN FIDLER

BRUSSELS—More than 20 governments have already pledged to send a total of more than 5,000 extra troops to Afghanistan to join 30,000 U.S. reinforcements heading there soon, the North Atlantic Treaty Organization said Thursday, as the alliance's mission in the country enters a critical new phase.

Afghanistan is widely regarded as a make-or-break mission for the 28-nation alliance, which has never in six decades engaged in conflict outside Europe or on the same scale.

President Barack Obama's decision, announced Tuesday, to send at least 30,000 more troops there for 18 months suggests that the mission's outcome will in large part be determined by mid-2011.

NATO spokesman James Appathurai said governments from more than 20 of the 43 nations in Afghanistan had already pledged reinforcements based on Mr. Obama's decision.

The pledges would take the U.S. troop commitment close to 100,000 and that of other governments to more than 40,000.

Secretary of State Hillary Clinton is scheduled to join NATO foreign ministers Friday in Brussels for

their debate on Afghanistan.

"We're feeling good about" the response, Mrs. Clinton told reporters en route to Brussels.

She said she expected to gain further troop and aid commitments from NATO countries in coming days, adding that the Obama administration will be continuing "extensive outreach" to U.S. allies.

Italy's government said Thursday it would send more troops to Afghanistan. Italian officials indicated 1,000 troops would be added to its force there, based mainly around the western city of Herat.

However, about half the soldiers pledged are already in Afghanistan, having been sent to provide security for recent elections, and won't withdraw as planned. Britain has increased its promised force strength by 1,200, but that includes 700 already there.

Non-NATO governments that have promised troops include Georgia, which has said it will send an army brigade, and South Korea, which will send 500 soldiers.

In a statement to be issued after Friday's meeting, already agreed upon by diplomats, the ministers will "strongly welcome" Mr. Obama's pledge to send in more troops.

They will also urge President Ha-



In Chester, northwest England, on Thursday, soldiers from the Royal Welsh infantry regiment's 1st battalion prepare to deploy to Afghanistan.

mid Karzai to deliver on the commitments made in his inaugural address last month, in which he pledged to root out corruption and take over responsibility for security in the next five years.

Richard Holbrooke, U.S. special representative for Afghanistan and Pakistan, said corruption was one of a number of tough challenges the U.S. and its allies faced in Afghanistan.

Training sufficient numbers of Af-

ghan police, many of whom were illiterate, was "a massive task," he told a small group of reporters and analysts.

While he praised improved cooperation between the U.S. and Afghanistan's neighbor Pakistan, he said the ability of Afghan insurgents to find refuge over the border in Pakistani territory was "an important aspect of the problem."

"The Afghan Taliban are not yet

under sufficient pressure [in Pakistan] and they need to be," said Mr. Holbrooke, who was in Brussels for talks with European Union officials and governments.

Germany's parliament voted Thursday to extend its military deployment in Afghanistan through 2010, while keeping the troop ceiling at 4,500.

Chancellor Angela Merkel's government has said Germany won't discuss increasing its troop commitment until after an international conference on Afghanistan's future to be held in London in late January.

An agonized debate in Germany over a controversial Sept. 4 airstrike in Afghanistan has put pressure on Ms. Merkel as her government ponders how to respond to the U.S.

Germany's defense minister, Karl-Theodor zu Guttenberg, revised Thursday his opinion of the strike, which is thought to have killed dozens of civilians, based on new information. He said he now considered it "militarily inappropriate."

German cabinet minister Franz Josef Jung, who held the defense portfolio at the time of the strike, has resigned, as has Germany's most senior soldier.

—Jay Solomon and Marcus Walker contributed to this article.

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EUROPE NEWS



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An election poster of President Traian Basescu hangs over Bucharest on Wednesday. Romanians on Sunday will choose a president with new powers that are pivotal to steering the country's economy out of its worst recession in decades.

Romania faces crucial vote

Sunday's election will be key to steering economy from worst recession

BY JOE PARKINSON

BUCHAREST—Romanian voters on Sunday will try to end a two-month political vacuum that has blocked economic changes and postponed an international aid program.

Center-right President Traian Basescu, a blunt-talking former ship captain, lost his lead in the polls this week after a spate of political gaffes and a dispute over a video. His challenger, Social Democratic Party candidate Mircea Geoana, is a former foreign minister and ambassador to Washington.

"A lot of people out there feel that Romania is lurching on the edge of a precipice," said Nigel Rendell, an economist at RBC Capital Markets. The Romanian economy could falter "if we don't get a decent election result and a government formed pretty quickly."

The vote—which will give the new president powers to nominate a new prime minister, influence cabinet policy and potentially dissolve parliament—will be pivotal to steering Romania's economy from its worst recession since the collapse of communism.

The new government's most pressing task will be negotiating budget conditions with the International Monetary Fund and the European Union, which together loaned Romania €20 billion (\$30.2 billion) earlier this year to pre-empt a balance-of-payments crisis.

The EU in July criticized Romanian lawmakers for being too soft on graft, while the latest corruption index from think-tank Transparency International ranked Romania as the most corrupt country in the EU,

followed by Bulgaria and Greece.

The IMF has postponed additional aid until after the election, when it wants the new government to produce a program of fiscal and economic changes.

Many Romanians have no real enthusiasm for either candidate. Cristian Ionescu, a 35-year-old manager for the southeast European operations at a credit insurance company, said political corruption and indecision will aggravate Romania's recession.

"The political situation in this country is uniquely bad for business, as the politicians work for themselves and against us. The future looks very uncertain," he said.

Romania has suffered more than most of its neighbors in the global economic downturn. Gross domestic product contracted 7.1% in the third quarter from the same period a year earlier, according to government data. The IMF expects this year's budget deficit to balloon to as much as 7.8% of GDP, more than twice the 3% level the EU considers healthy.

Mr. Basescu, the leader of the Democratic Liberal party, narrowly won the presidency in 2004 on a promise to speed market-oriented economic policies and bear down on corruption.

But since then, his fortunes have turned. The most damaging episode was the publication last week of a four-year-old video clip that appears to show him slapping a 10-year-old boy in the face. The president contends that it was doctored.

Mr. Geoana has denied any involvement with the video, and has taken pains to play down demands

by firebrands on the left to block some IMF demands, such as big cuts in the public work force.

"We will not jeopardize the IMF loan," he said in an interview. "I am not a continuator of the Communist Party."

But Mr. Geoana also said changes would have to proceed cautiously: "The risk of social unrest is very present."

The IMF is demanding that the 2010 budget—which can't be drafted without a functioning government—reduce the deficit to below 6% of GDP. Central bank Governor Mugur Isarescu has already warned that tax hikes look increasingly inevitable, and finance ministry technicians have begun simulating the effects of an increase in the 19% value-added tax.

Bogdan Ionel, a 31-year-old musician, played to packed houses when Romania was still booming last year. But work dried up as businesses closed or cut budgets.

"For the last two or three months I need money so I play on the street to survive," he said. "The young people here want change but they don't like either candidate."

The latest poll by Insomar for Realitatea TV shows President Basescu trailing Mr. Geoana by eight percentage points, the largest gap yet in a campaign that only last month he was expected to win.

"It now seems clear that Geoana is going to win," said Alina Inayah, director of Black Sea Trust, a Bucharest-based think tank. "But this isn't a positive vote—people have had enough of Basescu and the scandals he's provoking, as well as the terrible state of the economy."

lations between the Russian Orthodox Church and the Vatican.

A Vatican statement said the pope and Mr. Medvedev agreed that Russia will upgrade its representation at the Vatican from a special mission to embassy level and that the Vatican will reciprocate in Moscow.

The two men also discussed chal-

lenges to "security and peace" in the world and "themes of mutual interest such as the value of the family and the contribution of believers to the life of Russia," the Vatican said.

Mr. Medvedev, on a one-day visit to Rome, met with the German pope for 30 minutes, speaking through interpreters. Mr. Medvedev earlier met with Premier Silvio Berlusconi.

U.S. considers options that Lisbon Treaty offers

[Brussels Beat]

BY STEPHEN FIDLER



Like a tree falling in a forest with nobody around, the entry into force of the Lisbon Treaty made barely a sound on Tuesday. And that was in Brussels. For all the excitement it generated in Washington, the tree might still be standing.

Yet that may change. Traveling through Brussels this week, Richard Holbrooke, U.S. special representative for Afghanistan and Pakistan, confessed the Obama administration had scarcely registered the shift implied by the European Union's new apparatus for foreign policy making.

But after a long conversation with senior European bureaucrats over dinner Wednesday night, the veteran American diplomat said he thought the new setup could help advance cooperation between the U.S. and the EU, including in the critical Afghan mission.

As the first senior administration official to talk about the effects of the treaty, it was revealing that he didn't dismiss it as an irrelevance. "This was all new to me," he said. "In Washington, we haven't focused on a vast new opportunity for trans-Atlantic cooperation that's built on the Lisbon Treaty."

"The biggest takeaway from my trip" was "that we've got to do a major exploration of what the opportunities are," he added.

One area where this cooperation could yield results, he said, is over training programs for Afghan police, a critical task in restoring security in the country but one that has so far yielded disappointing results. Another area is aid, where coordination in Afghanistan is widely seen as lamentable.

In general, he said the sides could exploit differences in their fiscal cycles, which mean that the U.S. budget year starts Oct. 1 and Europe's Jan. 1.

He said the changes in Europe could mesh with a review set in motion by Secretary of State Hillary Clinton over the way the State Department and the U.S. Agency for International Development plan and operate, expected to be repeated at four-yearly intervals.

Mr. Holbrooke emphasized his positive early conclusions were "conditional," but the tone of his remarks is surprising given the tenor of European commentary on Baroness Catherine Ashton as European Union's foreign policy chief, much of which has dismissed her as a nonentity.

Indeed, though Mr. Holbrooke himself struggled to recall her name, focusing on Lady Ashton's lack of fame may miss the point.

"She's Solana with a checkbook," says Charles Grant, London-based Europhile from the Center for European Reform, referring to the outgoing EU foreign policy supremo, Javier Solana.

To his supporters, Mr. Solana achieved a lot with not much of a mandate and not much money. With a staff of around 100 and a

sometimes competing bureaucracy across the road in the form of the external affairs commissioner and her staff, the Spanish diplomat significantly extended the EU's military role overseas on peacekeeping missions and interposed the EU into global diplomacy, for example, over Iran.

Assuming she is confirmed by the European Parliament, Lady Ashton will have much more going for her: the foreign policy role to herself, a budget estimated by European officials at some €4 billion (\$6 billion), and a diplomatic staff of up to 3,000 and growing.

She will also be in charge of European-flagged military and police missions. (It's largely because they assessed this was where the power would lie that the socialist bloc in the European Parliament sought this job, rather than the president's, for one of their own.)

None of this will mean that the EU will speak with one voice on subjects where there are fundamental differences among member governments, such as the war in Iraq. But it could mean that where they do agree, they can deliver a more coherent policy.

For example, if it works, a government such as Egypt's, with a big trade, aid and human-rights agenda with the EU, shouldn't have to visit three different commissioners and receive three conflicting messages. Instead, the EU's man or woman in Cairo should be able to deliver a consistent one.

There is much then for those involved to play for. It will depend in part on the quality of the diplomatic corps the EU manages to attract, as well as the role that Lady Ashton carves out for herself. On that, and her views on policy issues, her hearings Wednesday before the parliament didn't reveal much. As Mr. Holbrooke cautions, this is still all in the conditional.

Seeing the light

Alarming seasonal news for Hungarians. Tests carried out by the European Commission suggested that 95.7% of Christmas lights sold there constituted a serious hazard.

Over in the Netherlands, only 56% gave any cause for even minor concern thanks to an eight-year Christmas light safety program there.

The tests, also carried out also in Germany, Slovakia and Slovenia, found 25% of lighting chains failed safety tests for inadequate cord anchorage with a high risk of electric shock; in 23% the wiring was too thin for the current they were carrying, increasing the risk of overheating and fire; and 28% failed the safety test for cables, posing a further risk of electric shock.

Forty-one per cent of the dangerous products originated in China, the commission said.

The commission's advice: Buy your lights from reputable dealers and never leave them on when out of the house or while sleeping.

Finally, stop using lights that you suspect of any mechanical or electrical problem and take them back to the shop and complain.

Who says the Brussels bureaucracy doesn't have the interests of all Europeans at heart?

Vatican and Russia upgrade their ties

ASSOCIATED PRESS

VATICAN CITY—Pope Benedict XVI and visiting Russian President Dmitry Medvedev agreed Thursday to upgrade Vatican-Kremlin relations to full diplomatic ties, the Vatican said.

The step forward on the diplomatic front comes at the same time as a warming in previously tense re-

EUROPE NEWS

Big costs are hurdle to climate pact

Many countries agree to the idea of cutting greenhouse-gas emissions, but they are sharply divided over how to fund it

By CHARLES FORELLE

BRUSSELS—In the weeks leading up to the Copenhagen climate conference, countries from China to Singapore have pledged cuts to their greenhouse-gas emissions.

One question still lurks unanswered: Who is going to pay for it?

Cutting carbon costs money. Factories must be retrofitted and industries must be prodded to buy more-expensive green technology. Estimates for the annual tab in developing countries vary widely, but could reach €100 billion (\$150 billion) by 2020, and poorer nations are insisting their richer brethren pick up the bulk of it.

"There is no agreement without money," says Rosário Bento Pais, a top climate negotiator for the European Commission, the European Union's executive arm. "That is clear."

But there is little consensus on how the bill should be paid, how much it will be, and who precisely should pay it. There are many potential funders crowding the discussion, including international agencies, state budgets of rich countries and, through a carbon market, the private sector in the West.

The discord over what's known as "climate financing" indicates how difficult it will be for the nations of the world to strike a comprehensive deal at the Copenhagen summit, which begins Dec. 7.

The world's current climate accord—the Kyoto Protocol—puts limits on the emissions of rich countries; developing nations have no obligation, but they can get paid if they choose to make cuts. The goal of the Copenhagen summit is a new treaty that obliges developing countries to at least slow their emissions growth and rich countries to make steeper cuts.



The groups Greenpeace and tckctck.org placed posters in Copenhagen showing leaders apologizing for climate change.

The EU has led the industrialized world in pushing for a new treaty. Still, even Europe has had trouble sorting out climate financing. The U.S., which hasn't signed the Kyoto Protocol and only recently made emissions pledges for Copenhagen, has made few strides.

Poorer EU nations—some of which have lower economic output per capita than developing countries such as South Korea or Malaysia—are loath to send money abroad. European industries are wary of supporting their Asian competitors.

In September, the European Commission proposed a blueprint for financing that pegged the total cost in developing countries at €100 billion

annually by 2020. The leaders of the bloc's 27 nations agreed with the figure, but said only that the EU would pay its "fair share" of the total, without committing to an amount.

That followed fierce objections from Poland, which often leads negotiations for Eastern Europe, and which burns a lot of coal. "It is totally unacceptable that the poor countries of Europe should help the rich countries in the rest of the world," Poland's finance minister said in October, according to wire reports.

Industry lobbies are also weighing in against it. The EU's €100 billion yearly tab is "not realistic, and will never be accepted by the mem-

ber states," says Axel Eggert, the spokesman for Eurofer, the trade group for European steelmakers. Steelmakers want to "make sure that the financing is not a subsidy for our competitors," he says.

Environmentalists say the EU needs to step up in Copenhagen with firmer financing offers. They fear richer nations will dodge substantial payments—jeopardizing a deal.

As for the €100 billion annually by 2020, there's a "huge range of interpretations of what that money means," says Jason Anderson of the World Wildlife Fund's European Policy Office in Brussels.

The commission's blueprint is vague. It says anywhere from €22 bil-

lion to €50 billion will come directly from the public budgets of rich nations, €38 billion from an as-yet-unbuilt carbon market, and the balance through the budgets of poor countries themselves.

The commission says the 27 EU countries could directly pay between 10% and 30%, or €2 billion to €15 billion, a sum environmentalists say is far too little. Many observers believe a carbon market that taps private funds also is needed.

"If developed-world governments think they are going to put their hands in their taxpayers' pockets to finance everything that is not conventionally economically justified, then they have another think coming," says Henry Derwent, president of the International Emissions Trading Association, which backs carbon markets.

Currently, emissions reductions in developing countries are paid for largely by the Clean Development Mechanism, a carbon-trading system set up under the Kyoto Protocol. Individual businesses that curb greenhouse-gas output get credits that can be sold to buyers in rich countries.

The EU allows polluters to apply these credits to their own caps. So a factory in Germany that needs to cut its carbon-dioxide output by 10,000 tons can either find a way to emit less from its own smokestacks, or keep emitting the same amount and buy 10,000 CDM credits. (The net effect on the total amount of emissions is, in theory, zero.)

Critics say this system lets rich polluters buy their way out of serious change and results in windfalls for developing-world polluters.

A future carbon market will likely move away from the case-by-case model. "Well, what exactly?" asks Mr. Derwent. "This is the fulcrum, this is the lever. And nobody has worked out what it is yet."

University plans climate-data probe

By GUY CHAZAN

The British university at the heart of a scandal over climate-change research announced a wide-ranging probe into allegations that its scientists manipulated data about global warming.

The independent review is part of efforts by the University of East Anglia to dampen the furor over thousands of hacked private emails involving its researchers, which suggested efforts to squelch the views of climate-change skeptics.

The scandal blew up just days before world leaders are set to meet in Copenhagen for a United Nations-sponsored summit aimed at boosting international efforts to curb greenhouse-gas emissions and slow global warming.

Climate-change skeptics have seized on the emails, saying they prove that the case for man-made global warming wasn't as definitive as generally claimed.

The scientist in the eye of the storm, Phil Jones, said Tuesday he was stepping aside as the director of the University of East Anglia's Climatic Research Unit pending the outcome of the investigation. CRU maintains one of the world's most important data sets on how global temperatures have changed.

In an interview, UEA's vice chancellor said Dr. Jones would take a lower profile in the aftermath of the scandal. "He'll continue his scientific work, though how much of it will be at UEA remains to be seen," Edward Acton said in an interview. He added that the university is not "hounding him out."

Prof. Acton, however, also said Dr. Jones "may have to take a rest." He didn't elaborate.

The review will examine all the leaked email exchanges to check for evidence that data were manipulated or suppressed in ways that are "at odds with acceptable scientific practice and may therefore call into question any of the research outcomes," the university said in a statement.

The East Anglia institute that Dr. Jones headed has become a key player in building evidence for the U.N.'s argument that humans are behind global warming. In statements released by the institute in recent days, Dr. Jones has defended the integrity of the institute's scientific work, while saying that he and his colleagues "accept that some of the published emails do not read well."

On Tuesday, Penn State University confirmed that Michael Mann—a climate scientist on its faculty who figures prominently in the

emails—was under "inquiry" by the university. In one email, Dr. Jones suggested to Dr. Mann that they should try to keep out of scientific journals the research of scientists who challenge the idea of man-made global warming.

The probe, to be completed next spring, will also review the climatic research unit's policies and practices on disseminating data and research findings and subjecting them to peer review, and look at how the unit handled requests under Britain's Freedom of Information Act.

That appears to be a response to claims that the unit hoarded temperature data, refusing to share it with other researchers. In one email, Dr. Jones asked others to delete certain emails, apparently after some data were requested by a climate-change skeptic under the Freedom of Information Act.

The review will be headed by Sir Muir Russell, a former civil servant who was vice chancellor of Glasgow University from 2003 to 2009. He was appointed permanent secretary to the Scottish executive after Scotland gained its own parliament and government in 1999.

"He is the person with the appropriate authority who understands research, has complete independence and was not identified with climate research," Prof. Acton said.

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U.S. NEWS

Obama targets job-creation puzzle

U.S. president convenes summit on boosting employment, but with limited options he's looking to the private sector

BY NEIL KING JR.

WASHINGTON—Bail out the states. Hire an army of caulkers and street sweepers. Pay companies to expand their work force. Build new dams and bridges. Boost exports. Slash payroll taxes.

President Barack Obama is in a quandary over how to combat America's crippling joblessness, but he didn't lack for new ideas at Thursday's White House jobs summit. The forum's 130 guests planned to shower him and his staff with proposals—a few of which the administration may actually like.

But for all the theater of the event, Mr. Obama has limited leverage to try to spur job growth, with interest rates already at rock bottom and federal deficits soaring. Mr. Obama is eschewing measures that would dramatically ratchet up the deficit, preferring more modest steps to encourage small businesses to grow or help homeowners boost energy efficiency.

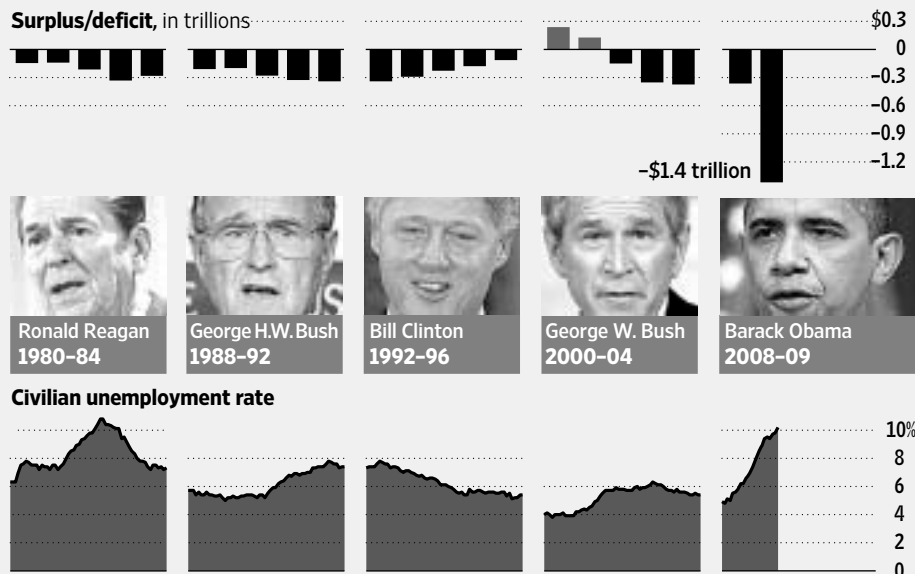
Mr. Obama, opening the summit Thursday, promised to take "every responsible step to accelerate job creation." But the U.S. president stressed that the government's capacity to overcome the nation's jobs challenges is limited. With that, he charged the private sector with developing strategies that could spur hiring and boost economic growth.

"True economic recovery is only

Handicapping the economy

The U.S. unemployment rate and the budget deficit or surplus during the first term of recent U.S. presidents. Data start one year before the term begins.

Notes: Budget figures are for fiscal years; 2009 deficit is an estimate and 2009 unemployment rate is through October
Sources: U.S. Labor Department; Office of Management and Budget
Photos: Associated Press



going to come from the private sector," Mr. Obama said.

"This recession was so deep and has left us with an unemployment rate so high that doing nothing is not an option," Christina Romer, head of the president's Council of Economic Advisers, said ahead of the summit.

What the White House is seeking, she said, "are the things where a relatively small investment by the government will have a big impact

on private-sector job creation." Measures that would fit this mold, she said, include enticements for homeowners to do energy-efficiency retrofits, small-business credit programs, and tax incentives for investment and employment.

To free up money for a small-business initiative, the White House may seek to tap funds left over in the Troubled Assets Relief Program, according to congressional and administration sources. White House

spokesman Robert Gibbs said Thursday said the administration is "actively looking at" ways TARP cash can help create jobs.

Union leaders, liberal economists and some congressional Democrats are calling for new jobs programs. Congressional leaders are gearing up to act on new jobs programs perhaps before the end of this year. But government spending is already at record highs even as the president begins to ramp up the war in Afghanistan. Federal interest rates are near zero. And even Democratic lawmakers are wary of backing another big stimulus bill, a step that Republicans would staunchly oppose.

Republicans in and out of Congress say the right answer is for Mr. Obama to do less—by scaling back his efforts to re-regulate broad areas of the economy, cut taxes and scale back government spending. Former Republican House Speaker Newt Gingrich is convening competing "Real Jobs Summits" in Cincinnati and Jackson, Miss., to promote a lower-tax, smaller-government approach.

Most economists see unemployment, now at 10.2%, climbing still higher in 2010, no matter what the government does. Companies last month shed 169,000 jobs, according to the ADP payroll firm. The government is set to release its November jobless numbers on Friday.

White House jobs summits aren't new. Bill Clinton held a splashy jobs forum in Little Rock, Ark., in December 1992, weeks before he became president. President George W. Bush did likewise in Waco, Texas, in August 2002.

But neither event had to grapple with challenges on a scale the U.S. now faces. Unemployment in late 1992 was at 7.4% and falling, while the jobless rate for the Bush event hovered just above 6%, and had also begun to decline.

Advocates of another big jobs program argue that without a sizeable push to spur hiring, the country risks either a second recession or a prolonged period of economic stagnation, both of which would keep jobless rates high for years.

Alan Blinder, a Princeton professor and former vice chairman of the Fed who will attend the White House forum, said this was a rare moment when economic growth alone wouldn't be enough to boost hiring. "We need to reverse the role

of the horse and the cart," he said.

He is pitching an immediate \$60 billion jobs program that would hire two million workers to clean parks, work in schools or fix roads. Such a program, he says, would push the unemployment rate back toward 9%.

The unions, heavily represented at Thursday's summit, want something much bigger. AFL-CIO President Richard Trumka is proposing a plan that would extend jobless benefits, send billions in relief to the states, open up credit to small businesses, pour more into infrastructure projects, and bring throngs of new workers onto the federal payroll—at a cost of between \$400 billion and \$500 billion.

Mr. Trumka, along with most of the economists invited, insists that Mr. Obama's concerns about rising budget deficits are ill-timed and wrong.

"Doing nothing right now is a recipe for long-term wage damage," said Lawrence Mishel, who directs the liberal Economic Policy Institute. He planned to pitch EPI's proposal to create 4.6 million jobs at a one-year cost of \$400 billion—to be paid for later by imposing a new tax on financial transactions.

The White House also invited to the summit a phalanx of big-name CEOs, including Eric Schmidt of Google Inc., Frederick Smith of FedEx Corp. and David Cote of Honeywell International Inc. While largely applauding the \$787 billion stimulus bill early this year, the corporate sector now worries that deeper budget deficits will eventually mean higher corporate taxes.

Many companies want to see Congress free up money for large infrastructure projects, while also pushing for reduced taxes and heightened incentives to hire new workers. A group of high-tech CEOs sent Mr. Obama a letter Wednesday urging him to speed up stimulus spending and to revise the tax code to spur investment.

The head of the board responsible for tracking stimulus spending said Wednesday that inspectors general are reviewing numerous mistakes in an October report estimating the number of jobs created or saved by the program.

"I think there's enough embarrassment to go 'round," said Earl Devaney, chairman of the Recovery Accountability and Transparency Board, in an interview with The Wall Street Journal. Twelve inspectors general sit on the board. It's "clear that the job could have been done better," he said.

The forms, filed quarterly by thousands of stimulus-grant recipients and released to the public at the end of October, were the basis for the administration's claim that the stimulus package had directly created or saved 640,329 jobs.

Several of those attending want the government to shun short-term measures.

"We may be able to stimulate ourselves for a short term recovery but if it doesn't catch on, we're better off tightening our belts," said Rose Wang, chief executive of Binary Group, an Arlington, Va., based defense contractor. "Stop trying to create things artificially."

—Maya Jackson Randall
contributed to this article.

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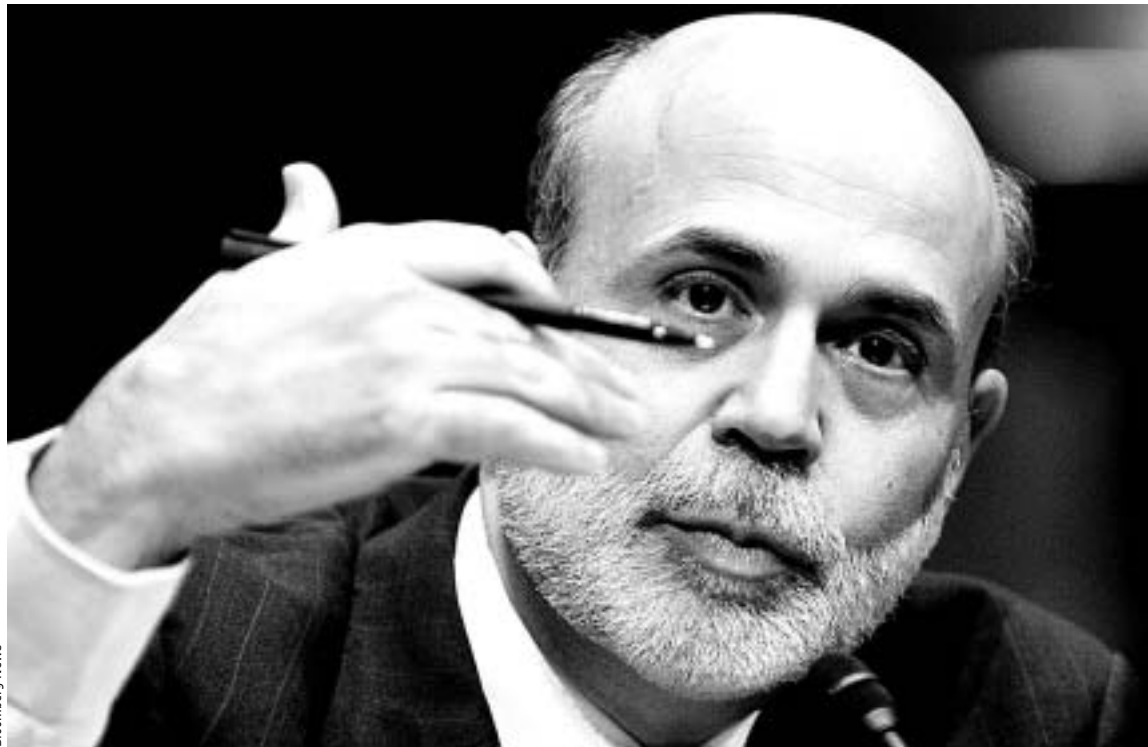
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U.S. NEWS



Federal Reserve Chairman Ben Bernanke testifies Thursday during his confirmation hearing in Washington. He acknowledged the central bank hadn't done a 'perfect job' at regulating excessive risk-taking in the financial sector.

Fed blasted for poor performance

Continued from first page
nation and drag out this process as long as I can."

Mr. Bernanke has aggressively defended the Fed, and on Thursday told lawmakers that the central bank needs to retain broad authority to take an overarching view of financial markets.

"It would be a tragedy if, after all the hardships that Americans have endured during the past two years, our nation failed to take the steps necessary to prevent a recurrence of a crisis," Mr. Bernanke said. "And, as we move forward, we must take care that the Federal Reserve remains effective and independent."

Mr. Dodd agreed that the Fed should remain "strong and very, very independent" but said the way to do that is to remove the central

bank's ancillary powers such as bank regulation. "The country is best served by a strong focused central bank, not one that is saddled

Bernanke said the Fed needs to retain broad authority to take an overarching view of financial markets.

with too many diverse missions," Mr. Dodd said.

Mr. Bernanke, however, countered that similar efforts in other

countries put those central banks at a disadvantage at the height of last year's financial crisis. "The inability to have complete information greatly hampered the function of those central banks," he said.

Congress is working on legislation that would cut the Fed's powers, including proposals to audit the central bank's interest-rate decisions, weaken its regulatory powers over banks, and reduce the role of private bankers in the 12 regional Fed banks.

Mr. Bernanke said the Fed's structure of 12 regional banks was of great help during the crisis and noted how Congress in 1978 decided to exempt the central bank from an audit on its interest-rate decisions to avoid political pressure.

—Greg Robb contributed to this article.

Jobless claims decline in U.S. unexpectedly

BY SARAH N. LYNCH AND JEFF BATER

In a surprise to economists, the number of U.S. workers filing new claims for jobless benefits fell again last week in a sign that labor market conditions may be starting to improve.

Initial claims for jobless benefits fell by 5,000 to 457,000 in the week ended Nov. 28, the Labor Department said in its weekly report Thursday. Total claims lasting more than one week, however, increased.

Meanwhile, the U.S. service sector's recovery sputtered out in November as activity tipped back into negative territory after two months of expanding activity. The Institute for Supply Management reported Thursday that its overall index of non-manufacturing activity came in at 48.7 last month, from 50.6 in October.

Separately, U.S. productivity rose last summer less than previously estimated, but the fourth straight gain was still powerful as companies wrung more work from remaining personnel to lift earnings.

Obama sets Afghan action as Americans turn inward

[Capital Journal]

BY GERALD F. SEIB



President Barack Obama faces lots of problems in executing his new Afghanistan

strategy, but here is a basic one: He is trying to ramp up an operation abroad at a time when an economically weary country is growing more isolationist.

That helps explain why Mr. Obama has declared so explicitly that the Afghan surge will be strictly limited in duration. In a conversation with columnists this week, he said his two-year timetable is needed to create leverage with the Afghan government to force it to prepare quickly to take over. It is also clear the president needs some leverage with his own people, many of whom want to simply look the other way.

That picture—of a recession-battered American public turning inward—emerged Thursday in a broad new survey of American attitudes conducted by the Pew Research Center and the Council on Foreign Relations. Pew and the Council found, as have other recent polls, that support for bulking up the force in Afghanistan is low; only a third favored adding troops.

Broader and more striking is the discovery of a marked rise in isolationist sentiment, which by some measures stands at a four-decade high. When Americans were asked whether the U.S. should "mind its own business internationally," 49% said they agreed with that sentiment. That is up sharply from 30% in 2002, when memories of the Sept. 11, 2001 terrorist attacks were fresh, and is the highest reading found since the Gallup Survey first asked the question in 1964.

And here is one detail that has to be of concern to the White House: More than half of Mr. Obama's Democrats—53%—share the "mind our own business" sentiment, compared with 43% of Republicans.

A corollary of that isolationist sentiment is a feeling that, when the U.S. does travel abroad, it should do so on its own. Pew and the Council found that 44% agreed that because the U.S. "is the most powerful nation in the world, we should go our own way in international matters, not worrying about whether other countries agree with us or not." That also is the highest reading on that question since it was first asked in 1964.

The silver lining for Mr. Obama as he undertakes his new Afghan policy is that foreign-policy elites—that is, Council of Foreign Relations members, who were surveyed separately—are considerably more supportive of the Afghan surge and far less inclined toward pulling in America's horns.

The broader reality, though, is that the president is asking the country to support an expanded military effort abroad, along with allied nations, at a time when the country is less inclined to expand efforts abroad, and less inclined to do so in partnership with other countries.

To some extent this isn't surprising, nor is it entirely unexpected at the White House. In that luncheon conversation with columnists, Mr. Obama said it was "painfully clear" that the troop surge in Afghanistan wasn't politically popular. "Not only is this not popular," he said, "but it's least popular in our own party."

Isolationist sentiment grows naturally in America when the country is battered economically, which is precisely what happened after the Great Depression. The trend is especially acute when an economic drubbing occurs after the country already has been made weary by foreign conflicts. The combination of the Vietnam

War, an oil shock and stagflation in the 1970s produced a similar rise in public doubts about whether America could or should be a world leader.

And it is understandable. Wars cost money, which Americans don't think they have right now. What Mr. Obama is trying to do is tack toward that sentiment enough that voters know he feels it,

without succumbing to it. It is a balancing act not unlike the one Ronald Reagan pulled off with a defense buildup and confrontation of the Soviet Union during the deep recession of 1981 and 1982.

The more frightening prospect may be that this kind of isolationist sentiment is often accompanied by its first cousin, protectionist sentiment. That is the narrative of the Great Depression, in a nutshell.

Yet on this front, the survey by Pew and the Council carries some surprisingly good news. It finds support for free trade holding up pretty well, despite the economic carnage of the last year.

Indeed, Americans today are more likely to say that free-trade agreements are good for the country (43%) than to say they are bad for the country (32%). And they are more likely to say that trade is good than they were in April 2008, when more Americans said free trade was bad than good for the country. Andrew Kohut, head of the Pew Research Center, calls the uptick in support for free trade "amazing."

That is still less support for free trade than Americans voiced in the fat-economy period of the late 1990s. But it certainly doesn't represent the collapse of support some have anticipated. Maybe that finding will give politicians who support free trade a bit more courage in their convictions. Yet it also raises a question: Have American attitudes toward trade fundamentally changed because of the global economy—or has the protectionist sentiment just not surfaced yet?



Barack Obama

Who pays for climate change?



A Journal Report on the Environment
Monday 7 December

THE WALL STREET JOURNAL EUROPE.

WORLD NEWS

The other face of Africa



Associated Press

Children cheer as they pose for photographers gathered for a FIFA meeting in South Africa, a prelude to Friday's World Cup draw ceremony.

Celebrating a graduation, then terror

By ABDINASIR MOHAMED

MOGADISHU, Somalia—My colleagues and I were happy to cover a story on a doctors' graduation, to show an image of Somalia that is different from the typical image of war.

Benadir University was one of the few bastions of nongovernmental education in Mogadishu. In the morning, hundreds of guests, students, doctors and senior government officials gathered in the ceremony hall at Hotel Shamo in Mogadishu. After hours of tape-recording speeches, I felt thirsty and moved 10 steps away toward the door.

Suddenly, the hall shook and I heard a PAW! sound from the front of the ceremony, where most of the government officials and doctors were sitting.

I got down on the ground and looked back. I saw dozens of people on the ground under a huge cloud of smoke. Others were stampeding to the exit for safety.

I looked to my right and I saw one of my colleagues dead and bleeding. I couldn't help him. I was shocked. I saw the government officials' chairs empty and bloody, and many people badly wounded. The ceremony hall became very dark, the colorful ceremony turned into what seemed like a slaughterhouse, for the blood flowing on the ground.

A young man rushed to pick up his older brother, who had graduated that day, but he was already dead. He cried and cried.

I tried to run forward but stampeding people pushed me aside, so I walked carefully to avoid them. I thought they might kill me, since everyone was terrified and couldn't restrain themselves.

I luckily got out of the hall, leaving my recording equipment behind. Soldiers started firing in the air to make their presence known.

Iran and ran. My phone kept ringing but I couldn't pick it up, I was so terrified.

It has been hours since the time of the blast, and I haven't been able to eat because I keep seeing the image of what happened, of people, hoping to be doctors to serve the country, sent to the grave.

Suicide blast kills Somali ministers, 19 students

Continued from first page
voices into the government, including Hizbul al-Islam, a militia that had formed an alliance with al Shabaab to try to overthrow the government. The militias' alliance has since weakened over a struggle for resources and divisions have also formed within Hizbul al-Islam. Somali officials hope to lure the less radical members of Hizbul al-Islam to join the government.

Somali government and African Union officials, however, have ex-

pressed concerns about infiltration of the government and government forces by al Shabaab and other militant groups. Somali government troops are poorly trained and ill-equipped to combat the militias. Government troops sometimes defect, or sell their weapons to al Shabaab fighters for cash.

Government officials rely instead on the African Union mission in Somalia, known as Amisom, for protection. But Amisom also has struggled to fund its mostly Ugan-

dan and Burundian troops, who are supported by the international community. As of October, only \$39 million of the \$214 million pledged at an April donors' conference had been received, according to Amisom. Amisom troops haven't been paid in eight months, Amisom's special representative, Nicolas Bwakira, said.

A U.S. official said the U.S., which donates money for logistics and training, but not the soldiers' salaries, was working with European do-

nors to resolve the problem quickly.

The graduation ceremony, for Benadir University, was taking place in a hotel just outside the area of Mogadishu that Amisom controls. The attack was witnessed by a reporter working for The Wall Street Journal who had attended the event. Toward the end of the ceremony, a blast shook the hall, filling the room with black smoke. Afterward, blood and body parts lay on the floor. People began screaming and running for the exit, trampling the wounded as they fled.

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