Money & Investing: Signs the U.S. economy is struggling damps stock rally

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THE WALL STREET JOURNAL.

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EU scare tactics
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Breaking news at europe.WSJ.com

Lehman to offer payouts

London hedge-fund creditors to receive assets under administrator's plan

BY RANDALL SMITH AND IANTHE JEANNE DUGAN

Lehman Brothers Holdings Inc.'s hedge-fund creditors in London, with as much as $16 billion tied up in the securities firm's bankruptcy, will be asked on Monday to join in an unusual effort to break a yearlong logjam.

The administrator for Lehman's operations in London plans to seek permission to remove the claims from U.K. courts and dole out assets directly to creditors, if enough hedge funds are willing to go along with the move.

Steven Pearson, joint administrator of Lehman Brothers International (Europe) and a partner at PricewaterhouseCoopers, said in an interview that he hopes to gain the support of 90% of creditors. That would reduce the risk that creditors who don't participate could file claims later against those who do.

The assets have been snarled since Lehman tumbled into bankruptcy in September 2008, frustrating some hedge funds that made trades through the firm before it collapsed. In August, the U.K. High Court denied the Lehman administrator's plan to begin returning the hedge-fund assets in the first quarter of 2010.

Lehman's bankruptcy is the largest by assets in U.S. history. In addition to the sheer size of the case, unraveling creditors' claims is complicated by the fact that assets were held by Lehman in different countries, resulting in separate bankruptcy proceedings in the U.S. and the U.K.

Mr. Pearson's payout proposal also comes amid huge claims at other former Lehman units. Meanwhile, numerous countries are trying to recover assets, including Germa-

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A changing of the guard, as Greek politics shifts to the left


Agence France-Presse

Supporters rallied as Greece's opposition Socialists headed for victory in national elections. Voters rejected the incumbent center-right party, which had been tarred by scandals and unpopular economic policies during its five-and-a-half years in office. **See article, page 2.**

EU treaty hinges on Czech president

BY CHARLES FORELLE

DUBLIN—Backed by Ireland's resounding approval of a treaty designed to strengthen the European Union and give it a full-time president, leaders of the bloc said they would start a drive to remove the last remaining hurdle to the so-called Lisbon Treaty—the refusal of Czech President Vaclav Klaus to sign it.

Ireland's 67% to 33% vote for the treaty Friday was a huge turnaround, reversing Irish voters' veto in a referendum last year. The change of heart appears to have been driven mainly by the dramatic collapse of Ireland's economy, which made voters less willing to risk weakening the bloc.

For EU leaders who have been struggling for nearly a decade to pass versions of the treaty, it was a huge relief. They hope the scale of the victory will help them to persuade Mr. Klaus, a committed euroskeptic who has refused to sign the Czech legislature's ratification of the treaty, to back down.

Swedish Prime Minster Fredrik Reinfeldt and European Commission President José Manuel Barroso said over the weekend they would meet Wednesday with the Czech Republic's prime minister to add pressure on Mr. Klaus. Sweden, which holds the EU's rotating presidency, is also dis-

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Many lost jobs in U.S. will never come back

BY SUDEEP REDDY

THE OUTLOOK

The U.S. has shed 7.2 million jobs since the recession began in December 2007. How long will it take for the economy to replace them? And where will the jobs come from?

The questions haunt people from the unemployed in San Francisco to officials in Washington. Glenn Atias lost his job as a $100,000-a-year statistician at a market-research firm in the Bay Area last summer when the work was outsourced to India. At 46 years old, he pores over job ads and online postings daily. "I'm stuck watching hundreds of thousands of people in my position grow in ranks each and every month," said Mr. Atias, who lives in Salton City, Calif., in a house worth less than the mortgage.

When unemployment benefits run out, he said, "I literally don't know how I'll pay my mortgage, how I'll pay my health care."

Economists say that when demand picks up—as it is starting to do—jobs eventually will follow. History shows that has always been true. But guessing which jobs will be created over the long run is often fruitless. Many of tomorrow's jobs don't exist today.

In 2003, Treasury Department chief economist Alan Krueger, then at Princeton, calculated that a quarter of

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Inside

Long march

In China, forgotten Manchu seek to rekindle their glory
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Markets

4 p.m. ET

	CLOSE	PCT CHG
DJIA	9487.67	-0.23
Nasdaq	2048.11	-0.46
DJ Stoxx 600	234.10	-1.89
FTSE 100	4988.70	-1.17
DAX	5467.90	-1.56
CAC 40	3649.90	-1.90
Euro	$1.4608	+0.33
Nymex crude	$69.95	-1.23

LEADING THE NEWS

Greek election shifts power to Socialists

Pasok wins majority, and freer hand to add stimulus packages

BY ALKMAN GRANITSAS

ATHENS—Greece's opposition Socialists were headed for victory in national elections on Sunday as voters rejected the incumbent center-right party, which had been tarred by scandals and unpopular economic policies during its five and a half years in office.

According to early official estimates, Pasok, the Socialist party, secured 43.8% of the vote, translating to 160 seats in Greece's 300-member parliament. That should give the new government a freer hand to introduce the hefty stimulus packages it says are needed to revive Greece's suffering economy.

"This is an historic victory, which also comes with very great responsibilities," senior Pasok parliamentarian Evangelos Venizelos said shortly before the party officially declared victory.

The incumbent New Democracy party won 33.9% of the vote, the early estimates showed, meaning that its seats will shrink from the current 151-seat majority to 92 seats.

Under Greece's reinforced proportional-representation system, the party with the largest number of votes is awarded seats based on its overall results plus a bonus of 40 seats.

Socialist victory

Projected results of Greek election

Party	Pct. of vote	Seats in Parliament
Pasok	43.8%	160
New Democracy	33.9	92
KKE (Communists)	7.6	21
Coalition of the Radical Left	4.5	12
LA.O.S. (right-wing nationalist)	5.6	15
Eco-Greens	2-3	-
Other	1-2	-

Source: Greek state television exit poll

To tackle an unemployment rate of 9% and what is expected be Greece's first recession in 15 years, Pasok has vowed to pursue a €3 billion ($4.4 billion) stimulus program. It has pledged to raise taxes on the wealthy and clean up endemic corruption in the public sector.

The incumbents had promised an austerity program to cut the government deficit—forecast at between 6% and 8% of gross domestic product this year, far above the European-Union mandated level—and that they would continue to liberalize Greece's heavily regulated economy.

Thousands gathered for victory celebrations, waving flags and cheering, in the streets outside Pasok headquarters in central Athens—close to the epicenter of student riots last December. Television images showed Pasok party leader George Papandreou mobbed by supporters as he made his way to party headquarters.

"This is a chance for Pasok to really show its stuff. I think we can expect some positive surprises," said Spyros Draenos, 64 years old, a Greek academic and longtime Pasok supporter. "I think people are really happy."

The Socialist victory bucks a wider conservative trend across Europe. France and Italy have center-right governments. Germany returned center-right Chancellor Angela Merkel to power last Sunday, and the U.K. is moving toward choosing a Conservative government in 2010, which would end a stretch of Labour rule since 1997.

On Sunday, Italy's center-left Partito Democratico said Pasok's victory should serve as an example for other left-leaning parties across the continent. The Pasok party "confirms that when the Left synchronizes itself with the changes and expectations of society, it reaps consent and confidence," said Piero Fassino, who runs foreign policy for the PD, in a statement Sunday night.

In the weeks leading up to the vote, it had been unclear whether Pasok would secure an outright majority, stoking fears of a hung parliament and sending jitters through Greece's equity and bond markets.

Voters on Sunday chose to punish New Democracy, not only for the ailing economy but also for a string of scandals—including last year's revelations of a controversial land-swap deal that the government entered into with a local monastery; the deal cost taxpayers more than €100 million.

Among the first challenges facing the new government will be to present a credible program to the European Commission for how it plans to reduce Greece's budget deficit in the short term and, in the medium term, how it plans to cut the country's debt burden, estimated to top 100% of GDP this year.

The European Commission has given Greece until the end of 2010 to bring its budget deficit below the European Union-mandated ceiling of 3% of GDP. The country is unlikely to meet that target.

The Socialists will also have to tackle other problems, including cracking down on widespread tax evasion. It is estimated that about a quarter of tax revenue is lost through evasion.

"The first thing the Socialists will have to do is develop a three-year budget program to show the commission how it plans to reduce the budget deficit," said Panagiotis Petrakis, head of the economics department at the University of Athens. "After that, it will have to work out a long-term program, say, for the next 10 years, that will focus on long-term structural reforms."

Greece thrived after adopting the euro in 2001. Requirements for adopting the currency, such as keeping down inflation and the government deficit, led to lower interest rates, which triggered consumer and housing booms. Before the global economic crisis struck, the Greek economy expanded at an annual average rate of 4% for five years, making it one of the euro zone's best performers.

But fallout from the financial crisis has buffeted Greece. Shipping companies lost business, and although the Greek economy continued to grow until the first quarter of this year, it was hit this summer as tourist visits by Northern Europeans declined.

In Sunday's ballot, three smaller parties—the Communist Party of Greece, the Coalition of the Radical Left and right-wing nationalist party LAOS—also secured enough votes for representation in parliament.

Washington war debate seeks to addresses Taliban-al Qaeda ties

BY PETER SPIEGEL AND JONATHAN WEISMAN

WASHINGTON—Senior members of the Obama administration's national-security team have immersed themselves in their wide-ranging review of Afghan war strategy, following signs the president is seeking to determine whether the resurgence of the Taliban would necessarily lead to an increased threat of a terrorist attack in the U.S.

President Barack Obama held a surprise meeting with Gen. Stanley McChrystal during a stopover in Copenhagen Friday, the first face-to-face session between the two men since the general took command of the Afghan war in June.

Secretary of State Hillary Clinton met for four hours Friday afternoon with the State Department's top hands in the region, including Richard Holbrooke, the special envoy to Afghanistan and Pakistan, and the U.S. ambassadors to Kabul, and Islamabad.

Mr. Obama, in a cabinet-level meeting last Wednesday, pressed his military commanders over whether the Taliban still has close ties to al Qaeda and whether the international terrorist group would continue to have a haven should the Taliban regain control of parts of the country, according to a senior administration official.

"There are people over there that think that there's a rift between the Taliban and al Qaeda," said a senior military official. "The logic is that since the Taliban once owned Afghanistan, and got kicked out of Afghanistan, they're not likely to make the same mistake twice."

But the official added that "it's a small number of people who think that," and that most officials involved in the debate are convinced that the Taliban "will at least be complicit in allowing al Qaeda back in" if they regain control.

The White House plans two more meetings this week on Afghanistan, on Wednesday and Friday. But White House officials aren't saying final decisions are imminent on troop levels or shifts in strategy.

Gen. McChrystal, in a strategic assessment last month, said time is of the essence in the fight against the Taliban. In late September, he presented the Pentagon with a request for up to an additional 40,000 troops to join the over 60,000 in Afghanistan.

Top White House officials, led by Vice President Joe Biden and White House Chief of Staff Rahm Emanuel, are increasingly leery of a major expansion of U.S. troop presence. They paint the current debate as a crucial moment, similar to the final months of the Kennedy administration and the opening months of Lyndon Johnson's administration, when both presidents faced the choice of doubling down in Vietnam or rethinking strategy there.

But administration officials caution that no one is talking about pulling out of Afghanistan or even a substantial troop reduction. The effort should focus on stabilizing Afghanistan and bringing cooperative elements of the Taliban into the political process while redoubling efforts against al Qaeda in Pakistan, say those in the Biden camp.

—Yochi J. Dreazen contributed to this article.

INDEX TO BUSINESSES

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INDEX TO PEOPLE

This index lists the names of businesspeople and government regulators who receive significant mention in today's Journal.

For more people in the news, visit CareerJournal.com/WhosNews

LEADING THE NEWS

Turkish premier defends media tax battle

A $3.2 billion fine threatens standing of the Dogan group

By Marc Champion

ISTANBUL—Turkey's Prime Minister Recep Tayyip Erdogan defended his government's crippling $3.2 billion demand in fines and penalties against the country's largest media business, comparing the case with the U.S. pursuit of gangster Al Capone on tax-evasion charges in the 1930s.

Mr. Erdogan, interviewed Sunday at the elegant waterside offices that serve as the government's home when in Istanbul, also said his country had resolved its dispute with the International Monetary Fund over the fund's demand he should make Turkey's tax authority independent. He said he would like to see a new IMF program for Turkey agreed "soon."

Marek Belka, director of the IMF's Europe department, declined to comment. Turkey is hosting the annual meeting of the IMF and the World Bank in Istanbul this week.

Mr. Erdogan also challenged the intense focus on checking Iran's nuclear-fuel program, saying it wasn't the biggest problem in the Middle East. And he said he was certain Turkey and Armenia would sign an agreement to reopen their closed border and establish diplomatic relations on Oct. 10, provided Armenia doesn't alter the text.

The tax case against **Dogan** Yayin Holding AS—which owns roughly half the television and newspaper market in Turkey—has drawn concern at home and abroad. Days after a $2.5 billion fine was announced

The European Commission in Brussels expressed 'serious concerns.'

last month, the European Commission in Brussels expressed "serious concerns" over the implications for press freedom in Turkey and said it would include the incident in its report later this month on progress in Turkey's talks to join the European Union. The Organization for Security and Cooperation in Europe also has expressed concern.

"The issue here is of a routine tax examination," Mr. Erdogan said. "In the U.S., too, there are people who have had problems with evading taxes. Al Capone comes to mind. He was very rich but then he spent the rest of his life in jail. ... Nobody raised a voice when those events happened."

"There are no legal grounds for these tax [demands], they are baseless," said a senior executive at the Dogan group, who asked not to be named. He said the Dogan group had been singled for attention out after the media group published stories alleging corruption in fundraising for the ruling party. He said 30 tax inspectors had been at the group's offices for a year since, combing through its books.

By the end of this week, Turkey's finance ministry is due to decide on whether to insist on its decision that Dogan group provide $3.2 billion in collateral, the full amount of the fine plus interest and penalties to date, while the group appeals the fine in court.

The senior Dogan executive said the company would file for a court injunction if the finance ministry stuck to its demand. If it were implemented, "We would be inoperative; we'd be out of the picture," the executive added.

Mr. Erdogan said the Dogan group can challenge the fine in court and has already settled one tax-evasion case out of court, related to its petroleum business Petrol Ofisi. Asked if it was acceptable for the government to demand collateral that would collapse the company before the case reaches court, Mr. Erdogan said the court might issue an injunction, or the group could settle first.

He bristled at the comparison some critics have drawn between his government's pursuit of Dogan group and the Russian government's bankrupting of oil company Yukos with back-tax charges, under then-President Vladimir Putin.

"I find it to be very ugly, very improper. I think those words have been expressed by some people from the Dogan group, like the daughters of [chairman Aydin] Dogan," Mr. Erdogan said. He described the charges as "disrespectful" to both himself and Mr. Putin as elected leaders.

Mr. Erdogan said the case against the Dogan group was part of a broad government policy aimed at cleaning up Turkey's large underground economy and bringing it onto the books. That is the same reason for which he said he had resisted the IMF's request to depoliticize the tax authorities. "We need to work hand in hand," with the tax service in that effort, he said.

Earlier this year, Dogan group was hit with a $500 million fine in connection with the sale of a minority stake in its television unit to **Axel Springer** AG, of Germany. A $2.5 billion fine came Sept. 8, this time for upaid taxes sales of shares within the group.

The Dogan executive said the transactions were aimed at unwinding cross ownership within the group, to make units more attractive to outside buyers, and weren't tax liable.

Late last month, the finance ministry told the group it had 15 days to provide collateral for the fine, plus penalties and interest, amounting to $3.2 billion in total. That deadline expires Friday, the Dogan executive said. The group is now in talks to sell its stake in Petrol Ofisi to its partner, Austria's **OMV** AG, to help cover the fines.

The Dogan group gets little sympathy in Turkey, said Soli Özel, a prominent columnist with Habertürk, an independent daily. That's because the group used its media and connections to further its business interests in the past. Still, "this is ultimately about shutting up all sources of opposition, and you cannot have a democracy like that," said Mr. Özel.

"We have never been against freedom of the press," said Mr. Erdogan.

The prime minister's Justice and Development, or AK, party came to power in 2001, challenging the secular elite—including Mr. Dogan—that had long run Turkey. Though the AK party triggered concerns among some with its Islamist roots, in government it has pursued economic and other reforms that opened the way to membership talks with the EU and created the kind of macroeconomic stability long lacking in Turkey.

Despite a sharp drop in growth in the first quarter, Turkey appears to have weathered the financial crisis relatively well. Whereas IMF programs negotiated for some other countries in emerging Europe are about "preventing collapse, that's not the case in Turkey," said Mr. Belka. A facility would instead aim to boost growth by freeing credit for use in the private sector.

Agence France-Presse/Getty Images

Turkey's Prime Minister Recep Tayyip Erdogan greets his supporters as he enters the hall to address the third congress of his Justice and Development party in Ankara on Saturday.

LEADING THE NEWS

Cameron promises push on welfare, jobs

Conservative leader also vows to lower U.K. public spending

By Laurence Norman

LONDON—The U.K.'s opposition Conservative Party goes into its annual convention today buoyed by hopes of ending its long exile from power and promising to tackle the jobs and debt crisis sparked by the country's recession.

On Sunday, conservative leader David Cameron promised a big push on welfare reform and job creation in a bid to get millions back to work while also cutting public spending to trim the U.K.'s soaring borrowing. However, in the wake of Ireland's "yes" vote on the Lisbon treaty, Mr. Cameron's party continued to face questions over its attitude to the European Union, an issue that tore apart the last Conservative government in the 1990s and has often divided the party since.

Mr. Cameron told the British Broadcasting Corp. that his party will launch a major program to tackle the "jobs crisis" if elected next year. He promised a "big, bold and radical scheme to get millions of people back to work."

The Conservatives currently hold a clear lead in opinion polls with the governing Labour Party needing to call an election by June 2010. The Conservatives have been out of power since 1997.

Mr. Cameron, who is expected to make his keynote speech to the conference Thursday, said the upfront cost of the scheme would be £600 million ($955.8 million) and the party would lay out exactly how it would be paid for during the coming days. Mr. Cameron's plans would mean scrapping Labour's New Deal scheme, which is Prime Minister Gordon Brown's flagship program for getting people back to work.

The Conservative proposals were attacked by Labour Chancellor of the Exchequer Alistair Darling, who told reporters on the sidelines of the International Monetary Fund and World Bank meetings in Istanbul that Mr. Cameron's plans would put at risk the tentative economic pick up. "When I read today that the Conservatives and David Cameron are proposing to not only end the support for the economy, which of course would mean unemployment would go up, but also to scrap the New Deal and to withdraw many of the measures that we have put in place, that seems to me to be entirely wrong," Mr. Darling said.

Both parties are facing increasing scrutiny on how they will fund their promises to the electorate with the U.K.'s budget deficit expected to hit 12% of gross domestic product during the current financial year, among the highest in the developed world.

Mr. Cameron has also been boosted by Mr. Brown's decision during the weekend to accept face-to-face TV debates in the run-up to the election, which Mr. Cameron, whose communication skills were key to propelling him to the leadership, has repeatedly called for.

Although the Conservatives will use their conference in the northern city of Manchester to try and ram home their attack on Labour, it risks also being the first place where divisions over Europe reopen.

The Conservatives have said they want a referendum on Lisbon and would campaign for a "no" vote, a result that could reignite a divisive European debate on the treaty and aggravate tensions between Mr. Cameron and other center-right leaders across Europe, such as Germany's Angela Merkel and France's Nicolas Sarkozy.

However, Mr. Cameron hasn't said what he will do if the treaty has already been ratified by all other member states, with the likes of Poland and the Czech Republic yet to approve the treaty.

Refusing to commit to a vote would exasperate the Conservative party's many Euro-skeptics but pressing ahead could prove a huge distraction for what Mr. Cameron hopes will be a new Conservative government keen to put the economy and debt reduction at the front of its agenda.

Conservative London Mayor Boris Johnson started the argument Sunday in an interview in the Sunday Times, calling for a referendum.

—Natasha Brereton contributed to this article.

This time, Iran's nuclear program isn't nudging oil prices

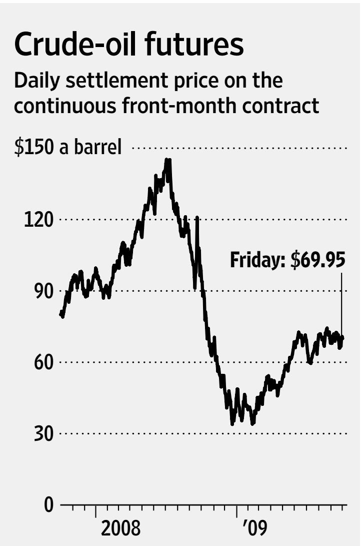
By Guy Chazan

Tensions over Iran's nuclear program were one of the main drivers pushing oil up to nearly $150 a year ago. What a difference a year makes.

Oil markets have brushed off last week's disclosures about Iran's secret uranium-enrichment facility near the holy city of Qom. The news increased suspicions that Tehran may be seeking a nuclear weapon, raising the prospect of a diplomatic crisis that could prompt Iran to cut its oil exports—but oil prices have barely budged.

The reason: The world is a very different place than it was a year ago. The global economic slowdown has eroded oil demand, inventories are full, and there is plenty of spare supply. Even if Iran cut its oil exports, Saudi Arabia has so much spare production capacity that it could easily make up the shortfall.

"There's never been a better time to impose sanctions on Iran, and there won't be in the future either," said Olivier Jakob, managing director of Petromatrix, an oil research firm. "Today, the world can afford to lose Iranian crude exports for a few months."



Source: Reuters via WSJ Market Data Group

There is also a sense of jadedness among oil traders about Iran's nuclear ambitions. "It's like—we've seen this movie before," said Stephen Schork, an independent oil analyst. "That's why the market's response to Qom has been tepid to say the least."

The price of crude did jump above $70 a barrel on Wednesday, ahead of talks in Geneva between Iran and six global powers, part of the international effort to prevent Tehran from developing nuclear weapons. But analysts said that jump was driven by a surprisingly large draw in gasoline stocks.

Since then, oil has fallen back, closing down $1.17 Friday at $69.65 a barrel on the New York Mercantile Exchange.

The revelations about the Qom facility, and missile launches by Iran on Monday, initially prompted talk of a renewed "Iranian risk premium" in price forecasts. The worry was that a more confrontational stance by Tehran could trigger an embargo on gasoline imports to Iran. That in turn might provoke Iran to retaliate by cutting off its oil exports.

Yet the likelihood of tough new sanctions appeared to ebb this week after the talks in Geneva. Tehran made some concessions, agreeing to ship part of its stockpile of enriched uranium to Russia and France for further processing and allowing United Nations inspectors to visit the previously clandestine facility in Qom within weeks.

For now, Iran appears to be off the hook, with the West pushing back its deadline for seeing progress in talks to December. That means there is little immediate chance of new punitive sanctions against Tehran.

The result is that oil market analysts say they believe the geopolitical risk around Iran will wane. "Once the current hype fades and the situation calms down, for the rest of this year, Iran will be neutral" for the oil price, said Mike Wittner, an oil analyst at Société Générale. "Next year may be another story."

In the dying days of the Bush administration, rumors flew that the U.S. might launch airstrikes to thwart Iran's putative nuclear ambitions. Israel, too, was refusing to rule out a military option. Iran, meanwhile, said it would respond to an airstrike by closing the Strait of Hormuz, through which some 40% of all seaborne traded oil flows. Such talk set oil markets alight.

Since then, the mood has changed, with President Barack Obama saying he is committed to engagement with Iran. U.S. Defense Secretary Robert Gates last week played down the effectiveness of military strikes.

Still, Iran will likely remain a source of volatility in oil markets.

Many lost jobs in U.S. will never return as economy keeps shifting

Continued from first page

U.S. workers at the time were in jobs the Census Bureau didn't even list as occupations in 1967.

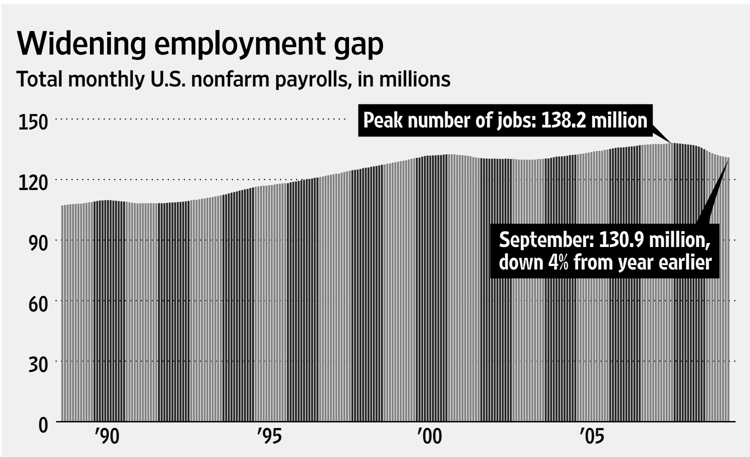
Determining which fields will become popular is next to impossible. "It is very difficult, without a crystal ball, to know where the economy will be in 10 years," said Susan Wolff, chief academic officer of Columbia Gorge Community College in The Dalles, Ore. "Sometimes we think we're doing a pretty good job if we can guess where the economy is going to be in five years."

In addition to replacing 7.2 million lost jobs, the economy needs an additional 100,000 a month to keep up with population growth. If the job market returns to the rapid pace of the 1990s—adding 2.15 million private-sector jobs a year, double the 2001-2007 pace—the U.S. wouldn't get back to a 5% unemployment rate until late 2017, Rutgers University economist Joseph Seneca estimated. And that assumes no recession between now and then. "Even with some very optimistic assumptions, it's a long road back," Mr. Seneca said.

Where will the jobs come from? In the short run, a growing economy means some businesses will recall laid-off workers. But others won't. Many jobs in real estate and finance, for instance, are likely gone forever. And those in retail and leisure may be slow to return if consumers are reluctant to spend. Federal-government spending—in research and development, in stimulus spending on the digitization of health records and energy efficiency—will create some jobs. But that leaves open the big question of whether the private sector can create jobs when stimulus spending ebbs.

Health care and education have proved resilient in the recession and are expected to be big gainers over the long run. Even if lawmakers find a way to slow health spending, adding more Americans to insurance rolls would raise demand for health care. But that would only go part of the way toward creating two million jobs a year. The Labor Department estimates health care will add about 300,000 jobs a year through 2016.

The service sector will be key, particularly jobs based on analytical skills that require specialized training. "It's not manufacturing," said Nigel Gault, chief U.S. economist at forecasting firm IHS Global Insight. "Wherever the U.S. has a comparative advantage in brainpower will be strong sources of job growth. You have to keep generating the innovations here in order to keep generating the employment gains."



Source: U.S. Labor Department

The White House and many lawmakers are counting on "green" jobs built around clean-energy technology. President Barack Obama wants the U.S. to create five million such jobs—from solar and wind to energy efficiency—over the next decade. Getting there would require advances in current technology from transmission lines to energy storage and advances in training—all of which are likely to take years.

Columbia Gorge Community College started a renewable-energy-technology program in early 2007 with 58 students during that year. For the current academic year, it has 156 students learning about wind towers and electrical systems, and the school turned away 100 for lack of space.

But will the graduates find jobs? Dave Fenwick, a 57-year-old software engineer, started in the program in the spring to find a more dependable source of income after business in his field ran dry. He expects to have his one-year certificate in December and to have a job eventually—but he isn't counting on getting hired immediately. "None of the companies building wind farms can get financing, so they're not hiring many technicians," Mr. Fenwick said. "Things have just been stagnating waiting for credit to be freed up."

IHS Global Insight predicts the total number of jobs in the U.S. won't return to prerecession levels until 2013. And that doesn't account for the growth in the labor force, so it forecasts unemployment will be a painfully high 8.1% then. Getting back to the 5% unemployment rate that prevailed before the downturn isn't anywhere in the firm's 10-year forecast horizon. At the end of 2019, it puts unemployment at 5.75%.

LEADING THE NEWS

Mudslides bury villages in Sumatra valley

Quake rescue efforts shift to hard-hit rural areas outside main city, where aid is just beginning to arrive

By Yaroslav Trofimov
And Tom Wright

LUBUK LAWEH, Indonesia—Mudslides triggered by last week's Indonesian earthquake have wiped out an entire valley of villages on the island of Sumatra, a discovery that is shifting attention away from the destruction found earlier in the regional capital of Padang.

As rescuers on Sunday were winding down their efforts in Padang, where hope was fading that more victims would be found alive under the rubble, aid was only just beginning to reach this lush valley surrounded by volcanoes some two hours' drive from the city.

Lubuk Laweh and two neighboring villages, complete with mosques and a school, used to cover volcano slopes that rise from a raging river at the bottom of the valley. When the 7.6 magnitude earthquake struck Wednesday , entire hills came crashing down. The tremors dragged almost all the houses—and their inhabitants—into a giant mud flat that is now strewn with uprooted trees, broken toys and soaked photographs.

According to Indonesian officials, more than 200 villagers, and at least several dozen outsiders attending a wedding, are still buried under the mud in the valley. About 40 corpses have been recovered so far.

Yaroslav Trofimov/The Wall Street Journal

Indonesian rescue workers in the village of Lubuk Laweh remove a body from a landslide triggered by last week's quake.

"We've had to dig three meters deep to find this one, and it took three hours to pull it out," said rescue worker Bobi Herianto, as his colleagues carried a yellow body bag suspended on a wooden pole through the treacherous terrain.

The official toll from the Sumatra quake is 688 dead and 343 missing, although that number has fluctuated as rescuers access more areas. The casualty number isn't likely to rise significantly, however, because helicopter surveys have found no other major landslides, said Priyati Kardono of Indonesia's Disaster Management Agency.

The majority of the dead and the missing from the earthquake are outside Padang city, in the rural Padang Pariaman area that includes Lubuk Laweh's valley. Because the road to Lubuk Laweh has been blocked by debris, sliding rocks and fallen trees, rescue efforts have been conducted mostly with shovels, hoes and bare hands.

Volunteers drawn from nearby communities and local police find cadavers by their stench and then smear black ground-up coffee paste on their noses to offset the smell of decomposition as they dig deeper.

Getting to Lubuk Laweh involves an hour-long walk through rice paddies where onlookers from neighboring villages congregate to gawk at human remains. It wasn't until Saturday afternoon that the first team of foreign rescue workers, from Japan, arrived in the area. The Japanese turned back because any rescue effort seemed pointless so late after the quake.

"When buildings collapse, you have air pockets. But it's much more difficult to deal with landslides, and there is a much smaller chance of finding people there alive," said Gisli Olafsson, a United Nations official helping to coordinate the international aid pouring into Sumatra.

The focus is now shifting to caring for those rendered homeless by the tremors, and on rebuilding the region's shattered infrastructure.

U.S. plays down reports on Iran's nuclear program

By Joe Lauria
And Jay Solomon

United Nations atomic inspectors said they will visit a recently revealed Iranian nuclear-enrichment facility in Qom later this month to determine if it has a military purpose, while Gen. James Jones, the U.S. national security adviser, on Sunday cast doubt on a report that Iran was closer to designing a nuclear warhead than previously thought.

Mohamed ElBaradei, chief of the International Atomic Energy Agency, told a news conference in Tehran on Sunday that "It is important for us to send out inspectors to do comprehensive verification...to assure ourselves that it is... fit for peaceful purposes."

The inspectors will arrive at the facility on Oct. 25 to carry out a design verification, Mr. ElBaradei said.

Iran says its nuclear program is purely civilian. The IAEA "has no concrete proof of an ongoing weapons program in Iran," Mr. ElBaradei said, but still harbors "concerns about Iran's future intentions."

U.S. intelligence agencies have raised suspicions based on the small size of the facility and its location under a mountain near a military base.

The facility under construction can house only 3,000 centrifuges—far too few to enrich uranium for a nuclear-power plant but enough to fill a nuclear warhead.

Gen. Jones played down an IAEA report that suggests Iran is closer to being able to make an atomic bomb than U.S. reports have indicated.

The U.S. position has been that Iran halted its program to develop atomic weapons in 2003.

The IAEA report raises concerns about evidence indicating Iran had conducted studies on ways to build a nuclear warhead, said David Albright, founder of the Institute for Science and International Security and a former nuclear inspector, who released excerpts of the report on Friday.

Asked on CNN's "State of the Union" on Sunday if he thought Iran's capability to build such a weapon had increased, Gen. Jones replied, "No. We stand by the reports that we put out."

He added, "I think you're going to get a lot of speculation one way or another. I think that what's happened regarding Iran in the last couple of weeks is very significant."

Officials say the new IAEA report appears more resolute in declaring that Tehran has been experimenting in weaponization. Diplomats at the IAEA say the technical reports they have received in recent months are much more declarative.

A British security official said last week that the U.K. doesn't share Washington's view that Tehran ended its experiments into developing a nuclear warhead in 2003.

—David Crawford contributed to this article.

CORPORATE NEWS

Mediaset targets down-to-earth viewers

Italian pay-TV service tries to counter dominance of Sky Italia by offering packages tailored to lower-income homes

By Giada Zampano

ROME—Faced with the growing dominance of satellite broadcaster Sky Italia, Italy's **Mediaset** SpA is trying to hang on to its share of the Italian television sector and offset falling advertising sales by targeting the lower end of the pay-TV market.

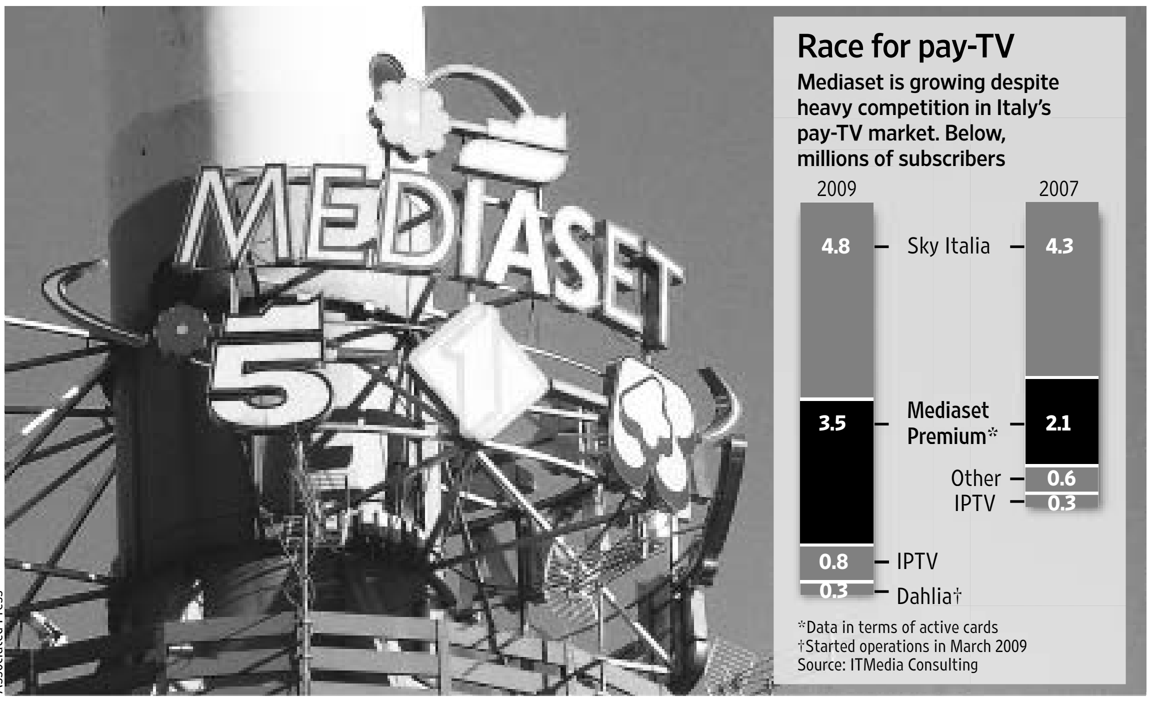
But Italy's largest commercial broadcaster—controlled by the family holding company of Prime Minister Silvio Berlusconi—will face a challenge to knock **News Corp.**'s Sky off the top spot in Italy, as analysts say the satellite broadcaster has the best content and the most diverse offering.

Analysts say Mediaset should be able to win a stake of the fast-growing pay-TV sector by offering an inexpensive mix of programs, movies and soccer matches through its digital terrestrial pay-TV package.

"Mediaset is targeting a different public from Sky—those families who can't afford an expensive pay-TV package, but still would like to have access to high-quality content and a multichannel offer," a company spokesman says.

Mediaset has been locked in a long-standing battle with News Corp. Last month, News Corp. said it filed suit against two units of Mr. Berlusconi's media empire, accusing them of refusing to let Sky Italia advertise on the Italian prime minister's terrestrial network. News Corp. owns Dow Jones, publisher of The Wall Street Journal.

With a 90% share of Italy's pay-TV market, Sky has already broken the domestic duopoly of privately owned Mediaset and state-controlled RAI Holding SpA. Sky surpassed Mediaset in overall revenue for the first time last year, Italy's telecommunications regulator said in July. Analysts say its investment in new technology, such as high-definition TV, is likely to attract more premium customers, who pay more and are less willing to switch providers.



Mediaset started its pay-TV business by offering prepaid cards, which usually expire after three months and are rechargeable. The company is now trying to convert its 3.6 million holders of prepaid cards into long-term subscribers, offering a low-cost package with a dozen channels.

Media experts say the economic downturn may support this strategy, as families are forced to cut their entertainment costs.

"Mediaset, which has a poorer [product offering] and aims at the lower end of the market, may exploit this phase of recession as its potential target widens," says Oriana Cardani, media analyst at Centrobanca in Milan.

Analysts say Mediaset's commercial strategy may also get a boost from Italy's switch to digital TV from analog, expected to be completed in 2012.

At a meeting in June, Mediaset Chief Financial Officer Marco Giordani said the company aims to raise its share of the Italian pay-TV market to 15% in five years, from 2%-3% last year. Those targets still stand, Mediaset said last week.

Mediaset recently joined forces with RAI to launch a free satellite platform, TivuSat, which is expected to increase competition in the satellite market dominated by Sky Italia. RAI and Mediaset said the initiative is aimed at helping to drive the switch to digital TV, targeting the 5% of Italian families who aren't reached by terrestrial digital technology.

Following the creation of TivuSat, RAI withdrew five of its digital channels from Sky Italia's platform, a move analysts say favors Mediaset in the short term. But some are skeptical about TivuSat's long-term potential.

"I don't see TivuSat having a dramatic impact on the Italian market," Centrobanca's Ms. Cardani says. Because it is principally aimed at areas where terrestrial digital TV is unavailable, it may only attract a limited number of viewers, she says.

Sky Italia executives have repeatedly said they aren't worried by RAI's channel withdrawal and its tie-up with Mediaset. They responded with additional channels and original programming.

Sky Chief Executive Tom Mockridge said in August that he hoped the 2009-2010 sport schedule—which includes exclusive coverage of the football World Cup in South Africa, Six Nations Rugby and the Winter Olympics—will boost Sky Italia's subscribers to five million.

Carlsberg vows to fight Russia's beer-tax hike

By Gustav Sandstrom

STOCKHOLM—**Carlsberg** A/S said it will continue to fight Russia's proposed beer tax, saying it would hurt beer sales there.

The measure, which is in draft form, calls for an increase of 200% next year and increases of 11% and 20% in 2011 and 2012, respectively.

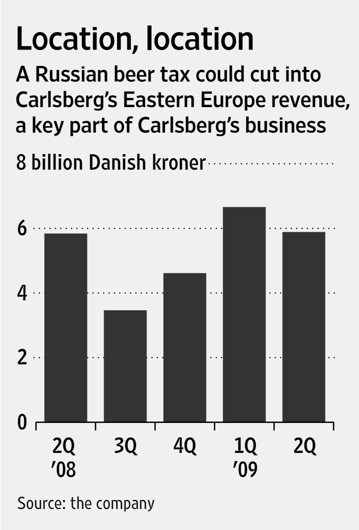
The Danish brewer, which is staking its strategy on growth in Russia, said the final version will depend on discussions between Russia's lower house of parliament, known as the State Duma, and the upper house, the Federation Council. It may take several weeks until the bill is approved by Russian President Dmitry Medvedev, Carlsberg said.

Still, investors on Friday sent Carlsberg shares down 8% to close at 333 Danish kroner ($65.17) in Copenhagen.

Carlsberg Chief Executive Jorgen Buhl Rasmussen said his company has been in talks with Russian authorities over the higher duties. Carlsberg has 41% of Russia's beer market, the world's third-biggest by net consumption, after China and the U.S.

While the new levy would hurt all brewers operating in Russia, the move could strengthen Carlsberg's competitive position, Mr. Rasmussen said in an interview, since the tax could hit rivals with a weaker share of the Russian market harder. Mr. Rasmussen said he retains a positive long-term view on Russia's prospects.

Carlsberg's exposure to Russia increased after the company bought part of **Scottish & Newcastle** PLC last year. The deal gave Carlsberg full control of Baltic Beverages Holding, which had been a joint venture between the two companies.



Market watchers have been positive about the deal because the Russian beer market has grown rapidly along with rising wages. Beer consumption per capita in Russia increased by two-thirds between 2001 and 2007, according to Sweden's Handelsbanken.

The government's proposed tax increase would apply to local and imported beer. It calls for duties to rise to nine rubles (30 cents) a liter from three rubles a liter. The most popular beers in Russia are sold for about 50 rubles a liter.

The proposed bill also calls for a 10% increase of excise duties on strong alcoholic liquors such as vodka, according to Carlsberg.

—Will Bland in Moscow and Anna Van Der Meulen in Amsterdam contributed to this article.

CORPORATE NEWS

Portsmouth awaits Saudi bid

English-league club is latest snapped up by oil-rich investors

By Stefania Bianchi

DUBAI—**Portsmouth Football Club** owner Sulaiman Al Fahim said he expects Saudi investors to bid for the English Premier League team this week.

"I need to see the offer tomorrow," the Abu Dhabi business tycoon told Zawya Dow Jones in a text-message response to a question about whether he plans to sell the club he bought earlier this year.

Mr. Fahim—who is recovering in a Dubai hospital from a Friday kidney-stone operation—said negotiations over the sale had "started before I bought the club."

The U.K.'s Observer newspaper on Sunday quoted Mr. Fahim as saying he was in talks to sell a majority holding in Portsmouth to Ali al-Faraj, a property investor and member of one of Saudi Arabia's wealthiest families, with a personal holding in petrochemicals giant **Saudi Basic Industries** Corp.

Mr. Fahim, the former chief executive of Hydra Properties, one of Abu Dhabi's largest closely held developers, in July became chairman of Portsmouth, known locally as Pompey. The deal was brokered through **Al Fahim Asia Associates** Ltd., of which Mr. Fahim is sole owner and chairman. Portsmouth didn't disclose the value of the deal at the time, but in June, Mr. Fahim said it was in the region of £80 million, or about $125 million.

Associated Press

Portsmouth Football Club owner Sulaiman Al Fahim, shown last month, said he expects a bid from Saudi investors this week.

Oil-rich Middle East investors have been buying teams in the English league, the most lucrative in Europe, at a time when many owners are struggling for funding amid the global financial crisis. Last week, Saudi Prince Faisal bin Fahd bin Abdullah Al Saud told the Saudi Al Riyadh newspaper that Saudi investors were looking at buying a 50% stake in Liverpool Football Club.

Abu Dhabi royal Sheik Mansour bin Zayed Al Nahyan recently bought the final 10% controlling stake in Manchester City Football Club after acquiring 90% of the club from Thaksin Shinawatra for £210 million in September 2008.

The new owners have since bankrolled a spending spree by manager Mark Hughes. The club has had one of its most successful starts to the football season and was in fifth place in the Premier League table at the time of writing.

Portsmouth has only won one match so far this season and could face the prospect of being relegated to the second division. The team's precarious financial position was underlined Thursday when the club announced the first-team squad and executive board hadn't been paid.

Mr. Fahim, 32 years old, is one of the best-known businessmen in the conservative oil-rich emirate of Abu Dhabi. He brokered the emirate's takeover of Manchester City F.C. last year on behalf of Sheikh Mansour bin Zayed, a senior royal in the emirate. He also hosted a television show modeled on "The Apprentice" known as "Hydra Executives."

In June, he unexpectedly left his post as chief executive of Hydra Properties.

Bertelsmann patriarch dies at 88

By Matthew Karnitschnig

Bertelsmann AG patriarch Reinhard Mohn, a towering figure in Germany's postwar economic revival who created Europe's biggest media company from the ashes of a wartime propaganda publisher, died on Saturday. He was 88 years old.

During a career that spanned more than a half-century, Mr. Mohn oversaw the expansion of his family's company away from its core book printing and publishing business into magazines, music and television. He leaves behind a company that straddles a broad swath of the European media landscape, from RTL Group, Europe's leading commercial broadcaster, to Gruner + Jahr, its biggest magazine publisher. Bertelsmann also owns U.S.-based Random House, the world's largest book publisher.

Mr. Mohn prided himself as a management theorist and as a philanthropist. Bertelsmann's success was only possible, Mr. Mohn stressed, because "ethical considerations have always managed to take priority over economic aims."

Yet Mr. Mohn was known not always to practice what he preached. Though he expounded on the importance of giving executives freedom to run a business as they saw fit, he often clashed with his own executives. In 2002 he unexpectedly fired Bertelsmann's then-Chief Executive Thomas Middelhoff who had tried to modernize Bertelsmann.

Born in 1921 in Gütersloh, a rural town in northwest Germany where Bertelsmann is based, Mr. Mohn had hoped to become an engineer. The outbreak of World War II dashed those plans. During the war, Mr. Mohn served in the German air force until he was captured in 1943 and sent to a prison camp in Kansas.

He returned home in 1946. With his father ill and the company in a shambles, Mr. Mohn was recruited to help run it.

Bertelsmann's breakthrough came in 1950 with the introduction of its first book club, an idea championed by Mr. Mohn. Bertelsmann dispatched legions of sharply dressed young men across Germany to hawk books, using advertising that promised war-weary Germans a literary world of adventure and sophistication.

After just three years, Bertelsmann's Reading Circle had nearly one million members, becoming the engine that would drive Bertelsmann's expansion across the globe over the next several decades.

In the late 1990s, however, Mr. Mohn was forced to confront what his family's company had been doing before its postwar transformation.

For years, Bertelsmann had cast itself as a victim of Nazi persecution. The company claimed that it had been shut down during the war "for publishing books that were banned by the Third Reich as subversive."

In 1998, German researcher Hersch Fischler exposed that story as a fabrication. Bertelsmann even surpassed the Nazi party's own publishing house with a catalog of works that included titles such as "Sterilization and Euthanasia—a Contribution to Applied Christian Ethics" and "Dr. Martin Luther's Small Catechism for the Man in Brown" (a reference to the Nazis' paramilitary dress).

A 2002 Bertelsmann official history of its wartime activities substantially confirmed what Mr. Fischler had found.

Agence France-Presse/Getty Images

Reinhard Mohn built Bertelsmann into Europe's biggest media company.

Poland, Eureko settle decade-long dispute involving PZU

By Marek Strzelecki And Marynia Kruk

WARSAW—Poland and Dutch insurer **Eureko** BV have settled a nearly decade-long dispute over a botched privatization, clearing the way for a high-profile initial public offering next year and saving the country from a potential $12.1 billion payout in an international arbitration case.

Analysts consider the difficult and complex deal a major victory for Poland's ruling Civic Platform party.

"This is definitely a success and it's good that normal investment conditions are returning to Poland," said Pawel Swieboda, chief executive of DemosEuropa, a Warsaw-based think tank. "This conflict was turning investors off the country."

An element of the historic settlement are plans for an IPO of insurer Powszechny Zaklad Ubezpieczen SA, or PZU, on the Warsaw Stock Exchange sometime in the first half of 2010. It is expected to be one of the largest companies by market capitalization in Poland.

The resolution also unlocks a payout of three years of dividends totaling 12 billion zlotys ($4.14 billion) that will go to the Polish government, Eureko and the holders of PZU employee shares.

Negotiations between successive Polish administrations and Eureko had stalled until one effect of the global economic slowdown—the need for funds—brought both sides back the bargaining table.

The Treasury and Eureko will both sell stakes in PZU in an IPO likely to be held next year. Poland will pay Eureko compensation partly from its dividend proceeds and partly from the sale of a 5% stake in PZU sold in the IPO.

Berlusconi firm is ordered to pay damages to rival

By Stacy Meichtry

ROME—A Milan civil court has ordered Italian Prime Minister Silvio Berlusconi's family holding company to pay €750 million in damages to the company of a rival media mogul who decades ago lost a legal battle with Mr. Berlusconi for control of one of Italy's biggest publishers.

The ruling, which the court issued Saturday, aimed to compensate CIR, the publishing and energy conglomerate controlled by Italian media magnate Carlo De Benedetti, for a 1991 court ruling that allowed Mr. Berlusconi's holding company Fininvest SpA to take control of the Italian publisher Arnoldo Mondadori SpA away from Mr. De Benedetti.

Silvio Berlusconi

The decision comes two years after Italy's highest appeals court upheld the conviction of a Fininvest lawyer for corrupting a judge in the 1991 case.

The conviction gave new momentum to Mr. De Benedetti's civil case against Fininvest, which had begun years earlier.

In a statement issued late Saturday, Fininvest called the civil ruling "profoundly unjust," adding that it planned to appeal the decision. "Fininvest reaffirms the correctness of its conduct," the statement said.

A statement issued by CIR, Mr. De Benedetti's publishing and energy conglomerate, expressed "satisfaction with this ruling which brings justice to the company and its shareholders."

Although the civil ruling doesn't affect Mr. Berlusconi's control of Mondadori, the decision delivers a severe financial blow to Fininvest. Under Italian law, the company must immediately begin paying the damages even as Fininvest pushes for an appeal.

Mr. Berlusconi's takeover of Mondadori in 1991 gave him control of several influential national newspapers and weekly magazines. Mr. Berlusconi already owned Italy's dominant commercial TV network Mediaset SpA.

Mondadori, however, gave Mr. Berlusconi clout at newsstands across Italy, helping to pave the way for his rise to political power.

In the wake of the 1991 court decision, Mr. Berlusconi agreed to sell some Mondadori publications, including the Rome daily La Repubblica and the newsweekly L'espresso, to Mr. De Benedetti. Over the years, both publications have become fierce critics of the premier.

Mr. Berlusconi fears losing control of Mondadori.

The paper said at Friday's closing price Mondadori's market capitalization was about €850 million.

The paper adds that Fininvest, the Italian unlisted holding company that controls Mediaset and Mondadori and is controlled by the family of Mr. Berlusconi, could seek financing from the banks as it did 15 years ago should the Milan Civil court ruling become definitive.

—Sabrina Cohen in Milan contributed to this article.

CORPORATE NEWS

Putin puts pressure on Renault

French car maker is pressed to bail out state-held AvtoVAZ

By Will Bland

Associated Press

Russian Prime Minister Vladimir Putin appeared in May with an AvtoVAZ SUV. Renault bought a 25% stake in the auto maker.

MOSCOW—Russian Prime Minister Vladimir Putin said **Renault** SA's stake in OAO **AvtoVAZ** could be diluted unless the French company helps bail out the Russian auto maker.

Renault's $1 billion investment for a 25% stake last year was a landmark deal for Russia, representing the largest by a foreign company outside the energy sector. But the French car maker's efforts to streamline production have stalled, and state-controlled AvtoVAZ has struggled to pay suppliers and trim its bloated work force.

"Either they participate in the further financing of the company or we will have to negotiate with them about our relative stakes," Mr. Putin told members of the government. He said the government has already provided 25 billion rubles ($828.2 million) without diluting Renault's stake.

Mr. Putin's ultimatum to Renault Friday contrasts with the investor-friendly tone he struck at a Moscow conference earlier last week when he said Russia wants to reduce the state's role in the economy.

Mr. Putin blessed the deal early last year, giving Renault a blocking stake and the ability to appoint senior managers. Many of the Renault-appointed managers have left AvtoVAZ this year, and any dilution would see Renault forfeit its blocking stake.

"AvtoVAZ could end up being a money pit," said Warren Browne, who headed General Motors Co.'s Russian business between 2004 and 2008.

AvtoVAZ's Lada brand in 2008 accounted for a quarter of Russia's car sales, which are currently down 50% from last year. The company took the government's interest-free loan in the spring, but that cash was largely used to pay off suppliers. The company is now seeking an additional 12 billion rubles.

Deputy Prime Minister Igor Shuvalov is set to meet with foreign car executives Monday to discuss AvtoVAZ.

The vehicle maker last month disclosed plans to lay off a quarter of its 102,000 workers, as newly installed Chief Executive Igor Komarov said its main task now is to avoid bankruptcy.

Analysts say Renault had long planned to cut workers, but that AvtoVAZ's other shareholders, which include the government, were concerned about the economic fallout in the city of Togliatti on the Volga River.

AvtoVAZ's plant is one of the least efficient in the country, manufacturing eight cars an employee in 2008, compared with 28 cars an employee at Renault's Moscow factory. The deterioration of Russia's car market helped reduce the book value of Renault's stake in AvtoVAZ by €255 million ($371 million) in the first six months of the year.

A spokesperson for Renault declined to comment on whether the company would put more money into AvtoVAZ. A spokesperson for the French Industry Ministry also declined to comment.

—David Pearson in Paris contributed to this article.

GE speeds push in Indian health-care market

By Paul Beckett

NEW DELHI—**General Electric** Co. is accelerating its push into India, with Chief Executive Jeffrey Immelt on Friday unveiling a new structure that will bring all of GE's Indian health-care businesses into an existing joint venture with Indian technology giant **Wipro** Ltd.

"We want to accelerate our growth in India even more in the future," Mr. Immelt said at a press conference with Wipro Chairman Azim Premji. "India's health-care market is on the verge of substantial growth, not just in places like Delhi but throughout the country. We think this is an exceptionally good time to invest in India."

The two companies have had a joint venture to sell health-care products in India since 1990. Wipro GE Healthcare, in which GE holds 51% and Wipro 49%, already accounts for about 85% of GE Healthcare's sales in India. Added to the venture will be GE's other Indian health-care units, including GE Healthcare Life Sciences, GE Healthcare Medical Diagnostics and GE Medical Systems India.

Financial terms of what Mr. Immelt called a "simplification" of GE's Indian health-care portfolio weren't disclosed.

GE also plans to increase manufacturing of health-care products in India for both the domestic and export markets. Currently, Mr. Immelt said, about 25% of the health-care products the company sells in India are made in India; he intends for that to reach 50% to 75% within five to 10 years, he said.

The new Indian structure for the health-care business comes as Mr. Immelt pursues what he terms "reverse innovation" at the Fairfield, Conn., conglomerate. A recent article in Harvard Business Review, co-authored by Mr. Immelt, said GE is striving to change its U.S.-centric method of innovation by developing products in emerging markets such as India and China, then distributing them globally. "Success in developing countries is a prerequisite for continued vitality in developed ones," the article said.

Mr. Immelt on Friday said he expected health-care products developed in India to be exported to the rest of the world. "Some of these models and products have applicability in Europe and the U.S.," he said.

Toyota's results are dented by yen's rise, president says

By Yoshio Takahashi

Toyota Motor Corp.'s president warned that the rising yen will make it harder for the company to return to profitability.

President Akio Toyoda, speaking Friday at the Japan National Press Club, also said the company is investigating the cause of its largest safety recall in the U.S.

Mr. Toyoda said that the company would take all conceivable measures to help soften the impact of the strong yen. He added, "As we [already] have excessive production capacity, it will be hard to return to profitability…just by increasing sales volume."

His comments came a day after **Honda Motor** Co.'s president said in an interview that the yen's appreciation makes it less certain the car maker can return to profitability in the second half of its current fiscal year, as it had planned.

A strong yen makes a Japanese company's products more expensive overseas and reduces profits it earns abroad when they are translated into yen—a severe handicap to bedrocks of the Japanese economy such as auto and electronics manufacturers.

Mr. Toyoda has said that the company, which posted its first net loss in 59 years in the fiscal year ended in March, aims to return to profitability in the next fiscal year. For this fiscal year, the company expects an operating loss of 750 billion yen ($8.36 billion) based on an estimated exchange rate of 92 yen to the dollar. But the dollar slipped to an eight-month low of 88.23 yen last Monday and remained below 90 yen all last week.

The yen has been bolstered by a weakening dollar and by statements by Japan's new government that it didn't want to intervene in currency markets to bring the yen's value back down. Japanese Finance Minister Hirohisa Fujii has since qualified his statements, saying the government may act if it sees "abnormal moves."

Earlier last week, Toyota issued a safety advisory for U.S. owners of eight models sold under the Toyota and Lexus brands, after reports that accelerator pedals had become trapped under floor mats, causing vehicles to speed up even after drivers lifted their foot off the pedal.

The advisory, issued in conjunction with a similar warning by the National Highway Traffic Safety Administration in the U.S., covers about 3.8 million vehicles.

"We apologize for worrying our customers who drive Toyota and Lexus vehicles, because they are safe," Mr. Toyoda said.

GLOBAL BUSINESS BRIEFS

Électricité de France SA

Utility considers the sale of U.K. distribution unit

Électricité de France SA said it is studying options for selling its power-distribution business in the U.K. as it seeks to reduce debt. The state-controlled utility, which runs 58 nuclear reactors in France, went on a buying spree last year in an effort to lead a global revival in nuclear power. A sale of the distribution assets in the U.K. would be part of the company's plan to reduce net debt by at least €5 billion, or roughly $7 billion, by the end of next year, EDF said. The company lists the value of its regulated distribution assets in the U.K. at around €4 billion, Chief Financial Officer Daniel Camus said during a conference call Friday. The business also includes nonregulated assets.

Evening Standard Ltd.

The London Evening Standard, the newspaper sold by publisher **Daily Mail & General Trust** PLC to Russian businessman Alexander Lebedev earlier this year for one pound, or about $1.60, will be free for Londoners beginning Oct. 12 and will compete with Daily Mail's London Lite free afternoon paper. **Evening Standard** Ltd. said Friday it expects circulation to more than double to 600,000 from 250,000 a day. With a cover price of 50 pence, the Evening Standard has struggled against new free afternoon papers. **News Corp.**, which owns The Wall Street Journal, recently closed its free afternoon newspaper, the Londonpaper. The Daily Mail couldn't be reached for comment.

Burberry Group PLC

U.K. luxury fashion group **Burberry Group** PLC said a change to its apparel license with **Sanyo Shokai** Ltd. and **Mitsui** & Co. of Japan will boost its fiscal 2010 operating profit by £4 million ($6.4 million). In a short statement, Burberry said the license deal will expire June 2015, instead of 2020. It said for the year to March 31, 2010, it will receive higher royalty payments than previously planned. According to a FactSet poll of 15 analysts, Burberry is expected to post a fiscal 2010 pretax profit of between £161 million and £188 million on sales of between £1.13 billion and £1.26 billion. Burberry swung to a net loss of £6 million in fiscal 2009, ended March 31, after posting net of £135.2 million a year earlier.

Tesco PLC

U.K. retailer **Tesco** PLC started a new online clothing store that will pit it against established rivals retailers with an online presence, such as **Next** PLC, **Marks & Spencer** PLC and **Asos** PLC. The new site will add another 1,000 product lines to the current 2,500 lines currently sold. Market research company Mintel's August online fashion report predicts the market for buying clothes over the Internet will grow 26% in the U.K. this year to £4.1 billion ($6.5 billion), or to 8.8% of the total clothing and footwear market. The company forecasts this figure will rise to 11.4% by 2014. Tesco's clothing chief executive, Terry Green, told reporters that the company aims to generate 10% of clothing sales online.

—Compiled from staff and wire service reports.

ECONOMY & POLITICS

Before the fall of the Berlin Wall

In August 1989, East Germans' exodus to Austria sparked a diplomatic crisis with Bonn

The Berlin Wall appeared before dawn on Aug. 13, 1961. Using barbed wire, tanks and hundreds of troops, East Germany was aiming to stem the tide of refugees from the communist East to the democratic West, adding a more solid structure over the next few days.

Over the next quarter century, the wall embodied the division between East and West, between totalitarianism and democracy.

"The Berlin Wall was not built to prevent an invasion," wrote U.S. Defense Secretary Caspar Weinberger in The Wall Street Journal, 10 years after the wall fell. "The Soviets built it to ensure that people in lands without freedom could not ever see what they were missing."

The very appearance of the Berlin Wall reflected the two societies it divided. Seen from the West, it was colorful graffiti-covered concrete slabs about four meters high. From the other side, it was a "death strip" nearly a kilometer wide with barbed wire, armed guards and bullet-riddled buildings left standing from the war.

As we approach the 20th anniversary on Nov. 9, we will chronicle the events that precipitated the fall of the Berlin Wall as they played out in the pages of The Wall Street Journal.

Late in the summer of 1989, winds of change were sweeping

Associated Press

Crossing Over

East German Refugees Face the Reality of Life As Familiar Strangers

In West Germany, Language Is the Same, but the Rest Takes Lots of Adjustment

Finding Jobs but Not Housing

By Terence Roth And Thomas F. O'Boyle
Staff Reporters of The Wall Street Journal

FRANKFURT, West Germany — First come the cheers and joyful tears, in scenes almost as familiar as they are moving: East German refugees—tens of thousands of them in the past few weeks alone—expressing their relief after crossing into West Germany.

A wave of about 7,000 rumbled in Sunday on "freedom trains" from Poland and Czechoslovakia. And some 10,000 more were heading west last night after the East

An East German man, above, crosses the Austrian-Hungarian border on Aug. 24, 1989. At right, The Wall Street Journal, Oct. 4, 1989.

the Eastern bloc. Hungary and Poland had undertaken major democratic reforms. East Germany's relatively strong economy had allowed its leaders to hold fast but new economic troubles, such as shortages in fruits and vegetables and other commodities, were making the pressure harder to resist.

In August 1989, there was one thing East Germans desperately sought: the right to travel freely. The Berlin Wall had fostered some hair-raising escapes. "They have burrowed under the Berlin Wall or soared over it in balloons. Most sought to swim rivers or vault fences. Thousands have made it through, but dozens have been killed by border guards or exploding mines, and countless others have been caught and imprisoned," according to a Wall Street Journal article published in the summer of 1989.

A sudden exodus of East Germans to Hungary sparked a diplomatic crisis between Bonn, the capital of West Germany, and East Berlin that summer. Hungary had literally torn a hole in the Iron Curtain by dismantling its border barriers with Austria. An estimated 10,000 East Germans who were vacationing in Hungary headed westward. More than 2,000 East Germans fled to the West from Aug. 21 to Aug. 24 alone, which at the time was the largest wave of emigration since construction of the Berlin Wall began in 1961. Others sought refuge in West German embassies in Prague or Budapest.

Peter Hartmann, then the deputy director for a refugee center in Giessen, Germany, told the Journal on Aug. 14: "From the numbers and what the people are saying, all signs are that East Germany has become a social pressure cooker." Those who did reach the West faced culture shock. "The two Germanys have grown so far apart in social and economic development that this is a first step into a new world for them," Mr. Hartmann told the Journal.

Fewer options for fugitives fighting extradition

By Nathan Koppel
And Deborah Ball

As film director Roman Polanski recently learned, it is becoming harder for fugitives from the U.S. justice system to find havens elsewhere.

American crime-fighters in recent years have developed deeper ties with their counterparts abroad in the global fight against terrorism. That has yielded greater cooperation in other law-enforcement matters, including an increased willingness among the U.S. and its allies to extradite criminal suspects of all stripes, attorneys and foreign-policy experts say.

The number of fugitives delivered to the U.S. for prosecution reached a high of 579 last year—more than double the number of fugitives extradited in 2000, according to the U.S. Department of Justice, which oversees extradition requests.

But that doesn't mean Mr. Polanski will necessarily be sent back to the U.S. quickly, if at all.

Mr. Polanski, who has French and Polish citizenship, was arrested Sept. 26 at an airport in Zurich. An Oscar-winning director of such films as "Chinatown" and "The Pianist," Mr. Polanski pleaded guilty in 1977 to unlawful sexual intercourse, following accusations that he raped a 13-year-old girl. He fled the U.S. in 1978 before his sentencing, taking up residence in France, where he was born to Polish parents.

The Los Angeles County district attorney's office says it has repeatedly attempted to have Mr. Polanski arrested. French authorities have refused to extradite him to the U.S., claiming that his crime didn't fall under those covered by treaties between the countries. The filmmaker has traveled extensively in Europe, including previously to Switzerland, but he has avoided countries like the U.K. that were likely to extradite him.

Since the terrorist attacks of Sept. 11, 2001, the U.S. has created or updated many extradition treaties, including those with France, Luxembourg and Romania.

"U.S. law-enforcement authorities now have a close working relationship with a vast majority of European countries, including Monaco, Luxembourg and Liechtenstein, which were, until a few years ago, considered black holes for us," said Timothy Coleman, a partner with Dewey & LeBoeuf LLP, who has worked on both sides of extradition requests.

A spokesman for the Luxembourg Embassy said the country has always cooperated fully with U.S. authorities on prosecutions. Requests for comment from Monaco and Liechtenstein weren't returned.

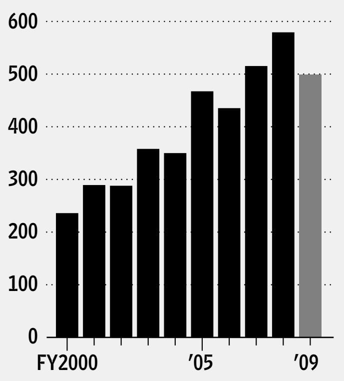
The Swiss, who signed their extradition treaty with the U.S. in 1997, tend to follow the treaty terms strictly, disregarding any political implications that may arise from their treatment of a fugitive, say lawyers in the country.

The French and Polish foreign ministries were considering a joint request to U.S. Secretary of State Hillary Clinton to forgo extradition. U.S. authorities haven't filed a formal request with Swiss authorities to extradite Mr. Polanski. While they are expected to file such a request, said a person familiar with the matter, Mrs. Clinton would have the power to quash extradition.

But that would be rare, if not unprecedented. State Department officials said they were unaware of a case where a secretary of state has declined to move forward with an extradition request that met all of the legal requirements of a treaty.

On the hunt

Federal and state fugitives extradited to the U.S.



Note: Fiscal year ends Sept. 30. 2009 data are partial year. Figures don't include fugitives deported to the U.S. under routine immigration laws and cooperation between U.S. and foreign authorities.
Source: U.S. Justice Department

The Justice and State departments declined to comment about the Polanski matter. Reid Weingarten, counsel to Mr. Polanski, didn't return a call for comment.

Fugitives and their lawyers can stave off deportation by citing numerous legal grounds, including that an American prosecution would violate their civil liberties. Such challenges may be raised in the Polanski case, as his attorneys have said the judge in the case, now deceased, acted improperly, including the possibility that he would have reneged on the agreed sentence.

"Contested extraditions can be strung out for years," says John Bellinger III, a partner at Arnold & Porter LLP, who served as the chief legal adviser to the State Department from 2005 until earlier this year. International human-rights lawyers often try to defeat extradition by portraying American prosecutions as "overreaching and bullying," Mr. Bellinger says.

Gary McKinnon, for example, a British citizen arrested in 2002 and later ordered extradited for allegedly hacking into U.S. Defense Department computers, has fought deportation for years, asserting that he suffers from Asperger's syndrome, a developmental disorder, and that his condition could be exacerbated by harsh American prison conditions. Courts have denied the challenge, but Mr. McKinnon remains in the U.K. as he continues to pursue his appeal. His attorneys didn't return requests for comment.

Mr. Polanski is waiting for a Swiss court to rule on his appeal of the arrest warrant and his request to be released while the legal proceedings unfold.

It is technically possible for a judge to release the 76-year-old Mr. Polanski on bail, given his age, Swiss lawyers say. In exchange, the director likely would be asked to give up his passport and be confined to his chalet in the ski resort of Gstaad.

Mr. Polanski, likewise, might rely on his age as a basis to be set free entirely. His attorneys "might argue that even though he had sex with a minor, going to jail for many years at his age is a punishment so disproportionate that it would offend fundamental notions of human rights," Mr. Coleman says.

—Tamara Audi contributed to this article.

Major militants accept Nigeria's amnesty program

By Benoit Faucon

Nigerian President Umaru Yar'Adua scored a victory in his campaign to pacify the restive Niger Delta, clinching in recent days a flurry of last-minute deals by militants to accept a government amnesty.

It's too early to say whether the deals will translate into lasting peace in the mangrove swamps of the Delta, the source of most of Nigeria's oil wealth. The amnesty program has been plagued with speculation the government simply doled out cash for weapons. The amnesty committee in charge of disarmament has denied that.

The amnesty deals haven't shed much light on the government's plans for longer-term development in the Delta. That has raised worries that the region's bigger problems—endemic poverty, oil-related pollution and nearly nonexistent infrastructure—will go unaddressed and breed new violence in the future.

Still, the acceptance by some of the Delta's most notorious armed leaders enabled Mr. Yar'Adua to claim progress. He announced the offer over the summer amid the most recent surge in fighting between armed gangs and government forces. This year, attacks on oil installations have reduced the nation's output to about 1.7 million barrels a day, from about 2.6 million in 2005, government figures indicate.

The amnesty offer was initially met by widespread skepticism, including from many of the oil-rich region's brash militants. But as the clock ticked closer to the amnesty's expiration over the weekend, several prominent leaders left their hideouts to accept the offer. Late Saturday, militant leader Government Ekpemupolo, nicknamed Tompolo, agreed to the deal in a meeting in the capital Abuja. He arrived back in his stronghold of Warri on Sunday aboard a presidential jet.

"Today is the greatest day for Nigeria," Tompolo told reporters as he stepped off the plane with the president's Niger Delta adviser, according to Reuters.

Also on Saturday, the Movement for the Emancipation of the Niger Delta said one of its top field commanders, Farah Dagogo, had been "ushered out by MEND" after accepting the amnesty. MEND has been at the forefront of militant activity in recent years, though its method of communicating via email to journalists has made it difficult to ascertain its real leadership.

One commander who said he operated under the orders of Mr. Dagogo said 451 weapons, including AK-47s and eight rocket launchers, had been delivered to the governor of River States, one of the Delta provinces, and Nigeria's state security service. A security official confirmed the commander's information.

Ateke Tom, head of the Niger Delta Vigilante Force, another militant group, agreed to disarm Thursday.

But underscoring the uncertain prospects of the amnesty, MEND itself said in an email to journalists over the weekend that the movement was taking on new leadership and warned, "The next phase of our campaign will commence soon."

Britain's housing market continues its recovery

Economists caution rising joblessness may thwart rebound

By Ilona Billington

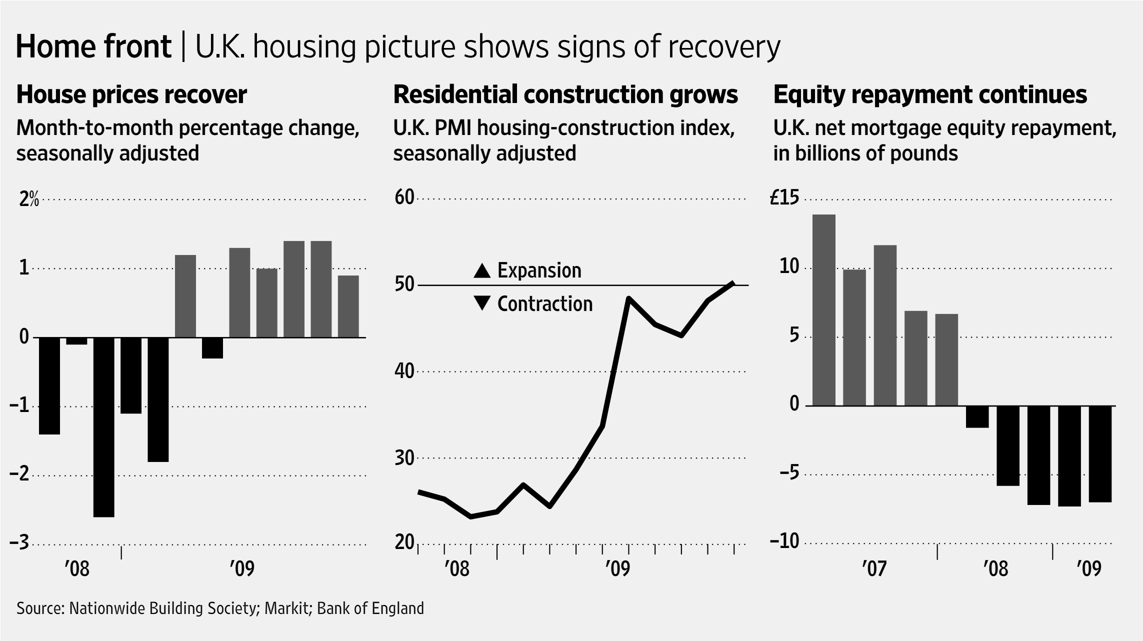
LONDON—Britain's housing market continued the recovery that began in the second quarter, a survey showed, but economists were cautious about the strength and sustainability of the rebound.

U.K. lender Nationwide said house prices rose 0.9% in September from August, the fifth straight monthly increase. For the first time in 18 months, house prices are now on par with where they were a year ago, a big improvement from the double-digit declines reported in 2008 and the early part of this year.

"The rebound in house prices is not just a reflection of low supply; housing demand also rebounded sharply," said Michael Saunders, senior U.K. economist for Citigroup. "The fuel is cheap money, provided by the Bank of England, as well as the improvement in house valuations."

The U.K. government will likely be hoping the rebound continues. In the past, rising house prices in an election year, however fleeting the increase, have typically provided support for the ruling party.

Economists signaled caution, however, saying there are likely to be some bumps in the road. Rising unemployment, an increase in interest rates and an uncertain economic recovery are expected to keep would-be home buyers in a cautious frame of mind.



And, far from repeating the double-digit monthly price increases reported in the early part of in the decade, economists say they expect the coming months' indexes to be peppered with monthly falls as well as rises that should keep the real yearly change broadly flat.

"With unemployment rising and average earnings' growth slowing, the economic backdrop will not support house-price growth," said Capital Economics property economist Seema Shah. "Even if the economic recovery turns out to be stronger than we expect, interest rates would be likely to rise—an outcome that also does not look promising for house prices."

Rising unemployment is set to continue weakening consumer confidence, economists say, while rising interest rates—the central bank is expected to begin raising rates around the second quarter of 2010—could halt any recovery in house prices.

Other data out Friday further indicate risks to house prices. While confidence in the U.K.'s construction sector remained high in September, according to a survey of purchasing managers in the industry, job shedding in the construction sector continued at the fastest rate since June. Meanwhile, house building rose for the first time in 22 months, the Chartered Institute of Purchasing and Supply and Markit said.

The Bank of England also published housing-market data Friday showing that homeowners are no longer using their housing wealth to fund spending in shops. Instead, at a time when savings rates are at low levels, they are using any additional funds to repay their mortgage borrowing, which led to the fifth straight quarter of a net cash injection into mortgage debt.

U.K. homeowners injected a net £7 billion ($11.1 billion) of equity back into their homes in the second quarter of 2009.

—Nicholas Winning in London contributed to this article.

Marketplace

Budget fashion

Viktor & Rolf exhibit 'Credit Crunch Couture' in Paris > **Page 29**