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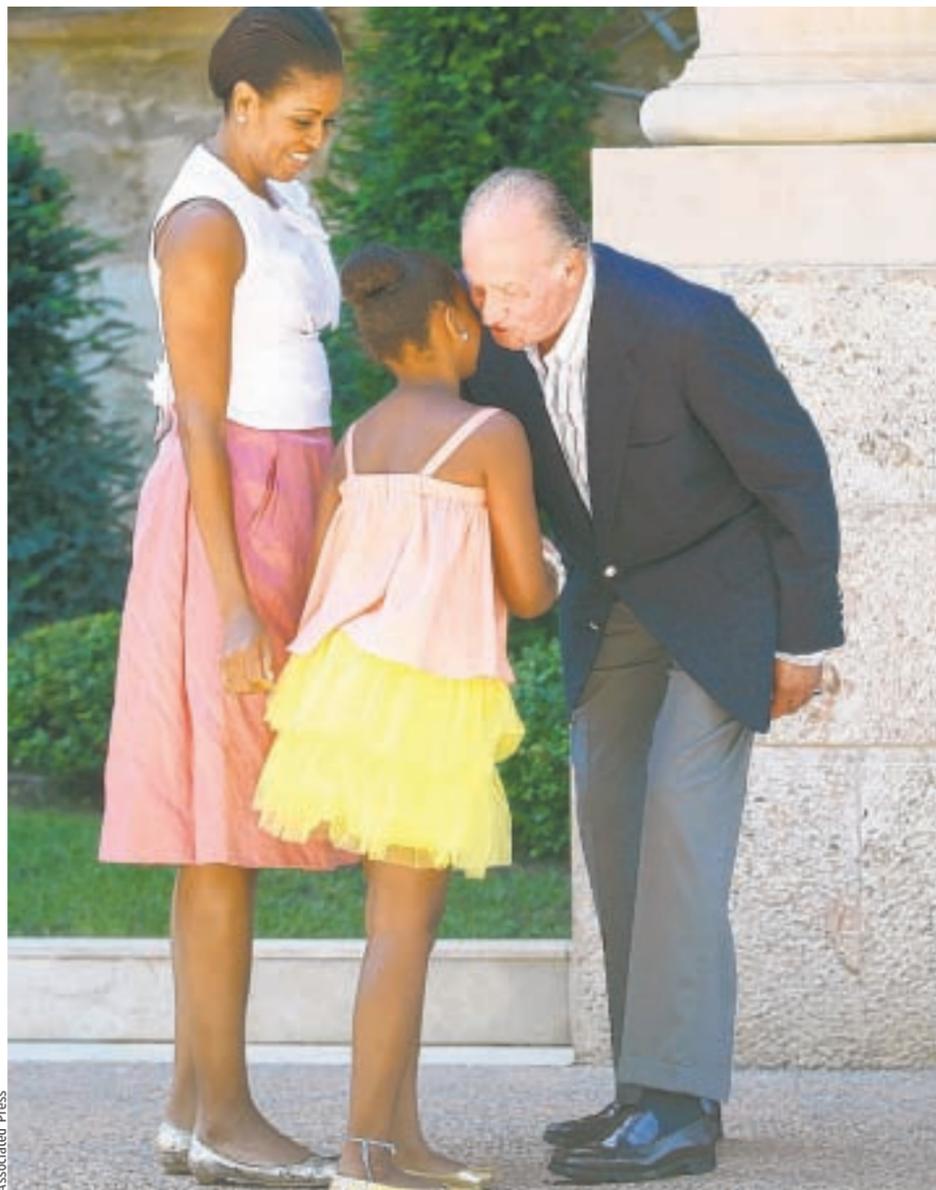
EUROPE

Monday, August 9, 2010

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A royal finale to Michelle Obama's Spain trip



Spain's King Juan Carlos welcomes the U.S. first lady, Michelle Obama, and her daughter Sasha as they arrive at the Marivent palace in Mallorca—the Spanish royals' holiday retreat. Mrs. Obama and Sasha had lunch with the royal family, capping a five-day private visit to Spain.

U.S. in talks to sell Saudis 84 fighter jets

By ADAM ENTOUS

WASHINGTON — The Obama administration plans to sell advanced F-15 fighter jets to Saudi Arabia but won't equip them with long-range weapons systems and other arms whose inclusion was strongly opposed by Israel, diplomats and officials said.

The proposed \$30 billion, 10-year arms package, which would be one of the biggest single deals of its kind, has been a source of behind-the-scenes tension during months of negotiations. Israeli officials have repeatedly conveyed their concerns in private that the U.S. risks undermining its military advantage by equipping regional rivals with top-flight technologies.

U.S. officials say they provided "clarifications" in recent weeks about the deal to help damp Israel's qualms. Two officials close to the negotiations said Israel still had some

reservations, but that the country isn't expected to challenge the sale in Congress, which can hold up the deal or push for assurances of its own. The administration is expected to notify Congress of its plans as early as next month.

The information-sharing with Israel is part of a long-standing commitment by successive U.S. administrations to keep the key ally apprised of moves that could affect its military edge in the region.

The tussle is a window into the White House's delicate balancing act in the Middle East. The administration has championed advanced weapons sales to Gulf states as a way to check Iranian power. In addition to Saudi Arabia, the U.S. has moved to sell arms to the United Arab Emirates and other Gulf states, as well as support on a smaller scale the Lebanese army and Palestinian security forces in the West Bank.

But the scope and size of the Saudi deal has unnerved Israel and its allies in Congress at a time when U.S.-Israeli relations are particularly unsteady.

Under the proposed sale, the 84 Boeing Co. F-15s for Saudi Arabia will have on-board targeting systems similar to those offered to other foreign governments, officials say. They aren't as technologically advanced as F-15s flown by the U.S. military.

More critically for Israel, an official in the region said, was the Obama administration's decision to not offer Saudi Arabia certain weapons components. Top among them: so-called standoff systems, which are advanced long-range weapons that can be attached to F-15s for use in offensive operations against land- and sea-based targets.

After a round of talks in Washington late last month between Defense Minister

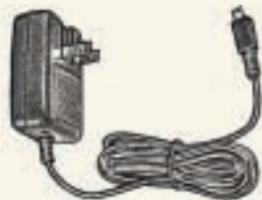
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The Quirk



Good thing hotels don't charge for left-behind chargers. Page 29

World Watch

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

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Soaring prices entice farmers to plant wheat

Wheat farmers in the U.S. and elsewhere are weighing whether to plant more of the grain to take advantage of rising prices sparked by Russia's crippling drought and its ban on wheat exports.

Worries about a shortage of wheat have sent grain prices soaring, threatening a potentially damaging bout of food inflation. But if enough U.S. and European farmers decide to plant additional wheat to take advantage of that threat, the balance could quickly tip to a glut.

"A titanic 2011 U.S. acreage battle is brewing," said Rich Feltes, senior vice president for research at MF Global, a commodities brokerage.

The government in Egypt, the world's No. 1 importer, said the recent spike could cost it an additional 4 billion Egyptian pounds, or about \$705 million. Cairo also moved to secure other supplies after Russia imposed an export ban, buying 240,000 tons from France on Saturday.

The coming weeks will also determine whether Russia's drought cuts into the planting season for next year's crop. Global stockpiles are high, which could mean the current concerns will soon dissipate. But even as it noted those stocks, the United Nations Food and Agriculture Organization last week said that if the Russian planting

season faced problems, that could have "potentially serious implications for world wheat supplies."

Planting more wheat could mean planting less of other crops, particularly corn.

Russia is facing discontent over its handling of the disaster and in Malaysia and Thailand, there are already rumblings over food prices. In Thailand, many consumers have been complaining about an unexpected spike in the price of sugar after the country ran low on supplies and had to import the commodity for the first time in 30 years.

■ Farmers need to decide soon how much to plant 4



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PAGE TWO

Everything is fine with Greece, just as long as we all ignore some facts

[Agenda]

By IRWIN STELZER



So it's all right, then. The agencies monitoring Greece's ability to meet the austerity targets set for it by the European Commission, the European Central Bank, and the International Monetary Fund are sufficiently satisfied with its progress to recommend release of the €9 billion (\$11.95 billion) that is the next tranche of the €110 billion bailout package agreed by the eurocracy and the IMF. Of course, to reach that conclusion, the only one available to those with a political stake in the durability of the euro, the authorities had to ignore a few nasty facts.

Most important, Greece has to rely on the bailout fund because the markets do not deem it sufficiently credit-worthy to be allowed to borrow at tolerable rates. The market has higher standards than the EC, IMF and ECB, and no political reason to show any tolerance. "We don't expect any return to the markets very soon," says Poul Thomsen, the IMF's Greece mission chief. The alternatives remain continued bailouts, or rescheduling or restructuring, to use oft-preferred euphemisms for default.

Little wonder, given some of the facts the monitors chose to downplay. Regional and local governments and entities continue to spend money they don't have. Tax evasion by high earners continues, the authorities so far being unable to get their collection procedures in order, or to cope with threats of tax flight. High-income ship owners, who flaunted their wealth at their champagne-sodden semi-annual "Posidonia" bash, are prepared to suffer exile in the south of France



The Greek government could bow to an angry public.

if the government tries to force them to pay tax bills. Or even endure the less agreeable climate of London.

Not that the rich have been untouched by their nation's problems: PropertyWire.com reports that the price of a 4,800-square foot house in the swanky Ekali suburb of Athens has been cut in half, to €2 million, a decline helped along by a proposed increase in property taxes.

Fortunately for Greece, in the bargaining between the bailed and the bailers, it has the upper hand.

Then there are the banks. Their capital is declining and their bad loans rising, both trends that will accelerate as the economy contracts by a predicted 4% this year. And if the summer tourist season is as poor as many expect—television pictures of riots in Athens and terrorist threats are redirecting those seeking a bit of relaxation in the sun to Spain and Turkey—the

projection of a 4% decline might prove to be an understatement: tourism has traditionally accounted for 15% of Greek GDP. Finally, the overall euro-zone economic recovery, powered by Germany's exports, might well bypass Greece, which has little to sell to increasingly affluent Germans.

If the German taxpayer wearies of financing the Greek bailout, default will become inevitable. Such weariness might set in if what Federico Sturzenegger and Jeromin Zettelmeyer (professor at the Universidad Torcuato di Tella in Buenos Aires, and Director for Policy Studies at the European Bank for Reconstruction and Development, respectively) call "skeletons" are exhumed. In their comprehensive study, "Debt Defaults and Lessons From a Decade of Crises," the authors note that such skeletons—explicit debt that might not be on the government books, such as pension obligations or guarantees to specific constituencies—"have a habit of showing up in crisis times."

Still, there is reason for some optimism. As Messrs. Sturzenegger and Zettelmeyer

note, "crises operate as catalysts for reform." If that holds true for Greece, the government just might not let this crisis go to waste, and put its fiscal house in order.

But the magnitude of the task is daunting. Austerity will take about 10% out of GDP, with all that means for jobs. And still leave Greece with unmanageable debt levels and interest obligations.

Fortunately for Greece, in the bargaining between the bailed and the bailers, it has the upper hand. The cost to Greece of default is relatively trivial compared to the cost to its creditors, mostly European banks unready to take large write-downs. And the political cost of having been unable to forestall default by one of its tiniest members is unacceptable to the eurocracy. Not to mention the effect on the ability of other Club Med nations to continue recent progress in tapping international debt markets.

So the Greek government just might decide, if necessary, to bow to an angry public and renege on promises of austerity, passing the cost of its past profligacy on to German and other euroland taxpayers, or to its creditors. Some 95% of Greek debt was issued in Greece, and is subject to sovereign immunity laws, which reduce the options available to unhappy creditors lining up for their haircuts.

Don't think that Greece's politicians are unaware of their powerful position vis-a-vis both their euro-zone colleagues and any creditors who feel unhappy with the deal they will be offered in lieu of full repayment. It would be understandable if they decide that unhappy euro-zone taxpayers or short-changed creditors are lesser evils than angry Greek voters.

—Irwin Stelzer is a director of economic-policy studies at the Hudson Institute.

What's News

■ **Investors have begun** to wonder which version of August the stock market has in store for them: the usually benign month of thin trading, or its evil twin. U.S. stocks tend to drift higher in August, but if they fall, the decline can be a doozy. 17

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"The real point may be that 'compassion' for someone with a life sentence is just misplaced."

Charles Hoffman, responding to the article "Lockerbie Release Is Flawed"



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NEWS

Russian spy wants his old life back

Veteran agent sent home in swap with U.S. pleads for return of false identity and reunion with 17-year-old son

BY RICHARD BOUDREAU

MOSCOW—He operated under cover with a single false name on two continents for 34 years, through part of the Cold War and beyond. He served spymasters in Moscow who reward such steel-jawed endurance with quiet adulation.

In Peru he was Juan Lazaro the karate black belt, the news photographer, the guy who married the star TV reporter. After the couple moved to New York, he became Juan Lazaro Ph.D. and adjunct professor of political science. At home in suburban Yonkers, he was the doting father of Juan Lazaro Jr., a talented young pianist.

No one suspected until he was arrested by the Federal Bureau of Investigation, unmasked as Mikhail Vasenkov and sent home in the much-publicized U.S.-Russia spy swap a month ago.

Prime Minister Vladimir Putin feted the 10 deported agents, including femme fatale Anna Chapman, led them in patriotic Soviet songs and promised them decent jobs and a "bright life" in the motherland.

But the senior spy among them says no thanks. In a plot twist rare in the annals of espionage, he wants his Juan Lazaro fake identity back.

There's only one problem. The real Juan Lazaro died 63 years ago in Uruguay at age 3, a relative says. The spy used the dead toddler's birth certificate to build a persona.

'He ceased being Russian, it seems, and began thinking of himself as Juan Lazaro.'
—Boris Volodarsky, a former Soviet intelligence officer

From a Moscow apartment where Russia's government has him lodged out of public view, the veteran agent has sent word that he and his wife, deported together in the spy swap and separated from their 17-year-old son, want to use their Peruvian passports to return to Peru in the coming weeks and rebuild their lives as the Lazaros.

"He doesn't want to stay in Russia," says his American lawyer, Genesis Peduto, who talks to him on the phone.

"He says he's Juan Lazaro and he's not from Russia and doesn't speak Russian. He wants to be where his wife is going, to her native country, where it will be easier for Juan Jr. to visit" from New York. "His family comes first."

Ms. Peduto says she has no knowledge of the dead Juan Lazaro and won't comment. Her client declines to be interviewed. Russia's Foreign Intelligence Service refuses to comment on any of the 10 deported agents.

The spy ring puzzled Americans and tested U.S.-Russia relations. It was an odd group: They included four couples with children living suburban lives while secretly sending radiograms, exchanging bags of cash in "brush passes" and delivering messages in invisible ink.

They seemed to be looking in hidden places for data that were largely available on the Internet. Watched for a decade by the FBI,

they managed to obtain no classified data, U.S. officials say.

The Juan Lazaro story is a peculiar footnote. The spy's early life remains a mystery. But his paper trail through Spain, Uruguay, Peru and New York offers a glimpse into the world of Moscow's "illegals," or deep-cover agents, and its Hispanic pipeline to America. In that realm of forgery, identity theft and deception within families, it remains unclear whether the spy's wife and collaborator, Vicky Pelaez, even knew of his other name.

Soviet and Russian deep-cover agents have spent years at a time in the U.S. since early in the Cold War, operating without diplomatic cover or immunity from prosecution. Many lived in Peru during the country's rule by Moscow-friendly military officers in the 1970s, building fake identities before infiltrating the U.S., former KGB officials say.

Successful illegals return to waiting families, Kremlin rewards and prior Russian identities. The Lazaro case appears to be that of a loyal but ineffectual agent who operated so long under cover that he became his fictional self—a make-believe Latino who went native.

"He ceased being Russian, it seems, and began thinking of himself as Juan Lazaro," says Boris Volodarsky, a former Soviet intelligence officer who works in London as an independent analyst.

The persona took shape on March 13, 1976, as a man with a droopy mustache flew from Madrid to Lima, Peru, on a Uruguayan passport in the name of Juan Jose Lazaro Fuentes.

He bore a letter on a Spanish tobacco company's stationery saying he had been hired for a market survey in Peru, according to a file kept by the Peruvian Interior Ministry on his citizenship application.

Two years later, he submitted copies of the passport and a 1943 Uruguayan birth certificate with a letter asking Peru's military dictator to make him a citizen of "the most humanist country" in Latin America. The letter, short on detail, said he lived in Uruguay until age 7, then left to study and work in Spain.

Mr. Lazaro spoke Spanish with a Slavic accent but "never talked about his past," recalls Delfina Prieto, a journalist who worked with him in Peru. After a cursory background check, Peru gave him citizenship in 1979.

In 1983, he married Ms. Pelaez. Two years later they moved to New York with her son from a previous relationship. She became a columnist for *El Diario*, New York's Spanish-language daily, got U.S. citizenship and gave birth to Juan Jr. At home they spoke Spanish. Juan Sr., a legal U.S. resident, earned a doctorate in political science at the New School.

"I didn't detect anything odd," says Thomas Halper, who hired him to teach at Baruch College, of the City University of New York. "His preoccupation was with his son. He seemed so dedicated to his son, so proud of him."

His story unraveled after the couple's June 27 arrest.

The FBI reported a bugged conversation in the Lazaros' Yonkers home in which Mr. Lazaro said his family moved to Siberia about the time he was born.

The FBI alleged that the couple



Associated Press (left); Carlos Saavedra Sorla (right)



Mikhail Vasenkov a.k.a. Juan Lazaro. Right, Mr. Lazaro, in striped shirt, poses with Peru's president in 1981.

The mysterious life of Juan Lazaro



Peruvian citizenship application photo

1 MONTEVIDEO, URUGUAY

Sept. 6, 1943
Juan Lazaro Fuentes is born.*

2 SIBERIA

Early 1940s
"We moved to Siberia ... as soon as the war started."**

3 SPAIN

1950s-early 1970s
Mr. Lazaro says he studied and worked here. His only confirmed presence was in early 1976.

4 PERU

March 13, 1976
Mr. Lazaro moves to Lima, Peru, where he finds work as a photographer. Three years later he obtains Peruvian citizenship.

Dec. 3, 1983

Mr. Lazaro marries Peruvian journalist Vicky Pelaez. ▶

5 NEW YORK

1985
Mr. Lazaro and Ms. Pelaez move to New York with her grown son. Later she gives birth to Mr. Lazaro's son.

June-July 2010

Mr. Lazaro, Ms. Pelaez and eight others are arrested on spying charges, plead guilty and are deported to Moscow. Mr. Lazaro says in court his true name is Mikhail Vasenkov.

*His half-sister says he died at age 3. The spy used the dead boy's birth certificate to obtain Uruguayan and Peruvian identity papers.

**Lazaro's recollection of his childhood was captured during FBI surveillance of a 2002 conversation with his wife in the couple's home and presented as evidence that the spy grew up in Russia during World War II; Lazaro photo credit: Interior Ministry of Peru

traveled from New York to South America several times over the past decade to receive cash from Russian operatives and deliver messages, although it recorded Mr. Lazaro complaining, "They say my information is of no value."

He, his wife and the eight others pleaded guilty as part of the spy-swap deal. Defense lawyers say he gave the name Russian officials told him to give—Vasenkov—reading it in court from notes.

And who is Vasenkov? Former KGB officials say that name may be no more genuine than Lazaro is. A search of Russian directories and websites turns up no Vasenkov fitting the profile.

"The guy may have had several names," says Oleg Kalugin, a former general who once ran KGB operations in the U.S.

Whatever his real name, the spy apparently forged that tobacco company assignment letter. Altadis SA, the company's current owner in

Madrid, says it found no record of a Juan Lazaro in its files.

The spy left one trace of his Lazaro identity in Spain: a brief stay on a three-month visa in early 1976 on his way to Peru, according to stamps in his Uruguayan passport.

Peru is investigating whether he committed fraud to obtain citizenship. Uruguayan officials aiding the probe say anyone with knowledge of the real Juan Lazaro's identity could have appropriated his birth record.

That's apparently what happened in this case. In Uruguay, Elida Panizza Fuentes told the *Journal* that Juan Lazaro was her half-brother. She says he died of respiratory failure in 1947.

Eva Irene Fuentes is listed as the child's mother on the birth certificate used by the spy. A widow, she remarried and gave birth to Ms. Panizza in 1948. Before her death, the mother told Ms. Panizza the story of the sickly boy the family remembered as "Juancito."

"She couldn't help crying whenever she spoke of the child," Ms. Panizza says. She says it saddened her to learn a spy had taken his identity. "How could they do something like that?"

Ms. Pelaez asked her own pointed question. She confronted her husband in a holding cell as they awaited deportation and, according to two lawyers present, demanded: "What's your name? Your real name?"

Carlos Moreno, her lawyer, says her husband laughed and replied, "My name is Juan Lazaro."

The lawyer said the two are standing by each other and the Lazaro name. He added: "My guess is she didn't know him as anyone else."

—Robert Kozak and Sophie Kevany in Lima, Peru; Santiago Perez in Madrid; Diego Fischer in Montevideo, Uruguay; and Jonnelle Marte in Yonkers, New York, contributed to this article.

EUROPE NEWS

Unchecked fires prompt anger among Russians

By RICHARD BOUDREAUX

LUKHOVITSY, Russia—As forest fires continued to rage near Moscow, the mayor of this front-line town trudged through a blackened peat bog Sunday to oversee volunteer fire fighters. “The blaze is under control,” Mayor Sergei Stolyarov declared.

But the townspeople’s anger is not.

Here, as in other regions overcome by wildfires and choking smog, Russian officials at all levels are facing an outcry over their handling of a mounting environmental disaster. They say the government was ill prepared and equipped to fight the fires, responded too late and is poorly organized to mobilize volunteers who want to help.

President Dmitry Medvedev, Prime Minister Vladimir Putin and Moscow Mayor Yuri Luzhkov have all come under withering criticism. Mr. Luzhkov, whose spokesman had denied Friday that the city was in crisis, decided over the weekend to return from a midsummer break, other aides said.

In Lukhovitsy, a logging and industrial town southeast of Moscow, people say they fought the flames spreading from the peat bog for days with no outside assistance.

“We survived only because the wind shifted,” said Olga Kubysheva, who lives amid the pines on the edge of town and fears the authorities can’t protect her if the fast-spreading flames return. “The fire is still in our forest, and the forest is our yard. We are frightened.”

Russia’s emergencies ministry reported more than 800 fires across the country Sunday, many of them out of control. The fires have killed 52 people since late July, left more than 4,000 others homeless and burned 1.8 million acres of land, the government said.

Those numbers aren’t extraordinary by Russian standards. But prolonged, record-breaking heat in western Russia has sparked an unusual number of fires near cities, including 49 that were reported Sunday in the Moscow region, overwhelming millions of people with a thick gray haze.

Smog blanketing the capital Friday and Saturday sent the concentration of airborne pollutants to a level 6.6 times higher than the acceptable norm, according to Moscow’s air pollution monitoring ser-

vice. That figure dropped to 3.1 Sunday, but low visibility at Moscow airports caused delays or diversions of dozens of flights.

Red-eyed and irritated, 70 Moscow volunteers showed up Sunday to help out in Lukhovitsy, whose burning forests and peat bogs have fed the capital’s smog.

“It’s our country, and we can smell that our country is burning,” said Andrei Kolesnik, a 28-year-old economics instructor at a Moscow university who joined the group.

Russian officials have acknowledged that the 10,000 professional fire fighters battling the blazes aren’t enough. But Mr. Kolesnik and others in the group complained that the government has no organized system for mobilizing volunteers. He said he spent two days calling the emergency ministry and other government agencies before someone referred him to Nashi, a youth group of the ruling United Russia party, which put together Sunday’s trip.

Nor is the state equipped to fight fires, according to other volunteers who have been to the forests in recent days. They report that access roads to the forests are often blocked or in poor repair, that reservoirs for refilling their tanks are dangerously low, and that fire hoses often leak.

Critics of the government also fault a revised forest code, which Mr. Putin pushed through parliament four years ago, for crippling the fire-fighting effort. This disbanded a centralized system of 70,000 forest wardens, who used to patrol the woods and spot fire hazards. Fire-fighting responsibility passed to regional governments and logging firms that lease the forests.

Ms. Kubysheva, the resident, said the number of wardens in the extensive forests around Lukhovitsy had since dwindled from several dozens to just four people. “The forest has no owner,” she said, standing in front of her home at 1 Forest Road. “We are practically unprotected.”

In a blog posting that drew nationwide attention, a villager from the Tver region complained to Mr. Putin about the state’s fire-fighting inadequacies. In Soviet times, he wrote, “there were three fire ponds in the village, a bell that tolled when a fire began, and—guess what?—a fire truck.”

Mr. Putin, showing openness to criticism, wrote a public reply promising the village a bell.



Laurie Sisk for the Wall Street Journal

Kansas farmer Gary Millershaski, left, might increase his wheat production in light of Russia’s drought and export ban.

Decision time looms for wheat farmers

Wheat farmers in the U.S. and elsewhere are weighing whether to plant more wheat to take advantage of rising prices sparked by Russia’s crippling drought and its ban on exports of the grain.

By Liam Plevin, Nour Malas
And Patrick Barta

Russia’s drought and wheat-export ban comes at a crucial time for the world’s food supply. Farmers in the U.S. and Europe face a rapidly closing window to decide how much wheat to plant for next year’s crop. The future of Russia’s 2011 crop also hangs on the next few weeks, when farmers need vital rain to fall in order for their new plantings to take hold.

The weather and decisions made by farmers throughout the world will have ramifications for the price of wheat and many other commodities. Worries about a shortage of wheat have already sent grain prices soaring, threatening a potentially damaging bout of food inflation. But if U.S. and European farmers all decide to plant added wheat to take advantage of that threat, the balance could quickly tip to a glut, driving prices down and hurting rural economies.

The government in Egypt, the world’s No. 1 importer, said the recent spike could cost it an additional four billion Egyptian pounds, or about \$705 million. Cairo also moved to secure other supplies after Russia imposed an export ban, buying 240,000 tons from France on Saturday.

Indonesia, Thailand and other nations are already facing higher costs for various food items, including sugar and pork, heightening concerns about a return of the civil unrest that accompanied rising food costs in 2008. Inflation in Indonesia hit 6.2% in July, the highest since April 2009, in part due to food prices.

Much depends on decisions made by farmers like Gary Millershaski,

who has a 6,000-acre farm in southwestern Kansas, typically the top-producing state in the U.S., the world’s largest wheat exporter.

“I’m an opportunist,” says Mr. Millershaski, who is deciding whether to ratchet up wheat production. He estimates he could generate almost 1,000 extra bushels by planting land he had planned to keep fallow, which could generate thousands of dollars in extra income.

Similar calculations are being made around the state, the country and the world. Dean Stoskopf, another Kansas farmer, in Hoisington, estimated that about 10% more acres will be planted with wheat in the state than last year.

The coming weeks will also determine whether Russia’s drought cuts into the planting season for next year’s crop. Current global stockpiles are high, which could mean the current concerns will soon dissipate. But even as it noted those stocks, the U.N. Food and Agriculture Organization last week said that if the Russian planting season faced problems, that could have “potentially serious implications for world wheat supplies.”

Seeds in the Black Sea region that includes Russia and Ukraine need at least an inch or two of rain in this period, in order to put down strong roots, said David Streit, founder of Commodity Weather Group in Bethesda, Md.

But there’s little rain in the near-term forecast, and the region needs the moisture by Sept. 15 to Oct. 15, depending upon the location, Mr. Streit said. “If you’re playing the odds, you’ve got a tough uphill struggle,” he said.

The high stakes in the coming weeks show how thin the margin for error is in the global food supply. The appetites of many nations are growing, and they rely on international trade to satiate it.

The world got a taste of the consequences with the 2008 food riots, and many governments took steps to increase stockpiles and increase

production as a result. Today’s wheat-market seizure could mark the start of a major test of those fixes.

Russia is facing discontent over its handling of the disaster, and in Malaysia and Thailand there are already rumblings over food prices. In Thailand, many consumers have been complaining about an unexpected spike in the price of sugar after the country ran low on supplies and had to import the commodity for the first time in 30 years.

“Prices of food are higher in every category” since the beginning of this year, says Porntip Uthaichan, a 30-year-old coffee vendor in Bangkok. The cost of sugar, which she uses in the coffee she sells, has shot up about 45% to roughly 29 baht (91 U.S. cents) per kilogram this year, she says, while the pork she buys is about 20% more expensive than earlier this year.

The Muslim holy month of Ramadan is also set to begin this week, a time of daily fasting and feasting when families increase their normal food purchases by upwards of 25%. That could increase pressure on governments to check price hikes. The oil-rich Gulf countries import an estimated 85% to 90% of all basic food goods, while the wider Arab world is only able to produce around 50% of its demand for cereals such as wheat and barley, according to a recent report by the Arab Organization for Agricultural Development.

But a widely embraced move to plant more acres of wheat could also backfire for farmers and consumers, with consequences that could reverberate through the food chain. Planting more wheat could mean planting less of other crops, particularly corn, making that more expensive for corn-importing nations, including China.

“A titanic 2011 U.S. acreage battle is brewing,” said Rich Feltes, senior vice president for research at MF Global, a commodities brokerage.



European Pressphoto Agency

A local resident walks in the village of Laskovo, southeast of Moscow, Sunday.

EUROPE NEWS

Turkey, military agree on command

By ERKAN ÖZ

ISTANBUL—Turkey's Prime Minister Recep Tayyip Erdogan said Sunday his government reached an agreement with the country's military on appointment of its two top commanders, a move that would end a potentially destabilizing standoff between the country's civilian and military authorities.

Mr. Erdogan didn't name the candidates. But he told reporters after a political rally in the central Turkish town of Afyon that a decree appointing a new chief of the general staff and land-forces commander for Turkey's military would be brought to him and to President Abdullah Gül for their approval later Sunday.

"We have largely completed our agreement," Mr. Erdogan said, according to Anadolu Ajansi, Turkey's state news agency.

A deal would end the worrying impasse, because Mr. Erdogan, who heads an Islamic-leaning government deeply at odds with Turkey's secularist officer corps, last week refused to endorse the military's candidate for the land-forces command after a four-day meeting of the country's Supreme Military Council, or YAS.

According to Turkey's military tradition, the 1st Army commander Gen. Hasan Igsiz was the automatic candidate to be the next land-forces commander. The government, however, objected to his candidacy. Gen. Igsiz was called during the YAS

meeting to testify in an inquiry into an alleged plot to discredit Mr. Erdogan's ruling Justice and Development Party on the Internet.

The plot is one of several that have implicated dozens of serving and retired generals in alleged attempts to topple the government. Turkey's military has conducted or encouraged four coups d'etat since 1960, and the current cases have split the nation. Critics of the government charge that the cases are largely fabricated and aim to weaken powerful institutions that oppose Ankara. The government has denied repeatedly those accusations.

Whether or not the cases are justified, they have severely undermined the political strength of Turkey's once all-powerful military. The

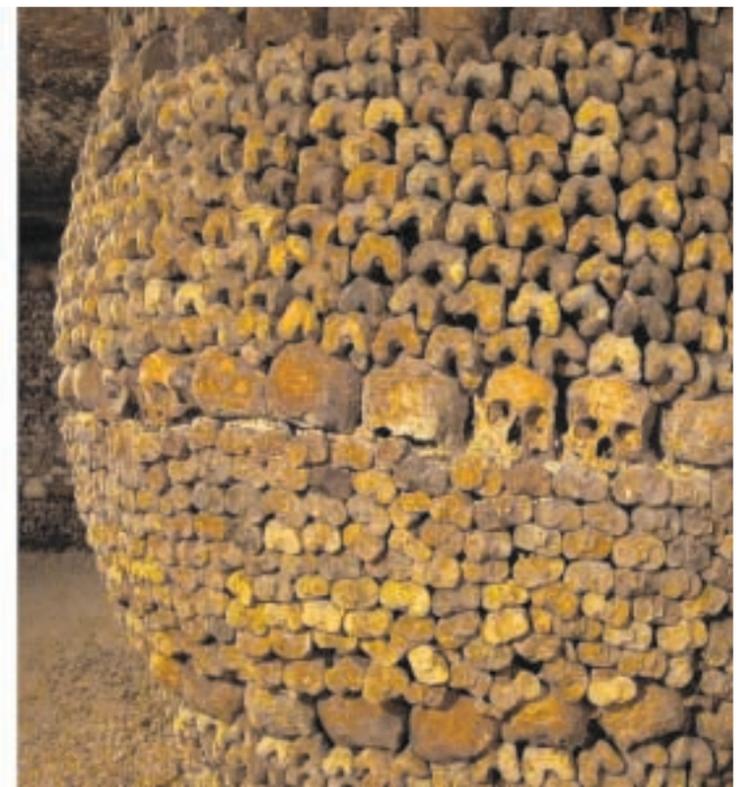
rejection of Gen. Igsiz was widely portrayed by Turkish media as a victory for the government, demonstrating the ability of the civilian executive to impose its will.

At the YAS meeting, the government also blocked the promotions of 11 other generals and admirals awaiting trial for an alleged coup plot known as Sledgehammer, putting their careers on hold for at least a year.

As a result of Gen. Igsiz's rejection, a decision was delayed on whether to appoint current land-forces head Gen. Isik Kosaner to succeed Gen. Ilker Basbug as the next chief of the general staff. Gen. Kosaner traditionally would get the chief of general staff job and remains the expected candidate.



Gen. Hasan Igsiz, left, and Prime Minister Recep Tayyip Erdogan, center, in Ankara, Sunday.



Agence France-Presse/Getty Images (2)

Police officers look at a painted wall in the 'Galerie des promos,' part of Paris's catacombs, left, which also include the better-known columns made up of human skulls and bones.

Parisians find playground under the streets

By DON DUNCAN

PARIS—While many Parisians go out on the town on Saturday evenings, a small but growing number go under it.

Beneath Paris lies a network of some 250 kilometers of tunnels known as "the catacombs"—an underground labyrinth that serves as the weekend playground for bands of urban explorers. One recent Saturday, several dozen "cataphiles," as these explorers are known, climbed down an embankment in south Paris to a unused railroad track. After a short walk, they disappear into a hole in the side of a railway tunnel to the catacombs, 20 meters below.

"The environment never changes down here," says Riff, 44, a catacombs veteran of 22 years who won't give his full name because he likes to explore areas off-limits to the public. "Many people come here, I think, because it gives them a milieu in which they can always know what will happen. It's constant."

The catacombs started as underground quarries to extract limestone for construction in the 12th century, when the city covered just about 618 acres. But by the late 1700s, Paris had expanded over the quar-

ries, triggering a series of catastrophic land collapses that killed dozens.

In response, the government built an array of underground walls to prop up the land surface. Most reinforcing walls were constructed under the street-side of buildings, meaning that in most areas, the underground passages mirror the Parisian street patterns at the time of reinforcement. Workers engraved the names of the streets above ground on the passages below, says historian Gilles Thomas.

"It's like Paris in the 17th century," says Bacchus, a 46-year-old cataphile. "This is a chance to know its underground carbon copy."

Some of the cavities were used to hold human bones from Paris' overflowing graveyards. They were named the catacombs in a nod to ancient Rome's underground cemeteries.

The underground sections with the bone remains can be visited via a museum, which guides visitors through well-lit passages. But the nighttime revelers—said to include people from executives to students and artists—prefer to explore the off-limits areas. There, corridors are about a half-meter wide, sometimes

too low for an adult to stand up, and sometimes knee-deep with water. Punctuating the tunnels are caves and rooms that some cataphiles have decked out with stone benches for their purposes—partying or cultural pursuits.

Gilles Cypres, 35, paints murals in the catacombs. Recently, he unveiled his third such mural, to 20 friends who popped champagne and munched on crêpes as they stared at a two-meter-tall, phantasmagoric dream scene with wide rural vistas and folkloric creatures.

The painting took over a year to finish, he says. "There are lots of complications and technical difficulties. For me it is a challenge and if I am capable of doing this down here then I am capable of drawing or painting anything," he adds.

The police, who are relatively tolerant of the cataphiles, don't block entrances used to access the tunnels; in the past this has led to manhole covers being opened in the street, endangering the public. But the police do fine people up to about €30 (\$40) when they catch them below the surface.

"We have met boys in flip-flops, girls in heels and miniskirts," says commandant brigadier Sylvie Gau-

tron, 39, of the Compagnie Spécialisée d'Intervention, the police unit charged with monitoring the catacombs.

She said its number of rescue missions has tripled in the past two years. "They have often a tiny light that might last three hours. Most times, we find people lost in complete darkness."

Maps used to be guarded by catacomb initiates, and were hard to come by for aspiring cataphiles, but advances in technology helped the distribution of blueprints. The first photocopied maps began to circulate in the 1980s. In the past 10 years, the Internet has created an explosion in casual visitors—or "tourists," as the old-school cataphiles call them.

"It's been a month that I've been coming here," says Vincent Delate, 14, who downloaded a map from a catacombs website and found his way to the "Castle Room" with a friend. "I know it already by heart," he said, sitting in the candlelight.

The catacombs feature reminders of historic events that unfolded above ground. The secular republican fervor of the French Revolution led, in 1793, to the banning from all public signs of the fleur de lis, the

symbol of the toppled French monarchy. But it can still be seen on some signs in the catacombs, though scratched out by hand.

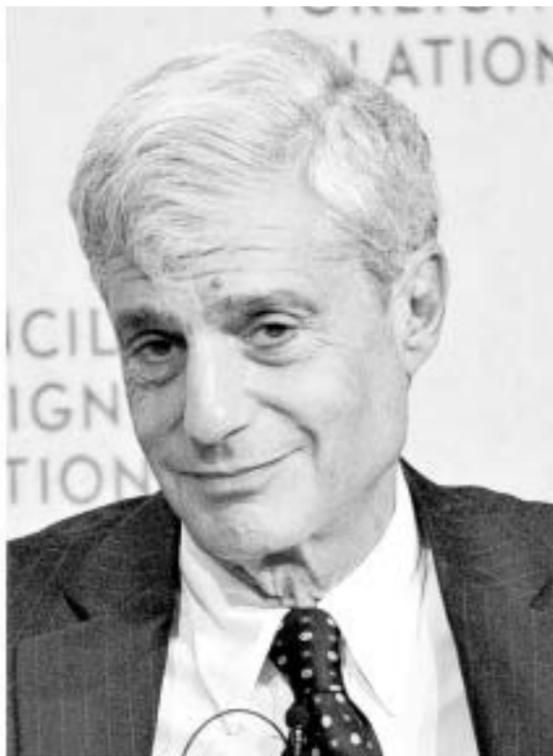
The ambitious urban planning projects of Baron Haussmann in the late 19th century saw many small streets swallowed up by expansive grand boulevards. Not so in the catacombs, where passages that have long disappeared above, like Impasse de Longue Avoine, still exist below.

Another catacomb subculture is cartography. The City of Paris has developed its own official map for use by police and other government agencies, but cataphiles have produced their own versions, usually out of pure necessity.

"Nexus," a cataphile who goes by a pseudonym, is the most prominent catacombs cartographer. He has produced dozens of highly detailed maps—an exercise that blends the official naming of places by the state with the vernacular terms developed by generations of cataphiles.

"It's not just about showing the way," he says of his mapmaking. "It's also about putting together the bits and pieces of [catacombs] history."

U.S. NEWS



Bloomberg (2)

Paul O'Neill, left, treasury secretary under President Bush, and Robert Rubin, who held that job under President Clinton.

Ex-Treasury chiefs wary of new push for stimulus

By MICHAEL R. CRITTENDEN
AND JANET ADAMY

Deficit-reduction measures and an overhaul of the tax code—two more federal stimulus—offer the best solutions for bolstering a still-struggling U.S. economy and bringing down the high unemployment rate, two onetime Treasury secretaries said Sunday.

Former Clinton Treasury head Robert Rubin, appearing on CNN's "Fareed Zakaria GPS," said a second major stimulus package, such as that passed by Congress last year, could be counterproductive, further undermining confidence in an economic recovery he described as "slow and bumpy." Instead, Mr. Rubin said, policy makers should begin crafting a deficit-reduction plan that would go into effect by the end of President Barack Obama's first term.

"If you could do it and it was credible and people believed it and it was real, I think that could do a lot for confidence," Mr. Rubin said.

Paul O'Neill, who led the Treasury under former President George W. Bush, said he supported allowing the Bush-era tax cuts to expire. The issue has become a political football for Democrats and Republicans ahead of November's mid-term elections. Mr. O'Neill said that instead of focusing on which tax breaks should be allowed to expire, the White House should push for more,

wholesale changes to the tax system.

"I think that would give reassurance to the markets that we're coming back and we're creating the basis for capital formation and...savings as opposed to consuming everything in sight," Mr. O'Neill told CNN.

Mr. Rubin said he would maintain the lower tax rates for middle-class Americans to avoid further economic uncertainty.

Administration officials have acknowledged the need to address the long-term fiscal situation, but don't want to move too quickly and choke off potential growth.

"I think that given that vulnerability and the high unemployment rate...I wouldn't want to have that contractive effect right now," he said.

The Obama administration has said it would extend expiring tax cuts for middle- and lower-income Americans, while allowing cuts for the wealthiest individuals to expire at the end of the year. Treasury Secretary Timothy Geithner, meanwhile, has pledged to undertake a broader revision of the nation's tax code beginning next year.

On the deficit, administration officials have acknowledged the need to address the country's long-term fiscal situation, but are wary of moving too quickly and choking off potential growth.

White House officials on Friday pushed for additional stimulus efforts. They hope to push a number of jobs-related bills through Congress once lawmakers return from their August recess, though the outlook for those measures is uncertain. While lawmakers are eager to focus on jobs ahead of the November elections, there is little political will to increase government spending.

Economic data issued last week

suggests that the nascent economic recovery is faltering. Friday's jobs report showed that 14.6 million Americans are still looking for employment, with the unemployment rate remaining at 9.5% only because workers are exiting the labor force. Private sector firms have added 90,000 jobs a month on average so far this year, well below the 125,000 needed monthly to keep up with population growth.

Michigan Gov. Jennifer Granholm, a Democrat, said federal stimulus efforts have been critical to helping prop up her struggling state. She lauded the Senate's approval last week of a \$26 billion state-aid package to pay for teacher salaries and an extension of the federal matching rate for Medicaid funding. The House of Representatives is scheduled to return to Washington this week to vote on the measure. The package is expected to pass, going then to Mr. Obama for his signature.

"This is not for bureaucracy. This is for people—real people who need real help out here," Ms. Granholm said on CNN's "State of the Union" on Sunday.

Virginia Republican Gov. Bob McDonnell chided the Senate for approving the aid package, insisting that federal spending to prop up state budgets "has to end soon" because the nation's debt has become too large. While acknowledging that the stimulus package "has helped us" in Virginia, he said policy makers needed to cut the "unsustainable level of spending."

"We cannot continue to be a debtor nation," he said.

Ms. Granholm said nearly every governor in the country has written to Washington in support of the state-aid package, and that lawmakers have offset the cost of the bill so it wouldn't add to the debt. She warned that cutting services in the midst of an economic downturn could have negative consequences.

"People need more help at a time when the economy is contracting, and therefore there is a demand for greater services rather than fewer," she said.

Untested tools may give boost to U.S. economy

[The Outlook]

By JON HILSENATH

July's dismal U.S. jobs report poses a dangerous dilemma for the country's officials.

The government has exhausted traditional measures to get the economy growing more briskly, having cut interest rates to near zero and committed to more than \$800 billion in fiscal stimulus.

With conventional tools off the table, it might take an untested gamble from policy makers to recharge the economy if an anemic recovery slows even further.

Most ideas have drawbacks. Infrastructure spending, for instance, has appeal in the Obama administration, because many of the nation's roads, bridges and tunnels need updating and because so many construction workers are dormant. But new spending would spark an outcry in the face of trillion-dollar budget deficits and no plan in place to reduce them. Republicans prefer tax cuts—permanent ones—but they also face deficit constraints.

Laura Tyson, a professor at University of California, Berkeley's Haas School of Business who served as President Bill Clinton's chief economic adviser, favors a big, long-term investment program funded through Build America bonds, federally subsidized taxable municipal bonds, and a national infrastructure bank, something President Barack Obama has proposed. The government would put in capital and the bank would raise its own debt to fund projects, sometimes partnering with private businesses. The catch: This also adds to government debt, only indirectly.

Robert Reich, who served as Mr. Clinton's labor secretary, proposes a payroll-tax holiday on the first \$20,000 of workers' income, funded by a new social-security tax on workers' annual income of more than \$250,000. Economic theory says low-income people are more likely to spend a dollar of added income than high-income people, so getting money in their hands goes out.

"It could be done right away, immediately putting more money in the hands of consumers likely to spend it, and lowering the cost to businesses of new hires," Mr. Reich says. The catch: Because low-income people have so much debt, the theory might not apply.

Martin Feldstein, a Harvard professor who was President Ronald Reagan's chief economic adviser, wants to help small banks by making it easier for them to sell poorly performing loans to the U.S. Treasury's Public Private Investment Partnership by giving them extra time to write off the losses they would incur from these sales.

Because the deficit is an impediment to any proposal for the government to spend more or reduce taxes, Frederic Mishkin, a Columbia University professor and former U.S. Federal Reserve governor, says the real untested gamble would be taking concrete

steps to address future deficits right now. If the Obama administration and Congress first come up with a credible plan to reduce the deficit over the long run, they will have more freedom to run deficits in the short run if needed.

"You want to set up a situation where there is flexibility," Mr. Mishkin says. "There really is a need for the Congress to get serious about long-run fiscal sustainability."

Addressing long-run budget deficits now, Mr. Mishkin adds, would give the Fed flexibility. The Fed could purchase more bonds to drive down long-term interest rates if the economy slumps back toward recession. It has already purchased \$1.7 trillion worth of mortgage and government debt. One problem is the Fed is reluctant to buy government debt for fear of being accused of facilitating large government deficits, which could spark an inflation scare.

Mr. Mishkin notes that if Mr. Obama crafts a credible long-run deficit-reduction plan, the Fed would be less constrained by this worry and could buy government debt more freely. The hurdle is political: It requires Mr. Obama and lawmakers to sell hard choices to a skeptical public about controlling the long-run growth of Social Security and Medicare.

The Fed could take more radical steps if the economy enters a tailspin. When Japan fell into deflation in the 1990s, Mr. Bernanke, then a Princeton professor, urged the Bank of Japan to set an objective of 3% to 4% inflation. The reason: With interest rates pinned at zero, rising inflation would mean that the real cost of borrowing, which is nominal interest rates *minus* inflation, would be falling. In theory that would spur demand.

As Fed chairman, Mr. Bernanke has rejected that idea, in part because the U.S. doesn't have deflation now. But if deflation does set in, calls for inflation above the Fed's informal goal of 1.5% to 2% could become louder.

Other ideas are floating around. Bond markets have been buzzing lately about a Morgan Stanley proposal to loosen the mortgage-underwriting standards of government-owned Fannie Mae and Freddie Mac to encourage more refinancing and reduce monthly mortgage payments of homeowners. Morgan Stanley economist David Greenlaw says that could put \$46 billion in the pockets of consumers.

The catch: The government already has refinancing programs, such as the Home Affordable Refinance Program, which is open to borrowers with Fannie- and Freddie-backed loans. Moreover, bond investors and many bankers hate the idea because a refinancing boom would impose losses on them by reducing the value of their mortgage debt investments.

Bottom line: There are no sure things when it comes to solving this economic problem. Which raises what may be the biggest gamble of all: Do nothing, and hope the economy heals itself.

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U.S. NEWS

Study: Girls entering puberty earlier

By SHIRLEY S. WANG

New research adds further evidence that girls are entering puberty at younger and younger ages, with implications for their physical and mental health.

By 8-years-old, more than 1 in 10 girls have already begun developing breasts, which marks the technical start of puberty for girls, according to a new study published Monday in the journal *Pediatrics*.

The findings varied by race. Among 7-year-old girls, about 10% of whites, 15% of Hispanics and 23% of blacks have some breast tissue. Among 8-year-olds, those numbers grew to 18% of whites, almost a third of Hispanics and half of blacks.

The researchers, from the University of Cincinnati College of Medicine, Mount Sinai School of Medi-

cine in New York and Kaiser Permanente in San Francisco, were surprised by how early the onset of puberty was in the study, which looked at 1,239 girls.

The findings track a trend identified by a number of studies, including a Danish study published last fall that found the average age of breast development fell by about a year compared with girls born 15 years earlier.

Research conducted in past decades had put the average beginning of puberty at between 10 and 11 years of age.

"We need to understand better all the factors that are contributing to earlier maturation," said Frank Biro, director of adolescent medicine at the Cincinnati Children's Hospital Medical Center and first author on the study, which was

funded by several federal grants.

Doctors have been concerned because early onset of puberty is associated with physical consequences, such as an increased risk of breast cancer, and psychological ones, such as lower self-esteem and poorer body image, due in part to increased attention and teasing from peers.

Studies looking at breast cancer, such as a large study of more than 100,000 women published in the *American Journal of Epidemiology* in 1998, have shown associations between fewer menstrual cycles and a reduced risk of breast cancer, presumably because of decreased exposure to the hormone estrogen.

One of the main contributors to early puberty is thought to be increasing body weight and obesity rates.

Fat cells produce hormones, and

once a critical mass of fat tissue is reached, the hormone leptin is released to trigger puberty, according to JoAnn Manson, an endocrinologist and chief of preventive medication at Harvard-affiliated Brigham and Women's Hospital in Boston, who wasn't involved in the study.

A separate study published in Monday's *Pediatrics* found that higher weight gain during infancy was one factor related to early start of puberty.

Environmental factors may also play a role and need to be further researched, say some experts. Dr. Biro's study will continue following the girls to look at development over time to try to figure out what effect chemicals may have on the body's endocrine system.

Susan Nunez, chairwoman of the pediatric endocrinology committee

of the American Association of Clinical Endocrinologists, noted the study's small numbers, which she said made it difficult to draw conclusions about the actual age of onset of breast development. The unequal representation of different ethnic groups, such as Asians, could affect the results, she added.

But other medical experts said that regardless of the exact percentages, there is a general consensus within the medical community that the age of pubertal onset is decreasing.

"There should be some sort of rethinking about chronological age versus pubertal age with public-health issues" such as when children are taught about their bodies or sex, said Elizabeth Susman, a professor of biobehavioral health at Pennsylvania State University.

Kagan, Roberts: similar paths, poles apart

By JESS BRAVIN

The careers of Elena Kagan and John Roberts are about to intersect on the U.S. Supreme Court, where the two headstrong jurists—one groomed by the Democratic legal establishment, the other by the Republican—could wrestle over competing visions of American law for decades to come.

Ms. Kagan, 50 years old, has spent a lifetime immersed in the political and academic circles where ideological battles are fought. She was a law clerk to the liberal judges Abner Mikva and Thurgood Marshall, a professor at the University of Chicago and Harvard law schools, a Clinton White House aide and President Barack Obama's solicitor general.

It is a resume often mirroring that of Chief Justice Roberts, who passed similar milestones on the right, including clerkships for conservative judges Henry Friendly and William Rehnquist, a job in the Reagan White House and then as deputy solicitor general under President George H.W. Bush.

Each was tapped at age 50 to succeed the unofficial leader of an ideological wing of the court—Mr. Roberts to follow conservative Chief Justice Rehnquist, who died in 2005 at 80, and Ms. Kagan to succeed liberal Justice John Paul Stevens, 90, who retired in June.

The paths of the two diverge in significant ways as well, starting with the chief justice's upbringing in Indiana and Ms. Kagan's on Manhattan's Upper West Side. After each failed in a first shot for the federal bench because of partisan battles in Congress, they found different consolation prizes. Mr. Roberts earned millions as a corporate litigator, while Ms. Kagan became dean of their alma mater, Harvard Law School.

Ms. Kagan's career in academia, where she rarely saw the inside of a courtroom, may account for some of the sparks that have flown between the two. When Ms. Kagan has made arguments as solicitor general before Chief Justice Roberts's court, he has sometimes been dismissive, while she has seemed ready to lecture him like an obdurate student.

In a case over animal-cruelty videos, the chief justice called Ms. Kagan's claim that Congress had broad power to suppress socially harmful

Parallel lives

Both John Roberts and Elena Kagan passed key milestones in the legal establishment, one on the conservative side and the other on the liberal side.



Source: WSJ Research Photos: Associated Press

Princeton	College	Harvard
Harvard	Law School	Harvard
Judge Abner Mikva	Appellate clerk	Judge Henry Friendly
Justice Thurgood Marshall	Supreme Court clerk	Justice William Rehnquist
Clinton administration, 1995-99	Executive branch	Reagan administration, 1981-86
Solicitor general, 2009-present	Solicitor general's office	Principal deputy, 1989-93
Nominated in 1999 but not confirmed	Appellate judge	Nominated in 1992 but not confirmed (later became judge in 2003)
'Whether a given category of speech enjoys First Amendment protection depends upon a categorical balancing of the value of the speech against its societal costs.'	Kagan and Roberts duelled over free speech in a case testing whether a ban on videos depicting animal cruelty was constitutional.	'[T]hat sentence is startling and dangerous. The First Amendment's guarantee of free speech does not extend only to categories of speech that survive an ad hoc balancing of relative social costs and benefits.'
— June 2009 brief by Kagan defending the ban		— April 2010 Roberts opinion in 8-1 ruling striking down the ban



speech "startling and dangerous." In January's *Citizens United* campaign-finance case, where the court's conservative majority struck down limits on corporate and union political spending, he described her argument as so weak it handed free points to the other side.

Now the two, as the court's youngest members, are poised to take ever more commanding roles in the years ahead. "Five years ago, very few people outside of fancy legal circles had ever heard of John Roberts and Elena Kagan," said Washington litigator Tom Goldstein, publisher of *Scotusblog.com*, a website that tracks the court. "And now they will be the principal and often competing voices about the law and the Constitution."

Wednesday's ruling by a federal judge in San Francisco voiding California's ban on gay marriage gives a hint of the battles ahead. Ms. Kagan's outspoken opposition to the military's ban on homosexuals suggests she may be receptive to the argument that the Constitution's Equal Protection Clause requires recognition of same-sex marriages. Chief Justice Roberts, in contrast, has already voiced unhappiness with the way the judge ran aspects of the same-sex marriage trial.

In their encounters so far, some have seen an echo of the mutual dis-

taste apparent between the chief justice and Mr. Obama, which has stretched from the flubbed oath of office administered on inauguration day to the president's broadsides against court decisions benefiting big business.

White House officials say Mr. Obama selected Ms. Kagan in part because of the palpable confidence, intellectual clarity and engaging style he believes she would bring to the bench. They acknowledge that Chief Justice Roberts shares such leadership traits, but say the president wasn't explicitly seeking his opposite number.

Other Democrats say that's exactly what they want. "She's smart, she's experienced as a manager, a consensus builder, as someone who's been on the front line," Minnesota Sen. Amy Klobuchar said after the Senate Judiciary Committee approved the Kagan nomination July 20. "She will be an intellectual counterweight to [Chief] Justice Roberts."

Even their personalities overlap, say people who know Ms. Kagan and Chief Justice Roberts. "Both Elena and Roberts had this sharp ambition to be where they are, but they handled it with reasonable aplomb," said Judge Mikva, now retired.

Both Chief Justice Roberts and Ms. Kagan managed to retain influ-

ential mentors and admiring colleagues even as they climbed above them. Much as Mr. Roberts cultivated liberal friends in Washington who vouched for him when his nomination was pending, Ms. Kagan courted conservatives, including several she recruited to the Harvard faculty, who endorsed her for the high court.

Their experiences in the executive branch could lead Chief Justice Roberts and Ms. Kagan to common ground on preserving executive power against challenges such as the recent effort to overturn the Obama administration's temporary ban on some offshore oil drilling.

In other areas, the two are likely to be at odds. With conservatives ascendant, Ms. Kagan will have few openings to advance progressive goals, in the near future at least, and she is likely to play defense on abortion and affirmative action. Conservatives hope the court will bury racial preferences and uphold more restrictions on abortion rights.

On Republican-led challenges to the health overhaul Mr. Obama signed in March, Ms. Kagan shares the dominant legal view that Congress possesses broad power to regulate commerce. Chief Justice Roberts cut his teeth in a Reagan administration skeptical of New Deal-era precedents that underlie

such theories.

"I think she'd be unabashed about going toe-to-toe with Roberts—including in cases where other justices maybe wouldn't or couldn't," said Harry Litman, a former U.S. attorney who has worked with both Ms. Kagan and Mr. Roberts.

The court has tilted sharply to the right since 2006, when conservative Justice Samuel Alito succeeded Justice Sandra Day O'Connor and altered the balance of power.

Unlike Justice O'Connor, who often sought a middle path on issues like abortion rights and affirmative action, Justice Alito has formed a conservative bloc with the chief justice and Justices Antonin Scalia and Clarence Thomas. They regularly favor police and prosecutors over criminal defendants; side with business against workers, consumers and the environment; and push back against government efforts intended to promote school integration or protect minority voting rights.

Alabama Sen. Jeff Sessions, the Senate Judiciary Committee's top Republican and an opponent of the Kagan nomination, said: "In the long run, you know, it's, Can you hit the fastball or not? The reasoning and power of her decisions—will they impress and win over other people or not?"

WORLD NEWS

Flood toll rises in Pakistan, India

By ZAHID HUSSAIN

ISLAMABAD—Landslides caused by continuing torrential rains killed at least 53 people in northern Pakistan, while the death toll from last week's flash floods in northern India climbed to at least 145.

Flooding in Pakistan, which began almost two weeks ago amid heavy monsoon rains, has now affected more than six million people, the United Nations said Sunday. Billions of dollars in aid will be needed to rebuild after the deluge, the worst in a generation, the U.N. said. At least 1,500 people have been killed so far.

The U.N.'s World Food Program warned of looming food shortages and said that at least four million people will need food aid across Pakistan over the next three months at a cost of \$100 million.

More than 1.4 million acres (570,000 hectares) of crops have been destroyed in Punjab province, the breadbasket of Pakistan, the WFP estimates. Many more crops have been ravaged in northwestern Pakistan and southern Sindh province.

"The flooding has caused massive damage to crops and also to the reserve that people had at their houses," said Amjad Jamal, a WFP spokesman. Many people in the northwest of the country, the area hardest hit by the flooding, are surviving on only one meal a day, he added.

Aid workers said shelter is another major concern, as hundreds of thousands of people are still trapped in flooded areas in Punjab and Sindh province. Many of them have lost all their possessions.

"People urgently need some kind of shelter," said Maurizio Giuliano, a spokesman for the U.N. Office for the Coordination of Humanitarian Affairs, which coordinates disaster response.

The flooding, which began in the



Flood victims line up for supplies in Nowshera, Pakistan, on Sunday, amid U.N. warnings of looming food shortages.

mountainous northern areas of Pakistan, has spread to Punjab and Sindh provinces further south in recent days. The rains have destroyed 360,000 houses and displaced almost one million people.

The death toll climbed on Sunday after a landslide killed at least 53 people and destroyed several mud houses in villages in Gilgit-Baltistan, a northern Himalayan region of Pakistan that borders China.

The floods are the worst in a generation and have stretched the resources of a country already fighting a war with Taliban militants and facing acute economic problems, including electricity shortages.

The Pakistan army has taken the lead in evacuating people and get-

ting aid to the needy. Many countries and international aid groups have joined in the relief work. About 85 U.S. soldiers and six military helicopters are involved in the humanitarian operation.

The media and opposition parties have criticized President Asif Ali Zardari for traveling to the U.K. last week instead of directing the response to the flooding.

Prime Minister Yousuf Raza Gilani has rebutted those criticisms, saying he is in charge. He called over the weekend for greater international aid, saying the floods have set the country's development agenda back several years.

On Sunday, the army continued evacuating hundreds of people after

raging water breached embankments on the Indus River, inundating hundreds of villages in Sindh province.

Meanwhile, the death toll from flash floods in Leh, in the Indian-held part of the Himalayan territory of Kashmir, rose to at least 145 people. Some 600 other people are still missing.

Rekha Shenoy, a development worker in Leh, said many more people were homeless after the flash floods. Some local people, she added, were seeking sanctuary in monasteries higher up in the Himalayas. "They are really scared. They had never seen flash floods in their life," Ms. Shenoy said.

—*Krishna Pokharel in New Delhi contributed to this article.*

Rains wreak havoc in China and landslides kill at least 127

By DINNY McMAHON

BEIJING—China's Premier Wen Jiabao flew to a part of western China where massive landslides have killed at least 127 people and left more than 1,000 missing, Chinese state media reported Sunday, as torrential rains continued to wreak havoc around the country.

According to reports from the Xinhua news agency, heavy rain caused the Bailong River to overflow its banks, triggering landslides that buried buildings in Zhouqu county in northwest China's remote Gansu province, leaving nearly 1,300 people unaccounted for.

About 45,000 people have been evacuated, and police and military forces were sent in to help with rescue efforts. More than 680 residents were rescued by local residents, Xinhua said.

Xinhua said that two-meter deep sludge in some areas had left many people trapped on top of buildings.

Deadly floods have long plagued China, but this year's floods have caused the most economic damage and loss of life in more than a decade.

According to a report Thursday in the People's Daily, the official publication of the Chinese Communist Party, 28 provinces have been hit by floods this year, affecting 140 million people and destroying 1.1 million homes.

It put the death toll at 1,072 for the year, excluding those who have died in the landslides over the week-end.

Mr. Wen's flight to the disaster area has him reprising his role as the face of Beijing's central government during times of catastrophe. Mr. Wen, perhaps most famous for his emotional appeal to school children trapped under the rubble of the 2008 Sichuan earthquake to hold on, has arrived early at the scene of tragedies ranging from mining disasters to snowstorms, helping to make the country's leadership seem more accessible and compassionate amid much public disillusionment with China's officials.

In late June, Mr. Wen went to southern China's Guangxi province when the death toll from the floods was nearing 200.

According to Xinhua, Mr. Wen and President Hu Jintao have instructed the government in Gansu to spare no effort to save lives, and that key infrastructure should be repaired quickly to ensure a more effective rescue effort.

The Bailong River runs south through Gansu province before linking up with the Yangtze River. Gannan Tibetan Autonomous Prefecture, where the disaster struck, is located on the Qinghai-Tibetan plateau in southwest Gansu and is predominantly grasslands.

China's far-flung western regions have been hard hit with natural disasters recently. In April, more than 2,000 people died in a major earthquake in the predominantly Tibetan Yushu prefecture in neighboring Qinghai province.

So far, this year's death toll is well below the 4,150 that died in 1998 when the worst floods in five decades tore through the Yangtze River basin.

—*Juliet Ye contributed to this article.*

In Rwandan vote, Kagame is a shoo-in

By SARAH CHILDRESS

Voters in Rwanda's presidential election Monday have been offered a lopsided choice: President Paul Kagame or one of a handful of contenders who mostly agree with him.

Over the past several months, a confluence of events has eliminated or cowed credible opposition to Mr. Kagame, offering a reminder of how the increase in the number of elections in Africa hasn't necessarily made politics safer for those challenging people in power.

All three main opposition parties have been disqualified from contesting in the east African nation's presidential election. Rwanda's Green Party was never able to hold enough meetings to register—due to what its officials say was government harassment. A top official in the party was recently murdered.

The leaders of the other two parties have been barred because of charges related to propagating genocide. One remains in jail.

The media, too, has been silenced. In June, a newspaper journalist was shot dead outside his home after writing about another political murder. Police have arrested two suspects in that case.

Two other journalists have fled the country recently and another two have been arrested also for insulting the president, among other charges. About 30 news organizations were suspended in late July

Uninvited

The three main challengers who are skipping Monday's election:

■ Green Party leader Frank Habineza, has been disallowed for failing to register in time.

■ PS-Imberakuri candidate Bernard Ntaganda remains under arrest.

■ Victoire Ingabire, candidate for FDU-Inkingi, is fighting genocide ideology charges.

Rwandans cheer President Paul Kagame, who has been conducting a high-octane and expensive campaign, during an election stop in Kirehe,



for not complying with a media law that mandates training.

President Kagame is virtually assured re-election for his second seven-year term. The other three contenders represent minor parties that work closely with Mr. Kagame's party, the Rwandan Patriotic Front.

Mr. Kagame's government has denied involvement in the deaths of politicians and journalists. A government spokeswoman didn't return calls seeking a comment. But Rwanda's ambassador to the U.S., James Kimonyo, said opposition parties who had been disqualified hadn't followed the rules required

to register. "People think this is clamping down or shrinking the opposition or not allowing political space," Mr. Kimonyo said. "But if you declare today that you're going to run for president, does that give you immunity?"

Rwanda isn't the only country in the region that has been going through a violent run-up to an election. Across the continent, elections accompanied by bloodshed and intimidation are helping to ensconce those already in power, eroding optimism that polls can bring accountability to African politics.

Strong rule in Rwanda has deliv-

ered some dividends. Mr. Kagame, who helped to end the 1994 genocide that killed 800,000 Tutsi, as well as some Hutu, has introduced a law banning "genocide ideology." The ban prohibits speech or action that condones the genocide or promotes ethnic division. The economy has also flourished—growing 11% in 2008 from a year earlier before slowing last year.

Tensions remain. The main fault line rests between Rwanda's Tutsi minority, targeted in the genocide, and the majority Hutu population, much of which feels stifled under Mr. Kagame, who is Tutsi.

WORLD NEWS

Karzai seeks ban on private security

BY YAROSLAV TROFIMOV
AND MARIA ABI-HABIB

KABUL—Afghan President Hamid Karzai lashed out against foreign interference and called for a ban on the private security companies that protect many Western installations here, in a speech that ratchets up recent tensions with the U.S. over two American-backed anticorruption agencies.

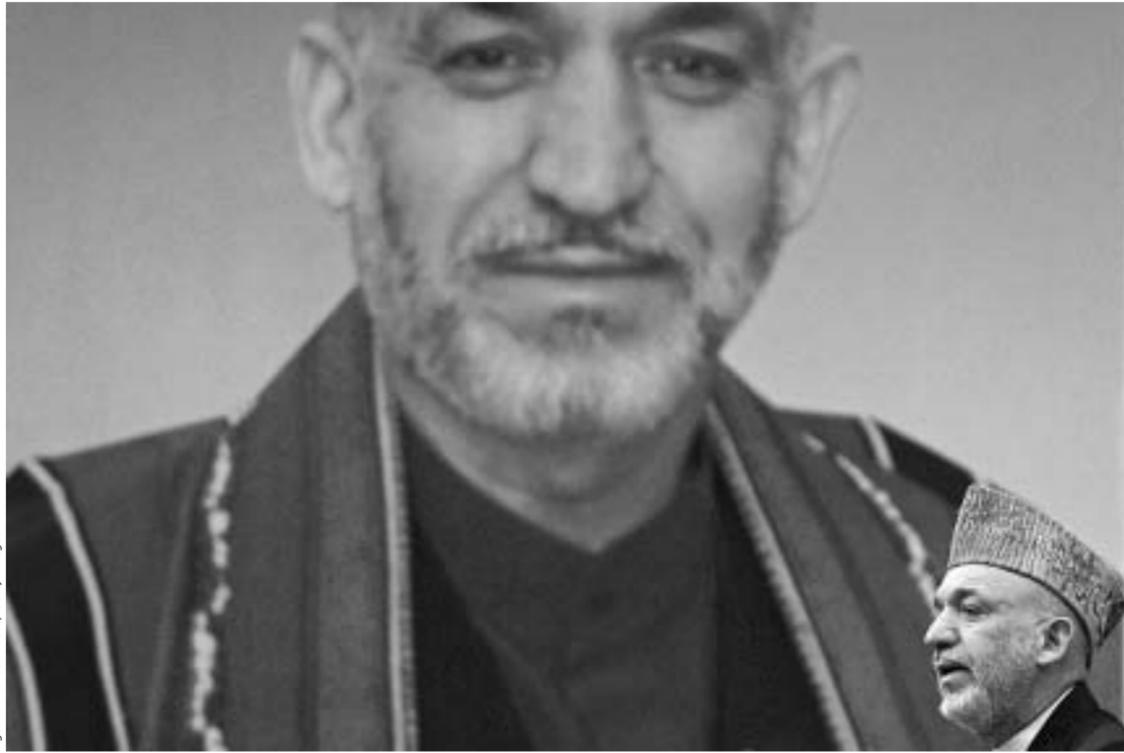
"We have the ability to rule and govern our country and we have our sovereignty. We hope that NATO countries and the U.S. pay attention," Mr. Karzai told a gathering of Afghan public servants in a speech on Saturday. "No Afghan administration will be successful unless it lays off its foreign advisers and replaces them with Afghans."

The call to ban private security companies came a week after a convoy of DynCorp International, which provides security in Afghanistan under a U.S. State Department contract, was involved in a car accident that killed an Afghan civilian in Kabul. The accident sparked rioting and anti-American protests.

The 10 aid workers killed last week as they returned to Kabul from a remote part of the country didn't have a security detail.

The Afghan leader's defiant weekend speech came days after U.S. Secretary of State Hillary Clinton phoned Mr. Karzai to press him to live up to his anticorruption commitments, according to U.S. officials, warning that his recent attempt to weaken two U.S.-mentored anti-graft agencies could endanger the chances of congressional approval for billions of dollars in aid to Afghanistan.

Mr. Karzai, Afghan officials say, told her that the Major Crimes Task Force and the Sensitive Investigative Unit—which investigate high-level corruption in the Afghan government and operate with heavy involvement from the U.S. Federal Bureau of Investigation and Drug



President Hamid Karzai, speaking at a gathering of civil servants on Saturday in Kabul, lashed out at 'foreign advisers.'

Enforcement Agency—have violated the Afghan constitution.

"We don't want our Afghan administration to be run by two different sets of people and to be accountable to two different sources. It's destroying the national sovereignty of Afghanistan and we will not allow it," Mr. Karzai said in his Saturday speech.

The latest confrontation with Washington flared after the MCTF and the SIU last month, without Mr. Karzai's approval, raided the home of a senior Afghan presidential aide who had been taped while allegedly soliciting a bribe.

The scandal is threatening to become the most serious crisis in the U.S.'s relations with Mr. Karzai since the controversy over accusations of widespread fraud in the presidential elections a year ago. Mrs. Clinton

phoned Mr. Karzai last week after he created a commission to oversee the MCTF and the SIU.

The rift over the agencies appears to have wiped out any residual goodwill from Mr. Karzai's May trip to Washington, where he was praised by the Obama administration for his pledges to clean up the Afghan government.

Mr. Karzai has also had a stormy beginning with the new U.S.-led coalition commander, Gen. David Petraeus. U.S. commanders were upset last month when Mr. Karzai issued a statement condemning coalition forces for allegedly causing 52 civilian casualties in a rocket attack in Helmand. The coalition military says it had no record of carrying out such an attack—and that local hospitals had no record of such casualties from that area.

"The people who are working in private security companies are against Afghan national interest, and their salaries are illegal money. They are thieves during the day and terrorists during the night," Mr. Karzai said in Saturday's speech. "If they want to serve Afghanistan they have to join the Afghan police."

Many of the 52 registered security companies operating in Afghanistan are foreign, but some of the bigger ones are Afghan-owned, and have close links with prominent government officials and members of Mr. Karzai's family. They employ an estimated 30,000 people.

Private companies provide security for Western diplomatic missions and aid agencies, coalition installations, hotels and major infrastructure such as airports.

They also guard supply convoys

that bring vital goods to landlocked Afghanistan from neighboring countries.

Many Western government agencies and contractors operating in Afghanistan are wary of relying on the Afghan police force, which is often infiltrated by the Taliban.

"There aren't enough state or international security forces to provide all the services that private security companies do," said John Dempsey, an analyst at the U.S. Institute for Peace.

A coalition spokesman, U.S. Air Force Maj. Joel Harper, said the international forces are "working with the Afghan government to build its police capabilities and capacity so that private security companies are no longer required."

There is no firm deadline for shutting down the security firms, but Mr. Karzai wants them closed "as soon as possible," said the president's chief spokesman, Waheed Omar, on Saturday. "The process needs to start," he said.

The presidential aide detained by the MCTF and SIU last month, Mohammed Zia Saleh, head of administration for Afghanistan's National Security Council, was taped while allegedly discussing a bribe in the form of a car for quashing an investigation.

Mr. Saleh, who has been freed on Afghan government orders, couldn't be located to comment.

According to Western and Afghan officials, the MCTF and SIU are working normally so far, and their investigation files—including those targeting senior government figures—haven't yet been taken by Mr. Karzai's commission, which is headed by Attorney General Ishaq Aloko.

Asked whether the files could be seized, an aide to Mr. Karzai said: "The president issued an order asking the commission to review all the cases, so it could happen."

—Habib Totakhil and Habib Zahori contributed to this article.

Aid workers' bodies recovered

BY MARIA ABI-HABIB
AND HABIB TOTAKHIL

KABUL—The bullet-riddled bodies of 10 aid workers were flown to Kabul Sunday from northern Afghanistan, where they were killed last week as they returned from an expedition to provide medical care in a neglected part of the country.

The six dead Americans, a Briton, a German and two Afghans were members of the International Assistance Mission in Afghanistan, a self-described "not-for-profit Christian organization" that has been offering Afghans medical and education services since the 1960s.

Taliban insurgents claimed responsibility for the killings, accusing the aid workers of spying and trying to spread Christianity.

The U.S.'s ambassador to Afghanistan, Karl Eikenberry, denied that the group acted as spies or were proselytizers, instead calling them "selfless volunteers who devoted themselves to providing free and much-needed health care to Afghans in the most remote and difficult parts" of the country.

IAM on Sunday also rejected the Taliban's accusation of proselytizing as ridiculous. "We are a Christian organization but we don't hide

that—it's what gives us the faith to work here," said Dirk Frans, IAM's executive director, in Kabul.

The aid workers' bodies were found with fatal gunshot injuries in a remote forest in the northeastern province of Badakhshan, which is considered relatively secure. The area, however, is near the neighboring province of Nuristan, where the Taliban have been operating freely since U.S. forces withdrew last year.

The IAM team left Kabul more than two weeks ago for Nuristan's Parun valley, to provide eye care to some of the 50,000 Afghans living there, according to a blog entry posted by one of the participants, Karen Woo.

Dr. Woo, a British citizen who was identified by Britain as one of the victims, assisted IAM on the mission and is the co-founder of Bridge Afghanistan, which provides medical care to Afghans.

Initially, the team drove to the border of Badakhshan and Nuristan. At the border they left their jeeps and trekked for 120 miles through jagged mountains on foot with pack-horses carrying supplies to Parun valley, where they worked for about a week. "The expedition will require a lot of physical and mental resolve and will not be without risk," Dr.

Woo wrote in her blog post before setting off to Nuristan.

The team, which was last in contact with its headquarters on Wednesday, was ambushed after it left Nuristan and entered Badakhshan on its way home. The ambush's lone survivor, an Afghan driver for the expedition, said the attackers spoke a local dialect of Nuristan, according to Gen. Agha Noor Kemtuz, Badakhshan's provincial police chief.

"The survivor said that the robbers searched everyone's pockets first, took money and everything, and then started shooting," Gen. Kemtuz said. The survivor was spared when the attackers took pity on him after he dropped to his knees and recited verses from the Koran, the general added.

Foreign aid workers and diplomats in Kabul were shaken by the news of the killings, whether or not they were friends of the deceased. Several events in Kabul this weekend began with a moment of silence to remember the slain aid workers, some whom had lived in Kabul for years if not decades.

The IAM team doesn't travel with armed guards or in armored vehicles, Mr. Frans, said. Instead, they rely on the trust and goodwill of the communities they serve.

Saudis aim to buy F-15s

Continued from first page
Ehud Barak and top U.S. officials, including Defense Secretary Robert Gates, Israeli officials said they felt more comfortable about how the F-15s would be equipped. The U.S. argued to Mr. Barak that the proposed sale would strengthen moderates in the Gulf, ultimately bolstering Israel's security.

U.S. officials say the F-15s in the package will be "very capable" aircraft, comparable to the F-15s flown by South Korea and Singapore, which are among Asia's most advanced militaries, said a senior U.S. defense official.

Officials also were adamant the U.S. didn't make changes to appease Israel. "It's not that [Defense Minister] Barak swoops into town, we suddenly make a bunch of concessions that the Israelis never knew about before, and they're assuaged," the official said. "There were no refinements, no changes." The official said Israeli anxiety diminished "the more they've understood what the configuration looks like."

Nonetheless, the initial push-back from Israel frustrated some U.S. officials at a time when President Barack Obama has sought to smooth differences with Israel's government.

The concept of large-scale arms

sales for Arab allies was spearheaded by the George W. Bush administration as a bulwark against Iranian expansionism, and the Obama administration has expanded the effort.

Washington coupled its message about the Saudi configuration with a prod for Israel to commit to buying the planned F-35, also known as the Joint Strike Fighter, which Lockheed Martin Corp. could start delivering as early as 2015, around the same time the Saudis would begin to get new F-15s. The Joint Strike Fighter is a far more sophisticated plane than the F-15.

Pentagon press secretary Geoff Morrell said: "We have been working very closely with the Israeli government at the highest levels to address their concerns on this and other issues."

The Saudi Embassy in Washington said it had no comment on any arms sales. The Israeli Embassy in Washington declined to comment on any assurances Mr. Barak may have received. An Israeli official described the talks in the U.S. on the Saudi package "constructive."

—Nathan Hodge in Washington, Charles Levinson in Jerusalem and Margaret Coker in Abu Dhabi contributed to this article.

INTERVIEW



Press Association

Ian Livingston, Chief Executive of BT, at BT Centre in London. He said that too many people were pretending that the problem of massively escalating costs simply didn't exist.

Putting spark back in BT

CEO Livingston turns around the company's fortunes by cutting out wastefulness and concentrating on execution

[Ian Livingston]

BY PAUL SONNE
AND LILLY VITOROVICH

LONDON—Since he took over as CEO of U.K. telecommunications company **BT Group PLC** a little over two years ago, 46-year-old Ian Livingston has spent much of his time putting out fires.

When he arrived in BT's top post, costs at the firm were spiralling out of control, increasing about 8% to 10% per annum. The global services unit, which provides information-technology systems to big companies such as **Unilever PLC** and **Novartis AG**, was suffering hefty write-downs.

Soon, the financial downturn brought more flare-ups: The company pension deficit shot to an astonishing £9 billion (\$14.3 billion) as investments were hit. BT workers, concerned about their paychecks in an unsure economic environment, later threatened to strike for the first time in almost a quarter century.

But so far Mr. Livingston has proven adept at dampening the flames.

Though the pension deficit still looms, tied up in the U.K.'s High Court, he successfully slashed costs by £1.75 billion last year and has targeted £900 million more for this year; he whipped the global services unit into shape in part by replacing 14 of its 16 managers; and he averted an employee strike by offering a three-year pay deal—a 9% increase over three years—which staff approved on Thursday.

Since he started as CEO, BT has cut more than 30,000 jobs, the bulk of them contract or temp workers. With expenses coming down, BT reported net profit rose 33% to £284 million in the quarter ended June 30.

Having established himself as cost-cutter in chief, Glasgow-born Mr. Livingston says BT's wastefulness was many years in the making. "It became a worse and worse problem, and in order to fix a problem, you first of all have to recognize it," he said in an interview in his top-floor London office, which has a direct view of St. Paul's Cathedral and Ofcom, the U.K. telecommunications watchdog.

Mr. Livingston has set about bringing more straightforwardness to BT's company culture; fittingly God and the regulator both peer into his office window. He says BT's skyrocketing costs grew partly out of a lack of openness about what was going wrong in the business.

"Too many people pretended the problem didn't exist," Mr. Livingston says. "Whether they didn't know, or didn't want to know, eventually the chickens came home to roost."

But today, BT's turnaround plan is in full swing. Aside from cost cutting, the primary focus is better execution—"Life is nine parts execution, one part strategy," he says—but Mr. Livingston still faces the strategic challenge of building an engine for future growth at BT.

Like many telecommunications companies, BT has found its initial core business, voice telephony, in persistent decline, and therefore has banked its future on other ventures, such as pay-TV, broadband and IT services.

No single BT division stands to become the company's definitive powerhouse for growth, according to Mr. Livingston. "You can't charge just on one cylinder," he says, noting that BT's disparate businesses will each contribute to holistic growth. Asked which of those shows the best growth prospects, he replies: "I'm not a big fan of these

heart or lung questions."

But there are a number of key initiatives—most notably a £2.5 billion rollout of fiber-optic broadband to two-thirds of the U.K. by 2015, one of world's largest private build-out programs for fiber—that BT has in store. The company plans to push its global services IT business further into booming markets in Asia and add more U.K. customers to its digital TV service, BT Vision.

Launched in December 2006, BT Vision is hoping to benefit from an Ofcom ruling earlier this year that has forced pay-TV company **British Sky Broadcasting Group PLC** to sell its Sky Sports 1 and 2 channels to rivals at a lower fixed rate.

Previously, BT didn't offer the sports content because it said Sky's wholesale price was too high, but now it is touting the channels, which air the bulk of Premier League football broadcasts in the U.K. exclusively, in a bid to attract new subscribers.

As a result, competing ads—with Sky and BT each promoting respective deals on Sky Sports—have popped up across Britain. But Mr. Livingston refuses to call it a price war. "We're offering great prices," he says. "Our weakness was sport. We've closed that weakness significantly." Take-up of Sky Sports has been "great," he said, but declined to disclose the change in subscription figures.

For sure, the new sports content is crucial to the success of BT Vision. Though BT had hoped to attract two to three million customers to BT Vision by the end of 2010, the pay-TV service has about half a million subscribers and will miss that goal. Sky has 9.9 million customers.

But Mr. Livingston says BT Vision will become a scalable business. A key selling point is its robust on-demand content library, he says. (**News Corp.**, which owns roughly 39% of BSKyB, publishes The Wall

Street Journal.)

These days BSKyB CEO Jeremy Darroch is considered Mr. Livingston's rival, but it wasn't always that way. Mr. Livingston hired Mr. Darroch at U.K. electronics retailer Dixons, where the two both made names for themselves alongside **Cable & Wireless Worldwide PLC** executive chairman John Pluthero, who was also one of Mr. Livingston's reports.

Mr. Livingston, who graduated from Manchester University with an economics degree at the young age of 19, joined Dixons in 1991. With a qualification as a chartered accountant and an eye for numbers, he rose to become one of the youngest directors on the FTSE 100 when he was appointed group finance director at Dixons at the age of 32.

Mr. Livingston joined BT as group finance director in 2002 and took over as CEO of BT Retail in 2005. The straight-talking Scot was given the top job at BT in June 2008, succeeding Ben Verwaayen, who had been at the helm for more than six years. Unlike Mr. Verwaayen, who came from the tech and media sector, Mr. Livingston sees himself as a retail mind—and he is trying to drive that retailing mindset through the ranks at BT.

"Telcos frankly tend to start too often with the product or the corporate financiers, and not with customers," Mr. Livingston says. He admires supermarket **Tesco PLC** not only for its superior understanding of what its customers want, but also for its fine-tuned execution. "Tesco is execution, execution, execution," he says, noting that he hopes BT becomes for business clients what Tesco is for supermarket customers.

"In today's world, you really need to be a lot more agile," he says. But for BT to get there, there are more changes—and cuts—to be made: "We've got a lot more work to do."