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IMF Managing Director Dominique Strauss-Kahn and ECB President Jean-Claude Trichet spoke ahead of Monday's meeting of European finance ministers in Brussels.

Germany stalls EU bid to expand rescue fund

Germany beat back bids for more expansive approaches to Europe's rescue of its fiscally troubled countries, leaving the euro zone to muddle through in the near term as markets warily watch Por-

By Charles Forelle in Brussels and Marcus Walker in Berlin

tugal and Spain. The European Union's chief economic power said that for now, it wouldn't support an enlarged rescue facility, nor the issuance of joint bonds that would let weaker nations ride the coattails of its sterling credit, though it didn't rule them out in the future. European finance minis-

ters, meeting in Brussels Monday and Tuesday, are debating what else they should do to hold back the sweeping sovereign-debt crisis. Among the chief worries is whether the EU's crisis rescue funds have the wherewithal to handle a bailout of the Iberian peninsula, should it come to that. Germany's present opposition to bold—and expensive—steps highlights a tricky reality for the 16-nation currency zone: Germany, the de facto paymaster, is eager to contain the rescue's cost, and not to spend unless absolutely necessary. Rattled bond markets, which precipitated a bailout of Greece in the spring and of Ireland last month, have been relatively calm in

recent days. But many in Europe are pressing for firmer action. A push has been brewing from several quarters for the euro zone to enlarge a facility established in May that will guarantee as much as €440 billion (\$590 billion) in emergency loans. On Monday, German Chancellor Angela Merkel dismissed the talk. Speaking in Berlin, she said she sees no need for a larger fund. That idea of a larger fund has been backed by the Belgian finance minister—and, according to news reports, the head of the International Monetary Fund. European Central Bank chief Jean-Claude Trichet has also signaled his support.

Another proposal—to create a pan-European debt agency to borrow on behalf of all euro-zone countries—was floated by Luxembourg Premier Jean-Claude Juncker and Italian Finance Minister Giulio Tremonti in a Financial Times opinion piece Monday. German Finance Minister Wolfgang Schäuble, in a separate interview with the newspaper, rejected it.

German acquiescence is essential for any substantive changes to the EU's rescue approach—which so far involves providing severely troubled countries with expensive temporary financing, and hoping that time is enough to work out their problems. In part, that reflects Ger-

man sway over economic matters on the Continent. But as a practical matter, only Germany and France have the financial heft to come to the aid of others, particularly if large countries like Spain come calling. The two are among only six triple-A-rated euro-zone countries, and the only ones to command enough borrowing power to raise significant funds. (The other four are the Netherlands, Austria, Finland and Luxembourg.) Ms. Merkel said common

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Assange's Swiss account is closed

By JEANNE WHALEN

WikiLeaks' options for collecting donations narrowed further Monday as a Swiss bank, PostFinance, closed an account belonging to WikiLeaks founder Julian Assange, saying he provided "false information" when opening it.

In a statement Monday, PostFinance said Mr. Assange listed his residence as Geneva when opening the account. "Upon inspection, this information was found to be incorrect," the bank said, adding that proof of residence in Switzerland is a condition of holding an account with the bank, the financial arm of Switzerland's postal system.

Mr. Assange has been moving from country to country in recent months as he faces both international scrutiny for leaking hundreds of thousands of classified documents and potential legal peril stemming from sexual assault allegations in Sweden.

WikiLeaks recently listed Please turn to page 10

The Quirk



In new world of Jane Austen, the heroines and heroes friend each other. Page 29

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A Marie Antoinette moment for Europe's public sector. Page 11



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E-bond is unlikely to become a reality

[Agenda]

BY PATIENCE WHEATCROFT



Even before euro-zone finance ministers began their meeting on Monday evening, German Chancellor Angela Merkel had dictated its outcome. She does not want to expand the €750 billion (\$1 trillion) rescue fund for troubled euro-zone countries and she certainly does not back the idea of launching a joint sovereign bond, or E-bond, she declared. And in the new Europe, if Germany does not approve, then it is highly unlikely to happen.

In resisting the calls for a single euro-zone bond, Ms. Merkel has to be right. Proponents of the idea argue that its launch would send a clear message to the markets of a joint commitment to the common currency. It might just as easily, however, be interpreted as another desperate ploy to try to shore up the euro zone that has no chance of success.

The markets are now focused on the underlying problems of the European economies, problems that won't be alleviated by simply borrowing more money, potentially very expensive money. For what coupon might an E-bond have to offer to find any takers? Certainly something significantly higher than that on Germany's own debt, which makes it an unattractive prospect for that country. Europe's most powerful economy is keen to keep down the cost of its debt.

Yet the E-bond has some heavyweight backers, including Jean-Claude Juncker, Luxembourg's prime minister, who leads the euro-zone finance ministers group, and Giulio Tremonti, Italy's finance minister. They expanded on the idea in an article in Monday's Financial Times, suggesting that a new European Debt Agency might have a mandate to issue paper



Eurogroup President Jean-Claude Juncker in Brussels on Monday.

equivalent to 40% of the gross domestic product of the European Union. They envisage that the EDA might finance half of the issuances by member states in what they suggest could create the mightiest bond market in Europe and with liquidity to equal that of U.S. Treasury bonds.

Member states could swap their existing bonds into E-bonds, but at a rate to reflect their credit standing. This would have the virtue of restoring the concept of caveat emptor, since it would, effectively, give the member states the opportunity to default, with bondholders taking a haircut. Just imagine the potential for legal actions that might ensue though, as investors maintained that they had chosen to put their money into one instrument and not a fancy new creation. And just because it involved E-bonds, defaults would be no less painful.

One reason why there have been such strong efforts to avoid any restructuring of debts is because the European banks are so heavily invested in the sovereign debt of the peripheral countries. They are not in a robust state to take the hit.

But the E-bond is unlikely to become a reality. The article by Messrs. Juncker and Tremonti sits atop another piece that describes the euro zone's crisis management as "überfordert." This is translated as "hopeless as Dante's hell." That article concludes with

the sentence: "The system is genuinely überfordert."

That is why it is too late for the euro zone to try to send a signal to the markets about commitment to the common currency. Instead, the markets are already looking for the next weak spot. Xavier Rolet, chief executive of the London Stock Exchange, said at the weekend that "France is the next one to go; its debt, when you take into account all the off-balance sheet debt, is enormous but it can't be hidden. The markets will get there."

Mr. Rolet, a Frenchman who was chief executive of Lehman Brothers in France before joining the LSE in 2009, believes that the social model that prevails in the ClubMed countries will have to change. The doubts that now surround the euro zone come in part from the belief that without drastic change, some member states won't be able to restore their finances to health. Fiscal union is the way that would lead to that change and Germany would lead it. Mr. Rolet believes that will happen, "So the euro will emerge stronger."

But it remains doubtful whether ClubMed dwellers have an appetite to sign up to such a regime. Hence, whatever the terminology, there is growing belief that the euro is überfordert.

A candid friend

How organizations respond to

criticism can provide useful insight into the corporate culture. The European ombudsman has just published his report into how official EU institutions responded to judgments he made during 2009. Although he concludes that the response was slightly better than for the previous year, there is little cause for applause.

The ombudsman, P. Nikiforos Diamandouros, records that the European Commission's response to his critical remarks was "unsatisfactory" in 10 out of 32 cases. This is, he says, a matter "of particular concern." In his report, he states that his inquiries showed that Echo, the commission's directorate-general for humanitarian aid, had "deliberately concealed the truth and thus misled the NGO [non-governmental organization] in question" and thus seriously disadvantaged it. The commission said it "respectfully" disagreed with the ombudsman's criticisms.

That is tantamount to Wayne Rooney challenging the referee in a Premiership game. But whereas the referee can reach for a red card and have the offending player sent off, the European ombudsman has no sanctions. All he can do is let out his anger in writing, and Mr Diamandouros does.

His report on the Echo case concludes: "The Commission's reply is unsatisfactory. The way in which the Commission handled the NGO's application was deplorable. It is regrettable that the Commission seems to be unable to admit this."

What does this tell us about EU corporate culture? The ombudsman is clear. In the foreword to his report, he writes: "The way in which an institution reacts to complaints and to criticism and suggestions constitutes a key indication of how citizen-centered it is." A rating that is "unsatisfactory" in almost a third of cases indicates that the commission, as with many bureaucracies, has a tendency toward being self-serving rather than citizen-serving.

What's News

■ **France's Sarkozy** said he signed agreements advancing his government's plans to sell nuclear reactors worth billions of dollars to India. The nations signed seven pacts, including deals on space research and film production. 6

■ **A French court** found Continental Airlines guilty of involuntary homicide in the crash of an Air France Concorde jetliner 10 years ago that killed 113 people. 7

■ **Moody's** cut Hungary's sovereign credit rating by two notches, to just above junk-bond levels, as questions mount about the strength of state finances. 6

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'Perhaps the U.K. will look safe but dull in the year ahead, fancied as much for what it isn't, as what it offers.'



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NEWS

SpaceX gears up for orbital flight

By ANDY PASZTOR

Space pioneer Elon Musk hopes to put his name in the history books once again this week, with the planned launch and recovery of the first commercially operated spacecraft from orbit.

But to reach this point, his closely held company, Space Exploration Technologies Corp., already has managed to overcome regulatory hurdles never before encountered by the aerospace industry. And federal documents released last week underscore the bureaucratic complexities and technical risks confronting the pioneering effort.

In June, SpaceX, as the company is known, launched its 18-story Falcon 9 rocket and successfully flew it for more than nine minutes. It was the first privately funded U.S. rocket launch in decades.

However, this week's scheduled mission to launch and return an unmanned, reusable Dragon capsule from low-earth orbit, anticipated to last for hours, poses many more challenges. Placing the vehicle into a such an orbit at speeds exceeding 17,000 miles per hour (27,000 kilometers per hour), then maneuvering through a fiery re-entry and splash-down in the Pacific Ocean will require a flawless trajectory, a reliable heat shield and finally, perfect operation of the redundant parachutes, according to space experts.

Based on a ground test completed Saturday, SpaceX said blast-off could occur as early as Tuesday. But company officials, who are at least two years late in testing Dragon, have been trying to damp expectations.

In an October interview, Mr. Musk said "the likelihood of us getting everything right "may be no more than 50% on the first try. Considering the difficulties of both the launch and the re-entry, he said, in the end "the chance of mission success may be less than that."

In addition to the stakes for SpaceX, the flight will amount to a unique public test of U.S. President Barack Obama's effort to use NASA to fund and nurture a variety of such commercial spacecraft.

The policy continues to face opposition from many lawmakers, established aerospace contractors and even some Air Force officials worried about relying too heavily on untested private rockets and spacecraft to replace the National Aeronautics and Space Administration's retiring fleet of space shuttles.

But a successful re-entry would propel Mr. Musk, a former Internet entrepreneur who has invested more than \$100 million of his personal fortune in the start-up, further into the lead for such ventures.

On Friday, the U.S. Federal Aviation Administration disclosed the legal justifications and complex risk analyses it used in issuing final approvals for the capsule's first demonstration flight. The agency, which ended up issuing a waiver for the projected risks of the flight, is responsible for protecting residents and buildings along the flight path.

The FAA eventually determined that in the event of a catastrophic failure or decision to destroy either the rocket or the capsule, the likely combined risk of casualties from debris would meet all legal safety requirements. The agency initially computed the total risk to be greater than allowed by law, prompting SpaceX to belatedly ask

for reconsideration and seek to reassure FAA officials.

According to SpaceX, built-in safeguards include automatic features designed to ensure that the capsule will land safely or burn up completely in the atmosphere if critical safety components such as heat shields, thrusters and navigation systems malfunction.

In its decision, the FAA said the capsule's "risk mitigation measures" include extra onboard propellant to steer clear of populated areas and three separate parachutes, although only one parachute "is necessary for a low impact landing."

Over the weekend, a spokeswoman said that "as the first company in history to receive a license to re-enter a spacecraft from orbit," SpaceX is "focused on making dramatic advances in the reliability and

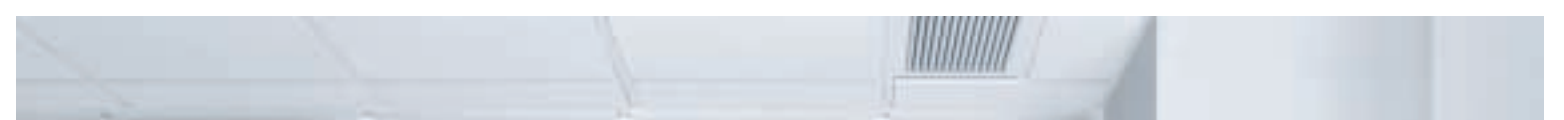
safety of space transportation." She said "that puts us in the position of being the test case for regulations written years ago."

SpaceX plans to use an unmanned Dragon capsule on top of the same type of rocket, featuring nine separate liquid oxygen and kerosene-burning engines, to start delivering cargo to the international space station in the next few years. The company has scheduled two more flights before a \$1.6 billion NASA contract is slated to kick in to supply the station with cargo.

By relying on and adding to the technology installed in the Dragon capsule, the company eventually also hopes to transport astronauts to the station. Congress, however, is poised to substantially scale back White House proposals to fund manned commercial-space projects.



Elon Musk has invested more than \$100 million in the venture.



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EURO-ZONE CRISIS



Associated Press

A protester throws a Molotov cocktail at riot police during demonstrations in central Athens on Monday.

Riots return as Greeks remember slain teen

By ALKMAN GRANITSAS

ATHENS—Clashes broke out in central Athens Monday between left-wing youths and Greek police, leaving one bystander injured as thousands marched to commemorate the killing of a 15-year-old by police two years ago.

A group of youths threw projectiles at police, set fire to trash cans and damaged property in the central business district. Police responded with tear gas and percussion grenades.

In further clashes in front of the Greek parliament building, protesters hurled Molotov cocktails before being dispersed by police. Several dozens of protesters then peeled away from the main march and began smashing storefronts in the city's central business district.

Greek authorities had closed the

main thoroughfares around the center of Athens ahead of planned rallies by various groups. According to police officials, about 5,000 police officers were deployed around the center to maintain order.

Shops and businesses were shuttered and many workers left early, fearing trouble. Past demonstrations by left-wing youths have frequently turned violent and have targeted businesses in the city center, including a fierce protest on May 5 that left three bank workers dead.

Students, workers and anarchist groups held a series of rallies and protest marches on Monday. Greek public-sector umbrella union ADEDY had also called a three-hour work stoppage from 1000 GMT for the greater Athens area.

The protests come as Greece stumbles its way through a second year of a grinding economic recession

and just months after the country sought a €110 billion (\$148 billion) bailout from the European Union and the International Monetary Fund.

The protesters, several thousand strong, were mainly represented by supporters of left-wing groups, who carried banners that read "Lead them to the slaughter: The government, EU, IMF" and chanted slogans such as "Cops, pigs, murderers."

The police shooting of 15-year-old Alexandros Grigoropoulos on Dec. 6, 2008, touched off days of rioting in Athens and other Greek cities, causing hundreds of millions euros in damages.

Since then the police officer involved has been sentenced to life in prison. The riots also contributed to the electoral defeat of the then center-right government in national polls the following year.

Merkel cool to bigger fund

Continued from first page
euro-zone bonds would erase the differences among European governments, and give each nation less reason to manage its own public finances. "The level of interest rates is also an incentive to fulfill the Stability and Growth Pact," the EU's rules limiting budget deficits and public debt, she said.

But Berlin hasn't ruled out taking more radical steps later. Mr. Schäuble hinted that his government is working on new ideas for strengthening Europe's financial cohesion, telling the Financial Times that Europe needed new forms of economic policy making that go "beyond national sovereignty."

Mr. Schäuble said Germany's parliament would currently reject proposals that smack of turning the euro zone into a fiscal union with common borrowing and spending

policies.

"If you give us some months to work on this, and if you give us the hope that other member states will agree as well, I would see a chance," Mr. Schäuble said.

Mr. Schäuble is seen in Germany as one of the last representatives of the generation of politicians that built today's EU 20 years ago, including the agreement to create a common currency.

Mr. Schäuble, like his former boss, ex-chancellor Helmut Kohl, has often expressed his belief in Germany's historic duty to support European integration, and is known to believe that the euro zone may need deeper unity if it isn't to unravel eventually.

Younger politicians, among them Ms. Merkel, often don't share that strong commitment and tend to take a more pragmatic view of Europe,

its benefits and its costs, political analysts say. Ms. Merkel, a risk-averse politician, is widely seen as unlikely to take bold steps that could trigger a backlash among her center-right coalition's lawmakers or voters.

In a recent interview with the Bulletin of the Official Monetary and Financial Institutions Forum, a group that brings together central banks and international investors, former German Chancellor Helmut Schmidt, now 92 years old, bemoaned the scarcity of boldness in the current crisis.

In May, Ms. Merkel agreed to massive bailout facilities for the euro zone only when faced with the threat of a devastating financial crash. Observers say she may leave major new steps until the last possible moment again during the latest phase of the crisis.

Irish budget likely to pass, auguring income-tax boost

By NEIL SHAH

Ireland's cash-strapped government wants some of the country's workers to do something they haven't for years: pay income taxes.

Roughly half of Ireland's 2.2 million workers don't pay any tax on personal income, a policy likely to disappear over the next few years if Ireland's new budget is approved Tuesday as is widely expected. European officials have said passing the new austerity budget for 2011 is a requirement of the European Union and International Monetary Fund's €67.5 billion (\$90 billion) rescue.

Along with another round of government cutbacks, Irish Finance Minister Brian Lenihan wants workers with incomes between €15,000 and €18,000 per year to start paying an income tax of 20%. The new taxes are expected to be phased in over the next few years. But about 65% of the income tax-related adjustments in Ireland's next four budgets will come into effect in 2011, according to the Irish government, likely providing further headwind to the struggling Irish economy.

Ireland's personal and corporate income tax regime has long been less severe than that of the likes of Britain, Germany and France. With the country already having made €15 billion of cutbacks, or about 9% of the country's gross domestic product, it is looking for ways to add revenue, which is one reason it is expanding the reach of personal income tax. At the same time, it is maintaining its 12.5% corporate income tax, a policy that has helped attract many businesses to Ireland.

Despite the threat of higher per-

A decade ago, income taxes were levied on Irish making €7,000 a year—a threshold that later rose to €18,000.

sonal income taxes, reduced services and a stubborn 13.5% unemployment rate, some recent arrivals from Eastern Europe have actually stayed in Ireland, observers say. Among the reasons: Ireland's €8.65 minimum wage, the second-highest in Europe, is a boon for those who can find work, and the government still provides reasonable benefits.

"The situation is still pretty good, when you compare it with Poland and Slovakia," says Zuzana Zabojsnikova, who moved to Clonmel, 160 kilometers south of Dublin, from northwestern Slovakia roughly five years ago. "But in the coming years it's going to change."

Irish Prime Minister Brian Cowen's fragile coalition government holds a slim two-seat majority in Parliament, leaving it little wiggle room in its bid to gain the simple majority it needs to pass the budget. On Monday, Michael Lowry, one of the two independent lawmakers upon whose support Mr. Cowen's government usually depends, said he would vote for the budget. Observers also expect some opposition lawmakers to abstain from voting if that



Irish Prime Minister Brian Cowen.

is needed to help the budget's passage.

Still, failure to pass any of several coming budget votes would lead to new elections and would raise questions about how the EU-IMF rescue would proceed. Such a scenario would likely affect already skittish European sovereign-bond markets in places such as Portugal, Spain and Italy.

Many Irish workers are upset about having to pay higher taxes to a government widely seen as failing to resolve the country's budget and banking issues.

Colin Grimes, a 40-year-old English teacher in Dublin, says Ireland's latest austerity measures may disproportionately hurt those with less. "People on low wages are going to get hit again," he says.

Ireland's expected personal income-tax overhaul represents a shift from its boom-era policies. After a brief slump in 2001, the Irish economy saw a massive recovery fueled by a commercial-property boom that encouraged Irish lawmakers to push more low-income workers out of the tax net. Under Ireland's current system, workers start paying income tax of 20% when they make an annual salary of about €18,000. A decade earlier, this same "entry point" for taxpayers was €7,000, according to the Irish government.

Various tax credits for single workers and families have also proliferated over the past decade. Government spending on public-sector wages, meanwhile, jumped 90% between 2000 and 2008, according to Gillian Edgeworth, an economist at Italian bank UniCredit SpA.

Ireland's main political parties agree on the urgent need to fix the country's fiscal and banking problems. Yet even after Tuesday's budget vote, it is unclear whether some of Mr. Cowen's austerity measures will reach fruition given his feeble hold on power.

Facing calls to resign and a revolt from his own political allies, Mr. Cowen recently agreed to hold elections next year after the government's budget effort finishes. His center-right Fianna Fail party is widely expected to suffer in next year's elections, thanks to popularity ratings that are lower even than those of Sinn Féin, a party with only four seats in Ireland's 166-seat Parliament.

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— THE COSMOGRAPH DAYTONA —



EUROPE NEWS

France and India sign pacts

By AMOL SHARMA

NEW DELHI—French President Nicolas Sarkozy said he signed agreements Monday advancing his government's plans to sell billions of dollars of nuclear reactors to India, moves that come as the U.S. is struggling to make progress in entering India's lucrative nuclear-energy market.

France and India said they signed a "framework agreement" that paves the way for French state-owned nuclear company **Areva SA** to sell two reactors for a project in India's western state of Maharashtra, along with nuclear fuel for 25 years. Pricing has yet to be finalized, and the countries still have to sort through various technical issues before completing the deal.

The nuclear agreements were among seven pacts France and India signed, including those on space research and film production. Mr. Sarkozy also lobbied for France to win a contract for an estimated \$11 billion of fighter jets, a deal for which companies from the U.S. and other countries are also vying.

Mr. Sarkozy's four-day visit to India, which follows a trip by U.S. President Barack Obama last month and comes ahead of an expected visit by Chinese premier Wen Jiabao, was meant to strengthen strategic ties between the nations while making a case for French companies in one of the world's fastest-growing economies.

"France has made a strategic choice to believe in India—to believe in India's future," Mr. Sarkozy said at a joint news conference Monday with Indian Prime Minister Manmohan Singh. The official meetings between the leaders followed weekend sightseeing by the French president and his wife, singer Carla Bruni, including a visit to the Taj Mahal in Agra.



French President Nicolas Sarkozy, left, with Indian Prime Minister Manmohan Singh, in New Delhi, India, shows his pleasure at signing a multibillion agreement for two nuclear power plants in India.

Mr. Sarkozy, who will travel to the financial capital of Mumbai on Tuesday to wrap up his visit, said that the nuclear agreements are "very favorable to French nuclear industry" and that he expects "no hidden surprises" as final negotiations move forward.

France intends to supply a total of six nuclear reactors to India in coming years. India wants to develop nuclear electricity as a cleaner alternative to coal-fired power to help meet the energy-hungry country's needs. India has about 4,560 megawatts of nuclear power now, but wants to expand that roughly 14-fold by 2032.

Local media reported that the value of the first two French reactors is estimated at €7 billion (\$9.4 billion). The agreements announced Monday set contractual conditions

and break down roles and responsibilities of the parties, Areva said in a statement. Next steps include studies to enable excavation at the Maharashtra site and approvals from India's nuclear-safety authority, the company said.

Mr. Singh said the French project, which will ultimately produce 10,000 megawatts of power, will "greatly increase the share of non-polluting nuclear energy in electricity supply to our country."

In contrast to Mr. Sarkozy, Mr. Obama wasn't able to make any announcements of progress with India on nuclear-energy deals during his visit. While the U.S. led the international effort to dismantle restrictions on nuclear trade with India beginning in 2005, American nuclear concerns are wary of selling technology to India because of an

Indian law that exposes plant suppliers to liability.

The U.S. companies want India to change the law and channel all liability to plant operators, a standard practice in most countries with nuclear energy.

India has said it may be able to assuage U.S. concerns through regulations, but has said changing the liability law will be too difficult. Russia already is building nuclear plants in southern India.

Mr. Sarkozy reiterated his support for India's bid for a permanent seat on the U.N. Security Council, saying that today India is "not in its rightful place in world governance" and that a stronger Indian voice in global affairs is important for the "equilibrium of the whole world."

—Geraldine Amiel in Paris contributed to this article.

Hungary's rating gets steep cut by Moody's

By GORDON FAIRCLOUGH AND MARGIT FEHER

BUDAPEST—Moody's Investors Service on Monday cut Hungary's sovereign credit rating by two notches, to just above junk-bond levels, and said it has a "negative outlook" as questions mount about the strength of state finances and the country's vulnerability to external economic shocks.

Hungary's populist government has levied hefty temporary taxes on a handful of industries to narrow its budget deficit rather than cutting social spending or imposing other austerity measures. That has unsettled markets and put Hungary at odds with the European Union and International Monetary Fund.

Moody's said the ratings cut was driven in large part by what it sees as the government's over-reliance on short-term measures "rather than sustainable fiscal consolidation policies" as it seeks to meet EU-set deficit targets this year and next.

"We expect a significant deterioration in the structural deficit," said Dietmar Hornung, a Moody's vice president who is the agency's lead analyst for Hungary.

The Hungarian government said it had expected the cut. Peter Szijjarto, a spokesman for Prime Minister Viktor Orban, said Monday that the downgrade was the result of government "measures that hurt the interests of international capital in the short term."

Since taking office this year, Mr. Orban has pledged to not introduce new austerity programs. Instead, he is aiming to jump-start economic growth by cutting personal income taxes, lowering the tax rate for small and midsize firms and boosting some welfare benefits for families.

To close the government budget gap, Mr. Orban's administration has imposed extraordinary taxes on banks as well as telecommunications, retail and energy companies. The taxes, which aim to raise roughly \$2 billion annually, are to last through 2012.

The government's steps "support growth" and "will prove to be favorable to everyone in the long term," said Mr. Szijjarto. The government says next year's budget deficit will be below 3% of gross domestic product, as required by the EU.

—Veronika Gulyas contributed to this article.

Russian president visits Poland

Associated Press

WARSAW—Russian President Dmitry Medvedev on Monday took his mission to modernize his country and improve ties with the West to Poland, a former Soviet satellite with which it shares a troubled but improving relationship.

It has been eight years since a Russian president was last in Warsaw for political talks, and Mr. Medvedev and his Polish counterpart, Bronislaw Komorowski, hailed the visit as a significant step forward. They also oversaw the signing of several deals meant to intensify political, economic and cultural contacts.

"Today is a great day in Polish-Russian relations," Mr. Medvedev said. "The spirit of our relations is changing."

"For a very long time, the ghosts of the past loomed over those relations. It doesn't mean that the past has disappeared, it doesn't mean that there are no issues linked to the past that would remain," Mr. Medvedev said. But "it is important that we are starting again to listen to one another. That we are ready to discuss the most difficult, the darkest and most weighing pages in our mutual history."

Polish memories remain strong of Moscow's invasion of Poland's



President Medvedev, right, and President Komorowski in Warsaw on Monday.

eastern half in 1939 and its dominance of the country during the Cold War. More recent sources of friction have stemmed from Poland's support for the pro-Western Orange Revolution in Ukraine in 2005 and its acceptance of a Bush-era plan for a U.S. missile-defense base in Poland—a project that outraged Russia but which President Barack Obama has since scaled back.

But several issues in recent

months have proven a catalyst for a thaw. Russia has begun showing remorse for a 1940 massacre of about 22,000 Polish army officers and other prisoners of war. Known as the Katyn massacre, it has long been an open wound because during the Soviet era the deaths were falsely blamed on the Nazis and in recent years Moscow has avoided acknowledging Soviet guilt.

A significant step in Moscow's

new approach came last month when the Russian parliament passed a resolution acknowledging that the crimes were ordered by Stalin and expressing "deep sympathy for the victims of this unjustified repression."

In Warsaw, Mr. Medvedev said he will continue on that path of disclosure.

"We should know the truth," he said. "We all need it—the Poles and, to no lesser degree, the Russians, because our history is linked to tragic events that made huge numbers of people suffer."

Also, the death of Polish President Lech Kaczynski in Russia this year along with dozens of Polish dignitaries triggered an outpouring of sympathy from Russians that was appreciated by a nation plunged into mourning.

"The bad drought in Polish-Russian relations has come to an end," Mr. Komorowski said at a news conference held after the deals were signed at the presidential palace.

One of the deals is a broad declaration to deepen and diversify trade and economic cooperation far beyond a relationship that now is based mainly on Poland importing gas and oil from Russia.

Other deals specify more cultural contacts, youth exchanges and infrastructure development.

Weakening

How many Hungarian forints one euro buys



Source: WSJ Market Data Group

EUROPE NEWS

Continental guilty in Concorde crash

By DANIEL MICHAELS
AND MAX COLCHESTER

A French court found Continental Airlines Inc. guilty of involuntary homicide in the crash of an Air France Concorde jetliner 10 years ago that killed 113 people, ordering Continental to pay more than €1.2 million (\$1.6 million) in a fine and damages.

A panel of judges in Pontoise found that Continental's staff had been negligent in maintaining one of the carrier's jetliners, debris from which damaged the supersonic Concorde as it was taking off from Charles de Gaulle Airport outside Paris in July 2000.

Continental, now a unit of Chicago-based **United Continental Holdings Inc.**, said it would appeal the verdict, calling it "absurd." The carrier's French lawyer, Olivier Metzner, said Monday on French television that the decision was made to protect "national interests" because foreigners were found primarily responsible for the crash.

Air France, a plaintiff, said it welcomed the decision.

Aviation officials and executives around the world are worried that the trial is part of a trend to pursue criminal charges in accidents, which could damage efforts to improve aviation safety.

Families of victims reached a separate civil settlement several years ago with insurance companies representing Air France and successors to the Concorde's French state-



Runway debris from a Continental jet was found to have caused the crash of an Air France Concorde, above, in 2000.

owned manufacturer, Aerospatiale. Terms of that settlement weren't disclosed.

The judges on Monday ordered Aerospatiale successor **European Aeronautic Defence & Space Co.** to pay a small amount in civil damages, saying the Concorde's design contributed to the crash.

The court, outside Paris, also found Continental maintenance worker John Taylor guilty of involuntary homicide. He received a 15-month suspended prison sentence

and a €2,000. Continental said Mr. Taylor declined to comment.

Continental was fined €200,000 and ordered to pay around €1 million to **Air France-KLM SA**, in part for damage to the company's image.

France's Accident Investigation Bureau in 2002 determined that as the Concorde began its takeoff, it ran over a piece of metal that had fallen on the runway from a Continental DC-10 that had departed shortly before.

Investigators said the 17-inch

strip made the Concorde's tire explode. A large chunk of the tire flew up and slammed into the plane, creating shock waves inside a fuel tank that popped open an access panel, resulting in a massive fuel leak. Escaping fuel ignited and brought down the plane, investigators said.

The metal strip from the Continental plane was implicated because it was made of titanium, which is harder than the more typically used aluminum or steel. As a result, prosecutors charged Continental and Mr.

At a glance

■ **July 2000:** Concorde Flight 4590 crashes shortly taking off from Charles de Gaulle airport. The crash kills 113 people.

■ **September:** Investigators say a titanium strip fell from a Continental Airlines DC-10 on the runway before the Concorde took off, likely cause of a chain of events that led to an explosion.

■ **April 2003:** British Airways and Air France announce they will retire their Concorde fleets.

■ **March 2008:** Judges are asked to bring manslaughter charges, including against two Continental employees.

■ **December 2010:** Court finds Continental 'criminally responsible' for the crash.

Taylor, who had installed the strip, for violating guidelines against using titanium.

For decades the industry has followed a no-blame approach, under which employees are encouraged to provide information about mistakes without fear of retribution. But recent cases in Spain, Italy, Canada and Indonesia have sparked concern among people in the industry that pressing criminal cases will stifle the free flow of information that can prevent accidents.

L'Oréal heiress, daughter agree to resolve disputes

By DAVID GAUTHIER-VILLARS

PARIS—L'Oréal SA heiress Liliane Bettencourt and her daughter said they have resolved their differences, ending a series of lawsuits that could have jeopardized French control of the cosmetics giant.

The mother and daughter said in a joint statement on Monday that they aimed to reinforce family management of their 31% stake, valued at €15.7 billion (\$21 billion), in L'Oréal.

The agreement came amid speculation that L'Oréal's second-largest shareholder, **Nestlé SA** of Switzerland, might use the family dispute to seize control of the cosmetics company. Nestlé has said it was bound by an agreement not to increase its 29% stake in L'Oréal until six months after the death of Ms. Bettencourt.

The Bettencourt family reconciliation, however, doesn't put an end to a separate case: preliminary investigation into the lawfulness of donations made by Ms. Bettencourt to members of President Nicolas Sarkozy's ruling party, the Union pour un Mouvement Populaire. Ms. Bettencourt has said she made only legal donations to UMP members, who have said they raised funds in accordance with the law.

An apparent loser after Monday's announcement was François-Marie Banier, Ms. Bettencourt's photographer friend. Ms. Bettencourt has decided to cancel planned donations to Mr. Banier, who was set to inherit of



Liliane Bettencourt, left, and her daughter, Françoise Bettencourt-Meyers.

€1.25 billion in the form of life-insurance policies and artworks, a spokeswoman for Ms. Bettencourt said. Mr. Banier will keep about €200 million given to him by Ms. Bettencourt as part of earlier, separate arrangements, she said.

Mr. Banier's lawyer, Laurent Merlet, said he couldn't comment on the matter, saying the arrangement was confidential.

The family dispute traces back to a complaint made three years ago by Ms. Bettencourt's only child, Françoise Bettencourt-Meyers. She accused Mr. Banier of having abused Ms. Bettencourt's mental weakness to get gifts from her. Mr. Banier has acknowledged receiving the gifts, but denies having abused Ms. Bettencourt's trust.

The complaint led to crisscrossing legal actions: Ms. Bettencourt sued her daughter for mental harassment and Mr. Banier accused Ms. Bettencourt-Meyers of having suborned a witness. Through their lawyers, Ms. Bettencourt, her daughter and Mr. Banier said all the complaints will be withdrawn.

"Calm has returned," said Mr. Merlet, Mr. Banier's lawyer.

To bolster family control over the cosmetics company, Ms. Bettencourt and her daughter have agreed to appoint Ms. Bettencourt-Meyers' two sons to the board of Tethys, their holding company. Patrice de Maistre, not a Bettencourt family member, will step down as Tethys chief executive by year-end, the Ms. Bettencourt's spokeswoman said.

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U.S. NEWS



Reuters

President Barack Obama called for a compromise with Republicans on taxes in a speech Monday in North Carolina.

Obama says compromise possible in tax debate

By LAURA MECKLER

WINSTON-SALEM, N.C.—President Barack Obama said Monday he was willing to compromise with Republicans who want to extend tax cuts on the wealthy in order to make sure taxes do not go up on the middle class. But he said extending unemployment insurance for the long-term unemployed was a priority.

“We’ve got to make sure that we’re coming up with a solution even if it’s not 100% of what I want or what the Republicans want,” he said at a visit to Forsyth Technical Community College in Winston-Salem, N.C.

His comments reflect the continuing negotiations in Washington. The White House said over the weekend that the president told allies he would sign a temporary extension of tax cuts for all Americans, including upper-income families, but only if it is accompanied by an extension of unemployment

benefits.

White House officials say Mr. Obama also wants to extend a variety of other tax breaks affecting lower- and middle-class families, though it is less clear if those will be part of the final package.

One idea that could gain traction, according to some close to the discussions, is replacing Mr. Obama’s tax credit for workers with a temporary payroll-tax holiday. From the Republican standpoint, such a tax holiday would have the advantage of being pegged to how much workers actually pay in payroll taxes.

Some Democrats have also been sympathetic to the idea, because lower- and middle-income workers would get to keep a larger percentage of their earnings than the highest earners. It is unclear how long such a tax holiday would be in place. Social Security taxes are 12.4% of an individual’s income up to \$108,600, with half borne by the worker and half by the employer.

Over the weekend, White House officials and congressional Republicans closed in on a deal that would extend current income-tax rates for all Americans as well as a benefits program for the long-term unemployed. Both parties appeared optimistic about reaching an agreement on a broad tax package by midweek.

Speaking Monday, Mr. Obama made a particular pitch for the unemployment insurance, which has already run out for some two million Americans.

“We should also extend unemployment insurance for workers who have lost their jobs through no fault of their own. That is a priority,” he said. “It’s not only the right thing to do. It’s the smart thing to do.”

Mr. Obama repeated his view that tax cuts should expire for families earning more than \$250,000 a year. Republicans say the U.S. shouldn’t raise taxes on anyone given the slow economic recovery.

—Martin Vaughan contributed to this article.

Group to push education plan

By STEPHANIE BANCHERO

Former Washington schools Chancellor Michelle Rhee launched a national advocacy group Monday to support political candidates and school districts that embrace substantial changes in public education.

Through the group, Students First, Ms. Rhee hopes to raise \$1 billion to dole out to political candidates who support her policies and to local school districts that adopt the reforms, such as linking teacher tenure to student test scores.

“We are trying to shift the balance of power in the education landscape away from the powerful groups who want to keep the status quo,” Ms. Rhee said in an interview, referring to organizations such as teachers unions. “We are going to be the group that is advocating on behalf of kids.”

Ms. Rhee wouldn’t comment on how much money she has already raised, saying only that the organization is “making good progress on getting philanthropic dollars.” She



Michelle Rhee wants to shed poorly performing schools and educators.

wants the bulk of the money to come from donations on her website, studentsfirst.org.

Ms. Rhee stepped down from the Washington, D.C., job in October after Mayor Adrian Fenty, who ap-

pointed her, was defeated in the Democratic primary by Vincent Gray. In her three years in Washington, Ms. Rhee became the most vocal proponent of a controversial national movement for transforming K-12 schools. She drew national attention and the support of the Obama administration.

She favors linking teacher evaluations to student test scores, closing poorly performing schools and purging ineffective educators.

Students First is a membership organization, and Ms. Rhee hopes to attract more than one million supporters nationwide who will embrace her policies and push them in local communities.

Ms. Rhee said her group would develop an aggressive legislative agenda for state leaders and local school districts that would include, in addition to tying student test scores to tenure decisions, lifting the cap on charter schools, which are public schools run by outside groups. “This will not be for the faint of heart,” she said.

Obama’s Korea gambit might have just paid off

[Capital Journal]

By GERALD F. SEIB.



In early November, President Barack Obama ended a trip to South Korea without a much-anticipated free-trade deal—and with the prospects of a broader free-trade agenda sliding rapidly downhill.

Last week, a South Korean trade delegation came to Washington and agreed to the deal on terms the Koreans wouldn’t even discuss, much less accept, in Seoul.

The rapid change wasn’t just startling. It was one of the most important international economic developments in recent years. The bilateral free-trade agreement with South Korea is both the largest trade deal the U.S. has struck since the North American Free Trade Agreement in 1994 and a milestone that had to be reached to foster any hope of crafting a new bipartisan free-trade coalition.

Given the stakes, it’s worth asking: What turned the Korea deal around?

Conversations with people involved in the talks, both in Korea and in the U.S., suggest a combination of forces behind the demise and revival. Initially, there were political miscalculations on both sides. At a crucial moment, Mr. Obama made a risky decision to dig in his heels to prove a political point, which seems to have startled the South Koreans into recalculating. The U.S. made a key concession of its own. And the deal got an unexpected boost from the perpetually unpredictable regime in North Korea.

And in the end, leaders on both sides seem to have decided that the deal’s details were less important than making a bold statement about the need for a new global consensus on trade.

The outlines of the U.S.-South Korea deal were struck in 2007, but the pact had been languishing until earlier this year. Then-White House Chief of Staff Rahm Emanuel helped persuade Mr. Obama to dust it off, as much as a national-security move to strengthen ties with Seoul as an economic move.

Mr. Obama set a goal of finishing the pact while world leaders were gathered in Seoul for an economic summit. The president’s labor allies were unhappy, but his real political problem was more specific. A trifecta of powerful forces—the United Auto Workers, Ford Motor Co. and the bipartisan leaders of Michigan’s congressional delegation—would oppose the treaty’s provision calling for an immediate end to the tariff the U.S. imposes on most Korean auto imports.

So while other issues were being resolved, or nearly so, the auto question remained outstanding when Mr. Obama arrived in South Korea, just days after his Democratic Party’s devastating losses in midterm

congressional elections. U.S. negotiators hoped to finesse the auto issue; they wanted to talk about a three- or four-year delay in ending the tariffs, less than the 10 years Ford wanted but maybe enough to close the deal.

They were wrong. The South Koreans appeared to think that Mr. Obama was so weakened by election losses that he would accept almost anything to have a foreign-policy triumph. So they refused to discuss a delay in eliminating tariffs—not for 10 years, four or three.

At that point, Mr. Obama decided he needed to demonstrate he wasn’t as weakened as imagined. He pulled the plug and left Korea with no deal—merely a promise that South Korea would send negotiators to Washington soon to try again.

The bilateral free-trade agreement with South Korea is the largest trade deal the U.S. has struck since the North American Free Trade Agreement in 1994.

He wasn’t simply being a tough negotiator. His administration figured that without some give on the tariffs issue, the UAW and the influential bipartisan leaders of the Michigan congressional delegation—Democratic Rep. Sander Levin and Republican Rep. Dave Camp—could block ratification of the deal. He could get a treaty that would die in Congress.

Last week, the South Koreans returned to the table in Washington. But the atmosphere was different. They seemed worried their broader relationship with the U.S. had been put at risk. Moreover, an outside force had intervened to underscore precisely that fear. North Korea had just stunned the world by shelling a South Korean island, one of the most serious provocations since the Korean War. The premium on strong ties to the American superpower had just gone up.

Perhaps more importantly, the South Koreans were surprisingly receptive when U.S. officials argued that, with a deal on auto tariffs, they could deliver broad bipartisan support for an agreement and thereby make a powerful statement about the importance of trade to a global trade system so important to Seoul.

So last Friday, South Korean negotiators agreed to a five-year delay in lifting American auto tariffs—a longer delay than the one they wouldn’t even discuss back in Seoul. And they agreed to relax safety standards that had kept American-made cars out of South Korea. In return, the U.S. relented on its push to open Korea to American beef, an issue Korean leaders considered too explosive for concessions.

Now the UAW has actually endorsed the deal, as have the Michigan lawmakers. Many Obama gambles haven’t paid off, but the Korean gambit just might.

WORLD NEWS

Obama, Hu aim to calm Korea crisis

BY JEREMY PAGE
AND EVAN RAMSTAD

U.S. President Barack Obama and China's President, Hu Jintao spoke for the first time about the continuing crisis on the Korean peninsula, with the Chinese leader calling for calm and his U.S. counterpart urging Beijing to rein in its neighbor and ally.

Messrs. Obama and Hu spoke by telephone Sunday night in their first direct communication since North Korea revealed significant progress in its uranium-enrichment program and then shelled a South Korean island, killing four people, on Nov. 23.

The U.S. responded to the artillery raid by sending an aircraft carrier to take part in joint military exercises with South Korea in the Yellow Sea last week, prompting protests from both North Korea and China.

U.S. Secretary of State Hillary Clinton also hosted a meeting with the Foreign Ministers of South Korea and Japan in Washington Monday after rejecting a Chinese proposal for broader talks, including China, Russia and North Korea, in Beijing.

By scheduling the conversation between Messrs. Obama and Hu for the day before Monday's talks, both sides appeared to be trying to prevent the crisis from escalating further into a standoff between China and North Korea on one side, and the U.S. and its Asian allies on the other. It gave President Obama a

Wobbly waters

How U.S. and China responded to recent tension in the Koreas

- **Nov. 23:** North Korea fires artillery barrage at South Korea's Yeonpyeong Island; U.S. condemns attack, China calls for calm and restraint.
- **Nov. 24:** U.S. and South Korea announce joint naval drill.
- **Nov. 28:** China proposes emergency conference of nations involved in six-party talks to discuss Korean tensions; U.S.-South Korea naval drill begins.
- **Nov. 29:** South Korea, U.S., Japan reject China proposal for six-party meeting.
- **Dec. 3:** China appeals to South Korea, U.S., Japan to work toward stability on Korean peninsula.
- **Dec. 5:** Hu Jintao and Barack Obama discuss the crisis by phone.

Source: WSJ reporting Photo: Reuters (U.S. Navy)



Japan Maritime Self Defense Force destroyer Ikazuchi, left, sails alongside the USS George Washington in the Pacific Ocean

chance to be seen putting pressure on China, while also reassuring Beijing that it remains a dialogue partner for the U.S. in the crisis.

China is particularly anxious to ensure the Korean crisis doesn't overshadow a planned visit by President Hu to Washington in January—less than two years before he is due to retire as Communist Party

chief.

China-U.S. relations have already been strained this year by public disputes over issues including the value of the Chinese currency, China's territorial claims in the South and East China seas, and vocal U.S. support for jailed Chinese dissident Liu Xiaobo who won the Nobel Peace Prize.

President Obama condemned North Korea's artillery raid and its pursuit of a uranium-enrichment program and emphasized the need for Pyongyang to "halt its provocative behavior," a statement from the White House said.

"He urged China to work with us and others to send a clear message to North Korea that its provocations

are unacceptable," the statement said. "The president also highlighted the American commitment to the security of our allies in the region."

China has so far declined to blame the artillery raid on North Korea, which it supported during the 1950-53 Korean War by sending three million "volunteers" to fight against the South.

China continues to prop up the North with economic aid, fearing a collapse of the regime there would send millions of refugees into northeastern China, and bring the roughly 30,000 U.S. troops in South Korea right up to the Chinese border. But China's leaders are facing mounting criticism at home and abroad over their reluctance to use their political and economic influence to stop North Korea from developing nuclear weapons or launching conventional attacks against the South.

President Hu told President Obama that China was "deeply worried" about the situation on the Korean peninsula, the state-run Xinhua news agency reported. "Especially with the present situation, if not dealt with properly, tensions could well rise on the Korean peninsula or spin out of control, which would not be in anyone's interest," Mr. Hu said, according to a Chinese Foreign Ministry statement.

"The most pressing task at present is to calmly deal with the situation," Mr. Hu added, according to the statement.

—Adam Entous
contributed to this article.

Court investigates North Korea actions

BY JOHN W. MILLER

BRUSSELS—North Korea came under inquiry Monday by the International Criminal Court in The Hague over whether it has committed war crimes against South Korea this year, including with its recent shelling of a South Korean island.

The probe, which will further isolate North Korea as tensions mount in the region, is a sign that the court, which investigates war crimes and crimes against humanity on behalf of the international community, is set on expanding its purview outside its traditional patches of Africa and the Balkans.

Luis Moreno-Ocampo, the ICC's chief prosecutor, said, "The Office has opened a preliminary examination to evaluate if some incidents constitute war crimes under the jurisdiction of the Court."

Mr. Moreno-Ocampo's office said it is looking at the Nov. 23 shelling by North Korea of Yeonpyeong Island, in which two marines stationed there and two civilians died, and the March 26 sinking of the South Korean warship Cheonan, which killed 46. The office said the Cheonan was "hit by a torpedo allegedly fired from a North Korean submarine."

North Korea's explanations for the Nov. 23 attack have been vague, though it has said Seoul provoked it by conducting an artillery test from Yeonpyeong Island. It is unclear whether Pyongyang is claiming waters that lie south of the South Korean-controlled islands. Following the sinking of the Cheonan, North

Korea issued a series of statements critical of the maritime border.

An ICC representative confirmed that the two incidents would be the object of a preliminary examination, an initial phase that could later lead to a full investigation into war crimes.

If Mr. Moreno-Ocampo proves North Korean military leaders committed war crimes, the ICC will issue arrest warrants, to be enforced by its members—it doesn't have its own police force. South Korea signed the treaty backing the ICC in 2002. North Korea isn't a member and doesn't recognize the court's authority.

The ICC probe will have an influence on regional politics. "It's the first Asian referral and it will put pressure on China," said Andrew Small, an analyst with the German Marshall Fund in Brussels. "The North Korean leaders who could be under indictment all go through China."

ICC officials wouldn't say how the complaint, the first ever involving a Far East nation, originated. The ICC can start a probe on its own, after a request from a member country or after an order from the U.N. Security Council. The South Korean Embassy in The Hague didn't return calls seeking comment. A representative of North Korea couldn't be reached.

The ICC was created in 2002 to prosecute war crimes in places where there is no appropriate legal system ready to handle such allegations.

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WORLD NEWS

China statistics 'man-made'

By Andrew Batson

BEIJING—A senior Chinese official said in 2007 that much of the country's local economic data are unreliable, according to a leaked diplomatic cable published by the WikiLeaks website.

The official, Vice Premier Li Keqiang, was at the time Communist Party secretary of the northeastern province of Liaoning. Since landing his current position, he has overseen many of the central government's efforts to improve the quality of its economic statistics, which continue to face many questions over their accuracy and consistency.

Mr. Li is considered the top contender to take over as premier, the top economic policy-making position, when the current head of government, Wen Jiabao, steps down in early 2013. The reported comments provide intriguing context for his current role, which among other tasks include overseeing the ongoing nationwide population census.

China's Foreign Ministry has said it will not comment on the content of the diplomatic cables published by WikiLeaks. The leaked cable reports comments Mr. Li made in a dinner in Beijing with then-U.S. Ambassador Clark Randt on March 12, 2007. His remarks focused on the challenges of administering the province of Liaoning, which because of its legacy of failed state-owned enterprises was burdened with a large number of unemployed workers.

"When evaluating Liaoning's economy, he focuses on three figures: 1) electricity consumption, which was up 10% in Liaoning last year; 2) volume of rail cargo, which is fairly accurate because fees are charged for each unit of weight; and 3) amount of loans disbursed, which also tends to be accurate given the interest fees charged," the cable says.

"By looking at these three figures, Li said he can measure with relative accuracy the speed of economic growth. All other figures, es-



A construction site in Shenyang, above, in northeast China's Liaoning province, where Vice Premier Li Keqiang, right, was Communist Party secretary.

pecially GDP statistics, are 'for reference only,' he said smiling," the cable reads. "GDP figures are 'man-made' and therefore unreliable," the cable paraphrases Mr. Li as saying.

Analysts have long questioned the reliability of economic figures produced by local governments in China. Because local officials' careers often depend on how well the economy in their jurisdiction is performing, there is an incentive for them to report positive figures.

Many private-sector analysts also closely track the indicators reportedly favored by Mr. Li, which are thought to reflect real activity and be less subject to political influence.

The nationwide gross domestic product figures published by the National Bureau of Statistics aren't directly based on the provincial GDP figures and attempt to correct for

some of their biases. Indeed, almost all of China's provinces consistently report GDP growth rates above the national average.

The NBS, while defending the nationwide figures it produces as fundamentally accurate, has sought more influence over the numbers compiled by local authorities.

In his public comments about economic statistics, Mr. Li also has repeatedly stressed the importance of gathering accurate information.

"Data live and die by its quality," he said at a government meeting in early 2009, urging accuracy in a count of the nation's businesses and their economic activities. "Statistical data provide effective support to our efforts to promote stable and relatively fast economic growth over the long term."

More recently, in a speech last month on the census, Mr. Li said:



Bloomberg News

"We are a large developing country with a population of more than a billion people, so accurately understanding the status of our population and its changes helps us better make and implement economic and social policies."

Swiss bank shuts down Assange's account

Continued from first page
the Swiss account as the place to send donations to the Julian Assange Defence Fund, which WikiLeaks established to help cover its founder's legal costs.

WikiLeaks this weekend was cut off by PayPal, the payment system through which many donors had sent money to the site. PayPal, a unit of eBay Inc., said WikiLeaks had violated PayPal policies that ban "any activities that encourage, promote, facilitate or instruct others to engage in illegal activity."

WikiLeaks said in a statement Monday there was €31,000 (\$41,500) in the PostFinance account, belonging to the defense fund and to Mr. Assange personally. WikiLeaks described this money as "frozen."

A spokesman for PostFinance, Marc Andrey, said the bank is ready to send the money to Mr. Assange once he provides details for another bank account.

WikiLeaks also said that PayPal "froze" €60,000 of donations to the document-leaking organization. A PayPal spokesman said: "We cannot disclose information about the account due to our privacy policy and the privacy laws in both Germany and the U.S."

Mr. Assange, an Australian citizen, has come under intense pressure after publishing hundreds of thousands of secret U.S. government documents this year. WikiLeaks' latest publication includes diplomatic cables sent by State Department officials.

Mr. Assange is also embroiled in a dispute with Sweden, which has issued a warrant seeking his arrest for questioning about alleged sexual offenses. He denies committing them.

U.K. media have reported Mr. Assange is currently in the U.K. The British Broadcasting Corp. said Monday that the Swedish warrant has arrived in the U.K., implying that it could be served at any time.

British police declined to comment. Mr. Assange's lawyers decline to comment on his whereabouts.

In its statement, WikiLeaks suggested that Mr. Assange's troubles are the result of political pressure. "One of the most fascinating aspects of the Cablegate exposure is how it is throwing into relief the power dynamics between supposedly independent states like Switzerland, Sweden and Australia," it said.

Mr. Andrey, the PostFinance spokesman, said political pressure played no role in the bank's decision.

Describing Mr. Assange as a "homeless refugee attempting to gain residency in Switzerland," the WikiLeaks statement said he used his lawyer's address in Geneva to register for the PostFinance account.

WikiLeaks' statement asked donors to continue sending money, and noted that the group still has bank accounts in Iceland and Germany.

Some of WikiLeaks' corporate partners providing Internet-support services, such as Amazon.com Inc., have also stopped working with the Web site in recent days. WikiLeaks has so far worked around these problems by publicizing alternate addresses for the site.

—Goran Mijuk and Jim Carlton
contributed to this article.

Iran resumes global nuclear talks

By Jay Solomon

GENEVA—Iran met with the U.S. and other global powers for the first time in more than a year in Geneva amid hopes for a reduction in tensions over Tehran's pursuit of nuclear technologies.

The focus during more than three hours of morning meetings, according to officials, was to narrow the differences between Tehran and Western governments over the future path of their diplomacy.

Iran came into the two days of talks claiming its right to produce nuclear fuel was non-negotiable.

Iranian news outlets quoted Iran's chief negotiator, Saeed Jalili, as saying Monday that Tehran was focused on much broader issues during the talks, including international terrorism and threats to Iran's internal security.

The participants in the meetings included the U.S. and the four other permanent members of the United Nations Security Council—China, Russia, France and the U.K.—plus Germany. This diplomatic bloc was led by the European Union's foreign policy chief, Catherine Ashton. The



Iran chief negotiator Saeed Jalili with EU foreign-policy chief Catherine Ashton.

Obama administration was represented by the State Department's No. 3 diplomat, William Burns.

Mr. Jalili raised Monday morning the assassination in Tehran last week of nuclear scientist Majid Shahriari, claiming the plot was hatched by Israel and Western gov-

ernments, according to officials briefed on the meeting.

"It deserves to be condemned and yet we have seen no such condemnation," Mr. Jalili told the conference, according to a transcript of his comments posted by IRNA, Tehran's state news agency.

Mrs. Ashton condemned the killing, according to two officials briefed on the exchange. She and representatives of the six delegations stressed that Iran must address the mounting international fears that Iran is seeking to produce atomic weapons, rather than civilian nuclear power, as Tehran claims.

"The P5+1 all raised the need to discuss the nuclear program in the morning plenary," said an official briefed on the diplomacy.

Mr. Jalili held bilateral meetings with Russian and Chinese diplomats Monday afternoon, according to IRNA. It was unclear whether the Iranian negotiator would also meet his American counterpart, Mr. Burns, during the two days of talks.

Coming into Monday's meeting, a number of U.S. and European diplomats said they had very low expectations. A success, they said, would be an agreement to have a second round of negotiations, possibly in Turkey or Vienna.

The meetings are being held at an international conference center in Geneva. The seven delegations held morning and evening plenary sessions, with a lunch in between.