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Sarkozy wraps up India visit on somber note

European Pressphoto Agency

French President Nicolas Sarkozy and his wife, Carla Bruni, attend a ceremony in Mumbai commemorating the November 2008 terrorist attacks, on the last day of a four-day official visit. Mr. Sarkozy urged Pakistan to combat terror training camps allegedly operating on its territory.

Oil industry told to boost safety efforts

By Stephen Power

The oil and gas industry needs a "major transformation" in its approach to safety to avoid another big offshore-drilling disaster, a leader of the presidential panel investigating the **BP** PLC accident plans to tell a gathering of industry officials Wednesday.

William K. Reilly, co-chairman of the National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling, also plans to say that BP and two other companies involved with the doomed Macondo well—**Halliburton** Co. and **Transocean** Ltd.—made "breathtakingly inept and largely preventable" missteps, according to a copy of his prepared remarks viewed by The Wall Street Journal.

His speech also calls for improvements in the training and expertise of regulators, who "failed us miserably" in their oversight of offshore drilling before the April 20 explosion of the Deepwater Horizon rig that left 11 workers dead and triggered the worst offshore spill in U.S. history.

But the bulk of Mr. Reilly's remarks—to be delivered in New Orleans at a conference of attorneys for U.S. oil and gas companies—focuses on the industry, and what Mr. Reilly says is the absence of "a shared industry culture that puts a premium on safety and risk management."

"The interest group that could most threaten the future viability of offshore drilling is the oil and gas industry itself," Mr. Reilly says in the speech. "There has to be a recognition that the industry has not made safety a high enough priority. We need a major transformation in the oil and gas industry's understanding of what it means to put a priority on creating a safety culture. This is an industrywide challenge that can't simply be laid at the feet of a few rogue players."

Mr. Reilly's speech is significant, because it comes as his panel is preparing to deliver a report next month to President Barack Obama that could influence future regulation of the industry. Although Mr. Reilly says in the speech that his comments are only "personal observations," his views are likely to influence the commission's findings.

Mr. Reilly's views could also carry weight in the industry because of his background. A Republican who ran the Environmental Protection Agency under President George H.W. Bush, Mr. Reilly is also a longtime board member of **ConocoPhillips**, though currently on leave.

In a statement Tuesday, Halliburton said it "remains confident that all the work it

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The Quirk

Iran's president may want to destroy Israel but his country is building it up. **Page 33**

World Watch

A comprehensive rundown of news from around the world. **Pages 34-35**

Editorial & Opinion

Ireland's prime minister on the country's path to fiscal health. **Page 15**

IMF chief says EU needs broader crisis response

By Alkman Granitsas

ATHENS—The head of the International Monetary Fund on Tuesday urged European countries to find a comprehensive solution to the region's debt crisis, faulting their approach to date as ad hoc and too slow.

Dominique Strauss-Kahn spoke as European finance ministers met in Brussels to debate enlarging the temporary fund for euro-zone members in need of emergency loans, as well as how to set up a permanent funding vehicle.

But those talks so far have been marred by sharp disagreements among various euro-zone governments over the details of future bailout moves.

"My view is very simple—the euro zone must find a comprehensive solution to this problem," the IMF managing director said. "It is not a good approach that for every country we find a separate solution."

European leaders set up the €750 billion ($998.55 billion) European Financial Stability Facility in May, soon after they had put together a €110 billion financial rescue package to help Greece cope with its debt crisis, and have since extended a further €85 billion loan to Ireland.

The stability facility was created as a temporary measure to try to stem worries about the rising indebtedness of other euro-zone countries.

Combined, the euro-zone countries have provided €440 billion to the total, while the IMF has contributed €250 billion, with the remaining €60 billion coming from European Union contingency funds.

However, there have been disagreements over whether the size of the temporary fund should be expanded, while there are also disputes over how its successor facility should be financed and structured.

In his remarks, Mr.

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PAGE TWO

SBMs are forces to be reckoned with

[Agenda]

By Bill Weinstein

Turmoil in the sovereign-debt markets of many euro countries stimulates an analysis that, while borrowing from a lesson in the physics classroom, illuminates practical policy making. The scrambles to issue more sovereign bonds (SBs) to cover government deficits have depended upon sovereign bond markets, SBMs. "Depended upon" may also mean controlled or constrained or conditioned by SBMs, a range of words reflecting different views, from hostility to acceptance.

Financing euro-zone governments has often been limited by an object they cannot move but which can react to, indeed resist, them—the SBMs. This market is highly reactive to euro-zone leaders' statements of intent, proposals, and hope or fear.

The analytical and the practical met in a remark to the Bundestag by the chancellor, Angela Merkel, when proposing that private bondholders take some loss: "Let me put it quite simply: in this regard there may be a contradiction between the interests of the financial world and the interests of the political world." Is this a statement of "differences to be understood between parallel worlds"—or a threat, but, if so, of what by whom against whom?

Bill Clinton, after the SBMs increased yields when seeing an inflation threat, abandoned his deficit budget in favor of a balanced one and declared that if there were reincarnation, he would not wish to come back as a president or a pope or a baseball star, but as the bond market. "You can intimidate everyone."

Since the Greek solvency crisis forced the first bailout on May 7-8, SBMs have been very sensitive to fresh data and analyses. Yields have risen over the Irish bailout and the fear of contagion across national SBs.


Associated Press

Former President Bill Clinton during a visit to Zurich last week.

Politicians such as Ms. Merkel and Herman Van Rompuy have added to fears of loss by investors. Their comments—Germany wants haircuts, the very survival of the European Union is at stake—and public charges of pressure within and among national governments have added to the SBMs' fear. It is now as if the SBMs are forces of nature to be reckoned with; rouse them at your peril. The pressures are among the melee of governments, the European Central Bank and the IMF. Have they been more rational than SBMs?

EU and euro-zone governments have been inept at calming SBMs that they have stirred up.

Investors and traders have not accepted attempts at calming markets. True, yields fell on and after Dec. 1 after the ECB announced that it would buy more SBs of risky governments than before. But such relief briefly puts to one side other fear factors such as Germany's electoral backlashes or its constitutional veto of cross-national transfers, and whether future increases in bailout funds will be sufficient. Preventing defaults is the EU/euro zone's immediate concern: whether they could be prevented longer term is nearly as immediate for them and SBM investors.

EU and euro-zone governments have been inept at calming SBMs that they have stirred up by trial-balloon public or leaked statements. When fear of future loss is the dominant motive and SBMs are moved by their own dynamic, yields would increase anyhow. The field is severely sloped: Governments are paying for profligacy. Infirm governments have become dependent on SBMs as to availability of funds and costs, where big private investors are banks, insurance companies, pension and other asset funds. Ad hoc bailouts past and prospective don't reassure them.

What is being learned the hard way is that SBMs set the costs of borrowing unless the ECB buys SBs from fiscally infirm governments or the IMF provides cheap credit. Default looms if the costs of SBM borrowing are believed by the investors, their advisers, fund managers and traders to outrun the ability of a government to redeem bonds it issues. So, SBMs are sensitive to risk and its reality as they see it; but debtor governments haven't blamed them.

This goes deeper. Although SBMs rode the credit boom without due prudence, they aren't blamed for their sensitivity to the euro zone's confusing and changing plans, recommendations and threats. They are markets with risk-gain players who are intractable toward profligate governments, which obviously are not markets. You might as well attack a sensitive market, with its transitory transactional relationships, whatever its inclination to herding or the influence of big asset managers, as kick the tires on a broken-down car. Pay the repair price or stay broken or be saved by divine intervention. You need the car.

The changes that markets do want differ with circumstances. The fear of Clinton-caused inflation encouraged "vigilante" traders, whose yield demands indicated their readiness to attack an inflation-prone government. Today there are similar SBM players whose yield demands express their view that the ECB ought to intervene more actively, or countries must stabilize financially and politically, or Germany must save the euro zone, or the EU must become a financial-political union.

How, then, to interpret Ms. Merkel's comment? SBMs and governments run in parallel, though they also interact. One is a market and the other isn't, and you don't hear of proposals to abolish or nationalize SBMs. Finding other means—collectively and politically—is the crisis alternative. That's the SBMs' implied policy message. No free lunch either way. However, an unintended side effect of the constraining conditions set by SBMs is like that of doctors who must inflict pain to restore the patient. After surgery in the world's largest financial hospital, there must be a positive outcome: correction of structural imbalances between Germany and the rest. Agreements must arise in reaction against the implacable SBMs' conditions. SBMs may then become less implacable.

—The writer is fellow emeritus in politics, public policy and management, Balliol College, Oxford; professor emeritus in international business, Henley Business School.

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■ **BP is considering** the sale of North Sea assets valued at $1 billion, as the energy company seeks funds to pay for the oil spill in the Gulf of Mexico earlier this year. **21**

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'It's far more difficult to maintain growth momentum when you're already the biggest operator in the market.'

Continuing coverage

Follow the latest news on WikiLeaks and its founder at **europe.wsj.com**

Question of the day

Vote and discuss: Will Afghanistan be more secure a year from now?

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Previous results

Q: Will the current EU rescue fund be enough to tackle the euro area's sovereign-debt problems?

Yes **18%**

No **82%**

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NEWS

WikiLeaks chief denied bail in U.K.

By Jeanne Whalen

LONDON—WikiLeaks founder Julian Assange was denied bail at a court hearing following his arrest in the U.K. on sexual-assault allegations from Sweden, deepening the controversial Web site's legal and operational problems.

A judge at London's Westminster Magistrates' Court ordered Mr. Assange remanded into custody until Dec. 14, saying there was a risk he would flee if released on bail. Mr. Assange has repeatedly denied the sexual-assault allegations and said in court that he will fight his extradition to Sweden.

Sweden obtained a European arrest warrant for Mr. Assange because it wants to question him about the accusations, which include rape, sexual molestation and unlawful coercion. He has not been formally charged with any wrongdoing.

The judge, Howard Riddle, denied Mr. Assange bail despite offers from five individuals—including film maker Ken Loach and British socialite Jemima Khan—to post £20,000 ($31,400) each for his bail. Ms. Khan and Mr. Loach said they didn't know Mr. Assange but wanted to support the principle of free speech.

Mr. Assange's jailing comes as WikiLeaks comes under pressure from the U.S. government over its leaking of thousands of classified U.S. documents. Corporate partners of WikiLeaks, including Amazon.com Inc. and Ebay Inc's PayPal, have stopped providing support services.

Press Association

WikiLeaks founder Julian Assange, back to camera, is driven into Westminster Magistrates Court in London Tuesday.

During the hearing, the murky allegations against Mr. Assange—which involve two women with whom he had sexual relations in Sweden over the summer—came into sharper view.

A lawyer representing Swedish authorities said one of the women alleges that Mr. Assange forcibly held her arms and legs, preventing her from moving, and had sexual intercourse with her without using a condom despite knowing it was a prerequisite for her. The other women alleges that Assange had sex with her while she was asleep, again failing to wear a condom despite knowing she required it.

Mr. Assange, in a dark suit and white shirt, spoke little during the hearing. He has acknowledged having sex with the women but has said it was consensual. He has called the allegations an attempt to smear him.

The judge called the allegations "extremely serious" but added that "the nature of the evidence and the strength of the evidence is not known." He asked both sides to present more evidence at the next hearing.

After the hearing, Mark Stephens, Mr. Assange's U.K. lawyer, called the Swedish investigation a "persecution and not a prosecution." In a television interview with Sky News, he said Tuesday's court hearing was the first time he and his client had heard the exact allegations against Mr. Assange.

He also alleged a political motive to Sweden's actions, noting that Sweden's arrest warrant arrived in the U.K. as WikiLeaks was publishing secret U.S. diplomatic cables.

In a statement Tuesday, Swedish prosecutor Marianne Ny said: "I have not been subjected to any political pressure or pressure of any other nature. My role as prosecutor relates solely to suspicions of sexual crimes committed in Sweden in August. Swedish prosecutors are completely independent."

London's Metropolitan Police said Mr. Assange appeared by appointment at a London police station at 9:30 a.m. local time Tuesday to surrender himself. On the advice of his lawyers, he refused to give fingerprints or a DNA sample to police. Early in the afternoon, he arrived at the court in a black sedan that was swamped by photographers before disappearing into a garage. He left later in a police van.

Tuesday's hearing sets up a battle over extradition, which could take months or potentially years to conclude, legal experts said. The U.K., in some high-profile cases, has refused to extradite people.

—Cassell Bryan-Low, Sven Grundberg and Ian Edmondson contributed to this article.

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Oil industry is urged to launch safety drive

Continued from first page

performed with respect to the Macondo well was completed in accordance with BP's specifications for its well-construction plan and instructions." BP declined to comment. Transocean didn't immediately respond to requests for comment.

In recent days, oil industry leaders and their congressional allies have blasted the Obama administration for its decision last week to maintain a longtime ban on drilling in the eastern Gulf of Mexico and the Atlantic coast.

In a conference call this week, the president of the American Petroleum Institute, Jack Gerard, said the administration's decision threatened U.S. jobs and energy needs, and was inconsistent with its move in October to lift a temporary moratorium in the central and western Gulf of Mexico.

But Mr. Reilly, in his speech, says an "embarrassing reality" exposed by the BP spill is that the technical expertise of government regulators "has lagged far behind" that of industry, and that it will take time for regulators to catch up. In that context, it is "regrettable but not really surprising that regulatory officials are reluctant to sign their names to new [drilling] permits."

Mr. Reilly goes on to complain that industry officials "stood by and let disaster happen" in the Gulf, even though "certain companies were well known within the industry to be laggards when it came to a safety culture." With oil and gas companies increasingly drilling in deeper water, he argues that the odds of another catastrophe will rise if the industry doesn't take action. He suggests the industry establish a safety institute that would conduct audits of companies' safety practices and cultures, and whose work would be shared with insurers and each company's board.

Such an institute, he adds, would be similar to "Inpo"—the Institute of Nuclear Power Operations, which was created in 1979 following the nuclear accident at the Three Mile Island plant in Pennsylvania. That group, whose inspection teams conduct regular evaluations of nuclear plants and assess training programs, is widely credited with improving plant safety and performance.

"You can invest in safety now, or you can pay for failure later," Mr. Reilly says in the speech. "An oil spill of national significance may now put the very survival of any but the largest company in peril."

It's unclear how the industry will respond to Mr. Reilly's message. At a recent commission hearing, Nancy Kete, the commission's senior adviser on corporate safety, acknowledged the oil industry's structure was "much more complicated" than the nuclear industry's.

"There's a small number of very large companies and then a large number of smaller companies, and so the cost of something like this and the influence of something like this will be more complicated," Ms. Kete said. "I don't think we can design it for them, but I think that they can handle that."

EURO-ZONE CRISIS

Italy sets big spending cuts

By Stacy Meichtry
And Alessandra Galloni

ROME—The Italian Parliament on Tuesday approved €25 billion ($33.3 billion) in budget cuts over the next two years, locking in austerity measures aimed at stabilizing public finances and reassuring jittery sovereign-debt markets.

The approval of Italy's two-year spending budget comes at a crucial moment, placing Italy's fiscal house in order as lawmakers brace for political turbulence in the weeks ahead. The government of Prime Minister Silvio Berlusconi faces a confidence vote in Parliament on Dec. 14 that could bring down his government and pave the way for early elections in the spring.

The vote in the Italian Senate on Tuesday, however, guaranteed that billions of euros in crucial spending cuts will be implemented, ranging from reductions in government funding to regions and cities as well as freezes and wage cuts for public-sector workers. The budget had already received the approval of the Chamber of Deputies, the lower house of Parliament, in November. "We've done our duty," said Renato Schifani, president of the Senate, after the votes had been tallied.

The cuts addressed potential concerns from investors who are scrutinizing Italy and other countries on the periphery of Europe for signs of fiscal weakness.

Earlier this month, the European debt crisis briefly washed up on Italy's shores, driving Italian bond spreads over German bunds to new highs on fears Italy might be down the line in the Continent's domino-like bailout wave. The panic was unrelated to fundamentals: Italy's deficit as a ratio of gross domestic product is below the European average; there was no real-estate boom and bust, and the banking system is, so far, considered relatively sound. Rome also started chipping away at the high cost of its state-pension spending years ago. However, Italy does have one of Europe's highest levels of debt at €1.8 trillion, equivalent to 118% of gross domestic product this year. Yet concerns over its refinancing are somewhat mitigated by the fact that about half of it is in the hands of Italians.

Even the looming political crisis isn't considered too big a liability. If Mr. Berlusconi loses the confidence vote next week, Italy's president will decide whether to call early elections or to cobble together an interim government to lead the country until the end of Parliament's five-year term in 2013. In that case, Economy Minister Giulio Tremonti is likely to play a role—and so not much of a change is expected in fiscal policy.

Still, economists and business leaders say Europe's third-largest economy has deeper structural issues to address, including lagging growth and competitiveness. Over the past decade, Italian gross domestic product has increased at a meager annual average of 0.54%, and the Treasury forecasts just a 1% rise in 2010 after a 5.1% drop in 2009.

According to an October report by McKinsey & Co., Italy's productivity—measured as GDP per hour worked—is 24% less than that of the U.S. and 10% less than the average of the 15 core countries of the European Union. One of the problems, according to McKinsey, is the size of Italy's businesses, which are too small to benefit from economies of scale and to invest heavily in research.

Italy's labor market is also to blame. The participation of women and young people in the Italian work force is among the lowest on the Continent. Those who do work are divided into two camps: those with cushy, long-term work contracts and those who hop around from one short-term contract to another.

Companies have long complained that Europe's traditional cradle-to-grave contracts—which make it next to impossible to fire workers even during major downturns—provide a disincentive to hiring.

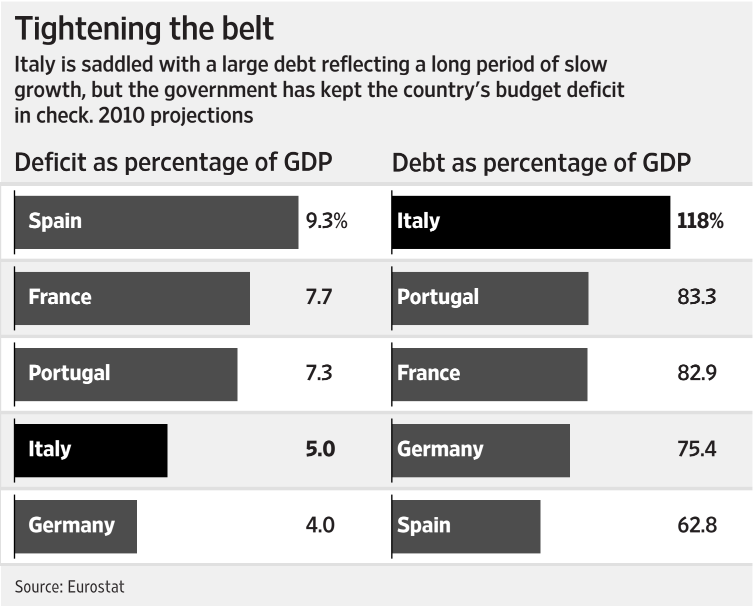
Over the past decade, Italy, like many other European countries, has tried to modernize the labor market by introducing new, flexible contracts encouraging companies to hire.

The proliferation of short-term contracts, however, is proving a drag on broader labor productivity, says Marco Valli, an economist at UniCredit Bank. "The problem is that companies abuse short-term contracts, taking on many people for a short time and not investing in their development properly," he says.

Giovanna Ricciuti is a case in point. Since she graduated with a political-science university degree two years ago, the 27-year-old has held a patchwork of jobs—including at the Italian consulate in Sydney, a tourist gift-box company, a wine lobby and a nongovernmental organization that works on malnutrition in Africa—all on three-month contracts at a time.

"I never feel like I'm really part of anything," says Ms. Ricciuti, who moved from her hometown of Potenza to seek work in Rome. "And it's harrowing because I never know how much longer I'm going to be able to pay my rent."


European Pressphoto Agency



Prime Minister Silvio Berlusconi faces a confidence vote in Parliament on Dec. 14 that could bring down his government.

Ireland unveils harsh budget plan

By Quentin Fottrell
And Ainsley Thomson

DUBLIN—Ireland took the first crucial step on an expected four-year road to financial recovery by securing support for a budget that will make €6 billion ($7.99 billion) in cuts across all sectors of society, from the most vulnerable welfare recipients to the country's political elite.

With the 11th-hour support of two independent lawmakers Tuesday, the government is now expected to pass the budget to qualify for the €67.5 billion financial aid package from the European Union and International Monetary Fund. Ireland will contribute €17.5 billion.

The international community was closely watching the budget, but there were no unpleasant surprises. Following the budget, the euro dipped against the dollar to $1.3308, then quickly recovered to trade at $1.3324 late Tuesday from $1.3321 Monday, according to trading system EBS.

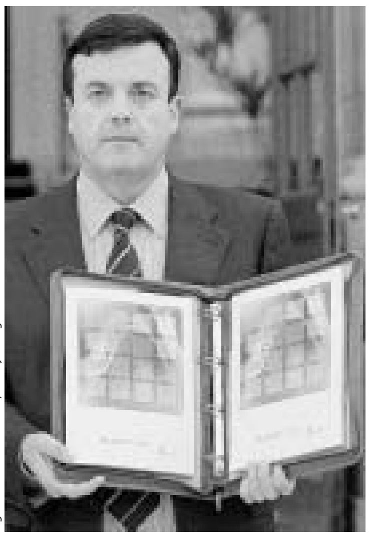
In other market reaction, the cost of insuring Irish sovereign debt using credit default swaps fell. Ireland's five-year CDS were 10 basis points tighter at 552 basis points. This means it now costs an average of $552,000 a year to insure $10 million of debt issued by the country.

Despite pressure from some quarters of the international community, Finance Minister Brian Lenihan pledged to maintain Ireland's corporate tax rate, one of the lowest in Europe. "We will defend our 12.5% corporation tax rate against all comers," he told a packed Irish Parliament.

He also reduced the minimum wage by €1 to €7.65 an hour, although those on that wage will remain outside the tax net.

Overall, Mr. Lenihan said he would increase the amount of workers subject to taxation to approximately 60% from 45% of all wage earners. The salaries of top-earning public-sector workers were capped at €250,000 per year.

There were also some headline-grabbing cuts aimed at appeasing an angry and frustrated Irish public: a €14,000 cut to Prime Minister Brian Cowen's salary, taking it to €214,000, and a €10,000 cut to ministerial salaries, taking them to €181,000. But Mr. Lenihan kept the marginal top tax rate at 52%.


Agence France-Presse/Getty Images

Finance Minister Brian Lenihan

The 2011 budget also widened tax bands, reduced tax credits, cut social welfare payments, introduced a site-property tax and reformed stamp duty regulations in an attempt to breathe life into the collapsed housing market. However, it left state pensions untouched.

"This has been a traumatic and worrying time for the citizens of our country," Mr. Lenihan said. "Today's budget is our first step in ensuring that we can get back firmly on our feet. It is a substantial down payment on the journey back to economic health."

He announced a fundamental reform of government stamp duty on residential property transactions effective immediately: a flat rate of 1% on all residential property transactions up to €1 million and 2% above €1 million. There will also be 1% paid on all residential property sales, new or old. Previously, house buyers could have paid up to 9% stamp duty at the highest rate.

In one significant policy U-turn for his Fianna Fáil-led coalition government, Mr. Lenihan cut the state's air passenger tax to €3 per person from €10 per person.

Late Tuesday, the Parliament was set to vote on smaller measures like excise duty on petrol and diesel. The social welfare bill will be presented before Christmas, and the finance bill will be brought before Parliament in the next couple of months.

Critics say consumers will buckle under the €6 billion in cuts that will total €15 billion over four years.

IMF chief urges EU to broaden crisis action

Continued from first page

Strauss-Kahn likened Europe's expanding debt crisis to the financial turmoil that rocked the U.S. two years earlier.

But he criticized Europe for its slow response and said the lessons learned from the American crisis called for a speedy and comprehensive solution.

"The institutional organs of the European system likely need some improvement so as to react more quickly," he said. "They were not created to deal with crisis, they were created for more peaceful times."

In the U.S., the effects of a widening crisis were first transmitted from bank to bank by a collapse of confidence in the interbank market.

In the past three months in Europe, investor fears that the EU and IMF may soon have to help Portugal and Spain have pressured the sovereign bonds of indebted euro-zone states and raised the cost of borrowing for those countries, further aggravating existing debt problems.

"Clearly the euro zone has a problem of high debt among some of its members. It is not a tremendous problem for the euro zone—I don't agree with the view with those who say that the future of the euro zone is at risk—but it is a problem and it must be addressed," Mr. Strauss-Kahn said. "And for it to be addressed effectively it must be addressed in a complete and comprehensive manner."

Mr. Strauss-Kahn was in Athens to discuss with Greek Prime Minister George Papandreou the country's continuing reform efforts as well as negotiate an extension to the period in which Greece must pay off its EU and IMF loans.

At a joint news conference, he said he was "impressed" with Greece's efforts to narrow its budget deficit, but said Greeks still faced a long road of difficult, structural reforms ahead.

Since May, Greece has narrowed its budget deficit from a record 15.4% of gross domestic product in 2009, to a projected 9.4% of GDP this year.

For next year, it aims to reduce the deficit to 7.5% of GDP.

However, Greece still faces high borrowing costs on international markets, in part because of investor jitters over the country's ability to service loan repayments in 2014 and 2015.

To ease some of those concerns, Mr. Strauss-Kahn publicly floated the idea of extending Greece's loan repayment schedule in October. And last month European finance ministers decided to consider extending the repayment period until 2024 from 2018, to bring it in line with Ireland's emergency loan.

"It is not an urgent issue, but we shouldn't wait too long about it," Mr. Strauss-Kahn said. "From our side, we are ready to do it. We'll see with our European partners how that should happen."

Late Tuesday, Greek public sector umbrella union ADEDY and the Communist-backed PAME union held protest rallies outside parliament to coincide with the IMF chief's visit.

EUROPE NEWS

Tough move boosts Zapatero's clout

By Sara Schaefer Muñoz
And Santiago Perez

MADRID—Despite the chaos caused by last weekend's air-traffic controller strikes in Spain, the government's severe response has shored up the position of Spain's embattled prime minister and could give him more support in passing reforms.

Prime Minister José Luis Rodriguez Zapatero's decision to force air-traffic controllers back to work under military authority played both to conservatives, who want to see tough reforms in areas such as labor, pension costs and the banking sector, and to Mr. Zapatero's working-class base, which sees the air-traffic controllers—who earn an average of €200,000 ($265,000) a year—as a privileged group tarnishing the reputation of organized labor.

Mr. Zapatero needs as much political support as he can muster right now, as he pushes through the consolidation of Spain's troubled banking sector and confronts a rigid labor market that zealously protects the salary and benefits of full-time workers. The Spanish government is seeking to lower spending and raise taxes as part of an effort to put its finances on track.

The prime minister's response to the controllers illustrates "the magnitude of the U-turn" he has taken when it comes to getting tough on labor, said Iain Begg, a research fellow at the European Institute of London School of Economics, even if the air-traffic controllers aren't representative of the Socialist Party's working-class base.

"They are still a union, and taking them on is symptomatic of a change in attitude, even if they are the softest of the targets," he said.

Mr. Begg said the prime minister also will get credit abroad with investors and politicians. International funding markets had been punishing Spain for the perception it isn't moving fast enough to manage its large public- and private-sector debts.

Mr. Zapatero's actions also are likely to solidify the informal coalition that he brokered with the Basque political party and with that of the Canary Islands to pass the controversial budget measures, analysts said. Keeping airspace open is crucial for the economy of Spain's tiny Canary Islands.

Getty Images

Spanish Prime Minister José Luis Rodriguez Zapatero in Madrid on Tuesday.

The air-traffic-control crisis unfolded Friday when many of Spain's 2,300 controllers, protesting changes to their working hours, mounted an unauthorized strike, closing Spanish airspace over a holiday weekend and leaving some 200,000 passengers stranded.

On Saturday, Mr. Zapatero placed the country under emergency rule for the first time since the Franco era, threatening to arrest those who didn't return to work.

On Sunday, most air-traffic controllers had returned to their jobs and Spanish airspace was reopened.

Mr. Zapatero has said he may extend the emergency rule "depending on how the circumstances evolve." He will face Parliament on Thursday to explain his decision.

Amid the crisis, there were signals of a thaw between Mr. Zapatero and Mariano Rajoy, the leader of Spain's leading opposition Popular Party. Officials of the conservative PP, which has been critical of Mr. Zapatero's Socialist government since the start of Spain's financial crisis, publicly supported Mr. Zapatero's decree in response to the strike. A PP spokeswoman, however, said her party would demand answers as to how the crisis erupted.

According to a spokesman for the prime minister, Mr. Zapatero phoned Mr. Rajoy ahead of the decree, to keep him in the loop.

A spokesman for the controller's union, Daniel Zamit, said that while the strike wasn't union-authorized, the employees' discontent over a decrease in sick days and parental leave was justified. He called the government's action "unnecessary."

—Ana Garcia contributed to this article.

European Pressphoto Agency

Russian President Medvedev, center, with European Council President Herman Van Rompuy, left, and European Commission President José Manuel Barroso, right.

EU backs Russia's WTO bid

By John W. Miller

BRUSSELS—European Union leaders formally agreed Tuesday to endorse Russia's candidacy to the World Trade Organization.

On the sidelines of a summit between Russian President Dmitry Medvedev and the leaders of the 27-nation bloc, there was even a ceremony with EU Trade Commissioner Karel De Gucht and Russia's economic-development minister, Elvira Nabiullina, signing a memorandum of understanding.

Russia is the only major economy outside the 153-member body. Moscow has been negotiating its entry into the WTO since 1993, but internal disagreements and a lack of incentives for Russian membership have stalled its bid again and again.

José Manuel Barroso, the president of European Commission, noted that he personally had discussed WTO entry with Russia at 13 summits. "Maybe 13 is a lucky number. This is really a milestone," he said. "Our difficult bilateral issues are resolved."

Key to the agreement was Russia's agreement to ban export tariffs on timber and to comply with the WTO's thick catalog of rules guaranteeing market access and protecting foreign investors.

Such optimism has been heard before, but this time EU and Russian officials describe Russia's attempt as more serious than usual.

It is committed to attracting more foreign investment to recover from the financial crisis. Foreign companies have been spooked by concerns about the safety of their investments in Russia, and WTO membership would allay many of those fears. The yearning to attract capital has overtaken the fear of exposing domestic manufacturers to foreign competition, analysts said. Russia's big exports are oil and gas, which aren't covered by the WTO, so it has more to lose than to gain in market access. Another significant factor: The U.S. has started pushing WTO membership as a key part of its foreign policy toward Russia.

To be sure, the long-running saga might not be over. The next EU-Russia summit could very well have unresolved WTO issues on the table. Russia needs to cancel state-aid programs, simply its health rules for farm imports and better enforce intellectual-property rights. It also has yet to satisfy an EU request to drop taxes on passenger airplane flights over Siberia. Moscow also needs to remove a host of import tariffs that contributed to cutting its imports to $155.2 billion in 2009 from $255.7 billion in 2008.

Still, even if all goes well, it will take some time. All 153 WTO members must approve Russia's entry. Georgia, which fought a war with Russia in 2008 and was once thought a likely obstacle, isn't now expected to block Russia because of pressure from the U.S. The earliest it could feasibly join is Jan. 1, 2012, EU officials said.

Russian president Dmitry Medvedev was bullish. The agreement, he said, "makes Russia's accession to the WTO become a reality."

NATO's Baltic plan raises hackles

MOSCOW—Russia said it would urge the North Atlantic Treaty Organization to reconsider a newly disclosed plan to defend three Baltic member nations against military attack, saying the alliance is no longer justified in viewing Russia as a would-be aggressor.

*By **Richard Boudreaux** in Moscow and **Marcin Sobczyk** in Warsaw*

Dmitry Rogozin, Russia's envoy to NATO, told Russian news agencies Tuesday that he would raise the issue during Wednesday's meeting in Brussels of the NATO-Russia Council, a panel set up in 2002 to improve ties between the former Cold War rivals. He said that despite official denials by NATO, the plan was clearly aimed at his country.

The NATO plan, code-named Eagle Guardian, was spelled out in confidential U.S. cables released this week by WikiLeaks. It said the alliance decided quietly in January to expand a defense plan for Poland to cover NATO members Estonia, Latvia and Lithuania.

According to one cable on the WikiLeaks web site, the U.S. State Department told its embassies in January to keep the NATO plan secret because "a public discussion of contingency planning would also likely lead to an unnecessary increase in NATO-Russian tensions."

The disclosure cast a shadow over a Russian state visit to Poland, where President Dmitry Medvedev and Polish President Bronislaw Komorowski on Monday celebrated what the two leaders called a historic rapprochement that has finally eased tensions two decades after the collapse of the Soviet empire.

But Tuesday in Warsaw, Mr. Medvedev woke to reports of the Baltic defense as well as to news of a 2009 cable in which Polish leaders sought a significant U.S. military presence there to help counter any Russian attack on Poland. Poland, once part of the pro-Soviet Warsaw Pact, joined NATO in 1999.

In his public comments Monday, Mr. Medvedev had focused on how better relations between Moscow and Warsaw could help resolve contentious issues between Russia and the rest of NATO and the European Union.

On Tuesday, Mr. Rogozin noted that since January, NATO's relationship with Russia had improved. Mr. Medvedev attended the alliance's summit last month in Lisbon, Portugal. At the summit, NATO issued an official doctrine emphasizing the goal of NATO-Russia cooperation in "a common space of peace, stability and security."

"I think our partners have the chance to reconsider the previous decisions, which were publicized in such a specific form, and cannot but cause a serious public reaction in my country," Mr. Rogozin told the Russian state news agency RIA Novosti.

He said he would ask NATO to change the defense plan in light of subsequent declarations that "NATO does not see Russia as its enemy, but on the contrary is seeking to create partnership relations."

NATO's obligation is to defend all of its member states. But it was only after Russia defeated Georgia in a brief 2008 war that the Baltic nations, which had joined the alliance four years earlier, began asking for detailed plans for their defense.

According to the leaked cables, NATO designated a number of military units that would come to the Baltic nations' defense in case of attack and identified ports in Poland and Germany those forces would use.

For its part, Poland seems to have concluded that it wants to avoid some of the costs of strained ties with Russia. "Russia is our No. 2 trading partner. We have more to lose" than other EU states, a senior Polish official said in an interview.

Georgia arrests six terrorist suspects

By Giorgi Lomsadze

TBILISI—Georgia on Tuesday arrested six people on suspicion of carrying out a series of recent bomb attacks, including on the U.S. embassy in the capital, Tbilisi, and accused them of working for a Russian military officer.

The Georgian Interior Ministry released videotaped confessions by the detainees, who are accused of plotting and carrying out five attacks over the past three months. The bombings killed one person.

One detainee said in the taped confession that he was recruited by a Russian Army major based in Abkhazia, a separatist enclave of Georgia occupied by Russian troops since the two countries fought a war in 2008. He said he was tasked with conducting the attacks within Georgia, aimed at destabilizing the political situation in the country.

Russia didn't respond to the Georgian allegations Tuesday, and it wasn't possible to verify independently the circumstances surrounding the taped confessions. But the accusations cast a pall over recent discreet moves toward reconciliation between the bitterly opposed two ex-Soviet neighbors.

Georgia is seeking to persuade Moscow to withdraw the thousands of troops that have remained in Abkhazia and South Ossetia, another breakaway Georgian territory, since the 2008 conflict ended in line with a cease-fire agreement.

"All evidence available to the law enforcement officials suggests that these individuals operated from the occupied territories [Abkhazia and South Ossetia]," Georgian President Mikheil Saakashvili said Tuesday.

Georgia and Russia have routinely traded accusations of subversive activity since the war. Last month, Georgia broke up what it said was a Russian spy ring that involved more than a dozen individuals, who allegedly were passing Georgia's military secrets to Moscow during and after 2008 war. Russia denied those claims at the time.

Tuesday's arrests came shortly after Mr. Saakashvili pledged never to use force against Abkhazia or South Ossetia. Rebel leaders in both regions reciprocated on Monday, saying they too were ready to commit to giving up using force.

"I was told that a bomb must be planted on the fence of the American embassy [in Tbilisi]," Gogita Arkania, one of the suspects, said in his confession, recounting a September conversation with Russian serviceman Yevgeniy Borisov. Mr. Akrania said he was given a satellite image of the embassy and that he cooperated because Mr. Borisov threatened to kill Mr. Arkania's family, who live in Abkhazia, should he refuse to do the job. Mr. Borisov couldn't be reached for comment.

The explosion near the U.S. embassy took place Sept. 22. Mr. Arkania said Mr. Borisov was disappointed to find that the blast didn't damage the embassy and media coverage of the incident was limited.

Mr. Arkania and his alleged accomplices said they were also behind two blasts that ripped through Tbilisi on Nov. 28, killing a woman.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U.S. NEWS

Obama defends tax deal with GOP

BY MARTIN VAUGHAN
AND COREY BOLES

WASHINGTON—President Barack Obama said a tentative deal with Republicans is in the best interest of the country as he attempted to quell unrest from fellow Democrats.

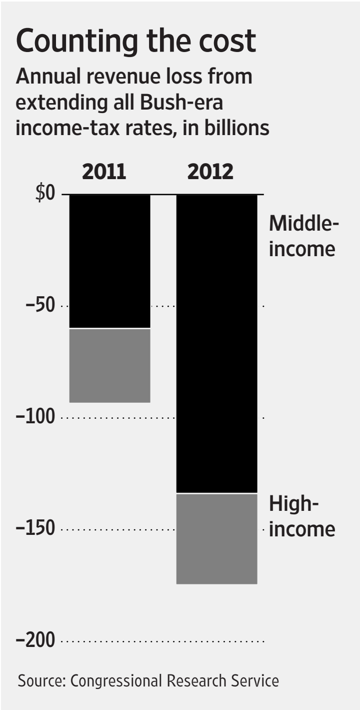
"A long political fight that carried over into next year might have been good politics but it would have been bad for the economy," Mr. Obama said during a news conference Tuesday at the White House.

Mr. Obama said he remained opposed to tax cuts for wealthy individuals, and portrayed Republicans as an obstacle in his push to extend the tax breaks just for the middle class.

"In this case, the hostage was American people and I was not willing to see them get harmed," he said.

Mr. Obama's allies in the Capitol gave the agreement a critical reception.

Agence France-Presse/Getty Images



President Barack Obama said Tuesday the deal was 'good for the country.'

Emerging from an hour-long meeting with Vice President Joe Biden, Senate Majority Leader Harry Reid (D., Nev.) said Senate Democrats had "wide-ranging" concerns about the tax deal. Mr. Reid and House Speaker Nancy Pelosi (D., Calif.) focused on the estate-tax proposal, which would restore the tax at 35% on estates worth more than $5 million.

Ms. Pelosi said this estate-tax plan added "insult to injury." It "would help only 39,000 of America's richest families, while adding about $25 billion more to the deficit," she said.

House Majority Leader Steny Hoyer (D., Md.) was unhappy with the extension of tax cuts for top earners.

At the same time, Ms. Pelosi said extending tax cuts for the middle class would create jobs. "We will continue discussions with the president and our caucus in the days ahead," Ms. Pelosi said.

Importantly, House leaders didn't outright reject the parameters of the agreement, saying they need to put the plan before all of their members. House Democrats were meeting in full caucus Tuesday evening.

Mr. Biden's meeting with Senate Democrats was aimed at quelling unrest over the plan. Besides concerns about the deficit, Democrats are frustrated that the framework would extend tax cuts for top earners, and that it includes an estate-tax provision that the majority of Democrats believes is too generous.

Rep. Bill Pascrell (D., N.J.) said in an interview he was unsure if a majority of House Democrats would back the plan, as some feel the president is "almost treating us as irrelevant."

"They got him to blink first," Mr. Pascrell said of Republicans, "and many of us are very dubious about that."

Sen. Mary Landrieu (D., La.), a centrist Democrat, said she was undecided on the bill, citing strong objections to extending the tax cuts for Americans with annual incomes above $1 million.

"We're going to borrow $46 billion from the poor, from the middle class, from businesses of all sizes...to give a tax cut to families in America today that, despite the recession, are making over a million dollars" Ms. Landrieu said. "This is unprecedented"

She expressed disappointment that Mr. Obama "didn't think any of us cared about it," Ms. Landrieu said. "I want him to know, I do care."

Sen. Mark Warner (D., Va.), a leader of centrist Democrats in the Senate, criticized the tax-cut-extension deal struck by the White House and Republicans because it would worsen the deficit.

Mr. Warner said he would wait until he reviewed the details to announce how he would vote on the package, but said he was disappointed the deal would add billions of dollars to the deficit without addressing the budget gap over the long term.

The deal doesn't include an extension of Build America Bonds, federally subsidized bonds for state and local infrastructure projects that Mr. Obama has championed.

More than $150 billion of the bonds have been issued to help finance projects including upgrades to Alaskan airports and to school, water, sewer and electric facilities across the country.

Maintaining a 15% tax rate on capital gains and dividends was part of the deal announced Monday by Mr. Obama and congressional Republicans.

Also under the deal, estate taxes would be set at 35%, exempting all estate wealth under $5 million. Businesses would get a retroactive, two-year extension of tax cuts that lapsed at the beginning of 2010, including a tax credit for research and development.

The deal also would lower worker payroll taxes by two percentage points in 2011, adding $120 billion to the deficit. It also would preserve extended unemployment benefits through the end of 2011.

Businesses would be allowed to write off 100% of new equipment purchases in 2011, another proposal pushed by the White House. In 2012, that "bonus depreciation" would be reduced to 50% of the cost of new equipment.

White House faces rebellion from liberals

[Washington Wire]

BY PATRICK O'CONNOR
AND JANET HOOK

The White House launched an intensive campaign on Tuesday to sell members of its own party on the tax deal President Barack Obama cut with Republicans as angry Democrats blasted the package, calling it a capitulation to the GOP.

Vice President Joe Biden, a longtime senator from Delaware, was set to walk his former colleagues through the deal Tuesday afternoon during the Democrats' weekly caucus lunch in the Senate. The vice president planned to make the presentation without help from party leaders. White House officials were expected to make a similar presentation later Tuesday when House Democrats, still seething from the landslide election, gathered to discuss the bill.

Since Mr. Obama announced the deal on Monday night, a broad swath of Democratic lawmakers and enraged liberal organizers have railed against the package, primarily because it extends Bush-era tax cuts on income above $250,000. The intra-party uproar comes as the White House desperately seeks to corral the votes they need to pass the measure on Capitol Hill before the cuts expire at the end of the month.

Republican leaders have tentatively embraced the plan, a positive sign for the White House since the president may need the bulk of GOP lawmakers in the House and Senate to support a final deal. But Mr. Obama still needs a bloc of Democratic votes since Republicans don't have a majority in either chamber.

In addition to extending the tax cuts on income and investments for two years, the package extends jobless benefits for the long-term unemployed for a further 13 months as well as tax credits for children and college tuition and the full range of tax breaks included in the stimulus.

A couple of Democratic aides, noting the liberal fury, said the final deal included more Democratic priorities than many had expected. "There's more stuff in there than people expected,"

Enraged liberal organizers have railed against the planned package, primarily because it extends Bush-era tax cuts on income above $250,000.

said a Senate Democratic aide. "It doesn't blunt the overall anger, but it makes it easier to swallow for some members."

The details of the deal are still being negotiated, so other provisions could be added to sweeten the pot. But that wasn't enough to quell a liberal rebellion.

Michigan Rep. John Conyers, chairman of the House Judiciary Committee, pledged to "do everything in my power" to block the legislation, calling it "a fight for the heart and soul of the Democratic Party." A group of House colleagues, led by Vermont Rep. Peter Welch, circulated a letter addressed to Speaker Nancy Pelosi (D., Calif.) promising to vote against the deal, arguing it's fiscally irresponsible to borrow the additional funds. Even Virginia Sen. Mark Warner, a centrist Democrat, complained that the deal "kick[s] the can down the road" and expands the deficit.

The White House has been far from soothing in the face of the liberal uproar.

A senior White House official said they had pushed Congress to vote on the cuts before the election, not afterward, but Democratic congressional leaders balked because rank-and-file members in swing districts feared a voter backlash on Election Day. "There's a lot of bravado that you hear now that was missing two months ago," the aide said.

Party leaders aren't jumping out in front of the fight, putting the onus on the White House to muster the votes in both chambers.

A spokesman for Senate Majority Leader Harry Reid (D., Nev.) issued a terse statement Monday night: "Now that the president has outlined his proposal, Senator Reid plans on discussing it with his caucus tomorrow."

Ms. Pelosi said in a statement that the matter is still under discussion. "We will continue discussions with the President and our Caucus in the days ahead," she said. "Democratic priorities remain clear: to provide a tax cut for working families, to promote policies that produce jobs and economic growth, and to assist millions of our fellow Americans who have lost their jobs through no fault of their own."

—More at washwire.com

—Laura Meckler contributed to this article.

Special Advertising Section

INVEST IN NORTH RHINE-WESTPHALIA

This logistics hub is a multinational magnet

A thriving distribution center, NRW attracts the most foreign investment of any German state

By Mary Lisbeth D'Amico

When U.S. off-price retailer TJX Companies Inc. was looking for a home for a new European distribution center, the German state of North Rhine-Westphalia (NRW) seemed an obvious choice. TJX Europe, the European subsidiary of the Framingham, Massachusetts-based retailer, was already planning to quickly open up to 11 TK Maxx outlets in the state.

"The logistics center needed to be near a large number of retail outlets so it could quickly deliver wares," says Jörg Schröder, managing partner with Alpha Industrial, the Cologne-based real estate developer that helped TJX Europe choose the location. In October, the doors on a new 45,000-square-meter location opened in Bergheim, 20 kilometers west of Cologne. The city provided reasonable real estate prices, a good pool of workers — with some 1,000 people needed at the center — and an efficient transport network so employees can get to work easily.

TJX is far from the only multinational company choosing to put a distribution center in the state. Esprit Holdings Limited, the Ratingen, Germany-based clothing retailer, is building a European distribution center in the city of Mönchengladbach, and Seattle, Washington-based online retailer Amazon.com Inc. has put a third European logistics center in Werne, northeast of Dortmund. Decisions like these contribute to the state's reputation as a logistics magnet.

Germany's most populous and densely populated state — some 18 million inhabitants living in 34,000 square kilometers — NRW was once known as the country's coal and steel state. As its traditional industries waned, however, "NRW was caught in the predicament of having to find new industries quickly. They recognized this early on," says Mr. Schröder of Alpha Industrial.

Big selling points

But over the past decade, it has transformed itself into a thriving logistics center. "Its central location, proximity to a large market and the excellent infrastructure continue to be big selling points for NRW," says Petra Wassner, director of NRW. Invest, the state economic development agency. Logistic and transport companies such as Bonn-based Deutsche Post DHL AG, Memphis, Tennessee-based FedEx Corp., Atlanta, Georgia-based United Parcel Service Inc., Essen, Germany-based Schenker AG and Hoofddorp, Netherlands-based TNT Holding B.V. have distribution centers in NRW and about 272,000 people work at 21,600 logistics companies. Some 11,700 companies also control their German or European activities from NRW, including Maplewood, Minnesota-based 3M Company; London-based BP Plc; Dearborn, Michigan-based Ford Motor Co.; Seoul-based LG Electronics; Toyota City-based Toyota Motors Corp. and Newbury, U.K.-based Vodafone Group Plc. Including the logistics units of industrial and retail companies, the sector employs over 600,000 people and generates annual sales of €70 billion.

NRW is also economically important for Germany. With a gross domestic product of €522 billion in 2009, it accounted for roughly one quarter of the country's GDP. It also attracts the most foreign direct investment of any German state, with €188 billion invested in 2008, according to data released by the German Bundesbank.

> *"Its central location, proximity to a large market and the excellent infrastructure continue to be big selling points for NRW."*

Germany's most westerly state also provides a large potential consumer market for retailers. Bordering on Belgium and the Netherlands, it is also home to 29 cities of over 100,000 people, including Düsseldorf, Cologne, Duisburg, Mönchengladbach, Dortmund, Essen and Aachen. Most densely populated are the Ruhr region, with about 5.2 million people and the Rhineland with 3.5 million. NRW also has the densest railway network in Europe and, with 226 kilometers of the Rhine River flowing through the state, good access to major European seaports. Duisburg also features the world's largest inland port and the Düsseldorf International and Cologne-Bonn airports link the state to major global centers.

Its mix of industries left NRW somewhat more vulnerable in the recent economic downturn, says Roland Döhrn, economist with the RWI, a research center based in Essen, as steel, automotive and retail react quickly to dips in demand. "NRW was hit harder than other German states but is also recovering relatively quickly," he says. Due to the shutdown of the former industrial base, unemployment is still high in some areas, and statewide hovers at around 7.5%, a half percentage point higher than the West German average.

Illustration by Steve Stankiewicz

But the chemical, steel and automotive industries still play a robust role in the local economy. About 85,200 people are employed by the chemical industry alone, which includes companies such as Bayer AG in Leverkusen and Altana AG in Wesel, while ThyssenKrupp AG and Luxembourg-based Arcelor Metal AG have large steel production facilities in Duisburg. The state is also the headquarters for car manufacturer Opel, based in Cologne, and houses manufacturing plants for Stuttgart-based Daimler AG and Ford.

Diversification drive

NRW continues to look for ways to diversify and attract new investment. One such area is electromobility, with the Rhine-Ruhr chosen as one of eight regions to receive federal funds to conduct trials of electric vehicles. One project entails having a small fleet of electric cars, provided by Renault Deutschland AG, the Germany subsidiary of the French car manufacturer, for commuters in Mühlheim, Essen and Dortmund. RWE Effizienz GmbH, a subsidiary of Essen-based electricity concern RWE AG, is putting in place recharging stations for the cars.

U.S. NEWS

American teens trail in math

By Lauren Etter

American teenagers made modest progress on an international exam but still performed below average in mathematics compared with their peers in other industrialized countries, according to results released Tuesday by the U.S. Department of Education.

The test, called the Program for International Student Assessment, has been given every three years since 2000 to 15-year-old students. Last year, when the test was administered, 60 countries participated. It is coordinated world-wide by the Paris-based Organization of Economic Cooperation and Development.

The results for American students drew a lukewarm response from U.S. education officials as they seek to boost test scores among high-school and college students. "We're in the middle of the pack; that's not where we want to be," said Stuart Kerachsky, deputy commissioner at the National Center for Education Statistics, an arm of the Department of Education that administers the PISA test in the U.S.

Last year, President Barack Obama launched an education initiative aimed at boosting high-school and college graduation rates. During his presidential campaign, Mr. Obama said he would try to boost college readiness by increasing the number of students taking advance-placement courses in high school.

The test is designed to assess how prepared teenagers are in three key categories—mathematics, science and reading—versus their peers in other countries.

The schools and students taking the test are randomly selected, said an official with the Department of Education. The test is translated into the language of each participating country, and each country may review the questions beforehand to check they are asked in the proper context and not biased, the official said. In almost all the countries, a minimum of 4,500 students are tested, with exceptions for very small countries.

While the test is administered to 60 countries, the U.S. is generally compared with the other 33 mostly industrialized member countries, including Japan, Germany and South Korea, that constitute the OECD. China provided test scores from only selected educational systems.

Of the three categories tested, U.S. students recorded the most progress in science, boosting their average score to 502, not measurably different from the 501 average score among the other OECD nations, according to the report. That is up from a U.S. science score of 489 in 2006, which was below average that year. Twelve other industrialized countries had higher average science scores compared with the U.S., including Finland, Japan, South Korea, New Zealand and Slovenia.

In reading literacy, American students posted an average score of 500, not measurably different from previous years or the OECD average score of 493. Six other OECD countries had higher average reading scores—South Korea, Finland, Canada, New Zealand, Japan and Australia.

Also in the reading category, 18% of U.S. students failed to reach the test's "proficiency level 2," a point considered to be where "students can complete low-level reading tasks," according to the report.

Mathematics was the category where the U.S. lagged behind most, performing below average compared with students in other nations. U.S. students had an average score of 487, while the OECD average score was 496. The U.S. math score in 2006 was 474, compared with an average that year of 498. Seventeen other industrialized countries performed better, on average. About 23% of U.S. students scored below the "level 2" benchmark.

Mr. Kerachsky, of the National Center for Education Statistics, said there were some bright spots. In mathematics, he said, "no countries moved ahead of the U.S." Also, he said the U.S. had caught up with nine other countries that previously had higher scores in math. American students, he said, were "inching in the right direction."

Associated Press

A ninth-grade algebra class at Richmond High in Indiana last week.

Class ranking

How the U.S. fared among the top countries in a math and science test given to 15-year-old students around the world in 2009.

Math Rank		Average score	Science Rank		Average score
1	Shanghai-China	600	1	Shanghai-China	575
2	Singapore	562	2	Finland	554
3	Hong Kong	555	3	Hong Kong	549
4	South Korea	546	4	Singapore	542
5	Chinese Taipei	543	5	Japan	539
6	Finland	541	6	South Korea	538
7	Liechtenstein	536	7	New Zealand	532
8	Switzerland	534	8	Canada	529
9	Japan	529	9	Estonia	528
10	Canada	527	10	Australia	527
11	Netherlands	526	11	Netherlands	522
12	Macao-China	525	12	Germany	520
13	New Zealand	519	13	Chinese Taipei	520
14	Belgium	515	14	Liechtenstein	520
15	Australia	514	15	Switzerland	517
31	**U.S.**	**487**	**23**	**U.S.**	**502**

Source: U.S. Department of Education

Mustang lover roils cattle country

By Jim Carlton

GOSHUTE VALLEY, Nev.—Nevada cattle ranchers, having long battled the land's harsh elements, now find themselves up against a new force of nature: Madeleine Pickens.

Mrs. Pickens, wife of Texas billionaire T. Boone Pickens, caused an uproar when she proposed the Bureau of Land Management let her fence off more than 500,000 acres of federal land to create a sanctuary for wild horses near a 14,000-acre ranch she bought in October.

Her proposal for the bureau to designate a "mustang monument" on those acres isn't sitting well in Nevada cattle country, where ranchers worry Mrs. Pickens's plan threatens to force them off the range. Nevada's estimated 450,000 cattle graze mostly on federally owned lands in a practice dating from the 19th century.

The Elko County Commission voted Nov. 3 to oppose Mrs. Pickens's plan. "What we're worried about is if she locks up ranches all over Nevada," said Commissioner Demar Dahl, a rancher.

If the plan went through, "something has got to give, and it will be cattle," said Robin Boies, a 55-year-old local rancher who grazes her cattle on federal land adjacent to her Nevada ranch. Hunters and off-road enthusiasts also object to the plan, saying it could bar them from a popular recreation area to which they have free access now.

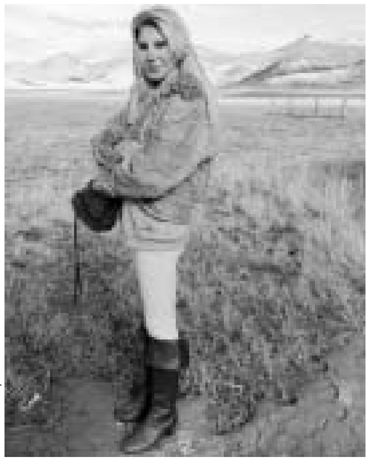
Like many ranches in the West, Mrs. Pickens's ranch includes the rights to graze stock on surrounding federal land in return for payments to the government and general upkeep of the land. Her proposed mustang monument would be on these federal lands around her ranch.

Mrs. Pickens says she wants to buy enough other Nevada ranches with grazing rights on federal lands to create sanctuaries for as many as 10,000 horses. "I'm sorry, but there's no putting this back in the bag," she said.

Mrs. Pickens has been a frequent visitor to these parts since she began shopping for a ranch in 2008. She often flies from her home in Dallas into nearby Wendover, Nev., in her husband's private Gulfstream 550 jet, then shuttles in by helicopter.

Last month, her rented American Eurostar AS 350 chopper set down in the parking lot of a casino in Wells, Nev., where she stepped out in riding boots, riding pants and a faux-fur jacket. Later that day, accompanied by her dachshund, Tommy, she surveyed sage-covered Nevada landscape as the helicopter banked low over a herd of galloping mustangs.

"Oh, pure joy," Mrs. Pickens said as five mustangs raced below the chopper toward a line of distant mountains. "I'm just glad they're out there."



Jim Carlton/The Wall Street Journal

Madeleine Pickens visited U.S. land near her Nevada ranch in November.

Mrs. Pickens, 63, says the mustang preserve would be open to the public. And while she says local support would be nice, she says she has backing from the Bureau of Land Management. Bureau spokesman Tom Gorey wouldn't comment on the proposal except to say it was under review. "All the naysayers can nay as much as they want," Mrs. Pickens says.

A century ago, as many as two million mustangs, descendants of domesticated horses, roamed North America. Round-ups and slaughter cut their numbers sharply, to about 34,000 wild horses today. The 1971 Wild Free-Roaming Horses and Burros Act set aside federal land for them.

Bureau of Land Management officials say the horses have no predators in the animal world and can double in population every four years. The agency has removed nearly a quarter-million from the range since 1971, offering most for adoption. There are now nearly 10,000 more than federal land managers think the open range can sustain.

Openings for jobs increased in October

By Justin Lahart

In a sign that more U.S. companies are poised to step up hiring, firms had the largest number of job openings in October since before the 2008 financial crisis. But hiring remained subdued.

There were 3.36 million job openings at the end of October, the Labor Department reported Wednesday, 351,000 more than a month earlier and the most since August 2008.

The increase in job openings adds evidence that the job market is on the mend, despite Friday's disappointing report that the U.S. added a scant 39,000 jobs last month from October, according to Credit Suisse economist Jonathan Basile.

The recent weekly jobless-claims figures from the Labor Department, monthly manufacturing and non-manufacturing reports from the Institute for Supply Management, and sales reports from retailers all point to a better jobs environment, he said.

The increase in job openings didn't translate into stronger hiring, which could be a sign that companies are struggling to find workers with the necessary skills.

"The figures suggest that labor-market growth should accelerate," he said.

But the increase in job openings in October didn't translate into increased hiring.

Companies hired 4.20 million people during the month, down slightly from September's 4.21 million.

That could be a sign that companies are struggling to find workers with the necessary skills to fill the positions they have open.

Siemens Industry Inc., a U.S.-based unit of Germany's **Siemens** AG, has some 2,000 job openings, primarily in areas like engineering and information technology.

Unlike earlier this year, when the company had little difficulty finding qualified workers, it is now having a harder time filling those positions.

"There's a lot of demand for high-skilled workers," said Chief Executive Daryl Dulaney.

While companies hired fewer people, they also held on to more employees.

There were 4.05 million people who left their jobs—including those who were fired, quit or retired—in October, down from 4.14 million a month earlier.

Despite the increase in job openings, competition for available jobs remained intense. For every job opening in October, there were 4.2 unemployed people looking for work.

That was down from 4.9 unemployed job seekers per open position in September, but still historically high. In 2007, there were about two jobs available for every three unemployed workers.