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INTERVIEW 12

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## Nations scramble to help Haiti

While U.S. commitment climbs above \$100 million, chaos in Port-au-Prince hinders global efforts to bring relief

BY DIONNE SEARCEY  
AND JOSÉ DE CÓRDOBA

PORT-AU-PRINCE, Haiti—The international community on Sunday pledged to help Haiti get back on its feet following last week's killer earthquake, but a slow and chaotic relief effort meant that growing numbers of survivors were joining the long list of the dead.

Thousands of looters, fed up with a slow relief effort, played a deadly version of cat-and-mouse with police in the shattered capital, stripping stores of canned goods, wash basins and other wares along block after block of a downtown thoroughfare.

Journalists saw one looter shot in the head and then fall dead during a clash when several shots were fired. Later, a few blocks away, other police were slapping, kicking and arrested suspected looters.

The administration of U.S. President Barack Obama said it would commit significantly more to Haiti than the \$100 million already designated for earthquake relief.

"We'll do whatever it takes to mount an effective response," Rajiv Shah, the head of the U.S. Agency for International Development, told CNN. "Our goal is to do more every single day, and exponentially

Please turn to page 6



In this photo released by China's Xinhua News Agency, looters fight for a bag of materials in Haitian capital Port-au-Prince on Saturday.

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## Runoff looks likely in Ukraine

BY JAMES MARSON

KIEV, Ukraine—Viktor Yanukovich, the vilified target of the Orange Revolution, appeared to score a comeback in Ukraine's presidential election Sunday, as exit polls showed him leading a field of 18 first-round candidates but failing to avoid a runoff against a heroine of the 2004 uprising, Prime Minister Yulia Tymoshenko.

Exit polls indicated that about one-third of the voters favored Mr. Yanukovich, the pro-Russian politician whose tainted victory in the previous race was overturned by Ukraine's Supreme Court after massive street protests over allegations of fraud.

Those surveys put Ms. Tymoshenko solidly in second place. Ukraine's National Exit Poll 2010, conducted by a consortium of leading Ukrainian

pollsters, gave Mr. Yanukovich 31.5% of the vote and Ms. Tymoshenko 27.2%. GfK Group, an international market-research firm, gave Mr. Yanukovich a wider lead: 35.1% to 25.7%.

The official results will be released by the Central Election Commission in the next 10 days.

But there was no doubt that the incumbent premier Ms. Tymoshenko and Mr. Yanukovich, who was prime minister in 2002-2004 and again in 2006-2007, will enter the runoff on Feb. 7.

The election is a step in the restoration of Russian influence in this country of 46 million people after what is widely seen as a period of legislative deadlock, lagging reforms and economic malaise under President Viktor Yushchenko, the country's pro-Western Orange leader.

Ms. Tymoshenko has warmed up to Russia's leadership, even while advocating closer ties with the West. Like Mr. Yanukovich, she says she will abandon efforts to join the North Atlantic Treaty Organization and repair ties to Russia.

Mr. Yushchenko, who was poisoned by dioxin during the 2004 race, languished in fifth place with 6% of the tally, according to exit polls. Voters said they were fed up with a leadership that failed to function at times, improve living standards or tame corruption.

"Today marks the end of Orange power," Mr. Yanukovich said in televised remarks. "There will be no room for [Mr. Yushchenko] in the second round. He has officially lost the faith of the people."

The runoff election is expected to be tight.

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## PAGE TWO

# Europe has emerged from recession with its long-term problems intact

## [ Agenda ]

BY IRWIN STELZER



The European Union finally has in place a president of the European Council, Belgium's former prime minister, Herman van Rompuy, and a foreign secretary (a.k.a. high representative), Labour Party stalwart Catherine Ashton. True, the European Union's "democratic deficit" remains and the heads of state missed an opportunity to appoint candidates who could propel the EU to world notice, instead choosing candidates of whom no ill can be spoken—or much of anything else said, for that matter.

True, too, Spain's Prime Minister José Luis Rodríguez Zapatero has made it clear that during his six-month stint as the EU's rotating president he has no intention of ceding the limelight to Mr. van Rompuy by, among other things, offering his own plans for EU-wide reforms.

And outsiders can't quite figure out where José Manuel Barroso, president of the European Commission fits, but as unwieldy a body as the EU can probably find work, some of it useful, for all three of its presidents.

"I think there is room for everybody—no problem," Spanish Deputy Prime Minister María Teresa Fernández de la Vega told reporters at a tri-presidential press conference, giving new meaning to the make-work term, "Spanish practices."

Still, with approval of these appointments by the EU parliament almost certain, the battles for jobs for the boys and girls are over: which turns attention to the economic outlook.

"Better" is the most accurate one-word description for the near



José Luis Rodríguez Zapatero (right) with Herman Van Rompuy

term; "perilous" a more apt description of the longer-run outlook.

The worst of the recession seems to be over, at least in the largest of the EU's 27 members. But the recovery is fragile, and will remain so until consumers unzip their purses, businesses begin restocking, and small firms (with under 250 workers), which employ 70% of EU private-sector workers, can get better access to credit.

## The EU seems to be trying to protect itself from the 21st century's version of the refreshing winds of change

The financial system is no longer likely to implode, but the banks have yet to go through a confessional cleansing of their balance sheets, and Greece remains economical only with the truth of its budget reporting. Still, 2010 should be better than 2009. If you don't think that is saying much, remember how things looked just twelve months ago.

It is the longer-term prospects

for the EU that a series of recent events calls into question.

Item: The European Commission has awarded €1 billion (\$1.45 billion) to cover the cost of the first three contracts needed to build Galileo, Europe's independent (independent of the U.S.) satellite-navigation system. Total cost is now estimated to be €5 billion, up from an original estimate of €2 billion. It isn't clear that these resources are best employed in playing one-upmanship with the U.S.

Item: French President Nicolas Sarkozy continues to tilt the European economy away from free markets. He wants to put to an end to "currency disorder.... We can't increase the competitiveness of our businesses in Europe and have the dollar lose 50% of its value against the euro.... Are we supposed to just give up selling?"

Better, he feels, to manage exchange rates, and to assign a bigger overall economic role to the nation-state and the 27-member EU bureaucracy. As if to emphasize the cultural aspect of this policy bent, he proposes to tax ads on Google, Yahoo and other sites to finance French writers, musicians and publishers.

Item: EU members still are

devoted to a high-tax policy. Italy, looking across the border at prosperous, bustling, low-tax Lugano, concludes not that it should lower taxes, but that it should redouble its efforts to collect taxes from those of its citizens whom it feels are evading payment. It is rather like the poor Russian farmer who, granted one wish, asks God to kill the cows of his more prosperous neighbor rather than give him a few.

Item: Mr. Zapatero and Mr. van Rompuy seek an increase in the EU growth rate from its historic 1% to 2%. Decades of stalled productivity and growth are to be corrected by still more calls to obey an economic plan formulated by the same risk-averse Eurocrats whose Lisbon Plan has been consigned to you-know-where.

The EU is afflicted with an aging population; an increasingly expensive welfare state; a substantial unassimilated immigrant population, made angrier by its exclusion from the work force; and a desire to fund its welfare states by shutting its eyes to its military obligations in a dangerous world.

Economic growth would address many of those problems. Which puts a premium on increasing productivity per worker, on attracting mobile, wealth-creating entrepreneurs, and on growth-inducing tax and labor policies. In short, a premium on innovation, on open markets, on looking outward.

By seeking to control exchange rates and entrench economic and cultural protectionism, by making firing so difficult that there is a reluctance to hire, the EU seems to be trying to protect itself from the 21st century's version of the refreshing winds of change. It is liable to catch its death of cold in the process.

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

## What's News

■ **Hershey plans to bid** at least \$17.9 billion for Cadbury after concluding it has the financial muscle to top Kraft's \$17.2 billion offer. The move could kick off the kind of bidding war that has largely disappeared since the financial crisis of late 2008. 19, 32

■ **Renault agreed** to French President Sarkozy's demands that the auto maker continue production of a popular subcompact car in France. 19

■ **EU nations are struggling** to agree on a target for reducing emissions ahead of a Jan. 31 deadline to deliver a concrete offer to the U.N. 3

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### Reader comment

europe.wsj.com/indepth

"Pretty soon, clothing will not be allowed on airplanes and everybody will have to fly naked."

William Baker on "Bringing Home the Bacon Gets Tough in the Age of Terror"



### Continuing coverage



Get the latest on rescue efforts in Haiti, including continuous updates in our blog, at [wsj.com/haiti](http://wsj.com/haiti)

### Question of the day

**Vote and discuss:** How would you grade the international response to the earthquake in Haiti?

Vote online and discuss with other readers at [wsj.com/dailyquestion](http://wsj.com/dailyquestion)

### Previous results

**Q:** Should other multinational companies join Google's threat to exit China over censorship and cyber attacks?

Yes

77%

No

23%

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## NEWS

# EU's emissions struggle

Ministers must overcome differences in climate-change strategy

BY BERND RADOWITZ  
AND JUAN MONTES

SEVILLE, Spain—European Union countries are struggling to agree on a target for reducing greenhouse-gas emissions ahead of a Jan. 31 deadline to deliver a concrete offer to the United Nations following the Copenhagen accord.

France, Germany, the U.K. and Spain said they favor adopting a more-ambitious target to reduce emissions to 30% below 1990 levels by 2020, compared with the 20% target the EU is committed to—if others were to match that offer.

But EU Environment Commissioner Stavros Dimas said member states weren't unanimous on a target, and French Environment Minister

ter Jean-Louis Borloo said Poland opposed going deeper than the 20% target. Italian Environment Minister Stefania Prestigiacomo said even to talk about boosting the target to 30% after the "failure of Copenhagen" as if nothing had happened is "frankly surreal."

EU environment ministers were meeting in Seville this weekend to discuss climate-change strategy after the Copenhagen climate summit in December rendered only a non-binding accord. It still needs to be fleshed out by concrete emission-cut targets by industrialized countries and voluntary actions from developing countries by Jan. 31. "We definitely think we should maintain the 30%. It has always been a conditional offer, but it is a very impor-

tant signal that it is maintained," said Ed Miliband, the U.K.'s energy and climate-change secretary.

German Environment Minister Norbert Röttgen said the EU should move beyond its commitment made in Copenhagen.

"Twenty percent is not enough," he said. "Twenty percent won't make Europe the global driving force" in climate-change policies. Germany has committed itself to a 40% reduction in greenhouse-gas emissions from 1990 levels.

Ms. Prestigiacomo said no one has explained how going from a 20% to a 30% emission-cut target could unblock the stalled global climate talks, while a 20% cut is already a gigantic strain on Europe's productive system.



EU Commissioner for Energy Andris Piebalgs (left) with Miguel Sebastian of Spain (center) and Paul Maignette of Belgium

## U.N. seeks responsibility for climate talk

BY BERND RADOWITZ

SEVILLE, Spain—Global climate negotiations should remain the responsibility of the United Nations, even if the Copenhagen climate summit in December didn't provide a breakthrough, said Achim Steiner, U.N. undersecretary general and executive director of the U.N. environment program.

"Neither the G-20 nor the major [greenhouse-gas] emitters forum nor any other forum managed to reach any form of agreement in the run-up to Copenhagen," Mr. Steiner said in an interview during a meeting of European Union energy and environment ministers this weekend. "So I think one has to be careful to assume that another forum will deliver something that cannot be negotiated in the context of the U.N. framework convention."

Mr. Steiner added that countries won't happily accept the dictate of a few nations on issues that touch their future economic and national sovereignty. "We do have to come back to the setting of 190-plus nations on this planet who have to work together," he said.

Nevertheless, "a lot of soul-searching" needed to be done in terms of the negotiation process, the U.N. undersecretary said. If Copenhagen was a "catharsis," then the coming 12 months are an opportunity to "correct" what went wrong during the summit, Mr. Steiner said.

Many governments are discussing what should be done so concrete steps follow the nonbinding Copenhagen accord, he said, among them Brazil, India, China and South Africa, which plan to meet in India Jan. 24 to form a formal position.

U.N. Secretary General Ban Ki-moon has been in contact with a number of heads of state to ensure they follow through on commitments made in Copenhagen so that a binding agreement can be reached at an U.N. conference at the end of the year in Mexico, Mr. Steiner said.

Following the nonbinding Copenhagen accord, countries have until Jan. 31 to bring in their firm commitments for emission reduction and financial aid in the case of industrialized nations, and for voluntary actions against climate change in the case of developing nations.

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## EARTHQUAKE IN HAITI



Associated Press

Two old men sit with a youth on Sunday outside their nursing home, which was damaged by last week's earthquake in Port-au-Prince. Officials fear disease may spread in the disaster's aftermath.

# No burials for thousands of victims

BY DIONNE SEARCEY

TITANYEN, Haiti—Down a rocky dirt road in a valley tucked inside green, soft-rolling hills, Haiti is disposing of its dead.

Swollen and putrid, they are stacked in piles amid doors, chairs, bed frames, rebar and trash. The cadaver of one woman hangs upside down on a pile of concrete rubble, likely the same load that killed her. Another woman's body lies bloated, directly in the path of the white garbage trucks that are filing in to dump their loads of bodies and other detritus from the quake.

Within days after Tuesday's 7.0-

magnitude earthquake, Haiti's government began picking up dead bodies that litter the streets of the capital Port-au-Prince, which sits about a 40-minute drive from Titanyen. On Saturday, Prime Minister Jean-Max Bellerive said the government had already disposed of 20,000 bodies in mass graves.

The government is making little attempt to chronicle the victims. After dropping off his load, a driver of one of the dump trucks said there was no attempt to identify the bodies.

"We just collect them like this," he said, pointing to the back of his truck.

The disposal of the bodies will complicate matters for Haitians seeking news about loved ones. And it may make an exact final tally of the dead more difficult. But government officials say the bodies could spread disease.

"Our first concern has to be the living and not the dead," said Gabriel Verret, an economic adviser to the president. "We don't have a hanger with refrigeration with capacity to hold the bodies."

Many Haitians backed the government decision. One reason: the stench of decomposing corpses fills many streets in the capital.

"The number of bodies is so

high, it's beyond the government's capacity to deal with identifying cases individually," said Miguel Lebon, 49 years old. "It's air pollution," he said. "There is no better choice but to do this."

Mr. Lebon's destroyed home is across the street from a cemetery where officials are dumping bodies. Machinery had helped dig a pit directly in front of powder blue and turquoise tombstones erected long ago. Though Titanyen is one of the largest mass gravesites, there are many smaller ones across the city dug into hillsides and inside such cemeteries.

A small yellow bulldozer is all

that marks the entrance to the Titanyen mass grave just over the hill from a blue inlet along the coast. Some cadavers didn't make it all the way there.

At one site, members of the Centre National d'Equipement, Haiti's version of a public-works department, workers blocked a car of reporters from entering.

The mass grave at Titanyen has been a graveyard for years. Just across a shrubby stretch of land, tidy white crosses marked the graves of unclaimed bodies from Port-au-Prince hospitals.

—José de Córdoba in Port-au-Prince contributed to this article.

# For once, poorest escape disaster's brunt

BY DIONNE SEARCEY AND KEVIN NOBLET

CITE SOLEIL, Haiti—For once, it paid off to be the poorest among Haiti's poor.

While countless bigger, multi-story homes, churches and offices on the hillsides of Port-au-Prince fell in the earthquake, crushing tens of thousands of people beneath their concrete, the flimsy tin-roofed shanties of the slums fared much better.

In Cité Soleil, the biggest, poorest seafront slum, there was significant destruction to two large churches, but not to people's homes. Most shacks stood upright. There was no smell of rotting corpses.

Here, life went on Saturday with some semblance of normality. Mule carts carried charcoal and ice—a precious commodity now—and stands selling candies, crackers and electronics plied their wares at the edges of streets.

"It was a blessing," said Fred-

**Crowded structures** Haiti's lack of building codes, poverty and crowded conditions have made the destruction worse



eric Jean Junior, a 23-year-old DJ for Radio Boukman, a station that operates out of Cité Soleil. He spoke among a crowd of young men who echoed his sentiment,

some of them shouting "Amen."

Not that slum residents haven't felt the city's paralysis. Electricity remains cut off and, unlike Haitians of means, the poorest can't

turn on gasoline generators to get a couple of hours of power.

A shanty here and there did collapse and, according to one local political organizer, Reginald

Jean François, bodies of victims had been buried in the open lots on the slum's fringes. But a large concrete cistern was intact.

"It doesn't seem like we have a lot of chaos like downtown," he said as aid helicopters passed overhead. "We're supposed to be the worst people but we're helping each other out."

Just beyond Cité Soleil, the wounded were being treated at impromptu clinics. In the parking lot of an abandoned Texaco station on Cité Soleil's edge, a self-trained healer named Pastor Sol of the Church of God and Charity treated Yoldi Dabadie, a 17-year-old pregnant woman with a hurt back. A cinderblock wall had fallen on her, she said.

Ms. Dabadie was shirtless and Mr. Sol, 37 years old, rubbed castor oil redolent of Bengay and bits of papaya leaves over her belly and back as she hobbled back and forth. She is in her final months of pregnancy and said her baby in utero seemed to have survived the blow, which hit her on the back.



EARTHQUAKE IN HAITI

# Emergency relief arrives

Obama says America 'stands united' with the Haitian people

By YOCHI J. DREAZEN

WASHINGTON—The U.S. relief effort in Haiti kicked into higher gear Saturday, with President Obama pledging America “stands united” with the Haitian people as the U.S. military began delivering emergency food and water rations to thousands of victims of this week’s deadly earthquake there.

Tim Callaghan, the Obama administration official helping to oversee the expanding relief effort, said that daily food rations for up to 600,000 people should reach the makeshift logistics hub at Haiti’s airport by Saturday evening.

Mr. Callaghan said the U.S. has also begun using water-purification equipment to produce and bottle water that is safe for human consumption.

The equipment is designed to produce roughly 300,000 liters of potable water per day. Several Navy ships also have water-purification equipment on board, and military officials hope to produce larger quantities of water.

The State Department raised the U.S. death toll to 15, including one department employee, and said 23 Americans were seriously injured and three U.S. government employees were missing.

Mr. Obama met in the Oval Office with former presidents George W. Bush and Bill Clinton to discuss the fund-raising effort.

“By coming together in this way, these two leaders send an unmistakable message to the people of Haiti and to the people of the world,” Mr. Obama said in the Rose Garden, standing between Messrs. Bush and Clinton. “In these difficult hours, America stands united. We stand united with the people of Haiti, who have shown such incredible resilience, and we will help them to recover and to rebuild.”

Secretary of State Hillary Rodham Clinton was en route to Haiti on Saturday for a firsthand look at the devastation, becoming the highest-ranking U.S. official to visit since Tuesday’s earthquake. The White House has said Mr. Obama had no immediate plans to visit Haiti.

Senior U.S. military officials acknowledged Saturday that a bottleneck at the Port-au-Prince airport had slowed delivery of the emergency rations, but Navy officials said their helicopters had mounted 20 missions by Saturday to fly supplies from the airport to distribution points in Port-au-Prince.

“The optimism is improving as far as those items moving out to where the people are,” Rear Admiral Victor Guillory, the commander of the U.S. Naval Forces Southern Command, told reporters Saturday.

Adm. Guillory said Navy personnel were focusing on bringing in emergency supplies and had not yet been tasked with clearing rubble or searching for survivors on the ground in Haiti.

The Navy commander said extensive damage to Port-au-Prince’s harbor was making it difficult for American ships to unload supplies and personnel. He said the Navy had sent a salvage ship to Haiti, as well as a contingent of undersea divers, to help clear debris from the harbor. The U.S. is working to repair the harbor’s existing piers and to build temporary new ones, he said.

The comments came as the relief effort continued to build. The USS

Bataan, an amphibious ship carrying 2,200 Marines, is scheduled to reach Haiti Sunday or Monday. Military officials said the USNS Comfort, a large Navy medical ship, was en route from Baltimore and is expected to reach Haiti later next week. The Comfort, which functions as a floating medical center, has advanced operating rooms and 500 hospital beds.

In addition to the offshore activity, a brigade of 3,500 soldiers from the Army’s 82nd Airborne Division

will have finished arriving in Port-au-Prince later this weekend.

Pentagon officials say that more than 10,000 U.S. troops will be in or near Haiti by Monday, alongside hundreds of civilian officials from U.S. federal and local governments. Denis McDonough, the National Security Council’s chief of staff, told reporters that the military had helped fly in 106 medical personnel from the Department of Health and Human Services, with a second team en route.

Deadliest earthquakes

The Red Cross high-end estimate of 50,000 deaths would make the Haiti quake the 10th deadliest since 1900.

Year	Country	Magnitude	Deaths, in thousands
1976	China*	7.5	255
2004	Sumatra	9.1	228
1920	China	7.8	200
1923	Japan	7.9	143
1948	Turkmenistan	7.3	110
2008	China	7.9	88
2005	Pakistan	7.6	86
1908	Italy	7.2	72
1970	Peru	7.9	70
<b>2010</b>	<b>Haiti</b>	<b>7.0</b>	<b>50</b>
1990	Iran**	7.4	50
1927	China	7.6	41
1939	Turkey	7.8	33
1915	Italy	7.0	33
2003	Iran	6.6	31

\*Official figure, estimates are higher.  
\*\*Higher end of estimate.  
Source: U.S. Geological Survey

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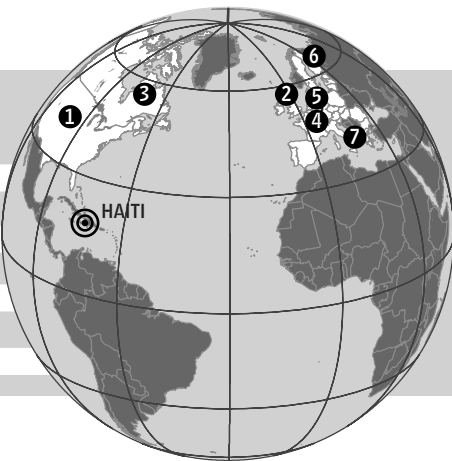


## EARTHQUAKE IN HAITI

## Aid pours in

## SOME INITIAL RELIEF OFFERS, IN MILLIONS:

1. U.S.	\$100.0
2. U.K.	10.0
3. Canada	4.8
4. EU	4.4
5. Germany	2.2
6. Finland	1.8
7. Italy	1.5



## U.S. military-led relief arrives

## THURSDAY



Navy Destroyer, USS Higgins



2 C-130 transport planes



100 troops from the 82nd Airborne Division

## FRIDAY



USS Carl Vinson, a large aircraft carrier



14 helicopters and relief supplies

## THIS WEEK



3,500 troops from 82nd Airborne



USS Bataan, an amphibious ship



2,200 Marines



USNS Comfort, a floating hospital

## FROM OTHER COUNTRIES

2 planes will fly a field hospital and 220 staff from Israel

3 aircraft, medical staff and supplies arrived from France

30 metric tons of food, tents, medicine pledged by Iran

60 search-and-rescue workers pledged by the Netherlands

Source: Reuters

Seth Hamblin, Renée Rigdon, Sarah Slobin, Brett Taylor, Josh Ulick/The Wall Street Journal

## Nations scramble to help, but chaos hinders relief efforts

Continued from first page more.”

The European Union, meanwhile, was expected to announce its own contributions on Monday to help rebuild Haiti, which was already the poorest nation in the hemisphere before Tuesday's devastating 7.0 temblor.

United Nations Secretary General Ban Ki-moon arrived Sunday in Port-au-Prince, where he met Haitian President René Préval at the airport and was due to tour the crushed Christopher Hotel, which had served as the U.N.'s headquarters in the country.

At least 82 people from the U.N. peacekeeping mission in Haiti are dead, with 49 more missing and presumed dead, making it the largest loss of life from a single incident in U.N. history, according to unofficial U.N. figures. The previous largest loss of life was 44 peacekeepers killed in a firefight in the Congo in 1961.

In the debris of that building the body of the mission's chief, Tunisian diplomat Hedi Annabi, was found on Saturday, along with those of his deputy, Luiz Carlos da Costa, of Brazil, and Doug Coates, of Canada, the acting U.N. police commissioner in Haiti.

Estimates of the death toll from the quake vary widely. The Red Cross has estimated at least 45,000 died, while Haitian government officials have said the final tally could easily top 100,000. The government was burying thousands of bodies in mass graves to stop the spread of disease.

“Our first concern has to be the living and not the dead,” said Gabriel Verret, an economic adviser to the president.

Among the many victims of Haiti's earthquake was the country's own government, with its Belle Époque downtown palaces reduced to rubble and many of its officials either dead or homeless. One of the homeless: President Préval. What is left of the government is trying to coordinate a chaotic relief effort from the mango-tree-shaded courtyard of a police station, where Mr. Préval now works.

Haiti's government has never worked that well at the best of times. But it faces challenges now that would strain even the strongest government. The capital city lies almost in ruins. Most telephones and cellphones don't work, there is little electricity, and hundreds of thousands of people need urgent help.

Over the weekend, Haitians by the thousands jammed into rickety wooden buses and open trucks to escape the capital. Armed with little more than hope and the clothes on their back, they headed for the countryside.

While many Haitians tried to flee the capital or the country, others



Rescuers on Sunday carry an American woman out of the remains of a supermarket in Port-au-Prince.

were desperate to reach Port-au-Prince to search for loved ones. Native Haitian Jean Tervine, a U.S. Army sergeant stationed at Camp Blanding in Jacksonville, Fla., flew from Fort Lauderdale to Santo Domingo, in the Dominican Republic. Sgt. Tervine, whose relatives in the capital include two children, two brothers and five sisters, was on his way to Port-au-Prince to find out if any were still alive.

At least one sister and her son were killed, Sgt. Tervine said. He was in Haiti as recently as last month to get visas for his children to move to Florida with him and his wife.

International help has been slow in coming. Hospitals were overwhelmed with the sick and injured and some had run out of basic medicines such as antibiotics. Some patients with infections were dying due to the lack of medicines and other supplies. Doctors were carrying out mass amputations in an effort to save lives.

At the Adventist Hospital in Carrefour, one of the hardest hit suburbs of the capital, many of the wounded survivors of the quake set up dozens of makeshift tents out of plastic sheets, waiting to get treated. Next to the crowded entrance, an elderly woman repeatedly screamed “Water! Water!” as she lay in the back of a pick-up truck with a bloated arm and festering gash sev-

eral inches wide.

“That's all we're doing, is amputations,” said Sidney Coupet, a 29-year-old American internal-medicine resident in Danville, Pa., who flew down to help after the earthquake.

Aid was slowly trickling out to the devastated capital. Near the city's harbor, someone had placed a sign that said “SOS” with an arrow pointing down a rubble-filled road. But around the next corner, a government water truck had stopped on the road and people were filling empty water jugs.

In other parts of the capital, crowds jostled for access to food and water when aid workers showed up.

Abi Weaver, a spokeswoman for the American Red Cross, said the organization was coping with the sheer magnitude of the disaster. “There are still a lot of inaccessible locations because of all the debris caused by the earthquake,” she said.

Along with that, she said the group was scrambling to get sanitation supplies to victims, many of whom haven't had clean drinking water for as much as six days. Aside from water-purification tablets, the Red Cross is also working to establish latrines, or communal toilets, in areas throughout Port-au-Prince.

Ms. Weaver said the organization's aid was picking up steam Sunday morning. By day's end, the Red Cross expected to have a field hospi-

tal in place to care for victims with life-threatening injuries. The hospital would be able to support up to 200 victims at once, she said.

While the capital city has been remarkably calm despite the growing need for food and water, the first major episodes of looting flared across the capital over the weekend.

At the scene of the looting, the body of the man who had been shot lay sprawled. Above, looters scaled a crumpled building, apparently a grocery store, and tossed items to the throng below. At one point, they tossed bottles of shampoo and boxes of soap one at a time into what became a scrum as people in the street scrambled for them.

Several fights broke out over large shiny silver wash bowls. A woman emerged from the group victorious with a bowl; near her side was a girl toting a wooden club. She also nabbed a bottle of shampoo. Many of the looters worked in teams with similar makeshift bodyguards.

Standing at the edge of the mob, 18-year-old Reginald Elacen suggested the police should be allowing the badly damaged stores to be emptied, and helping keep order. “We really don't have a choice,” he said, referring to the desperate needs of Haitians who lost everything in the quake. “If the police would help, it could be done without

violence.”

The looters appeared to have virtual control of about a ten-block-long stretch of Boulevard Jean Jacques Dessalines, and some side streets. Still, just a few blocks away on the road, a store owner was calmly overseeing an orderly emptying of his destroyed shop. He had fashioned an informal bucket brigade of about 30 young men, who stretched over the store's shattered roof, handing out goods can by can.

Security has been a concern since Tuesday's quake, which collapsed entire police stations and barracks and reduced the Ministry of Justice to rubble. It is believed that hundreds of police officers were killed.

Farther down the street from the looting, Canadian and Jordanian rescue teams from the U.N. mission kept guard over a Spanish team that had just found a survivor in a crushed home. Over the weekend, several survivors were hauled out across the capital. As one local cell-phone network came to life, some survivors trapped in the rubble called local radio stations to ask for help.

On Sunday, residents held religious services. Nearly all the grand churches of Port-au-Prince, such as Notre Dame and Sacre Coeur, are ruined, as are many smaller ones. —Kevin Noblet, Charles Forelle, Chris Herring and Christopher Rhoads contributed to this article.



## EUROPE NEWS

# Talks to focus on Greece

*EU finance ministers will look at budget plan, debt-cutting efforts*

By ADAM COHEN

BRUSSELS—Greece's growing budget deficit and worries that the government will struggle to repair the state's finances will dominate this week's meeting of European Union finance ministers.

The two-day meeting, starting on Monday with a meeting of finance ministers from the 16 euro-zone states, comes as Greece faces sharply higher borrowing costs and growing fears of default.

Confidence in the country's ability to fix its public finances. Greece on Thursday drafted a budget aimed at bringing its deficit—estimated to have reached 12.7% of gross domestic product in 2009—below 3% of GDP in 2012.

Under EU rules, countries must keep their budget deficits below 3%. The finance ministers will take a preliminary look at the Greek budget plan and are due to make a more detailed assessment in February.

Previous efforts to trim the country's bloated public sector have stumbled, but Greek government officials say they are serious about making cuts.

Government revenue is a problem, too, since tax evasion is deeply rooted. Government officials say better tax-collection methods are the fastest way to reduce the country's deficit, but note that getting people to pay is a longstanding problem.

The ministers will also chastise Greece for its flawed statistics, repeating a criticism they made in November. Greece has restated its budget-deficit figures repeatedly since 1997, raising questions about whether it deserved to join the euro zone in 2001. The finance ministers are expected to ask Greece to fix its statistics problems and ask the European Commission, the EU's executive arm, to suggest ways Greece can improve the reliability of its data.

Some investors and economists

are speculating that the country's financial woes will force it to abandon the euro. On Thursday, European Central Bank President Jean-Claude Trichet said this was "an absurd hypothesis." Greek President George Papandreou insists there is "no chance" the country will exit the euro. +

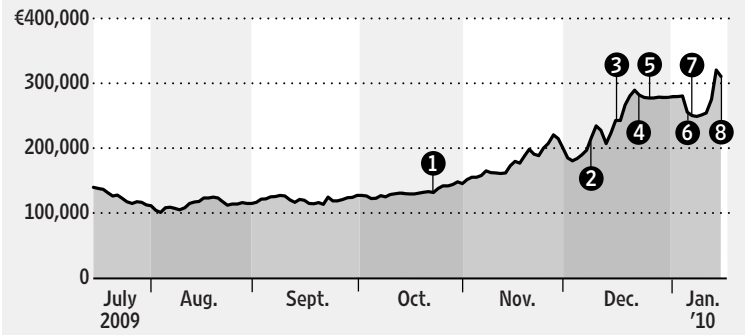
But diplomats in Brussels wonder how long Greece can tolerate rising borrowing costs. They expect the finance ministers to discuss contingency plans, should Greece's financial situation continue to deteriorate.

ECB officials say they can't bail out an individual country and some EU policy experts say other EU governments are barred from giving Greece direct support.

EU finance ministers are also expected to discuss candidates to succeed ECB Vice President Lucas Papademos, the former head of the Greek central bank, whose term ends in May.

## Greek grief

The cost to insure Greek government debt against default is rising. The annual cost of insuring €10 million in debt for 10 years



- 1 Oct. 22, 2009: Fitch cuts Greek sovereign-debt rating to A- from A
- 2 Dec. 8: Fitch lowers rating to BBB+ from A-
- 3 Dec. 15: Standard & Poor's downgrades rating to BBB+ from A
- 4 Dec. 22: Moody's cuts rating to A2 from A1
- 5 Dec. 24: Greek Parliament approves 2010 budget
- 6 Jan. 5, 2010: Greek government vows to speed up deficit cuts, targets 3% of GDP by 2012
- 7 Jan. 6: EU and ECB delegation arrives in Athens
- 8 Jan. 14: Greek government approves three-year stability and growth program

Source: Markit

# U.K. indicators show mixed picture of recovery

By ILONA BILLINGTON  
AND JOE PARKINSON

LONDON—U.K. house prices posted their largest year-to-year gain in nearly two years in December, but business confidence slipped to its lowest level for eight months, underlining the fragility of the British economic recovery.

According to Rightmove's latest survey, house prices in mid-January rose 0.4% from the middle of last month and were also 4.1% higher from the year-earlier month—the biggest annual rise since March 2008. That compared with a 2.2%

monthly decrease in December and a 1.7% year-to-year rise the month before.

Rightmove said search activity for property on its Web site set a record.

That, combined with the lowest level of available stock since 2000, helped to nudge prices higher.

"This rise in asking prices is an early indicator that new sellers in 2010 have the confidence to try for a higher price," said Miles Shipside, commercial director of Rightmove.

"With home-movers setting new search records on Rightmove and a lack of property for sale, the deci-

sion of post-New Year sellers to ask for a higher price could be a shrewd move," he added.

But a separate December survey from U.K. bank Lloyds TSB showed that business confidence slid to its lowest level in eight months.

According to the survey, which questioned 200 companies, 52% of businesses were more upbeat about the outlook for the economy than in November, while 19% were more downbeat. The balance of 33 percentage points was the lowest since April.

However, Trevor Williams, chief U.K. economist at Lloyds, cautioned

that despite the monthly slip, the details in the survey showed firms were becoming steadily more optimistic.

"Although confidence levels fell back at the end of the year, the context here is critical—across the board, businesses are now far more optimistic about the economic outlook than they were 12 months earlier," Mr. Williams said.

"The fact that confidence is not on a smooth upward path is another reminder that the pace of recovery may be gradual and uneven, but it is clear that overall optimism amongst firms is still growing," he added.

The British economy contracted for a sixth consecutive quarter in the three months to the end of September, marking the longest recession since records began in the mid-1950s.

But many economists expect gross domestic product to have returned to growth in the fourth quarter of 2009.

The Labour government of Prime Minister Gordon Brown, which is trailing the Conservatives in the polls and must call an election by early June, has said it expected the economy to return to growth by the start of this year.

# Pope says Vatican helped Jews

By STACY MEICHTRY

ROME—Pope Benedict XVI said the Holy See offered "hidden and discreet" help to European Jews during the Holocaust, defending the Vatican's World War II record as he visited the site of one of Europe's oldest Jewish communities.

Faced with the deportation of European Jews to Nazi death camps, the Holy See "provided aid often in a hidden and discreet way," the Pope told a group of Italian rabbis and other prominent members of Italy's Jewish community.

The 82-year-old German pontiff, who came of age in the shadow of Adolf Hitler's Third Reich, delivered the remarks on Sunday during his first visit to the Great Synagogue of Rome. The pope's comments risk exacerbating tensions between the Vatican and Jewish groups who have criticized the reign of Pope Pius XII, who led the Church during World War II, for not doing enough to prevent the deportation of Jews to Nazi Death Camps.

The pope didn't specifically mention Pius XII in his address, nor did he elaborate on how the Vatican aided European Jews. The Vatican has long said priests and bishops worked behind the scenes to protect Jews from deportation. The Vatican



Pope Benedict XVI (left) with chief Rabbi Riccardo Di Segni in Rome

has refused to grant scholars access to its World War II records, arguing that the documents need to be properly archived first. In December, Pope Benedict came under fire from some Jewish groups for proclaiming the "heroic virtues" of Pius XII, a move that advanced his predecessor's cause for sainthood.

Pope Benedict has made gestures aimed at advancing ties between the two religions. Like Pope John Paul

II, he has visited the Great Synagogue in Rome. He also has visited synagogues in Cologne, Germany, and New York.

He has also made trips to the Auschwitz concentration camp in Poland and to the Yad Vashem Holocaust memorial in Israel.

More than 1,000 Italian Jews were deported from Rome to Nazi Death camps during the Second World War.

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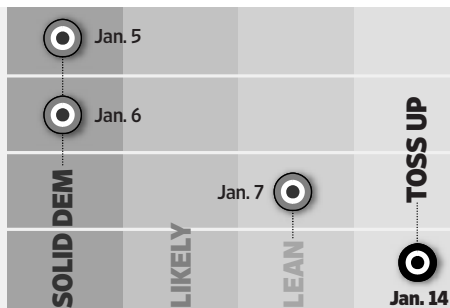
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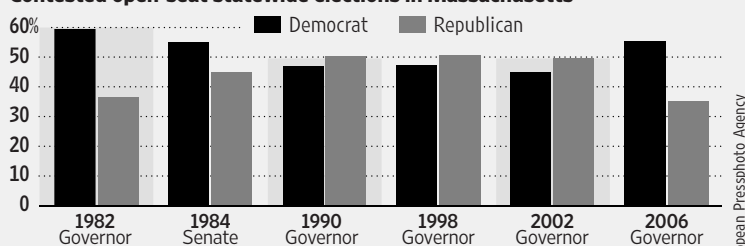
## U.S. NEWS

## Moving target

Cook Political Report rating of the Democratic Senate race in Massachusetts



## Contested open-seat statewide elections in Massachusetts



Source: FiveThirtyEight.com



Attorney General Martha Coakley is in a tight race for the Senate in Massachusetts

## U.S. maintains science lead, but Asia gains some ground

By JUSTIN LAHART

The U.S. remains the world's science and technology leader, but other countries are gaining ground, the U.S. National Science Board said Friday in its biennial report on science and engineering.

The U.S. accounted for nearly a third of \$1.1 trillion spent on research and development globally in 2007, minted more science and engineering doctorates than any other country, and led the world in innovative activity.

Efforts by China and other developing Asian countries to boost their science and engineering capabilities are bearing fruit, however, and the gap between them and the U.S., though still wide, is narrowing.

For the 10 years ended in 2007, the most recent year for which the data were available, spending on research and development grew between 5% and 6% annually in the U.S., Japan and the EU.

Similar spending in India, South Korea and Taiwan grew an average 9% to 10% a year over the same period. In China, growth averaged more than 20%.

**R&D spending in China has grown an average 20% a year, compared with 5% to 6% in the U.S. and EU.**

The U.S. awarded 22,500 doctorates in natural sciences and engineering in 2007, but more than half were awarded to foreign nationals.

Past experience suggests that rather than return to their native countries, many of those new Ph.D.s will stay in the U.S. The report noted that 60% of temporary visa holders who earned doctorates in science in engineering in 1997 were working in the U.S. in 2007.

U.S. researchers published about a quarter of an estimated 760,000 research articles in peer-reviewed journals in 2008. Chinese researchers published 8% of the research articles, up from just 1% in 1988.

U.S.-based inventors accounted for 49% of patents granted, down from 55% in 1995.

Researchers in China accounted for only about 1% of U.S. patents granted in 2008. Inventive activity in China "appears elusive, at least as indicated by patents filed in a major Western market," despite Chinese government efforts, the report noted.

## Obama fights for key seat

U.S. president campaigns as Republican surges in race for Massachusetts Senate slot

By GREG HITT  
AND JONATHAN WEISMAN

BOSTON—In a last-minute attempt to revive Democrats' fortunes in one of the most Democratic-leaning states in the U.S., President Barack Obama campaigned here Sunday for Martha Coakley—the Democratic state attorney general struggling in her bid to secure Edward M. Kennedy's Senate seat.

"Now more than ever you don't need just another politician who talks the talk and you don't need more people yelling at each other," Mr. Obama said at a speech in Boston. "We need someone who has fought for the people of Massachusetts every single day," he said, adding that Ms. Coakley would be independent.

Surging support for Republican state Sen. Scott Brown has White House and Democratic Party officials worried that Ms. Coakley will lose the special election, scheduled for Tuesday, handing Republicans their first Massachusetts Senate seat since 1972.

A defeat for Ms. Coakley would mean the end of the Democrats' filibuster-proof majority, spelling trouble for the president's signature domestic initiative, health care, by depriving Democrats of one of the 60 votes they need to ensure passage in the Senate.

More broadly, the remainder of Mr. Obama's 2010 agenda—financial reregulation, climate change, education and possibly immigration—could suffer if nervous lawmakers start backing away from the president in an election year.

"This is, in effect, a referendum on the national health-care bill," Senate Minority Leader Mitch McConnell said on "Fox News Sunday." "It is perfectly clear if it's unpopular in Massachusetts, it's unpopular everywhere. The American people don't want us to pass this bill."

The potential outcome sent Washington Democrats into overdrive, in what one official said was a scramble to save Mr. Obama's agenda. Mr. Obama's trip to Boston to speak at a Coakley campaign event Sunday followed video appeals and an automated phone message from the president to Democrats in the state.

In a YouTube video sent to supporters via an email link, Mr. Obama played up the stakes, declaring that the fate of his "change" agenda "will probably rest on one vote in the Senate."

National Republican Senatorial Committee communications director Brian Walsh mocked the move, noting that Mr. Obama's efforts to save New Jersey Gov. Jon Corzine's reelection campaign in November failed to put Mr. Corzine over the top. Instead, he lost to Republican Chris Christie. "I'd remind you that this isn't the first time we've seen this pre-election narrative play out before," Mr. Walsh said.

One liberal Democrat, Rep. Anthony Weiner (D., N.Y.), said lawmakers were anxious about Ms. Coakley's chances. Many have decided that, if she loses, the party would have no choice but to cram a health-care plan through Congress as quickly as possible. Another option would be for the House to take

up the version of the bill that has already been passed by the Senate and send it to the White House.

Polling last week by the Democratic party showed conflicting results; one poll had the candidates neck and neck, and another showed a wide lead for Ms. Coakley.

Ms. Coakley crushed three opponents in December's party primary. Mr. Brown, a state senator, has never run statewide and was largely unknown in a state where he and his fellow Republicans represent only 15% of the Legislature. But Mr. Brown has ridden the same populist, antigovernment sentiment that propelled Republicans to victory in November's gubernatorial elections in New Jersey and Virginia. Democrats are already tagging Ms. Coakley for having run a complacent campaign.

Mr. Brown has run as the man who can thwart the Obama health-care plan. His support has been driven in part by the antitax, small government "Tea Party" activists that have energized opposition to Mr. Obama.

On Saturday, Mr. Brown made a series of quick campaign stops south of Boston, where he drew differences with Ms. Coakley, saying he would cut taxes and would oppose the Senate's health bill. He also said a victory would ensure Democrats, who currently have 60 votes needed to shut off filibusters, can't run roughshod over Republicans.

"As the 41st senator, I can at least bring conversation back to the equation," he said.

Ms. Coakley's challenge was evident during her first appearance Saturday. The Massachusetts attor-

ney general sought to flex the party's traditional union muscle during a stop at an International Brotherhood of Electrical Workers hall, but several speakers acknowledged many in the rank and file are interested in Mr. Brown.

Late Saturday, Ms. Coakley rallied supporters crammed into Caffe Paradiso, in a converted firehouse in downtown Lowell. Ms. Coakley worked the crowd, shaking hands and posing for pictures. She appeared much more comfortable than a few days ago, when polls initially showed the race had tightened. "I'm working for you," said one woman, grabbing Ms. Coakley's hand. Ms. Coakley responded, "We need it."

In an interview, Ms. Coakley said she sensed momentum. "Boy, today, the crowds and the enthusiasm, I just haven't seen [that] before," she said.

For the Democratic Party and the White House, the stakes Tuesday are hard to overestimate. Democrats fear a loss would send shock waves to House and Senate Democrats facing re-election fights in less friendly territory.

Moreover, without 60 votes to overcome a Republican filibuster on health care, the White House would be forced to try to cut a deal with sympathetic Republicans such as Maine's Republican Sen. Olympia Snowe. Reaching out to Ms. Snowe would likely mean renegotiating parts of the bill, since the senator has voiced concern about its impact on small businesses and working families.

—Peter Wallsten  
contributed to this article.

## Inflation is tame, but other data bode ill

By MARK WHITEHOUSE

Holiday discounting helped keep inflation at bay in December, but fresh data on the state of U.S. industry suggest price pressures could yet become an obstacle to recovery.

The Labor Department reported Friday that its index of consumer prices rose a tame 0.1% in December from the previous month, held down by decelerating fuel prices and declines in the prices of items such as

toys, televisions and new cars. In a reflection of the depth of the recession and a sharp drop in oil prices, the index average for all of 2009 was 0.4% lower than in 2008—the first such full-year decline since 1955.

But in an ominous sign, a separate report from the Federal Reserve showed industrial capacity shrinking as new investment fails to keep pace with depreciation. The U.S. economy's total capacity to produce

goods, from oil to cars, was down 1% from a year earlier in December, the largest annual decline since record-keeping began in 1967.

If the trend persists, it could make the economy more vulnerable to inflation, leaving companies without enough machine tools, assembly lines and warehouses to meet any significant rise in consumer demand. That in turn could lead them to raise prices sooner than they otherwise would—and force the Fed to

hit the brakes by raising interest rates before the economy has fully healed.

The decline in capacity "presents an incredible challenge," said Brian Bethune, U.S. economist at consultancy IHS Global Insight.

"The more capacity gets destroyed, the more likely we are to get bottlenecks when the economy picks up," Mr. Bethune said. It's going to be a very tough place for the Fed."

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## U.S. NEWS

# Fed policies likely to stay as economy finds footing

*Central bank wants more sustainable recovery before changing tack*

By JON HILSENRATH

Although Federal Reserve officials expect the economy to grow too slowly this year to bring the U.S. jobless rate down substantially, they are likely to conclude at their Jan. 26-27 meeting that there isn't much more they can do about it.

That means sticking to their stated plan to end purchases of mortgages at the end of March, roll back emergency lending programs in February and maintain the vow to keep interest rates exceptionally low for at least several more months.

"I think that we are going to be waiting for the economy to improve in a strongly sustainable fashion and until that happens, then it's unlikely that we would be changing policy," Charles Evans, president of the Federal Reserve Bank of Chicago, told reporters last week.

High unemployment is one of several issues that nag at Fed officials as they attempt to gradually pull away from their role as the economy's chief rescuer.

They also are antsy that the housing recovery could stall when they finish buying \$1.25 trillion of mortgages in March; the Fed now holds \$919 billion worth. Eric Rosengren, Boston Fed president, said through a spokesman that the Fed's mortgage purchases have helped to push mortgage rates down by between a quarter and three-quarters of a percentage point. But when it stops buying, rates likely won't go up by a like amount because the Fed will be holding onto its portfolio rather than selling it down aggressively.

Many Fed officials believe the rise in mortgage rates will be less than half a percentage point and thus won't seriously hurt the housing recovery. A Wall Street Journal survey of economists finds nearly two-thirds predict rates will climb less than half a percentage point when the Fed buying stops.

Fed officials are leaving open the possibility of more mortgage-buying if the economy and housing market falter. But if the economy performs as the Fed expects, most officials appear inclined to let the program run out.

"There is a desire to phase out these purchase programs as soon as it makes sense and there are stated dates for doing that," Dennis Lockhart, president of the Atlanta Fed said in a recent interview.

Fed officials worry about the risks of expanding their mortgage holdings. The more securities they buy now, the harder it will be to reduce the portfolio later. Additional purchases could cause investors to lose faith in the Fed's ability to fight inflation, trigger a sharp drop in the dollar or a surge in commodity prices. That could lead to higher mortgage rates. The Journal's survey of economists showed that nearly three out of four expect the Fed to let the program expire on schedule.

The Fed is inching toward the exit door in other ways as markets regain their footing. A range of now little-used emergency lending programs expires Feb. 1, including those that offer short-term loans to industrial companies and Wall

Street brokers and provide a backstop to money-market mutual funds.

The Fed also could soon raise the rate it charges banks for emergency loans, the discount rate. The Fed has cut this rate to 0.5% from 6.25% in August 2007 to encourage banks to come to it directly for funds.

As markets have stabilized, banks are borrowing from the Fed less, meaning it could be in a position to start tightening terms on these loans.

The discount rate is less important than the federal-funds rate, which banks charge each other for

overnight loans. Fed officials see a discount-rate increase mostly as a signal of the shift away from rescue lending, not a step toward raising interest rates more broadly.

Officials are deep into discussions about how to manage the mechanics of broader interest-rate increases, even though that moment still looks to be many months away.

The Fed's first step will involve a change in rhetoric, altering its description of the economy and, eventually, its commitment to keep interest rates low for "an extended period."



Sandra Miller, center, and others wait for a job fair to open in Hallandale, Fla., on Jan. 12. A shopping center was looking to fill more than 600 positions.

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## WORLD NEWS



Russian Deputy Prime Minister Igor Sechin, front, and Transneft President Nikolai Tokarev sign autographs on a branch pipeline that will connect the ESPO pipeline to China.

# Asia fuels Russia energy aspirations

*New pipeline that pumps crude from Siberia to Pacific Ocean base will help diversify exports, tap growing demand*

BY GUY CHAZAN

LONDON—Russia, the world's top oil producer, is set to make deep inroads into Asian energy markets at the expense of Mideast rivals thanks to a new pipeline that pumps crude from the oil fields of Siberia to a new terminal on the Pacific Ocean.

The pipeline, a pet project of Prime Minister Vladimir Putin, is key to Russia's efforts to diversify its export routes away from Europe and tap growing energy demand in Asia. It is also important to countries such as China that want to reduce their dependence on Middle East oil.

Mr. Putin inaugurated the first stage of the \$12 billion East Siberia-Pacific Ocean pipeline, or ESPO, last

month. The crude it carries, also referred to as ESPO, is a hit with Asian customers. ESPO "will likely displace some similar quality Middle East crudes," the International Energy Agency said in its monthly oil-market report Friday.

ESPO heralds an "important step change in world crude markets," JP Morgan oil analyst Lawrence Eagles wrote in a research note Friday. "It provides Russia with the infrastructure necessary to act as a swing producer between Western and Eastern markets."

In recent years, as relations between Russia and Europe deteriorated, Russia has repeatedly threatened to divert its energy exports to Asia. But with nearly all its oil and gas pipelines flowing east to west, the threat has rung hollow. That is

now changing.

"Europe will now have to compete with Asia for Russian crude," said Diane Munro, a senior oil-market analyst with the IEA.

ESPO crude's advantage over competing blends is its proximity to the oil refineries of northeastern Asia. The new \$2 billion terminal, at the Pacific coast port of Kozmino, is five days' sailing time from markets in China, South Korea and Japan. Producers in the Middle East, Africa and Latin America face journeys of at least two weeks.

The launch of ESPO, which will be fed by a new generation of oil fields being developed in the wilderness of Eastern Siberia, comes amid surging oil demand from China. China's imports of crude topped five million barrels a day in December, a

record high. In contrast, demand in Europe has fallen by one million barrels a day during the past three years.

Analysts say ESPO could significantly change the dynamics of Russian oil exports. The IEA said Russian loading schedules show crude exports are already being rerouted toward the east from ports on the Baltic and Black Seas.

Tighter Russian supplies to European markets could push up the price of Urals, Russia's main export blend, which traditionally trades at a discount to other benchmarks like Brent. That could mean tough times ahead for European refiners.

The Russian government has sought to facilitate the shift eastward by subsidizing exports via the ESPO. It has suspended the export

tax on crude moving through the new pipeline from fields in Eastern Siberia, and has set a preferential transport tariff for ESPO crude that is well below the actual cost of transportation. The state-owned pipeline monopoly, Transneft, will cover the subsidy by charging oil companies more to ship their crude to Western destinations.

With a capacity of 600,000 barrels a day, ESPO runs from Taishet in Siberia to Skovorodino near Russia's border with northern China. From there, crude is shipped by rail to Kozmino, where it is loaded onto tankers. A 300,000 barrel-a-day spur from Skovorodino to Daqing, China, will be completed next year. By 2014, the ESPO is expected to be extended all the way to Kozmino, at an additional cost of \$10 billion.

# Israel, Turkey seek to repair military ties

BY MARC CHAMPION  
AND JOSHUA MITNICK

ANKARA, Turkey—The militaries of Israel and Turkey are trying to salvage an alliance severely damaged as Ankara realigns its position in the Middle East.

Israeli Defense Minister Ehud Barak made a one-day trip to Turkey Sunday, the highest-level visit by an Israeli or Turkish official to the other country since Turkish Prime Minister Recep Tayyip Erdogan's confrontation over the Gaza conflict with Israeli President Shimon Peres at the World Economic Forum in Davos, Switzerland, in January 2009.

Mr. Barak met with Turkish Foreign Minister Ahmet Davutoglu for 3½ hours, just days after relations

between the two countries hit a new low. Israel's deputy foreign minister, Danny Ayalon, last week humiliated Turkey's ambassador on television, telling journalists it was intentional, sparking outrage in Turkey. Israel later apologized for the incident, and on Sunday Mr. Barak had his picture taken with Ambassador Ahmet Oguz Celikkol, according to wire reports.

Mr. Barak also met with his Turkish counterpart, Vecdi Gonul. The two men were expected to discuss a much-delayed contract for Israel to supply unmanned aerial vehicles to Turkey, in a deal valued at nearly \$200 million. Last week, a Turkish military team was in Israel to test the Heron UAVs. A senior Israeli official also visited Ankara in an effort to keep the deal on track.

Analysts say it is no surprise that the main effort to restore the relationship is coming from the two militaries, which have formed its bedrock since the alliance was formed in the mid-1990s.

The alliance gave Turkey access to technologically advanced military equipment and Israeli intelligence capabilities. Turkey was fighting Kurdish militants who had bases in Iraq and Syria. Turkey and Syria came close to war in 1998.

Israel and Turkey signed more than 20 military agreements in the 1990s. One called for four joint air-force training sessions a year in each country. The two navies participated in joint exercises and staff officers collaborated on war-game simulations. Deals like Israel's modernization of 54 Turkish Phantom

jets helped military exports reach \$1 billion during the decade. Israel also supplied radar systems and missile components.

"Turkey is the only regional partner Israel has in terms of military relationship," said Gerald Steinberg, a political-science professor at Bar Ilan University, outside Tel Aviv. "It once offset conventional threats from Syria, and was a threat to Hezbollah and Iran that Israel could strike from the north through Turkey."

But in the past decade, the collaboration has become less vital. Military trade dropped off. While Israel won a \$688 million contract to modernize Turkish tanks, the Heron deal has been a bone of contention.

Mr. Erdogan's avowedly Islamic government is taking a much

tougher view of Israel's role in Gaza and the West Bank, even as he restores relations with its Muslim neighbors, where criticizing Israel is popular. Turkey last year held its first joint military exercises with Syria, signed dozens of agreements with Iraq, and last week established visa-free travel with Lebanon.

For Israel, growing commercial relationship with India is overshadowing military business with Turkey, Israeli analysts say. The conventional military threat from Syria has diminished and Iraq has been removed for now as a foe. Still, Turkey's military has significant contracts for arms purchases from Israel it wants to see completed, says Huseyin Bagci, professor of international relations at Middle East Technical University in Ankara.