



WEEKEND JOURNAL.

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Ireland shifts toward taking aid

By DAVID ENRICH
AND CHARLES FORELLE

DUBLIN—Top Irish government officials acknowledged for the first time Thursday that the country is grudgingly edging toward a massive international bailout.

Patrick Honohan, the head of Ireland's central bank, said he expects the country will receive "tens of billions" in international loans. "It will be a large loan because the purpose...is to show Ireland has sufficient firepower to deal with any concerns of the market," he said in a radio interview.

Finance Minister Brian Lenihan added: "It's clear we will need some form of external assistance. ... We have to find a resolution to our banking difficulties with whatever external assistance is appropriate."

The comments came as a team of officials from the International Monetary Fund, the European Central Bank and the European Commission descended on Dublin to examine the severity of Ireland's banking crisis. Irish government officials have until now rejected the notion that the bailout is necessary, but that position seems to be wilting as leaders gently prepare the public for the idea that a politically unpopular bailout is coming.

Fears that the Irish government will be unable to shoulder the mounting costs of rescuing its troubled banks have



The International Monetary Fund's Ajai Chopra, left, and a colleague pass a beggar in Dublin en route to the Central Bank of Ireland for talks with officials on Thursday.

eroded market confidence in the country's financial viability and reignited concerns about other members of the 16-country euro zone.

The structure of an anticipated Irish bailout remains

unclear. Mr. Lenihan told lawmakers Thursday afternoon that the negotiations will be focused on "providing capital—or a contingency capital fund—that can stand behind the banks."

The anxiety about Ireland has rubbed off on other financially shaky euro-zone countries. On Wednesday, Portugal shelled out a lofty interest rate to attract investors in a routine auction of govern-

ment debt. On Thursday, a Spanish auction fared better, but the country still had to offer a yield that was 11% higher than when it last issued debt two months ago. Jean-Claude Trichet, presi-

dent of the European Central Bank, also sounding an alarm Thursday, saying he had "grave concerns" about how much was being done to toughen the EU's fiscal-discipline. *Please turn to page 4*

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The Quirk



The ultimate Guinness record is the record for records. Page 29

Editorial & Opinion

Germany's 'critical dialogue' with Iran isn't panning out as expected. Page 12

Former U.S. car czar sued on GM's big day

"Should I say congratulations?" the former U.S. auto czar Steven Rattner was asked early Thursday morning on CNBC.

By Michael Corkery,
Chad Bray and
Michael Rothfeld

Mr. Rattner had been invited on the national business network at 7 a.m. to discuss the successes of General Motor's initial public offering, one of the largest in U.S. history.

But only an hour after Mr. Rattner went off the air, it was his nemesis, New York Attorney General and Govern-

nor-elect Andrew Cuomo, who was making headlines.

Mr. Cuomo had filed suit against the former car czar, alleging that the Wall Street financier has paid kickbacks in exchange for a \$150 million investment in his private-equity fund from New York State's pension fund.

Mr. Cuomo is seeking to fine Mr. Rattner \$26 million and ban him for life from the securities industry in New York. Also Thursday, the Securities and Exchange Commission announced a much less severe settlement with Mr. Rattner over the pay-to-play scandal, which entails a \$6.2 million penalty and a

two-year ban from associating with any investment adviser or broker dealer.

The timing of the government actions against Mr. Rattner, on the morning of GM's IPO, has become the latest skirmish in a legal battle that has turned venomous and personal. It pits Mr. Rattner, a stalwart of Manhattan's Democratic elite and close confidante of New York City Mayor Michael Bloomberg, against Mr. Cuomo, the state's Democratic governor-elect.

Sullyng what should have been a triumphant moment for Mr. Rattner was "further proof the attorney general puts politics and his own me-

dia coverage ahead of the public interest," Mr. Rattner's spokesman said.

The timing of the lawsuit was entirely coincidental, a spokesman for Mr. Cuomo's office said.

In a statement, the spokesman added, "Mr. Rattner now has a lot to say as he spins his friends in the press, but when he was questioned under oath about his pension fund dealings he was much less talkative, taking the Fifth [Amendment to the Constitution] and refusing to answer questions 68 different times."

Regulators have been investigating allegations that *Please turn to page 3*



Steven Rattner

PAGE TWO

High-tech buzz: All of a sudden everyone wants to love a Eurogeek

[Agenda]

By BEN ROONEY

Europe may be having a hard time of it at the moment, but there is one bright light on the horizon.

Across the continent there is a huge buzz in the tech sector. From the Founders conference in Dublin last month, to the IBM SmartCamp in the same city Thursday, to the TechCrunch Europas on Friday—awards to celebrate Europe's most successful start-ups—right through to the 2,500-delegate strong LeWeb conference in Paris next month. There, a huge swath of Silicon Valley's leading tech companies and their CEOs will set up shop for a two-day conference.

The European tech sector is shaking off the recession and stepping boldly forward. The excitement is palpable.

Even the beleaguered Irish Prime Minister Brian Cowen found time in his hectic schedule to attend the final of the IBM SmartCamp on Thursday. The competition is a global contest to find the best start-ups looking at some of the most complex problems facing the world—such as intelligent power grids or wired cities.

Perhaps Mr. Cowen was hoping it would be an Irish company that would win and it would reflect well on him. It wasn't. It didn't.

Mr. Cowen has nailed what is left of his colors to his broken mast in the hope that the road to Ireland's recovery lies with high-tech innovation. He announced Thursday a series of measures, pretty similar to those recently disclosed by U.K. Prime Minister David Cameron, to stimulate the country's already strong high-tech sector; an investment fund, changes to visa requirements.

Ireland's leader (the Taoiseach) has made the creation of a high-



Irish Prime Minister Brian Cowen at the Convention Centre Dublin on Thursday.

tech hub a cornerstone of his economic policy since his days as finance minister.

Alongside Mr. Cowen at the SmartCamp was Maire Geoghegan Quinn, Ireland's EU commissioner. She too was keen to stress how tech-friendly she is, fighting the cause of intellectual property reform across Europe.

The political urgency comes from the threat not from the U.S. but from China first, and in a few years, India.

The SmartCamp itself was dominated by European companies. Of the nine global finalists, six were from Europe (technically five plus one from Israel unless we adopt the Eurovision definition of Europe). Although it was a U.S. company that won, the Irish finalist was

singled out for special mention.

A few weeks previous it was Britain's Mr. Cameron embracing the high-tech sector. His announcement of an innovation hub in east London bringing together Internet giants like Google with nimble start-ups sought to create a center of growth and dynamism in a deprived part of the U.K. capital.

All of a sudden everyone wants to love a Eurogeek.

Not only is there buzz, but there are products too. The French start-up Jolicloud is launching a low-cost European computer Friday to take on Microsoft and Apple and hopes to change the whole concept of the computer operating system. No faulting their ambition.

Yet on the day that Mr. Cowen announced plans to stimulate the Irish tech sector, the U.K.'s National Endowment for Science, Technology and the Arts published an excoriating survey showing how bad Europe is at

competing in the global market. The continent has fewer high-growth firms, they grow slower, and it has more stagnant companies, the survey found.

And while Ms. Geoghegan Quinn may champion patent reform, the reality is that European patent reform is the Jarndyce and Jarndyce of our time—it has been talked about for a quarter of a century. Perhaps what is different now is that the parties actually have to take reform seriously, because innovation has been driven to the top of the political agenda.

The driving force behind this sudden embracing of the tech sector is the understanding that innovation is the only way for the continent to prosper and the dawning realization at how bad as a continent we have been. There is no European Google. Skype is one of the few truly great European start-ups.

The political urgency comes from the threat not from the U.S. but from China first, and in a few years, India. For while Europe may currently enjoy a technological lead, that lead is closing alarmingly fast.

Take the Chinese telecom manufacturing giant Huawei. The company employs more than 90,000 people world-wide, nearly half of them engineers. While in the past the company didn't enjoy the best of reputations for its innovation, that has dramatically changed. At its annual awards, the Economist magazine awarded Huawei a prize for innovation. Other winners of their awards that evening included a Nobel laureate.

So the geek love is the realization that Europe's ability to compete on raw technology is being challenged. The continent, therefore, is shifting to another battlefield, highly nimble, low-cost start-ups, and the hope that one—or preferably more—turn out to be the next Google.

What's News

■ **GM's shares opened 6% higher** in their debut on the NYSE, vanquishing any concern that the revitalized car company had priced the shares too high. The stock opened at \$35, up from the IPO price of \$33. 17

■ **Airbus said it will seek full compensation** from Rolls-Royce for costs incurred for disruptions caused by the failure of a Rolls-Royce engine on a Qantas A380 jet. 17

■ **German authorities said a package** containing batteries wired to a clock and detonator was found during a security check at an airport in Namibia's capital. 6

■ **Two Madoff ex-employees** were indicted on charges they helped the Ponzi-scheme operator proliferate a fraud totaling billions of dollars. 17

■ **A Swedish court ordered** the detention of WikiLeaks founder Julian Assange for questioning over rape and molestation allegations. 6

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Two FIFA executives barred from the World Cup vote. 28

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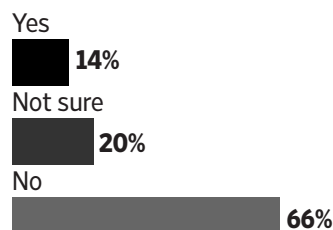
Question of the day

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NEWS

Guy Hands reflects on EMI troubles

BY JENNIFER BOLLEN

PARIS—Terra Firma Capital Partners LP founder Guy Hands said he and his private-equity firm would “look like geniuses” if they hadn’t bought EMI Group PLC, as he made his first public appearance since losing a high-profile lawsuit over the storied British music company.

“EMI is where EMI is,” Mr. Hands added, speaking Thursday at the Super Investor conference in Paris.

Mr. Hands and his firm lost a legal dispute with Citigroup Inc. over Terra Firma’s 2007 acquisition of EMI, for which it paid £4 billion, or about \$6.4 billion. In a suit filed last December in New York, Terra Firma and Mr. Hands alleged they were duped by Citigroup and its head of U.K. investment banking, David Wormsley, into believing a rival, Cerberus Capital Management Ltd., would make a competing bid for EMI, home to acts over the years including the Beatles, Radiohead and Katy Perry. Terra Firma ended up being the only bidder, watched its investment in EMI wither, and in the lawsuit sought billions in damages.

The outcome was embarrassing for Mr. Hands, once seen as one of the private-equity industry’s golden players. Bankers said it could hamper Mr. Hands’s ability to raise funds and continue doing deals. Terra Firma’s most recent fund, a €5.4 billion (\$7.3 billion) pool raised in 2007, has roughly 30% of its assets in EMI, and Terra Firma has al-

ready written down the value of its investment in heavily indebted EMI to practically zero.

EMI, which has suffered from problems facing the music industry, still owes Citi about £3 billion, and Terra Firma’s investors in March were forced to inject £105 million into EMI to keep the company from defaulting. That bought Terra Firma 12 months—until next March—before it will likely need to come up with more cash.

When asked Thursday if he thought Terra Firma would be able to raise another buyout fund, Mr. Hands said the firm would do so if it demonstrated to its investors it could successfully invest the remainder of its current vehicle. “If we do that, we will do well. The frustration is another unmovable object,” he said.

Mr. Hands spoke of the need for the private-equity industry to return to its roots of “changing and building businesses.”

This would mean expectations about investment returns needed to change from the more than the 20% people had become accustomed to, he said. “Looking at the prices that are being paid today for most private-equity deals in the West, it’s difficult to see how returns on most of them can be anything other than midteens at best, and that is assuming a positive economic outlook.”

—Paul Hodgkinson, Chad Bray and Dana Cimilluca contributed to this article.

—More at efinancialnews.com



Guy Hands, shown in October, said private-equity firms need to return to ‘changing and building businesses.’

U.K. weighs visa cut

BY LAURENCE NORMAN

LONDON—The number of annual visas to work in the U.K. issued to people from outside the European Union should be cut by as much as 25% to meet Britain’s goal of capping immigration, a government-appointed panel said Thursday.

The Migration Advisory Committee proposed that the number of skilled and highly skilled migrants allowed into the U.K. in the 2011-12 financial year should be between 37,400 and 43,700. That’s down from 50,000 for 2009, the last full year for which data is available.

The government has said it wants a cap on non-EU migration to help reduce the total number of im-

migrants coming into the country to the tens of thousands annually, down from hundreds of thousands a year for much of the past decade.

However, the Migration Advisory Committee said that for the government to meet its target, it would also need a sharp cut in the number of non-EU student and immigrant family-member visas it issues.

“It is not possible to reduce net migration to the tens of thousand by limiting work-related migration alone,” said the committee’s head, David Metcalf.

Speaking to lawmakers later, Prime Minister David Cameron said the U.K. could make an announcement on the new immigration system next week.

New York sues Rattner

Continued from first page
members of former New York Comptroller Alan Hevesi’s office and a former political adviser essentially sold access to New York’s \$125 billion Common Retirement Fund, one of the country’s largest pension funds.

In its lawsuit, the SEC alleged that Mr. Rattner secured investments for his former firm, **Quadrangle Group LLC**, after he arranged for a firm to distribute a low-budget film that was produced by David Loglisci, the retirement fund’s chief investment officer, and his brothers. Mr. Rattner, under pressure from former Hevesi political adviser Henry “Hank” Morris, also allegedly arranged a \$50,000 contribution to Mr. Hevesi’s re-election campaign in

2006, the SEC said.

A month after arranging the contribution, Mr. Loglisci allegedly increased the retirement fund’s investment with Quadrangle from \$100 million to \$150 million, the SEC said.

Mr. Rattner settled the SEC case without admitting any wrongdoing.

Several new details emerged Thursday in the case, including a Sept. 16 deposition in which Mr. Rattner refused to answer questions from New York prosecutors 68 times, citing his Fifth Amendment rights against self-incrimination.

Mr. Rattner’s refusal to answer questions formed the basis of the New York attorney general’s request for an injunction to ban him from the state’s securities industry.

Cartier

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PERPETUAL CALENDAR AND DAYS WITH RETROGRADE HAND 9422 MC CALIBRE

18K WHITE GOLD CASE, OCTAGONAL CROWN SET WITH A FACETED SAPPHIRE, MANUFACTURE MECHANICAL MOVEMENT WITH AUTOMATIC WINDING CARTIER CALIBRE 9422 MC (33 JEWELS, 28,800 VIBRATIONS PER HOUR, DOUBLE-BARREL, APPROXIMATELY 52 HOURS POWER RESERVE), PERPETUAL CALENDAR WITH DISPLAY OF DAYS BY MEANS OF RETROGRADE HAND, COUNTER WITH MONTHS AND LEAP YEAR.

EUROPE NEWS



Getty Images

A BMW employee working on cars at the company's automobile-production factory in Leipzig, Germany, on Nov. 5.

OECD forecasts an uneven recovery

BY SEBASTIAN MOFFETT

PARIS—Growth in the wealthiest countries is faster than expected because of strengthening world trade—but heavy government debts and high unemployment threaten to slow the expansion, the Organization for Economic Cooperation and Development warned.

The Paris-based think tank forecast overall growth of 2.8% this year for the OECD's 33 member economies, slightly higher than its previous forecast. But it said the pace is expected to slow to 2.3% next year before returning to 2.8% in 2012. Last year, the economies shrank 3.4%.

Chief OECD economist Pier Carlo Padoan said that government stimulus was becoming less effective and that the main question for the wealthiest nations now is: "How do we move from a situation where stimulus was the main driver to one where growth is self-sustaining?"

The twice-yearly outlook, released Thursday, painted a mixed picture of the world economy, with some countries appearing to leave behind the worst of the economic crisis, while others still suffer its effects.

Big exporters are growing again, notably Japan, which the OECD forecast would expand 3.7% this year, before slowing to 1.7% in 2011, and Germany, forecast to grow 3.3% this year and 2.5% next.

That rise is partly due to emerging markets, especially China, whose economy is forecast to grow at an average rate of nearly 10% over the

The chief OECD economist said that government stimulus was becoming less effective and that richer nations needed to seek self-sustaining growth.

next two years. Both Japan and Germany export machine tools and other equipment to China's factories. Their manufacturers suffered badly when world trade shrank after the financial crisis, but this year have been filling their order books.

"Trade has contributed largely to the rebound... [and] will continue to provide a stimulus," said Mr. Padoan. He said the lack of major

moves toward trade protection after the crisis had helped.

But Ireland's recent problems are a reminder of the perils of debt for world economies. Ireland is struggling with soaring borrowing costs amid concern over its public finances and ailing banks. Mr. Padoan said it would be "extremely beneficial" for Ireland to accept European financial aid.

"We are seeing by the day how nervous markets are about any news that can come out of [the] policy environment," he said.

Sovereign debt is a growing problem in bigger economies, too, and the OECD predicted it would take many of them years to bring their debt down to manageable levels.

In particular, the U.S. and Japan need to make sharp cuts in their underlying primary government deficits—the amount their governments borrow excluding interest payments on their debt, the group said.

The U.S. would need to cut its underlying primary government deficit by the equivalent of 14 percentage points of gross domestic product between now and 2025 just to bring its outstanding debt to its pre-crisis level. Japan would need to cut its primary balance by 12 points.

"Sustained growth is not consistent with [high sovereign] debt," said Mr. Padoan. "This needs to be stabilized."

The U.S. economy will be weakened by falls in house prices, the OECD said, with growth of 2.7% in 2010, 2.2% next year and 3.1% in 2012. That is a weaker forecast than the group made in May, when it forecast U.S. growth of 3.2% for this year and next.

A healthier private sector in OECD countries, however, provided upside risks, said Mr. Padoan. Corporate profits were robust, and household debt was falling. "Enhanced confidence could result in a faster-than-projected recovery," he said.

—William Horobin
contributed to this article.

Spain bond sale dispels worries

BY EMESE BARTHA

Spain sold €3.654 billion (\$4.94 billion) of long-term bonds Thursday, paying higher yields than two months ago as contagion from the euro zone's weaker issuers, coupled with Spain's economic problems, took a toll.

The auction, however, was well received and dispelled fears about Spain, at least for now, allowing the euro to strengthen and giving some relief to the euro zone's weaker sovereign borrowers.

However, Prime Minister José Luis Rodríguez Zapatero warned that Spain's recovery is so weak there is no guarantee it will continue. In a debate in Parliament on Spain's staggering jobless rate, Mr. Zapatero noted it improved a bit in the third quarter—edging down from nearly 21% to 19.8%—as the country struggles to crawl out of nearly two years of recession prompted largely by the bursting of a real-estate bubble.

Third-quarter GDP growth was flat from the previous three months, after two quarters of timid growth, although the third-quarter figure was up 0.2% on a year-to-year basis—the first such rise in seven quarters.

"We are still facing the crisis," Mr. Zapatero said, adding that the improved jobless figures should be taken with a note of caution. "The improvement is so slight that it does not guarantee an irreversible change in trend."

Mr. Zapatero said the cabinet

will on Friday approve another set of overhauls designed to kick-start the economy, and said his government is sticking by plans to reform the pension system.

The government has said it wants to raise the retirement age to 67 from 65. This planned change is one of the reasons unions staged a general strike in late September.

Opposition conservative leader Mariano Rajoy of the Popular Party repeated a call for early elections, calling the premier's handling of the crisis a failure. "A leader who fails has the moral obligation to refrain from continuing to imposing his errors. A democratic leader knows that when he errs as often as you have, and with such serious consequences, he must bow out, even if the law does not oblige him to," Mr. Rajoy told the legislature.

Mr. Zapatero's second term ends in March 2012 and polls show him trailing the Popular Party badly.

The market has been affected in recent days by wrangling over how to aid Ireland, mounting concerns over Portugal—which is seen as the next target—and a need for a further €4 billion in cuts in Greece.

Spain's tenders "illustrate well that Spain has not lost market confidence, nor has its confidence been questioned to the same extent as for example that of Ireland and Portugal," said Jan von Gerich, senior analyst at Nordea in Helsinki. "Still... Spain may still feel increasing heat, as the debt-servicing ability of Ireland and Portugal looks set to be questioned further."

Ireland estimates size of aid

Continued from first page

pline rules, which were widely ignored for much of the past decade.

Trying to quell public furor over how much the Irish government has already spent in vain on bank-rescue efforts, Mr. Lenihan said an international bailout "would not necessarily" create additional burdens on the taxpayer beyond fees for the borrowing.

Still, borrowing tens of billions of euros a year could add billions in extra interest payments for the Irish government.

The public statements by Messrs. Honohan and Lenihan represent the government's clearest acknowledgments yet that Ireland's repeated attempts to stabilize the banking system have failed. Most recently, the government in late September said it would inject billions of euros more into the banks, pushing the total investment to about €50 billion (\$67.52 billion). At the time, Mr. Lenihan vowed the banks wouldn't need more.

"It's true that the banks need additional confidence," Mr. Honohan said Thursday. "The huge sums of money that have been put in by the government to support the banks have not generated sufficient confidence yet."

One source of market angst is **Allied Irish Banks PLC**, the country's second-largest bank and a major player in its property-lending binge. So far, Allied Irish has posted smaller losses than some rivals, but some industry officials worry it could be plagued by a new wave of

bad loans.

More clarity could come Friday, when Allied Irish is scheduled to issue an update on its third-quarter performance. But unlike in the U.S., Irish companies aren't required to disclose audited financial statements each quarter, so the update could have relatively few concrete numbers.

Despite the pressure of financial markets, the Irish government isn't likely to take a bailout lightly. Ireland's independence from Britain, long fought and hard won, still resonates in the public sphere.

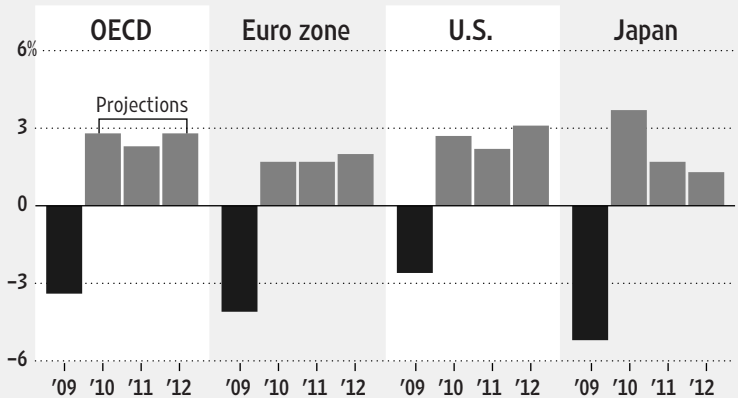
"Was it for this?" the Irish Times editorialized Thursday, lamenting that the martyrs of the 1916 Easter Rising should have died for such a humbling: "a bailout from the German chancellor with a few shillings of sympathy from the British chancellor on the side."

The editorial continued: "There is the shame of it all. Having obtained our political independence from Britain to be the masters of our own affairs, we have now surrendered our sovereignty to the European Commission, the European Central Bank, and the International Monetary Fund." In Ireland's Parliament, a deputy recited the stanza of Yeats from which the editorial takes its title, an elegy for the dead of an earlier, failed, revolution.

A small band of protesters stood outside the Finance Department building where IMF and European officials were meeting.

—Nina Koeppe
contributed to this article.

Mixed recovery | GDP, change from previous year



Source: Organization for Economic Cooperation and Development

IT'S TIME
OIL
 COMPANIES

GET
 BEHIND
 THE DEVELOPMENT OF

RENEWABLE
ENERGY.



Something's got to be done.
 So we're doing it.
 We produce more renewable geothermal energy than anybody in the world.
 Our venture capital arm is investing millions in alternative energy start-ups.
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EUROPE NEWS

German flight delayed after suspicious find

BY DAVID CRAWFORD
AND PETER WONACOTT

German authorities said Thursday a package containing batteries wired to a clock and detonator was found during a security check at a Windhoek, Namibia, airport, where workers were loading luggage aboard a flight to Munich.

Local and German investigators said they were trying to determine whether the package, found Wednesday morning, could have exploded. A spokeswoman for the carrier, Air Berlin, said the package wasn't believed to contain a bomb. She didn't provide further details.

Wendy Mueller, security chief for Namibia's Director of Civil Aviation, said a team has been set up to gather information for an investigation that remained in early stages.

"We need to analyze everything," she said. She said it wasn't known where the parcel came from or how it arrived at the luggage-screening point prior to loading, because it had no identifying tags. That is unusual, "but it can happen," she added. "Sometimes the tags fall off."

Concern about the possibility of international flights being targeted by terrorists rose last month when two package bombs were discovered while being sent on cargo planes from Yemen to the U.S. One of them went through a German airport before being found in the U.K.

Investigators determined the

package bombs sent from Yemen were designed to explode in an aircraft over the U.S., intelligence officials say. German investigators are now focusing on whether the suspicious package in Namibia is part of a similar attempt to down an airliner en route to Germany, a German security official said.

The Namibian discovery follows Germany's decision on Wednesday to raise the country's terrorist-threat level. German authorities said intelligence services had received information that Islamic extremists planned an attack in the country in the coming weeks. Germany's interior ministry said it is unclear whether the Namibian package is related to the suspected terror plot.

A spokeswoman for Namibia Airports Company, the operator of Hosea Kutako International Airport, said the flight, Air Berlin 7377, was delayed for six hours Wednesday after the package was discovered. The plane was permitted to depart with 296 passengers and 10 crew but without luggage or cargo, which remained in Windhoek pending a police investigation, the airport spokeswoman said in a statement.

The flight arrived without further incident in Munich at just after midnight Thursday, an Air Berlin spokeswoman said.

A Namibian Police Force spokesman said police are heading an investigation. He declined to comment on the preliminary findings.



Police patrol the central train station in Düsseldorf, Germany, Thursday after the government warned of a terrorist attack.

No cardinal shift in church demographics

BY STACY MEICHTRY

ROME—The Roman Catholic Church's make-up has undergone a sea change in the three decades since the 1978 election of Pope John Paul II, yet its College of Cardinals—the club responsible for picking the next pope—has changed little.

While the church's 1.2 billion members span the globe and most of its new priests and faithful come from the developing world, especially Africa and Asia, the college is still skewed toward Europeans, particularly Italians.

The college will become even more lopsided on Saturday when Pope Benedict XVI creates 24 new cardinals in a Vatican ceremony known as a consistory. The number of Italian cardinals under the voting age limit of 80 will grow from 17 to 25—the same number of Italians that voted in the conclave that elected Pope John Paul II. Sixty-two cardinals will come from Europe, compared with 56 in 1978.

The imbalance stems from church traditions that, though not written in stone, are hard for popes to break. Perhaps the biggest obstacle to change is the tradition that popes should limit the number of voting-age cardinals to 120. That makes it difficult for any pontiff, including Pope Benedict, to radically alter the college's geographical scope in a single consistory.

Pope Benedict "has an apprecia-



Archbishop Donald Wuerl

tion for the importance of traditions," Archbishop of Washington, D.C., Donald Wuerl said in an interview. The archbishop, who will become a cardinal on Saturday, is a longtime observer of papal elections. During the 1978 conclave that elected John Paul II, he assisted the then-ailing U.S. Cardinal John Wright, staying inside the papal palace with voting cardinals—half of whom were European.

"There are only so many cardinals [the pope] can appoint if he wants to stay within the traditional limit of 120 voting cardinals. That does constrain him," Archbishop Donald Wuerl said. He added, how-

ever, that the constraint is "self-imposed." Pope John Paul II occasionally breached the ceiling to bring more Africans, Asians and Eastern Europeans into the ranks of cardinals. "A pope can always waive that rule," Archbishop Wuerl, 70 years old, added.

In future consistories, Pope Benedict and his successors are likely to come under more pressure to ignore the rules as the demographics of the church continue to shift. Europe's status as the traditional home of Roman Catholicism has been undercut by low birth rates in European countries that used to be Catholic strongholds and declining church attendance. In 2000, there were more Catholic baptisms in the Philippines than in France, Spain, Italy and Poland combined, according to the Future Church, a study of demographic and social trends shaping the modern Catholicism.

"The axis of Roman Catholics has shifted away from Europe," said Rev. Caesar Aducci, a Ghana-born priest who heads the Vatican's pilgrimage office. "The leadership and the history are European, but the numbers aren't."

At the start of the 20th century, only 25% of Catholics lived outside North America and Europe. Two-thirds of the world's Catholics live in the Southern Hemisphere today. By midcentury, the proportion is expected to reach three-quarters, according to John Allen Jr., author of the Future Church.

"The structures of the church always lag behind change on the ground, but sooner or later the leadership will have to better reflect Catholic demographics," Mr. Allen said.

One way to squeeze more developing-world prelates into the College of Cardinals without undercutting church tradition is for the pope to appoint them as heads of the offices of the Roman Curia, the Vatican's government.

The rank of cardinal was created centuries ago to distinguish Curia officials, who are top advisers to the pope, from the rest of the Catholic hierarchy. Whoever holds a top Curia post, therefore, is nearly guaranteed a red hat.

Three of the cardinals who will be appointed Saturday are from sub-Saharan Africa. Two come from large archdioceses in Zambia and the Democratic Republic of Congo. The third, 65-year-old Archbishop Robert Sarah from Guinea, was appointed head of the Vatican's charity office in October.

Still, Pope Benedict has chosen mostly Italians and North Americans for Roman Curia's posts. Seven of the eight Italian prelates who will become cardinals on Saturday are Vatican officials.

Some Vatican analysts and church officials say a cardinal's country of origin is irrelevant when it comes to voting in a conclave, because cardinals no longer vote in geographical blocks.

Sweden seeks to hold founder of WikiLeaks

BY JEANNE WHALEN
AND SVEN GRUNDBERG

A Swedish court ordered the detention of WikiLeaks founder Julian Assange for questioning over rape and molestation allegations, prompting Swedish prosecutors to seek an international warrant for his arrest.

A British lawyer for Mr. Assange, Mark Stephens, called the allegations "false and without basis," and said Swedish authorities have shown "a blatant and deliberate disregard for" Mr. Assange's rights.

The WikiLeaks website shot to fame this year after publishing hundreds of thousands of classified U.S. military documents.

Mr. Assange spent several weeks in Sweden this summer, where he met two women who later complained about him to the police. This prompted prosecutors to open an investigation. He left Sweden for the U.K. in September, and recently made several appearances in Switzerland. A Swedish lawyer for Mr. Assange declined to disclose his client's whereabouts Thursday, or to say whether he would return to Sweden.

A Swedish lawyer for the women, Claes Borgstrom, didn't immediately respond to a request for comment Thursday.

U.S. NEWS

New-firm shortage brings other woes

BY JUSTIN LAHART
AND MARK WHITEHOUSE

Fewer new businesses are getting off the ground in the U.S., available data suggest, a development that could cloud the prospects for job growth and game-changing innovation.

In the early months of the economic recovery, start-ups of job-creating companies have failed to keep pace with closings, and even those concerns that do get launched are hiring less than in the past. The number of companies with at least one employee fell by 100,000, or 2%, in the year that ended March 31, the Labor Department reported Thursday. That was the second worst performance in 18 years, the worst being the 3.4% drop in the previous year.

Newly opened companies created a seasonally adjusted total of 2.6 million jobs in the three quarters ended in March, 15% less than in the first three quarters of the last recovery, when investors and entrepreneurs were still digging their way out of the Internet bust.

Research shows that new businesses, not all small businesses, are the most important source of jobs and a key driver of the innovation and productivity gains that raise long-term living standards. Without them there would be no net job growth at all, say economists John Haltiwanger of the University of Maryland and Ron Jarmin and Javier Miranda of the Census Bureau.

More Americans are going into business for themselves, but many of them aren't taking the additional step of forming a company and hiring employees.

"Historically, it's the young, small businesses that take off that add lots of jobs," says Mr. Haltiwanger. "That process isn't working very well now."

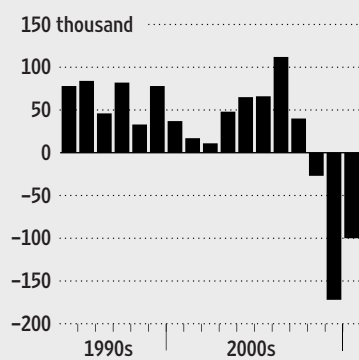
Ensnared in a strip mall behind a Carpeteria outlet, Derek Smith has been tinkering for two years with a wireless electrical system that he says can help schools and office buildings slash lighting bills. With his financing limited to what he earns as a wireless-technology consultant, he has yet to hire his first employee.

This is a far cry from his last start-up, which he cofounded in 2002. At the two-year mark, that

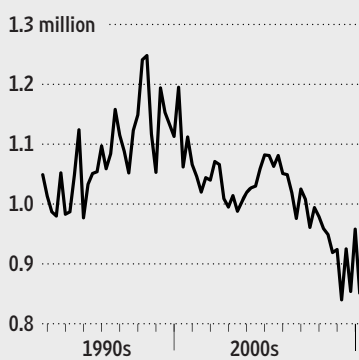
No start-ups, no jobs, no money

Start-ups, struggling amid a dearth of financing, aren't making their traditionally large contribution to job growth in the U.S.

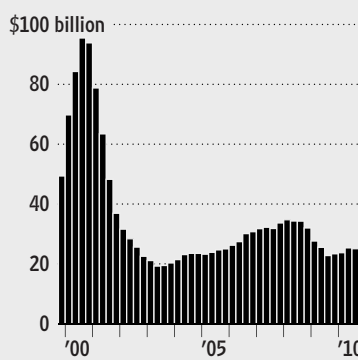
Newly created firms, minus closures, in the previous 12 months



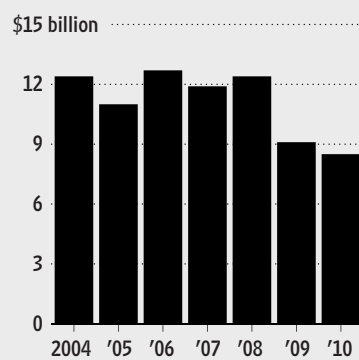
Number of jobs created by new firms in the previous three months



Venture-capital investment in the previous 12 months



Angel investment, in the first half of the year



Sources: U.S. Labor Department; Dow Jones VentureSource; Center for Venture Research at the University of New Hampshire

company, which makes radio-tracking gear for hospital equipment, had five employees, about \$1 million in funding from angel investors and offices with views of downtown San Diego.

"When I started this the plan was to go out and raise a bunch of money," says Mr. Smith, who is 36 years old. That was in late 2008, just as financial markets around the world collapsed. "I quickly discovered I can't do what I did before."

Tough economic times have pushed more Americans into business for themselves, working as consultants or selling wares online. But many are not taking the additional step of forming a company and hiring employees.

For people like Mr. Smith, lack of funding seems to be the biggest problem. Two traditional sources of start-up cash—home-equity loans and credit cards—have largely dried up as banks wrangle with massive defaults and a moribund housing market. Venture-capital firms that typically invest in young companies, as well as angel investors that focus on early-stage startups, are pulling back as they struggle to sell the companies they already own.

Venture-capital firms invested \$25.1 billion in the year that ended in September, up 10% from the same period a year earlier but still down 27% from two years earlier, according to Dow Jones VentureSource. Angel investment amounted to \$8.5 billion in the 2010 first half—30% below the average level in the five years leading up to the financial crisis, estimates Jeffrey Sohl, director of the Center for Venture Research at the University of New Hampshire.

"I've never seen seed capital so low," says Mr. Sohl. "This is alarming."

Some entrepreneurs say it's not all about financing, though. They ex-

press concern about taxes, health-care costs and the impact that wrangling in Washington over the federal budget deficit will have on them. "I can't determine what the cost of providing health care for employees would be," says Kevin Berman, 47, who is starting a local-produce company in Orion Township, Mich., called Harvest Michigan. Starting a company "is harder than it was at any time I can remember."

San Diego has long been one of the nation's entrepreneurial hotbeds, a culture that dates back to the 1960s with the founding of Linkabit Corp., a communications company whose alumni have launched scores of technology companies. A 1970s biotechnology start-up, Hybritech Inc., gave rise to a thriving biotechnology industry.

Lately, though, the pace of start-ups securing funding in San Diego has been slowed at the University of California at San Diego center that helps researchers move their work into the commercial sphere. "Investors are moving away from early-stage companies," says Rosibel Ochoa, director of the William J. von Liebig Center. "Nobody wants to touch them."

Scarce funding is putting researchers like Deli Wang in a bind. The 42-year-old engineering professor is an expert on nanowires, thread-like structures with widths less than a thousandth the diameter of an average human hair. He has a plan to make light-emitting diodes using nanowires that, he says, would be far more efficient than existing alternatives. Investors, he says, are interested—if they can see a prototype. Building one would cost Mr. Wang \$200,000 that he doesn't have. "We're kind of stuck," he says.

To be sure, some companies are still getting started, particularly in biotechnology, where cash-rich



Derek Smith, owner of San Diego start-up Tesla Controls, has no employees.

pharmaceutical concerns are eager buyers and investors. In the first half of 2010, health care and biotech accounted for 44% of all angel investments, Mr. Sohl says.

And in many cases, entrepreneurs today don't need as much money, or as many people, to start new businesses. Software, communications technology and high-tech equipment are far cheaper and far more powerful than they were a decade ago.

At Mr. Smith's one-man San Diego start-up, Tesla Controls Corp., circuit boards, semiconductor chips and other components litter a plastic folding table he uses as a workbench. "The hardware stuff is all

cheaper," he says. "Any of these chips are \$5 or less."

Much of Mr. Smith's economizing is the result of necessity. With a family to support, he doesn't want to borrow against his house. Angel investors, if interested, would demand a larger stake at a lower price than he can stomach. And the small stake he still has in his earlier start-up, Awarepoint Corp., is only paper wealth.

The lack of funding is slowing him down. And the day a week he spends on consulting takes away from the time that he can devote to his new company. "I would love to be able to hire other people," he says. "But right now I can't."

Job picture brightens slowly

BY CONOR DOUGHERTY
AND SARAH N. LYNCH

The job market continues to show signs of slow improvement.

The number of U.S. workers filing new claims for unemployment insurance increased 2,000 to 439,000 in the week ended Nov. 13, the Labor Department said Thursday. But the four-week moving average of initial claims, a less volatile figure because it smooths out weekly gyrations, fell 4,000 to 443,000, the lowest level since the first week of September 2008.

This level of weekly initial claims is still indicative of a very weak job market. But the indicator has shown improvement in the past few weeks. The data show an economy that is slowly creating new jobs, though nowhere nearly fast enough to make a dent in the nation's 9.6% unemployment rate.

Thursday's report also showed that continuing claims, those drawn by workers for more than one week, declined 48,000 to 4,295,000 in the week ended Nov. 6, from the preceding week, the lowest level since Nov. 22, 2008.

In about two weeks, extended jobless benefits are set to expire for roughly two million Americans. On Thursday, the House of Representatives rejected for now a three-month extension of benefits for the long-term unemployed.

A separate report Thursday showed the economy was on track to continue its moderate expansion over the next few months. The Conference Board, a private research group, said its composite index of leading economic indicators rose 0.5% in October, the same gain as in September.

U.S. NEWS



Reps.-elect Kristi Noem of South Dakota, left, and Tim Scott of South Carolina attend congressional freshmen orientation.

New House Republicans get two leadership posts

By NAFTALI BENDAVID

WASHINGTON—House Republican freshmen chose Rep.-elect Tim Scott and Kristi Noem for new leadership positions Wednesday, as the party looked to capitalize on its mid-term-election victories by boosting its appeal to women, minorities and young voters.

Rep. John Boehner (R., Ohio) was chosen, as expected, to lead House Republicans overall, making him the likely speaker in January. In all, House Republicans' top six leaders will be white men.

Not so for the newly elected GOP freshmen class, which will have at least 85 members and constitute more than a third of House Republicans. Mr. Scott, of South Carolina, will be one of two African-American Republicans in Congress, and Ms. Noem, of South Dakota, will be one of two female GOP leaders.

"The freshman class is a big class," said Rep.-elect Steve Womack (R., Ark.). "It's going to wield a lot of clout here for a couple years. And I think the veteran members and the other side are going to pay a lot of attention to what we have to say."

Mr. Boehner announced shortly after the Nov. 2 election that he was creating a new seat for a freshman at the leadership table. On Tuesday, he said he would add another. Those two positions will be filled by Mr.

Scott, 45 years old, and Ms. Noem, 38. The two are newcomers to Washington, but not to politics.

Mr. Scott, who grew up poor with a single mother, was elected in 1995 to the Charleston County Council and later to the South Carolina legislature, becoming the first black Republican to serve in each body since Reconstruction. He is fiercely anti-tax, wants to make English the official language of government and says he would insist new immigrants learn English.

While serving in the legislature and working as an insurance agent and a partner in a real estate group, Mr. Scott won the Republican nomination for Congress last June in his heavily conservative district. He defeated Paul Thurmond, son of former Sen. Strom Thurmond, who was a segregationist for much of his career.

Ms. Noem is a rancher and mother of three whose family raises cattle and shows horses. When her father died, she left college to help run the ranch full-time. She is also a state legislator, though Republican leaders often play down that aspect of her career.

Ms. Noem wants to end the estate tax, believes guns should not be subject to federal regulation, and promised to maintain a 100% anti-abortion record in Congress.

Mr. Scott and Ms. Noem are among a handful of incoming Repub-

licans whom the GOP leadership is promoting as faces of the new party. Reps.-elect Jaime Herrera of Washington and Adam Kinzinger of Illinois, both 32, are also favorites.

Republicans sought to contrast their youthful figures with the Democrats, who on Wednesday re-elected Reps. Nancy Pelosi of California, Steny Hoyer of Maryland and James Clyburn of South Carolina as their leaders. All are at least 70 years old. Of the Republicans' top three leaders, Mr. Boehner is 61, Rep. Eric Cantor of Virginia is 47 and Rep. Kevin McCarthy of California is 45. Democrats said the idea of a new Republican Party was little more than an attempt to rebrand a tired product.

Overall, just two of the 85 incoming Republicans are black and seven are women. Of the nine incoming Democrats, four are women and four are black.

Former Rep. Vic Fazio (D., Calif.), recalling the previous Republican takeover in 1994, predicted that many of the GOP freshmen, who stressed their outsider credentials, would become integrated into the traditional Republican leadership.

"I'm sure there is a good deal of camaraderie around some of the issues they used in common during the election," Mr. Fazio said. But as senior party leaders choose their favorites among the newcomers, "that unity will begin to break down."

Censure is sought for Rangel

By DEVLIN BARRETT

WASHINGTON—The House ethics committee was urged Thursday to give Rep. Charles Rangel the most severe punishment short of expulsion for 11 violations in a case that undercut Democrats' aim to run the cleanest Congress in history.

Blake Chisam, the ethics-committee lawyer who is serving as prosecutor for Mr. Rangel's disciplinary proceedings, told the panel that the senior New York Democrat's conduct "demonstrated a lack of attention and carelessness over a broad range of issues over a lengthy period of time" and that the punishment of censure was appropriate.

Mr. Rangel had been expected to face either a censure or a reprimand. Both involve a vote on the

House floor condemning the lawmaker's conduct, but censure is the more severe punishment. In Mr. Rangel's case, the difference is symbolic: Censure includes a ban from serving as the ranking party member on a committee, but Mr. Rangel effectively relinquished that in March when he was forced to give up his chairmanship of the tax-writing Ways and Means Committee.

A panel of eight lawmakers Tuesday found the 80-year-old New York Democrat guilty of 11 violations, saying he tarnished not just his own 40-year career in the House but also the entire legislative body. Mr. Rangel now awaits the recommendation of the full ethics committee. The committee will make a recommendation on punishment, on which the entire House will vote.

The ethics panel found that Mr. Rangel misused congressional staff and supplies, solicited donations for a college center named in his honor from business leaders with legislative issues before his committee, failed to report assets, failed to pay taxes on rental income and misused a rent-stabilized apartment.

At Thursday's hearing, Mr. Rangel sat grim-faced as he listened to Mr. Chisam and fellow lawmakers denounce his conduct, but he rallied to defend himself from suggestions he had been corrupt or engaged in self-dealing. "I was not trying to criminally hide anything from the IRS or from the Congress. If you look at the records of disclosure, you would see sloppiness, it would have shown it just wasn't properly recorded," Mr. Rangel said.

Modest measures on table as political game changes

[Capital Journal]

By GERALD F. SEIB



If you hang around baseball games enough, you'll hear the term "small ball." It's a style of play in which, rather than wait for spectacular home runs to score in bunches, a team scratches out runs here and there with singles, stolen bases and bunts.

Welcome to the period of small ball in Washington.

The capital has been through a time of trying to hit three-run homers: big legislative achievements in health, financial regulation and elsewhere, pushed through by the big Democratic majorities in Congress. The bills passed, but politically they didn't work so well for Democrats.

Now, with the House taken over by Republicans, the Senate barely in Democratic hands and a Democrat in the White House, the most common prediction is for legislative gridlock.

But somewhere between spectacular home runs and complete gridlock lies the small-ball possibility: modest legislative steps that the conservative House and a sufficient number of senators from both parties eager to get something done can agree on—and that a Democratic president mindful of his diminished ability to control the agenda will sign.

Rep. Kevin McCarthy, the newly elected Republican whip in the House, was talking in this vein when he appeared this week at The Wall Street Journal's CEO Council, a gathering of top business executives. The House he will help run will have the ability to pass pretty much whatever its Republican leaders want, and passing spectacular bills would be a way to make political statements.

But that approach won't bring runs across the plate. The most sweeping measure the House is likely to pass within the first weeks of the new year—a repeal of this year's health bill, or wholesale tax changes—will die in the Senate or be killed by President Barack Obama's veto.

So when asked, for example, about enacting big changes in the tax code, Mr. McCarthy responded: "I think anything, when you do it this large, you're not going to do it in six months."

Right now, he noted, big ideas from any source almost always come under siege. "We attack ideas, and that's what's wrong," he said. "The more ideas on the table, the better off you are." So, he added, "we have to, during this time, set a structure: no new taxes now, reform the budget and start throwing those ideas out there."

He talks, for example, of proposing a series of "competitiveness bills" to "just try to change the culture." One proposal he suggests is an "Entrepreneur IRA," in which Americans could save money to start a business in a tax-free account, much as they now can

save tax-free for retirement or college costs. Similarly, he talks about passing a "Rein Act," to rein in regulation by requiring congressional approval of any new regulation that costs the economy more than \$100 million annually.

Behind their muscular campaign-season rhetoric, many congressional Republicans are talking in private in similarly measured tones, reflecting not a lack of desire to make big changes but a desire to be methodical about it. They argue that Democrats blundered by trying to pass too much transformational legislation without adequately laying the groundwork or selling the ideas.

"We learned from watching them that transformational is hard," says one senior Republican aide. "Hard doesn't mean you shouldn't do it, but it's hard to be successful."

So there is talk of taking a more incremental approach to reducing taxes and spending. House Republicans are likely, for example, to continue their practice of bringing a single idea for cutting spending to the floor each week. They've been doing that for weeks, but mostly as a political gimmick. Now they will have the votes to turn those proposed spending cuts into legislation that actually can pass.

It remains to be seen whether the fire-breathing tea-party followers newly arrived in Washington will buy into a measured approach to passing legislation.

Similarly, in an environment in which there is new talk but not yet any consensus behind a wholesale reform of the tax system, House Republicans likely will chip away at taxes they don't like. Yes, the House probably will pass a bill at some point repealing the Democrats' entire new health overhaul, but that also will be a stunt, for repeal won't make it past the Senate or the president. The real action will come on targeted measures to change particular portions of the legislation.

It's an approach that nods to political reality, as much as anything else. And we'll see whether the fire-breathing tea-party followers newly arrived in Washington will buy into a measured strategy.

Still, Mr. McCarthy argues that voters won't reward Republicans if they have failed to get some things done. "If, at the end of two years, if we have not done anything with the job creation or with the debt, we're not going to be there."

Similarly, he presumes both Senate Democrats and a president who also face voters in two years will want something to show for their work. Small ball doesn't often make the highlight reels, but it beats being shutout.

WORLD NEWS

Scandal hurts Indian leader's image

By TOM WRIGHT
AND VIBHUTI AGARWAL

NEW DELHI—A scandal over the government's allotment of telecom spectrum threatens to tarnish the reputation of Prime Minister Manmohan Singh, who has been publicly taken to task by India's Supreme Court for waiting 16 months to respond to a request for a probe into the matter.

Mr. Singh stands out among Indian politicians for his impeccable reputation for probity. And no one is suggesting that he in any way benefited from the tainted 2008 second-generation spectrum allotment that has led to dramatic revelations in the past few weeks and forced the resignation last weekend of the telecommunications minister, Andimuthu Raja.

But the Supreme Court's direct criticism of the prime minister for failing to take quicker action over a request for a probe into the allotment process has brought a whiff of scandal to Mr. Singh's doorstep for the first time since he assumed power in 2004.

Although he is a noted economist famous for introducing India's market-led reforms in 1991, much of Mr. Singh's political support rests on the perception that he is above reproach in administrative matters and abhors any suggestion of corruption in his ministerial ranks.

"Prime Minister Manmohan Singh is heading for the most crucial time of his political career," said S. Chandrasekharan, director of the New Delhi-based South Asia Analysis Group. "His reputation and the integrity of the Congress party have been dented."

India's Comptroller and Auditor General this week found that spectrum licenses had been issued on a first-come, first-served basis favoring a handful of bidders and that the process had deprived the Indian treasury of as much as \$40 billion in fees. Mr. Raja denies any wrongdoing.

On Thursday, India's telecom regulator proposed canceling 62 licenses of five telecom operators that were allocated by Mr. Raja in 2008.

The scandal has given opposition parties ammunition to attack Mr. Singh's administration—and now his actions.

Mr. Raja is a senior politician from

Taint of corruption | Three scandals tarnish Congress party's image



2G SPECTRUM:

In 2008, India's telecommunications ministry allocated 2G spectrum, without an auction, at throwaway prices.

- **Nov. 10, 2010:** India's auditor submits report on the 2G spectrum pricing issue to the government.
- **Nov. 15:** Andimuthu Raja resigns as telecommunications minister.
- **Nov. 16:** Kapil Sibal assumes charge of telecommunications ministry.
- **Nov. 16:** The government auditor condemns the telecommunications industry's handling of the allocations.
- **Nov. 17:** Supreme Court raises questions over prime minister's silence on the issue.



MAHARASHTRA HOUSING:

Alleged corruption and irregularities in the allocation of Mumbai apartments meant for war veterans and widows

- **Nov. 4, 2010:** Indian Army chief V.K. Singh admits that some army officers wrongly received apartments in a Mumbai residential high rise reserved for the war widows and veterans of India's 1999 border battle with Pakistan.
- **Nov. 9:** Ashok Chavan steps down as chief minister of Maharashtra state.
- **Nov. 15:** India's Central Bureau of Investigation registers a probe into the housing society administering the apartments.



COMMONWEALTH GAMES:

The chairman of the Commonwealth Games organizing committee, Suresh Kalmadi, was asked to quit a Congress party post for allegedly siphoning off a large chunk of funds.

- **Oct. 14, 2010:** The 12-day sporting extravaganza in New Delhi ends.
- **Oct. 18:** India's auditor announces a report on Games expenditures.
- **Oct. 18:** Income tax officials raid the organizing committee office headed by Suresh Kalmadi.
- **Oct. 19:** The Central Bureau of Investigation starts probe into 20 complaints of corruption.
- **Nov. 9:** Mr. Kalmadi resigns as secretary of the Congress party in parliament.
- **Nov. 15:** The federal investigative agency arrests two Games officials on suspicion of forgery and conspiracy.

Source:WSJ reporting; photos from left: Bloomberg News; Associated Press (2)

a Tamil Nadu-based political party that is a key partner in the United Progressive Alliance, the coalition led by Mr. Singh's Congress party.

In November 2008, Subramaniam Swamy, a leading Indian opposition politician, wrote to Mr. Singh asking for the government to give the go-ahead for a legal case against Mr. Raja. Under Indian law, the prime minister must give his approval for criminal proceedings to begin against a sitting cabinet member. The government responded in March this year, declining the request. The Supreme Court said this week that, by law, the government should have responded within three months.

Mr. Swamy, who is president of the opposition Janata Party, later petitioned the courts to allow for the prosecution of Mr. Raja. After a lower court this year dismissed his

petition, the Supreme Court began hearing the case in September but hasn't yet reached a judgment.

"The three months time for grant of sanction laid by the Supreme Court is clear for fair and good governance," Justices G.S. Singhvi and A.K. Ganguly said at a hearing Tuesday. "We find it is now more than 16 months. The sanctioning authority [the prime minister] can say 'I am not inclined to give sanction.' But we find alleged inaction and silence troubling."

On Thursday, the court gave the Solicitor General, which represents the government in the Supreme Court, until Saturday to file an affidavit explaining why the government had been slow to respond.

A spokesman for Mr. Singh declined to comment on court matters beyond saying the Solicitor General

is preparing a response as directed by the Supreme Court. Attempts to reach the Solicitor General's office were unsuccessful.

Barun Mitra, director of the New Delhi-based Liberty Institute, an independent think tank, said Mr. Singh may have been forced to overlook Mr. Raja's alleged role in the scandal due to the need to hold his coalition together.

Though the government ultimately accepted Mr. Raja's resignation, it was only after mounting pressure to address the alleged corruption from the press and the main opposition Bharatiya Janata Party. Mr. Raja was the third senior government official to resign in recent weeks.

The chairman of the committee that organized the scandal-plagued Commonwealth Games in October,

Suresh Kalmadi, resigned last week from an important Congress party post in Parliament. And the chief minister of India's Maharashtra state, Ashok Chavan, stepped down after allegations of his involvement in the illegal allotment of apartments intended for war veterans and widows.

Both Mr. Kalmadi and Mr. Chavan deny any wrongdoing.

Thursday, opposition politicians renewed calls for a parliamentary probe into the telecoms affair. The government rejected the demand. Debate in both houses of Parliament was adjourned as angry shouting matches broke out, stalling the government's legislative agenda for another day.

"Congress means corruption. I want the PM to answer to India," said Nitin Gadkari, president of the BJP.

Japanese growth stuck in 'lull' Singapore, Taiwan signal positive trends

By ANDREW MONAHAN

TOKYO—The Japanese economy remains largely at a standstill, the government said Thursday, an acknowledgment that likely will increase pressure on Prime Minister Naoto Kan to do more to spur growth even as he seeks to cut the country's massive debt.

In its monthly report for November, the government said "the economy has recently entered a lull," using the same language it did in October when it cut its assessment for the first time in more than 18 months.

Persistent yen strength has hurt the export-driven economy, while deflation continues to stifle growth at home. Factory output has been falling while personal consumption is showing "some weakness," the government said in its assessment of these two areas of the economy.

The downgrade to consumption

was the first in nearly two years, underscoring concerns that spending could fall sharply as subsidies for fuel-efficient cars and other purchase-incentive programs expire.

One hurdle Tokyo faces is public debt approaching twice the country's annual economic output.

The economic deterioration will likely lead to calls for the government to spend more on fiscal-stimulus measures. An extra budget, including 4.85 trillion yen (\$58.2 billion) to fund new stimulus, passed the lower house of parliament this week, essentially ensuring its enactment. But some analysts say the spending, which pales in comparison with previous economic

support packages, may not be enough to stop the slowdown.

One hurdle Tokyo faces is public debt approaching twice the country's annual economic output, the highest ratio among wealthy countries. To keep its mountain of debt from growing, the government has pledged to cap its initial budget for the fiscal year starting in April at 71 trillion yen. Such constraints on spending mean the government will likely ramp up pressure on the Bank of Japan to ease monetary policy further. The central bank last month cut its key policy interest rate to a 0.0%-0.1% range, from 0.1%, and launched a program to buy five trillion yen in assets including government bonds.

"Placing top priority on casting off deflation, the government will work as one with the Bank of Japan to launch vigorous and comprehensive policy efforts," the government said in its report.

Singapore, Taiwan signal positive trends

Singapore and Taiwan signaled continued strength for Asia's export-driven economies despite lingering economic uncertainty around the world.

By Gaurav Raghuvanshi and P.R. Venkat in Singapore and Fanny Liu in Taipei

Singapore's economy was firmer than initially estimated in the third quarter, indicating that the city-state is on course for a sustained recovery, supported by continued growth in its export sector.

Final gross domestic product data for the quarter showed the economy slowed 18.7% on a seasonally adjusted, annualized basis, a sharp slide from the torrid growth of the prior quarter.

But the decline was less steep

than last month's initial estimate of a 19.8% contraction, the Ministry of Trade and Industry said on Thursday.

The economy expanded 10.6% year-to-year, faster than the 10.3% growth estimated last month, and the authorities now expect the economy to grow around 15% for the full year, at the top of its 13%-15% estimate. Singapore expects its economy to grow between 4% and 6% next year.

Separately, Taiwan's economy grew 0.02% in the third quarter from the second quarter amid a flattening in exports, the Directorate-General of Budget, Accounting and Statistics said Thursday. But the government raised its forecast of economic growth for this year.

—Paul Mozur in Taipei contributed to this article.

WORLD NEWS

U.S. forces cheer 'Taliban beater'

American officials in Afghanistan used to call Col. Abdul Razzik a "malignant actor" who must be sidelined. Now they hail the suspected drug lord as a hero of the new Kandahar offensive and a leader with national potential.

By Yaroslav Trofimov
in Spin Boldak, Afghanistan,
and Matthew Rosenberg
in Kabul

Col. Razzik—an illiterate 34-year-old Afghan Border Police officer who calls himself General, wears flashy Swiss watches and controls southern Afghanistan's lucrative border crossing with Pakistan—emerged over the past two months as the coalition's top choice for clearing Taliban strongholds in Kandahar province, the campaign's centerpiece and the insurgents' heartland.

His reversal of fortune reflects a departure from U.S. counterinsurgency efforts to better governance, marginalize crime-tainted power brokers and win civilians' trust. Since U.S. Gen. David Petraeus took command of coalition forces in July, the military has focused more on killing as many Taliban as possible with the help of whatever local allies can be found, including strongmen whose abuses had made the Taliban popular in the first place.

U.S. officials say they are still broadly committed to the counterinsurgency principles but that targeting Taliban commanders comes first in areas where escalating violence makes governance efforts impossible.

"Now, the first priority is to beat the Taliban. Once this is done, we



Afghan Border Police Col. Razzik, left, in Spin Boldak. Once seen as a 'malignant actor,' he has turned U.S. ally.

can shift our attention to these illicit actors," said U.S. Special Forces Lt. Col. James Hayes, who teamed up with Col. Razzik during recent clearing operations in Kandahar. "Razzik can beat the Taliban."

Col. Razzik and his force of some 250 men have become invaluable to the U.S.-led operations to seize Taliban redoubts in Kandahar province, U.S. commanders say. Unlike other Afghan security forces—often ineffectual, reluctant to fight or simply unfamiliar with the terrain—his men have wowed American commanders with their tactical skills and determination.

"I have a clear strategy: When

the enemies are killing us, we shouldn't be giving them flowers," Col. Razzik said in an interview, as he awaited a visit by the American ambassador to his fort-like base in the border town of Spin Boldak. "But maybe that's what others have been doing until now."

Col. Razzik's ability to safeguard the strategic Spin Boldak crossing from the Taliban in recent years has allowed him to stay in office. That job security comes despite what officials in Kabul and Washington say are well-founded concerns that he has been enriching himself and his patron, President Hamid Karzai's brother Ahmed Wali Karzai, with

revenue from heroin smuggling, customs-skimming and bribes.

Both men deny any wrongdoing. Col. Razzik, who has also been accused of running private jails and executing detainees, said he has challenged U.S. officials to find "at least one heroin lab" in his area.

The core of Col. Razzik's support comes from his Achakzai tribe, which has long controlled the drug trade in Spin Boldak and fielded a tribal militia to help the pro-Soviet regime in the 1980s. Col. Razzik, whose father served in that militia, says his current force is open to all tribes.

"His ideal candidate is a tough

young kid with no family and no tribal ties," said Lt. Col. Hayes. "He brings them up and they're loyal to no one but him. It's kinda like the Foreign Legion."

Until recently, coalition officials cited tribal considerations, alongside with a desire to rein in Col. Razzik's power, as a reason why his force shouldn't be allowed to operate beyond Spin Boldak. A bloody operation by his men in Panjway district in 2006 had inflamed the rival Noorzai tribe, bolstering the Taliban's popularity there.

This past August, Kandahar governor Tooryalai Wesa and a gathering of top regional commanders turned to Col. Razzik when they decided to clear the city's Mahalajat suburb, a stronghold that the insurgents controlled for years, using its square to hang suspected collaborators. Moving ahead of the U.S. force a few days later, Col. Razzik sent scouts in civilian clothes to Mahalajat, seeking information about Taliban improvised-explosive device emplacements. "He's got a lot of money to throw around, and so he just hired local boys to mark these IEDs," says Lt. Col. Hayes, who participated in the operation.

Mahalajat fell with little combat. The most notorious engagement was when Col. Razzik's men fired a rocket-propelled grenade at a stolen and booby-trapped police vehicle. The RPG missed and hit a nearby tree—from which a Taliban suicide bomber fell, exploding in a fireball as he hit the ground. American officers say they aren't aware of any abuses or looting by Col. Razzik's force in Mahalajat and that all the prisoners he had taken were handed over to Afghan authorities.

Civilian terror trial criticized after verdict

By EVAN PEREZ

Some lawmakers Thursday criticized the Obama administration for trying a former Guantanamo Bay detainee in a civilian court, one day after a jury rejected all but one of the 285 counts against him.

The verdict "is all the proof we need that the administration's approach to prosecuting terrorists has been deeply misguided and indeed potentially harmful as a matter of national security," said Sen. Mitch McConnell of Kentucky, the top Senate Republican.

Ahmed Khalfan Ghailani was found guilty of one conspiracy count and faces 20 years to life in prison after the verdict late Wednesday by a federal jury in Manhattan. The 36-year-old defendant, a Tanzanian, was the fifth person to face U.S. charges in the 1998 bombings of U.S. embassies in Tanzania and Kenya. The other four were also tried in civilian court, in 2001, and received life sentences.

U.S. authorities have also faced troubles trying terror suspects in military tribunals at Guantanamo, where prosecutors face many of the same hurdles they encounter in civilian court. Under a 2009 law, the military commissions can't hear evidence obtained through torture or degrading treatment, an issue that dogged the civilian prosecution of Mr. Ghailani.

"There is no compelling reason to think the government would have done better in a military commis-

sion and many reasons to think the government wouldn't have done as well," said Benjamin Wittes of the liberal-leaning Brookings Institution, who follows legal issues on terrorism.

Mr. Wittes is among a growing number of legal experts who say long-term detention without trial, under the laws of war and the congressionally authorized actions against al Qaeda, may be an option for terrorism suspects. "The hard question is, should you go to trial at all when you have, as your baseline, perfectly legal military detention," he said.

While one Guantanamo tribunal resulted in a life sentence after the accused refused to present a defense, other proceedings have led to shorter sentences. David Hicks, an Australian who in 1997 was the first person convicted by a military commission since 9/11, was sentenced to nine months, which he served largely back home. Osama bin Laden's former driver got five months plus time served, while a Canadian defendant who pleaded guilty last month to killing an American soldier with a grenade in Afghanistan is likely to serve most of his eight-year sentence in Canada.

The Obama administration defended the decision to bring Mr. Ghailani, who had been imprisoned in Guantanamo since 2006, to New York for trial. "A jury handed down a verdict that will lead to a very long sentence and keep a terrorist behind bars for years," said Justice



A sketch shows Ahmed Khalfan Ghailani, center, in court with his defense team.

Department spokesman Matthew Miller. "The verdict actually shows a strength of the criminal justice system."

The big question for the Obama administration now is what to do about confessed 9/11 mastermind Khalid Sheikh Mohammed and four co-defendants held at Guantanamo. The administration last year proposed bringing them to New York for a civilian trial like Mr. Ghailani's but retreated after strong opposition in New York and in Congress.

Officials say a Guantanamo military tribunal is the likely fate of Mr.

Mohammed, but the timing of a decision isn't clear.

Republican lawmakers said Thursday that the Ghailani verdict showed Mr. Mohammed should stay in Guantanamo and face a military commission. They called the outcome a repudiation of Attorney General Eric Holder's argument that civilian trials are preferable when possible to try terrorism cases.

Proponents of civilian trials say they are more transparent and less susceptible to challenge because of the federal court system's long history.

The American Civil Liberties

Union, which opposes the military trials, said: "We should be proud of a system that isn't set up to simply rubber-stamp the government's case no matter how little reliable evidence there may be."

Evidence was a battleground in the five-week Ghailani trial. U.S. District Judge Lewis A. Kaplan barred prosecutors from using a key witness because the witness's identity was discovered through harsh interrogations while Mr. Ghailani was in the Central Intelligence Agency's custody.

The Justice Department's Mr. Miller suggested the verdict may have been influenced by the witness's exclusion owing to "treatment during the previous administration."

The verdict, which followed one juror's attempt to be removed because of disagreements with other jurors, left many court observers puzzled. The jury found Mr. Ghailani conspired to bomb the embassies, but didn't find him guilty of murder for the 224 people killed.

Prosecutors had alleged that Mr. Ghailani purchased a truck and other materials used in the Tanzanian bombing, including gas tanks containing pure oxygen and acetylene.

Lawyers for Mr. Ghailani had argued that he was duped into buying the items. "We still truly believe he is innocent of all of the charges," said Peter Quijano, Mr. Ghailani's lawyer, who said he planned to appeal the conviction.