



Turkish writers join Naipaul's walkout over Islamic backlash

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U.S. carrier heads to Korea as Seoul reacts to attack

CONFLICT IN KOREA 10-11

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U.K. protesters show degree of anger



Press Association

Demonstrators target a police van in central London during protests against an increase in university tuition fees. Police said 15 arrests were made as students across the U.K. held marches and sit-ins to oppose the decision to increase university fees to £9,000 (\$14,000) a year. **Article on page 5**

Ireland's path to austerity has downside

By NEIL SHAH

In a belated attempt to convince investors it can tackle its debts, Ireland's government detailed a raft of measures Wednesday that will raise sales taxes, lower the minimum wage and slash government payrolls—but could also push the country deeper into economic crisis.

With Ireland negotiating an estimated €80 billion (\$107 billion) international bailout, Prime Minister Brian Cowen outlined €10 billion in spending cuts and €5 billion of tax hikes over four years to reduce a budget deficit that is expected to hit 32% of the country's gross domestic product this year—10 times the euro-zone limit.

Officials at the European Union have said that getting Ireland to cut its deficit to the EU's limit of 3% of GDP is critical to the aid package they are lining up. That step could also lower Ireland's exploding



Bloomberg News

Euro-zone crisis

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funding costs, allowing a return to the capital markets.

"It's time for us to confront this challenge and do so in a united way," Mr. Cowen said at a news conference in Dublin amid calls for his resignation. "The size of the crisis means no one can be sheltered from the contribution that has to be made."

However, Ireland's deep cutbacks could backfire by weakening its economy and reducing its tax revenue, which it needs to pay off its debt. Over the past two years, Ireland has slashed nearly €15 billion—roughly 9% of its GDP—out of the economy, which is suffering from a massive banking debacle.

Those cuts were one of the reasons why the Irish economy unexpectedly shrank in the second quarter of this year, compounding the country's problems. Other reasons included a turnaround in the terms of trade, in which a surge in imports hurt Ireland's economic output.

Ireland is "caught between the need to make more cuts and the need to instill more economic growth," says Scott MacDonald, head of credit and economic research at Aladdin Capital Holdings LLC, a broker-dealer based in Stamford, Conn.

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The Quirk



Carving out some culinary Thanksgiving specials for U.S. soldiers. **Page 29**

World Watch

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Editorial Opinion

Elton John is not a Neapolitan. **Page 13**

High-end sales brighten Tiffany's holiday hopes

By KAREN TALLEY

Tiffany & Co. gave an optimistic outlook for the holiday season and reported a 27% increase in third-quarter profit as the luxury jewelry retailer continues to benefit from the return of affluent customers and an international expansion.

The comments from the company come as U.S. retailers are gearing up for the Black Friday shopping frenzy after the Thanksgiving holiday this week, and a U.S. holiday season that the National Retail Federation forecasts will be the best in four years.

The company, which gets about half of its sales outside

the U.S., raised its profit forecast for the year.

"We are now a few weeks into the all-important two-month holiday season, and sales growth is exceeding our expectations," Chief Executive Michael Kowalski said.

The luxury-goods industry has rebounded sharply this year after a disastrous 2008. French luxury goods company Hermès International predicted earlier this month that it would have a record year, and U.S. leather-goods maker Coach Inc. said in October that it was pleased by its sales trends.

Punctuating the rebound, Tiffany said it is seeing the most strength in its higher-

end goods.

"We continue to see bifurcated performance, with declines in sales and transactions below \$500, but double-digit percentage increases in most every other higher priced category," investor relations chief Mark Aaron said on a conference call. "This indicates to us diverging effects to one degree or another that the economy is having on consumer spending."

Tiffany has benefited from higher pricing of late. For the period ended Oct. 31, Tiffany posted a profit of \$55.1 million, or 43 cents a share, up from \$43.3 million, or 35

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PAGE TWO

No breaching the Eurocrats' paywall

[Agenda]

BY PATIENCE WHEATCROFT



Portugal ground to a halt Wednesday, with the country experiencing its most extensive strikes in 20 years as public-sector workers protested over average wage cuts of 5%. Simultaneously, London saw thousands of angry students corralled by police as they staged another demonstration over increases in student fees. In Ireland, anger against the government mounted as another desperate round of spending cuts was announced.

But in Brussels, bureaucrats had cause for celebration, for on Tuesday the European Court of Justice ruled that officials should be enjoying bigger, not smaller, salaries. Last November, the commission proposed that salaries should rise by 3.7%. The following month, looking at the economic crisis then engulfing Europe, the council determined that figure should be reduced to 1.85%.

Given that the Eurocrats' salaries are paid by member states, many of which are in dire financial troubles, the council decision to pay half the amount demanded by the commission might have been thought generous, if a little insensitive. The commission, though, was even more insensitive to the plight of Europe's constituents. It challenged the council decision on the grounds that the 3.7% was the result of the application of an agreed formula and the council had no discretion in the matter.

Now the court has upheld that argument. A strict interpretation of the regulations might have left the judges with little option. It is a happy coincidence for them that their remuneration stands to benefit from the decision. But the fact that the commission saw fit to bring the case at all is symptomatic of the fact that the



Germany's Martin Schulz, leader of the European Parliament socialist group.

European Union as an institution may not always have the same interests as the countries that constitute it.

How else can one explain the determination of the European Parliament to ask for a budget increase of 6.19% for 2011? Greece had already been forced to accept emergency financial aid and question marks hung over Ireland and Portugal's economies as the Parliament pressed on with its demand. Whatever the problems of the member states, however, Brussels needs more cash if it is to hire the battalions of diplomats that will, for instance, staff the new EU Foreign Service.

The EU as an institution may not always have the same interests as the countries that constitute it.

Some countries have held out against this unreasonable demand, backing a compromise offer of 2.91%. Public-sector workers in Greece, France, Portugal, Ireland and elsewhere, where austerity has meant masses losing their jobs and those that remain employed taking real pay cuts, may rightly feel that any increase in the budget would be too much. This week in Strasbourg, there have been indications that the

parliament would be prepared to settle for the lower figure but only in exchange for yet more powers being granted to the European Union by the member states. Yet the court decision, lifting salary rises significantly above the proffered 2.91%, may cause some to row back from even that compromise position.

Martin Schulz, the German politician who leads the Socialists in the European Parliament, said in Tuesday's plenary debate: "Parliament is being tested. The discussion is not about money any more but about the direction in which the EU is developing...Now the national governments want control and to monitor us. That is the wrong way around!"

Mr. Schulz is an ardent exponent of the European state. The way in which the current financial crisis is evolving is leading in that direction, with Germany, the relative economic powerhouse within the union, dictating terms. That those who work for the EU should be supportive of such a strategy is hardly surprising but many of the voters in the member countries would not be so enthusiastic about ceding sovereignty, albeit gradually, to Brussels.

Less stressed tests

When Greece applied for entry into the single currency, it did so on the basis of numbers that bore no resemblance to reality. Even

without probing deeply, there was no way that those who ushered the country into the euro could have been unaware of the country's financial failings, although they may have underestimated their frightening scale. The Greeks appear to have surprised even themselves with the extent of the corrections that have had to be made.

The desire to extend the reach of the single currency was what led the EU to turn a blind eye to Greece's problems. That same blind eye seems to have been at work when Europe's banks were subjected to stress tests this summer. The Committee of European Banking Supervisors assured the world that of the 91 banks it had examined, only seven had failed, one from Germany, one from Greece and five from Spain.

The Wall Street Journal was suspicious about the vigor of the tests. Our investigations showed that CEBS guidance allowed the banks effectively to reduce their reported holdings of some government debt. Other regulators and some of the banks themselves normally applied different reporting rules that gave a clearer picture.

However they were couched, it seems that the CEBS tests were not so much aimed at genuinely stress testing the banks as at trying to calm the stressful mood in the markets. The pointlessness of the exercise is now all too clear. If the CEBS could give Ireland's banks a clear bill of health in July, what is the worth of its verdict on any other institutions?

There were questions at the time about the valuations being placed on the more dubious assets held in some banks, including Royal Bank of Scotland Group, with its extensive holdings of property and private equity. Many believe the banks have not yet admitted the scale of the loss of value in their portfolios, hoping that a rising market would cover the extent to which they had overpaid. That rising market looks a long way off while the stress is becoming increasingly apparent.

What's News

■ **The trustee recovering money for victims of Bernard Madoff's Ponzi scheme is seeking \$2 billion from UBS through a lawsuit that accuses the bank of participating in the fraud.** Irving Picard alleged 23 counts of financial fraud and misconduct against UBS and related entities. 19

■ **Thousands of workers walked off the job in Portugal as part of a union-led protest against government plans to cut public-worker salaries.** 5

■ **German utility E.ON is in talks to sell its 3.5% stake valued at \$4.5 billion in Russian natural-gas giant Gazprom as part of a large-scale selloff plan.** 19

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NEWS

V.S. Naipaul pulls out of Istanbul event

By Ayla Albayrak

ISTANBUL—Nobel Prize-winning author Sir V.S. Naipaul has pulled out of a writers' conference in Istanbul that starts Thursday, pressured by religious conservative media in Turkey that objected to statements he has made on Islam.

The move sparked two Turkish authors to pull out of the event, its organizers said Wednesday.

Mr. Naipaul had been due to give the opening speech at the European Parliament of Writers, organized to mark Istanbul's status as a European Capital of Culture this year. For the

past week, religious conservative Turkish papers have been campaigning against the decision to honor Mr. Naipaul, a 78-year-old Trinidadian of Indian origin. While some Turkish authors supported his right to attend, defending him on grounds of free speech, others said they would boycott the event if he attended.

"How can our writers bear to sit by the same table with Naipaul, who has seen Muslims worthy of so many insults?" wrote poet and Zaman columnist Hilmi Yavuz, who initiated the planned boycott last week and described Mr. Naipaul as "an enemy of Islam" and "a colonialist."

The uproar over Mr. Naipaul's participation exposed the continued sensitivity of religion in modern, officially secular Turkey, even as it seeks to join the European Union. Free speech also remains fragile. "In these days when it is often said how we are opening up to the world, this case showed how closed we still are," journalist Ece Temelkuran wrote in Haber Turk newspaper.

Mr. Naipaul, through his agency, declined to comment. A statement by the agency said the writer had decided not to attend due to the strong Turkish reactions, a decision it said was made Tuesday by Mr.

Naipaul and the event's organizers.

"The politicization of the conference in the Turkish media in regards to Sir V.S. Naipaul's participation has altered the original conception of the event and [his] contribution to it as a celebrated author," the statement said.

"We feel disturbed about how things came to this point and how meaningless [the debate] has been," said Ahmet Kot, literary director of the Istanbul 2010 European Capital of Culture Agency.

The organizers said that by Wednesday evening in Istanbul, Turkish writers Murat Uyrakulak

and Cem Akas had withdrawn to protest the cancellation of Mr. Naipaul's visit.

Mr. Naipaul's views on Islam, including those in the 1998 "Beyond Belief: Islamic Excursions Among the Converted Peoples," have sparked anger in the Muslim world.

Islam "has had a calamitous effect on converted people," Mr. Naipaul said in 2001 after a book reading in London. "To be converted you have to destroy your past, destroy your history. You have to stamp on it, you have to say, 'My ancestral culture does not exist—it doesn't matter.'"



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LOUIS VUITTON

EUROPE NEWS

Defying gravity

Germany's Ifo business-climate index



Source: Ifo Photo: Bloomberg News

A worker at a Siemens factory in Berlin ▶



Business confidence hits German record

BY NINA KOEPPEN

FRANKFURT—The euro zone's growing fiscal crisis hasn't had any impact on the confidence of Germany's resurgent manufacturing sector, the Ifo measure of sentiment indicated Wednesday, as it moved to a record high in November.

The Munich-based research institute Ifo said Wednesday its business-climate index for Germany jumped to 109.3 in November from a revised 107.7 in October.

"Germany's economic upswing is gaining more and more strength," Ifo (resident Hans-Werner Sinn said. The outcome was above consensus expectations for an unchanged reading of 107.6.

"The German economy is returning much faster to its pre-crisis level than many had expected," ING

economist Carsten Brzeski said. "In our view, the output losses of 2008 and early 2009 should have been fully recaptured by mid-2011."

The data also highlight the growing economic and financial divergence within the euro zone, as the region's peripheral nations—those with a weaker fiscal situation and/or credit rating—are forced to reduce unsustainable levels of sovereign debt.

Core countries, such as Germany and France, are powering ahead. The German economy is widely expected to grow 3.5% this year—about twice as much as the euro zone as a whole.

The Ifo survey showed the recovery is broadly based, with sentiment improving in manufacturing, retailing, wholesaling and construction, although sentiment in the building

sector remains subdued.

The roughly 7,000 companies participating in the Ifo survey were more optimistic about both their business situation and their trading outlook.

The Ifo index measuring current conditions increased to 112.3 in November from 110.2 previously. The index measuring business expectations over the next six months rose to 106.3 from a revised 105.2 in October.

"The greatest risk for our optimistic forecast undoubtedly comes from the debt crisis in the euro area," said Jörg Krämer, Commerzbank's chief economist.

"If this gets out of control, it could result in an uncertainty shock like after the Lehman bankruptcy and, thus, in another recession," he added.

Europe fund may be short

BY IAN TALLEY

WASHINGTON—The €750 billion (about \$1 trillion) European emergency fund, promoted as having the firepower to douse a financial crisis in the euro zone, may not even have enough to cover a bailout of Spain, according to the International Monetary Fund and outside economists.

The reasons are two-fold: There is a lot less money than the headline number suggests—and there are restrictions on the use of a lot of it.

The European Union, for instance, can provide just €310 billion for rescue loans, not the €500 billion the EU advertises.

Here is how the math works: About one-third of the €750 billion is supposed to come from the IMF. But the IMF can't commit anything in advance. Its members must approve each loan country-by-country. While it is unlikely, IMF members could balk at bailing out Europe. Their support isn't guaranteed.

The remaining €500 billion includes €440 billion committed by EU members under the European Financial Stability Facility—the fund that will be used for an Irish bailout. That fund provides loans—not cash—and those bailout bonds are required to have triple-A ratings. To get such a rating lending countries have to hold onto about 40% of their loans as cash collateral. That re-

duces the actual amount available to lend to just €250 billion.

An additional €60 billion comes from yet another pool—the amount already budgeted by the EU for such contingencies. So, bottom line, only about €310 billion is actually accessible to countries in need, a figure confirmed by an IMF economist.

That sum could be used up quickly. Ireland is expected to require at least €60 billion from the European stability facility (as well as €30 billion from the IMF). Portugal could take another €50 billion to €100 billion from the facility.

Spain's needs, however, could make those numbers look small. Some estimate Spain's sovereign debt rollover needs over the next three years alone, based on conservative borrowing costs, at more than €300 billion. The total is more than the €310 billion available.

Exacerbating the potential funding gap, said an IMF official, is that Portugal and Spain may require money in addition to financing their debts to pay for bank recapitalization and other needs.

If Spain needs a bailout, the stability fund "will be very close to the line, it will be precarious and it won't leave anything for anybody else," said Whitney Debevoise, a sovereign-debt lawyer with Arnold & Porter and former U.S. representative to the World Bank.

That could put Europe in a political and economic bind. Countries could offer bilateral loans—though bailout loans aren't popular anywhere in the world. The IMF could raise the amount it is expected to kick in—but it also has limits to its lending ability.

"The [bailout fund], as it is currently structured, does not have the firepower without a much, much larger contribution from the IMF," said Jacob Kirkegaard, a research fellow at the Peterson Institute for International Economics. "But how much does the IMF as a global institution want to be exposed to Europe as a region?" he asked.

In a pinch, Mr. Debevoise said, EU countries could boost the cap on their bailout program, which again would run into political difficulties in their home countries. At that point, leaders would be making the argument to voters that is their "political duty" to save Europe, he said.

Mr. Kirkegaard doubts the financing issuing will get that dicey, calling the higher borrowing costs demanded of Spain "irrational." Still, he acknowledges market can act irrationally.

The potential for contagion to spread to Madrid may have factored into comments Wednesday by Bundesbank president Axel Weber that the facility could be expanded beyond the €440 billion if necessary.

Irish austerity push may end up backfiring

Continued from first page

Ireland's austerity could also further weaken Mr. Cowen's coalition government, which holds only a three-seat majority in parliament. Facing calls to step down, Mr. Cowen on Monday pledged to hold early general elections next year if a crucial budget for 2011 is passed on Dec. 7. On Thursday, his unpopular ruling Fianna Fail party is expected to lose a special election for a vacant parliament seat.

Now, the worry for some is that Ireland's new measures could further aggravate independent lawmakers and disgruntled Fianna Fail members, making it impossible to pass the budget. That would trigger new elections before the end of the year that could continue to erode the market's confidence in Ireland as Europe's debt crisis worsens.

Financial markets didn't immediately react to the government's new plan. But prices of Irish government bonds continued to slide: The yield on Ireland's benchmark 10-year government bond, which moves inversely to its price, rose to 8.96% from 8.89% earlier in the day.

Many economists say Ireland is able to make tough moves because its social benefits are relatively generous and its taxes among the lowest in Europe. At €8.65 per hour, Ireland's minimum wage is the second-highest in the European Union. Government spending on public-sector wages skyrocketed 90% between 2000 and 2008, according to Italian bank UniCredit SpA.

But draining more cash out of the economy could exacerbate Ireland's fiscal problems. The unemployment rate, at about 14%, remains higher than the euro-zone average of 10%. If Ireland's efforts slam consumer spending and hit tax revenues, it could make it harder to fix the deficit, creating a negative spiral that prevents Ireland from paying its debts without a restructuring.

"What the government is proposing is bad for the economy, for society and for social cohesion," says Sean Healy, director of Social Justice Ireland, a Dublin-based think

tank. "If Ireland is not in a position to produce growth, it won't be able to pay off its debt."

As expected, Irish officials pledged to maintain the country's 12.5% rate of corporate tax. However, they said value-added tax would rise 1% to 22% in 2013, while some €2 billion would be raised by reducing tax breaks for pensioners and broadening the number of Irish who pay personal income taxes.

A new "site" or property-related tax would also be introduced, with more details to come when Mr. Cowen presents his 2011 budget to Parliament in December, where €6 billion of savings will be made, lowering Ireland's deficit to 9%.

On the spending side, Ireland will cut its minimum wage by €1 from €8.65 to €7.65. Officials will also slash public-sector payrolls by nearly 25,000; reduce pay for new public-sector workers by 10%; and shave €1.2 billion from its public wage bill. Spending on social welfare will take a nearly €3 billion cut. These are "the key drivers of expenditure, that's why these have to be curtailed," Irish Finance Minister Brian Lenihan said.

Despite the looming tax and spending measures, the Irish government still expects the economy to grow an average of 2.75% per year from 2011 to 2014, with Mr. Lenihan even expecting positive growth this year—a forecast many economists believe is too optimistic.

Still, there are some glimmers of hope in the Irish economy that could surprise.

Exports, which fuel much of Ireland's small, open economy, have held up relatively well throughout the recession.

The falling euro could help Irish trade by making goods more attractively priced to Ireland's main trading partners, the U.S. and Britain. Falling wages across the Irish economy are also making Irish companies more attractive to global companies, while foreign-direct investment continues to roll in.

—*Quentin Fottrell and Jason Douglas contributed to this article.*

Ireland's four-year plan, at a glance

The goals:

■ Average economic growth of 2.75% from 2011 to 2014

■ Budget deficit reduced to 3% of GDP by 2014 from 11.7% this year (not including bank-bailout costs)

■ Unemployment below 10% by 2014 from 13.5% this year

The measures:

■ Minimum wage to be cut by €1 to €7.65 per hour

■ Corporate-tax rate to stay at 12.5% to attract foreign firms

■ Value-added tax to rise from 21% now to 22% in 2013 and 23% in 2014

■ Various income-tax changes raising €1.9 billion

■ Pension-related tax changes raising €700 million

■ Public-sector-pay bill to be reduced by €1.2 billion between 2010 and 2014

■ Government-worker payrolls to be cut by 24,750, to levels last seen in 2005

■ Pensions for future government workers to be reduced and their pay lowered 10%

■ Social-welfare bill to be slashed by €2.8 billion by 2014

■ Water charges to be introduced by 2014

■ A new property-related 'site' tax of up to €200 a year per homeowner to fund local services

■ Capital investment on roads, public transport and other infrastructure to be slashed by €3 billion by 2014

Note: Irish government forecasts for the budget deficit don't include any future borrowings from the EU and IMF that would recapitalize the country's banks.

EUROPE NEWS

Strike idles ports, trains in Portugal

BY JEFFREY T. LEWIS
AND PATRICIA KOWSMANN

Tens of thousands of workers walked off the job in Portugal Wednesday to protest government plans to cut public salaries and raise taxes—idling ports, trains and stores in the biggest strike the country has seen since before the recession.

The strike came at a difficult time for the socialist government of Prime Minister José Socrates, which is struggling to shield Portugal from the debt crisis that has brought Greece and Ireland to the brink of financial collapse. Portuguese bonds have taken a beating in recent days as investors remain skeptical about the government's ability to slash the budget deficit, which was more than three times the EU limit last year.

"The country is imposing very harsh measures and the ones who will suffer are the workers, who had nothing to do with making the crisis happen in the first place," said Rita Silva, an official of the opposition Left Bloc, the fourth-biggest party in parliament.

Accompanied by a dozen youngsters banging drums in central Lisbon, Ms. Silva added: "Our salaries and benefits will be cut. Meanwhile banks and bankers continue to lead their normal lives."

Unions representing 650,000 workers endorsed the walkout, the first general strike since 2007. Workers called the action earlier this year after the government embarked on a second round of austerity measures to meet its deficit-cutting goals.

The strike proceeded peacefully, with few reports of violence or disruptive incidents, said Labor Minister Helena Andre. "The strike has

been a demonstration of the civic-mindedness of the Portuguese, for those who went on strike and those who didn't," she said.

Public services were most affected, particularly transport, education and health care. Subway stations in central Lisbon were closed and about half the trains out of the Santa Apolonia station, a major hub, were cancelled. Traffic on Avenida da Liberdade, one of the capital's main thoroughfares, was quieter than normal, and many stores throughout Lisbon were closed.

The General Confederation of Portuguese Workers said virtually all Lisbon subway workers took part, and participation was strong among city hall employees in towns on the outskirts of the capital.

The strike shut down ferry lines linking Lisbon with the cities across the Tagus river and forced airlines to cancel most flights.

Joao Proenca, secretary general of the General Workers Union, the biggest private-sector union in the country, said the strike was the biggest ever in Portugal. "There's been a strong turnout, and not just in the public sector, but also in the private sector."

The CGTP union said 95% of the workers at the Volkswagen Autoeuropa plant didn't show up for work. The SIC television network said the plant has stopped production.

But Antonio Pereira, owner of a state lottery concession, was open for business as usual. "Small shops can't afford to close, although we are supportive of what the unions want," he said.

Of 391,887 central government workers, slightly more than 20%, or 78,833, joined the strike, said Goncalo Castillo dos Santos, Portuguese secretary of public administration.



Portuguese firemen gathered at a workers' meeting outside their headquarters Wednesday to push for improved safety.

Students in Britain protest tuition hike

Associated Press

LONDON—Thousands of British students protested Wednesday against government plans to triple university tuition fees, and there were sporadic scuffles with police, two weeks after a similar demonstration sparked a small riot.

The Metropolitan Police said two officers were injured in London, including one with a broken arm. Fifteen protesters were arrested.

College and university students across the country held marches and sit-ins to oppose the decision to increase university fees to £9,000 (\$14,000) a year, a key plank in the government's deficit-cutting austerity measures.

In central London, the university students and younger pupils in school uniforms marched from Trafalgar Square toward the Houses of

Parliament, chanting, "No ifs, no buts, no education cuts." Some climbed on top of bus shelters, while several attacked a parked police van, smashing the windows.

"Education is not a rich kid's game," said Tash Holway, a 19-year-old student.

Lines of police guarded the Liberal Democrats headquarters near Parliament, the government's junior partner. The Lib Dems have drawn particular anger because the party campaigned on a promise to abolish tuition fees, then abandoned it once in power. Their party leader, Deputy Prime Minister Nick Clegg, said Wednesday, "I massively regret finding myself in [the] situation" of not being able to keep that promise.

There were demonstrations several thousand strong in university towns across the nation, including Bristol, Liverpool and Leeds.

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EUROPE NEWS

U.K. faces dangerous stretch in its fight against terrorism

BY ALISTAIR MACDONALD

The U.K. faces its most dangerous stretch in the fight against terrorism since two failed attacks in the summer of 2007, Britain's senior police official said, reflecting increased worries of terrorist attack across Europe.

The pronouncement by Metropolitan Police Commissioner Paul Stephenson—in a London speech at the Royal United Services Institute, a security and defense think tank—comes at a time when officials across the continent are concerned about the prospect of an attack, including a possible “commando” style attack like the one staged in Mumbai in 2008.

A British security official said Wednesday there is genuine concern that such an attack could take place in Britain and is “something we worry about.” U.S. and European intelligence agencies have picked up increased talk—from eavesdropping and through agents—that attacks in Europe are being plotted.

The point was underscored again by events across Europe this week. On Wednesday, Belgian police charged nine people with belonging to terrorist groups. The nine were arrested Tuesday and, according to police, were part of an Antwerp-based Moroccan terror network whose alleged aims were an attack on Belgian soil and steering cash and recruits to Islamic rebels in Chechnya.

Also on Wednesday, the U.K.'s Foreign and Commonwealth Office warned travelers of a heightened threat in Denmark after intelligence services there warned of the increased risk of attack.



Prime Minister David Cameron and Metropolitan Police Commissioner Paul Stephenson, at a memorial in October.

Officials in Germany are currently racing to track a group thought to be planning a small-arms attack on one or more urban centers there sometime in the next three months, according to an official familiar with the matter. German authorities are also tracking two suspected suicide bombers believed to be planning to strike a prominent location, possibly in Berlin, said a person familiar with the inquiry.

In his speech, Sir Paul said there can be “no complacency” in the country's defenses against terror.

“In my judgment, and this is a view shared by my senior colleagues in the Security Service, this is un-

doubtedly as dangerous a time as we have seen for the U.K., and U.K. interests abroad, since the attempted attacks ... in 2007,” he said.

In June 2007, police discovered an unexploded bomb outside a nightclub in London, and two terrorists tried to set off a truck full of gas canisters by ramming it into Glasgow Airport.

Sir Paul's warning comes as part of a steady drumroll of cautions in recent months from senior British security figures. In September, Jonathan Evans, the head of Britain's domestic spy agency MI5, warned that the U.K. faces potent threats from terrorism incubated in

the Middle East, North Africa and Northern Ireland.

More recently, the U.K., which has long been seen as a major target for terrorist attack, has been joined in warning its citizens by European countries such as Germany and France, and by a recent uptick in related arrests. In part, this came after U.S. authorities last month disclosed information about terrorist sleeper cells in Europe that they said were close to being activated.

Denmark's Center for Terror Analysis said there are “new indications” that terror groups abroad seek to send terrorists to attack Denmark.

Vatican lashes out at China over bishop

BY STACY MEICHTRY

The Vatican lashed out at China Wednesday for consecrating a bishop without Pope Benedict XVI's approval, ratcheting up tensions between the world's most populous nation and its largest church.

In an unusually strong-worded statement, the Holy See accused the Chinese government of forcing other Catholic bishops to attend a ceremony on Saturday, in which the Rev. Joseph Guo Jincui was consecrated as the bishop of Chengde located in the eastern province of Hebei. The Vatican said it had warned Chinese authorities that it opposed Bishop Guo's consecration, noting that the bishop was “exposing himself” to church sanctions that call for the excommunication of bishops who don't have papal approval.

“This ordination not only does not contribute to the good of the Catholics of Chengde, but places them in a very delicate and difficult condition ... and humiliates them,” the Vatican statement said.

The statement marks the latest escalation in a long-running war of words between Beijing and the Holy See. Ever since Beijing severed diplomatic relations with the Vatican in 1951, an underground church of an estimated eight million Chinese Catholics loyal to the pope has operated in the shadows.

Beijing frequently cracks down on members of the underground church, detaining its top clerics. It has also built a government-sanctioned church of an estimated five million followers whose leadership answers to China's communist leadership rather than the pope.

Over the years, Beijing has dismissed the Holy See's objections as an attempt by a foreign head of state, the pope, to meddle in China's internal affairs.

Russia makes WTO stride

BY JOHN MILLER

BRUSSELS—Russia and the European Union reached a deal Wednesday that could pave the way for Russia to join the World Trade Organization in 2011.

“We've practically resolved all the issues,” deputy prime minister Igor Shuvalov said after meeting with senior EU officials, including trade commissioner Karel De Gucht.

John Clancy, Mr. De Gucht's spokesman, called Wednesday's agreement “an important milestone” in Russia's 17-year-old candidacy. Russia is the only major economy that doesn't belong to the WTO. Joining requires consent from all 153 members of the Geneva-based body.

Russia cleared a big hurdle with an endorsement from the U.S. in September. The EU is now the main formal obstacle remaining and Mr. Shuvalov came to Brussels ahead of an important summit between Russian President Dmitry Medvedev and EU leaders in Brussels on Dec. 7.

On the table were a host of issues, led by Russian export taxes on raw materials, especially timber. “These will be phased out when Russia joins,” Mr. Shuvalov said. Everything is set for “the final stop” in December, he said.

EU officials concede that Russia

could be delayed by the long list of WTO rules with which it must comply, including canceling state-aid programs, unfair health rules for farm imports and weak enforcement of intellectual property rights.

Mr. Shuvalov dismissed the notion that WTO member Georgia, which went to war with Russia in 2008, might also be an obstacle.

Georgia hasn't yet said what it intends to do, although it will be under pressure to follow the U.S., by far its most important ally.

In an interview last week, WTO director Pascal Lamy said Russia's WTO pursuit was “accelerating.”

Both “[Russian Prime Minister] Putin and Medvedev say it's a political priority,” Mr. Lamy said. “And if you look at the WTO-related legislation the Duma has passed in the last six months, that seems to be the case,” he said, referring to Russia's lower house of parliament. He added, “whether they join in 2011 is another question.”

On paper, Russia has been trying to get into the WTO since 1993. In practice, it has stalled and delayed moves toward membership. WTO membership could lead Russia to lose more than it gains: Oil and gas, which make up the bulk of Russian exports, aren't covered by WTO rules. Joining the WTO would force

Moscow to cut import tariffs on almost all goods, exposing its still-considerable manufacturing base to foreign competition.

The financial crisis may have made WTO membership more problematic for Russia. To protect itself from the economic storms roiling the globe, it raised import tariffs on goods from cars to chemicals. Partly as a consequence, its imports fell to \$155.2 billion in 2009 from \$255.7 billion in 2008.

Separately, Mr. Shuvalov said Russia was committed to selling a 10% stake in VTB, its second biggest bank, for no less than \$3 billion, hopefully in the first quarter of 2011.

He also said the government was planning to sell shares in Rosneft, its top oil producer, and Russian Railways. “We're looking at how we can do it,” he said. “We need the money, but there's no rush.”

Separately, the U.K. will continue its efforts to broaden its commercial links as Business Secretary Vince Cable visits Moscow. In a speech to be delivered in the Russian capital Thursday, Mr. Cable was expected to back Russia's WTO bid and say he sees potential for deeper ties between U.K. and Russian firms in innovation and technology.

—Laurence Norman in London contributed to this article.

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U.S. NEWS

Few airport delays for scanner protests

By SUSAN CAREY
AND KEITH JOHNSON

A wintry blast of weather moving east from the Rocky Mountains on Wednesday threatened to hamper travel on the busy day-before-Thanksgiving pilgrimage, as fears dwindled that airport-security screening would be delayed by protestors boycotting advanced body scanners.

An Internet-spawned grass-roots campaign to slow down airport security by having passengers opt out of advanced screening and request the more lengthy pat downs didn't appear to be having much impact.

While officials of the Department of Homeland Security and the Transportation Safety Administration had expressed concerns about the planned passenger boycotts of the new screening procedures, Wednesday's "National Opt Out Day" appeared to fizzle.

By late morning, there were no reports of security delays due to passengers balking at walking through the refrigerator-size body scanners.

The TSA in March began deploying 450 of the so-called advanced imaging technology units. Currently, there are 385 units in use at 68 U.S. airports.

George Donnelly, one of the organizers of the Opt Out day boycott, said protesters were fanning out to 27 airports Wednesday to hand out fliers urging passengers to bypass the machines. But he said the group hadn't received any reports of significant opt-outs.

Spokeswomen for Delta Air Lines Inc. and the United Airlines unit of United Continental Holdings Inc. separately said Wednesday that their respective airport personnel weren't reporting any security delays due to the protest. A spokesman for the Continental Airlines unit echoed that observation.

Public backlash against the new scanners, and the enhanced pat-down procedures used as secondary screening, erupted earlier this month even though the machines have been steadily installed at airports this year, partly as a response to the attempted Christmas Day bombing in 2009 of a Detroit-bound

jetliner.

But a majority of Americans seem to support the new security measures, especially people who don't fly frequently.

About two-thirds of Americans support the use of the new full-body scanners, according to recently conducted polls by Gallup and Washington Post-ABC News. A Zogby poll released Tuesday, on the other hand, showed that 61% of respondents opposed the scanners and new pat downs.

On the storm front, the Federal Aviation Administration was reporting no major delays early Wednesday at most of the largest U.S. airports.

A storm crippled much of the Pacific Northwest Monday and Tuesday and was moving east Wednesday, closing highways in Wyoming and Idaho and prompting a blizzard warning in Utah.

Based on air-travel patterns last year, Wednesday was expected to be the fourth-busiest of the 12-day Thanksgiving travel period that began Nov. 19, according to the Air Transport Association.



An officer pats down a traveler at a Minnesota airport on Wednesday.

Emboldened tea-party activists turn to local issues

By JENNIFER LEVITZ

HAMILTON, Ga.—The Harris County Tea Party near the Alabama border campaigned far and wide in this month's midterm elections. Donations were mailed to tea-party candidates in Nevada and Alaska. There were multiple overnight bus trips to rallies in Washington, D.C.

The next stop, however, is closer to home: the local school board.

"Don't get me wrong, we're still going to engage in Washington, but now we're going after what is here locally. Our focus is turning to our community," said Kathy Ropte, the group's founder, over cola at a Blimpie sub shop, a popular local tea-party meeting spot off the town square. Aware that education consumes a big chunk of local property taxes, group members are combing through the salaries of every county school employee from the superintendent down.

After fighting for several months on the highest level of American politics, the leaders of many local tea-party activist groups now plan

to take their agendas of limited government and penny pinching to their hometown governments.

Most say they'll stay involved in watching Congress, and dozens attended a recent Washington summit organized by national umbrella group Tea Party Patriots for newly

Many recession-weary local officials are gearing up for a potential clash with tea partiers, saying they have already squeezed all they can out of their budgets.

elected members of Congress. But the local leaders say that to truly stem spending, they also must stage what Steven Vernon, vice president of the Tea Party Manatee on Florida's Gulf Coast, calls "a ground-level attack."

"We have to start at the lowest level and take our country back,"

Mr. Vernon said.

It's also more convenient for tea-party activists—typically volunteers with separate full-time jobs—to be local gadflies than national ones. "We can't go to every congressional hearing in D.C. but we can go to every school-board meeting in Manatee County," said Mr. Vernon, a technology-contracts negotiator.

Meanwhile, many recession-weary local officials are gearing up for a potential clash with tea partiers, saying they have already squeezed all they can out of their budgets.

"Good luck! If they can find the fat, I want to know where it is," said Craig Dowling, the superintendent of the Harris County School District, who said he had a visit from local tea-party activists in late October. "We are driving school buses that are 20 years old. I wonder how many of them are driving 20-year-old cars."

Tea-party groups in Pennsylvania, Delaware and Michigan have recently voiced plans to have members run for local town boards in

2011—a bid to start a farm team of politicians who can move up to higher offices.

"We hope to field candidates for the congressional race two years from now, but for 2011, our focus has shifted to the school boards," said Lee Ann Burkholder, spokeswoman for the York 912 Patriots, a tea-party-affiliated group in York, Pa.

The 912 Patriots last month drew some 300 people to an area hotel for a meeting by taking out a front-page ad in a local paper, asking: "Why are your property taxes so high? How is your school district spending your hard-earned dollars? You might be surprised."

"A lot of our members are upset that we have to pay for raises and fund pensions for teachers while many people in York County are out of work," Ms. Burkholder said.

Teachers' representatives warn against skimping on pay. "If you don't invest, you're not going to get the best and brightest and that will manifest itself in student performance," said Brian Koppenhaver, a

spokesman for the Pennsylvania State Education Association, the union that represents York County school employees.

Already, tensions are brewing in some municipalities, with local officials saying they need new revenue to maintain public services, while tea-party activists say new taxes aren't an option.

Earlier this month in Troy, Mich., tea-party activists delivered a petition to city hall, seeking to force officials to keep the Troy Public Library open without a new tax.

"We really are embroiled in a big controversy here in Troy," said Janice Daniels, co-founder of the Troy Area Tea Party.

Local voters narrowly shot down a proposal for a library tax on the Nov. 2 ballot. Now, the library is scheduled to close in June.

The tea-party members believe the city can find money for the library by cutting compensation packages of municipal employees, but Mayor Louise Schilling said that "the suggestions made by the tea party are not realistic."

Consumer, jobless figures offer hope on economy

By CONOR DOUGHERTY
AND MEENA THIRUVENGADAM

The economic recovery is showing signs of life, as the job market slowly improves and consumers' paychecks and spending climb.

The Commerce Department said Wednesday that personal income, before adjusting for inflation, rose 0.5% in October compared with a flat reading in the previous month.

Much of the increase came from strong wage and salary growth, suggesting recent gains in consumer spending have been driven by sustainable growth in paychecks rather

than windfalls or government benefits. Consumer spending rose 0.4% in October after a 0.3% gain in September.

Consumers are also feeling brighter about their prospects. The Reuters/University of Michigan consumer sentiment index rose to 71.6 in November from 67.7 in October.

A key gauge of the job market strengthened. The number of workers filing new claims for jobless benefits fell 34,000 to 407,000 in the week ended Nov. 20, the lowest level since July 2008, the Labor Department said. The four-week moving average, which smoothes weekly

gyrations, fell 7,500 to 436,000.

"You're seeing things slowly improve where it counts, which is the consumer, which will go a long way toward getting us some sustainable growth as opposed to growth based on things like government handouts and policy maneuvering," said Joshua Shapiro, chief U.S. economist at MFR Inc.

However, new orders for durable goods—designed to last more than three years—fell 3.3% to a seasonally adjusted \$196.1 billion in October, the Commerce Department said.

—Jeff Bater contributed to this article.

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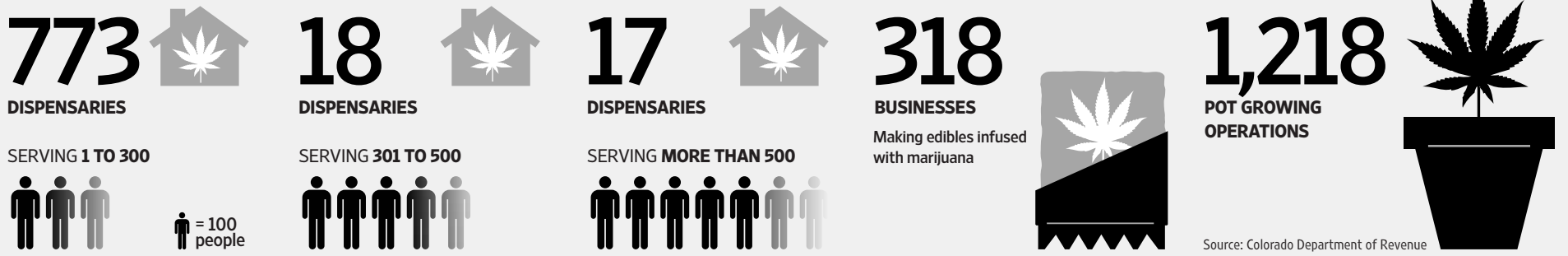
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U.S. NEWS

Pot grows green | Number of applications for medical-marijuana licenses in Colorado



Colorado gets tough on medical pot

By STEPHANIE SIMON

DENVER—Colorado state regulators are putting the final touches on a fat stack of rules aimed at monitoring, recording and tracking every aspect of the booming medical-marijuana industry, from seed to sale.

The regulatory system—more rigorous and comprehensive than in any other state—will likely require pot growers to place tags on every plant and train security cameras on their cultivation rooms around the clock.

Cannabis dispensaries, meanwhile, will likely be required to record high-resolution video of every customer's face and photo identification and then link that footage to a computer record of each purchase. Even the moment when the dried weed is weighed for sale will have to be captured on video, according to draft regulations now being finalized.

State regulators and local law enforcement—who say they are determined to prevent medical pot from being diverted to the black market—will have the authority to review any surveillance tape at any time, without a warrant. “We don’t ask. We just go look,” said Matt Cook, senior director of the state’s medical-marijuana enforcement division.

That’s not popular with patients, who say they shouldn’t have to sacrifice their privacy to get access to medication. Some lawyers who work with the medical-pot industry say the regulations might be vulnerable to a constitutional challenge. But state officials say they have the right to impose strict controls, since marijuana remains a controlled substance under state law, legal only for registered patients and only in specified quantities. “You give up a lot of your Fourth Amendment



A woman inspected marijuana with magnifying glasses at the Cannabis Crown expo in Aspen, Colo., in April.

rights when you’re dealing with a controlled substance,” Mr. Cook said.

Medical marijuana is legal in Washington, D.C., and 15 states. Many of them have minimal regulations aimed at limiting the amount of marijuana that a patient can legally possess and cultivate. Other regulations tend to be a patchwork: Some states require patients to register, but some don’t. Some allow dispensaries, while others rely on patients to grow the pot themselves or obtain it from registered “caregivers.” New Jersey, Arizona and Washington, D.C., are all working on comprehensive regulations. Meanwhile, individual cities and counties

in many states are busy drafting their own restrictions.

Colorado has led the way in regulation. Anyone seeking to open or invest in a medical-marijuana business must fill out a 22-page form that asks for character references, criminal records, bank statements and income-tax returns—even copies of the applicant’s college diplomas and, if applicable, divorce decrees.

Pharmaceutical pot is a growth industry in Colorado. The state has 113,000 residents registered as medical-marijuana patients, and several thousand new applications coming in every month.

So far, 1,218 pot farms, 808 dis-

pensaries and 318 businesses that infuse candy, olive oils, pizzas and other edibles with marijuana have applied for state licenses. Every facet of their operations will soon be governed by the new regulations, which run about 100 pages and are likely to be phased in beginning early next year.

The state’s goals: to keep track of every ounce of cannabis that is part of the legal medical-marijuana industry; to keep the drug from the black market; and to make it easy for law enforcement to spot and investigate suspicious behavior. For example, investigators could detect if one patient is buying pot at multiple outlets in a single day or if a

greenhouse worker is slipping cannabis seedlings into his pocket, state officials said.

The state Department of Revenue, which will enforce the rules, plans a full-time staff of 40 to 50, funded entirely by annual licensing fees of up to \$18,000 imposed on pot-related businesses, said Julie Postlethwait, a department spokeswoman.

Regulators scrapped some early proposals, such as requiring patients to submit to a retinal scan before each purchase, but the draft rules are still “far more bureaucratic and burdensome than in any other state,” said Keith Stroup, legal counsel for NORML, which works for legalization of marijuana.

Mr. Stroup predicted, to his disappointment, that the regulations would become a model for other states.

In Colorado, patient advocates have raised concerns about invasion of privacy and warned that dispensary prices will rise to cover the cost of complying with the regulations.

“There’s a tipping point where an overly regulated system is going to send a lot of people back to the black market” to buy their marijuana, said Dan Pope, a resident of Longmont, Colo., who says he takes the drug to ease symptoms from his muscular dystrophy.

But for all their anxiety, some in the industry can’t help but feel a bit delighted that the state is taking them so seriously.

“For years, the only discussion was, ‘How long should we lock people up for possessing marijuana?’” said Brian Vicente, executive director of Sensible Colorado, a patient-advocacy group. “Now we’re discussing what the font should be on the label of a medical-marijuana brownie.”

In 1820s throwback, pirates convicted in U.S. court

By KEITH JOHNSON

A jury in Norfolk, Va., found five Somali men guilty of piracy, the first conviction for that crime in the U.S. in almost 200 years.

The verdict is a victory for U.S. efforts to fight piracy in the courtroom, coming just months after a judge threw out piracy charges in a similar case in Norfolk this summer.

But the outcome is unlikely to lead to a sea change in antipiracy efforts, given the case’s unique nature and the high cost of incarcerating convicted pirates.

The five men were found guilty of piracy and multiple lesser charges after they attacked the USS Nicholas, a Navy ship, in the Indian

Ocean near the Seychelles in April. They face mandatory life in prison on the piracy charge alone, under a statute that originally dates to 1819.

The conviction, the first since the 1820s in the U.S., sends a message that “pirates will face severe consequences in U.S. courts,” said Neil MacBride, U.S. attorney for the Eastern District of Virginia.

The U.S. and the United Nations have made courtroom convictions the centerpiece of the fight against piracy, which has skyrocketed in recent years, especially in the waters off the coast of Somalia.

But convicting pirates has proven difficult. Kenya’s courtrooms quickly became clogged, and 17 accused pirates were recently acquit-

ted there. Another piracy trial in Germany began this week.

Mr. MacBride said that there have been 42 pirate attacks in those waters in the last month, and that Somali pirates are still holding 18 ships and about 380 crewmen for ransom. He said that international security experts estimate Somali pirates have earned about \$150 million to date by capturing and ransoming commercial vessels.

However, piracy experts said the convictions in the Nicholas case won’t solve the fundamental problems with fighting pirates in the courtroom—especially the high cost of trying and incarcerating pirates.

Mr. MacBride indicated that the Somali men will likely serve their

sentences in the U.S. Sentencing is scheduled for March 2011.

“The mandatory life sentence makes the price tag on pirate trials quite high, and possibly out of proportion with their culpability compared to other federal crimes,” said Eugene Kontorovich, a professor of law at Northwestern University in Evanston, Ill., and an expert on the legal fight against piracy.

Defense attorneys echoed that view. “All we’ve done is take on a burden. It is a colossal waste of time and effort,” said David Bouchard, who defended Abdi Wali Dire, one of the Somali men.

Mr. Bouchard and other defense attorneys will appeal the convictions on several grounds, including

the admissibility of statements the men made in their first interrogations on the Nicholas.

Defense attorneys had fought the piracy charge itself, arguing that since the men failed to board or take over the U.S. Navy vessel, they weren’t technically pirates. The judge ruled that international law defines piracy as violent attacks on the high seas, and upheld the piracy charges.

That was a reversal from a similar case this summer, in which Somali men allegedly attacked another U.S. Navy ship but who weren’t charged with piracy because their attack failed. An appeals court is still studying the validity of piracy charges in both cases.

WORLD NEWS

Afghan election in doubt after probe

By MATTHEW ROSENBERG
AND MARIA ABI-HABIB

KABUL—The uncertainty surrounding Afghanistan's parliamentary elections deepened this week, with the country's top prosecutor saying he would launch an investigation into the vote as election officials continued to delay releasing a final tally, saying turnout problems had forced them to withhold the results for an entire province.

Many Afghans and Western officials had hoped the Sept. 18 vote would show a marked improvement from last year's fraud-filled presidential election, which returned President Hamid Karzai to office.

Instead, the problems in the vote, the drawn-out tallying process and the attorney general's persistent threats to step in have provided a sharp reminder of the challenge in holding elections in a country beset by a spreading insurgency and weak democratic institutions.

One of the few positives sign, say Afghan and international observers, is the surprising independent streak shown by the Independent Election Commission, which runs elections. It faced charges from many quarters of being too loyal to Mr. Karzai during a vote last year.

The commission, known as the IEC, said Wednesday that 24 winning candidates—about 10% of the total—have been disqualified since the Sept. 18 vote because of evidence of ballot stuffing, fraud and other irregularities. The complete



The Sept. 18 vote, which returned President Hamid Karzai to office, has been marred by problems across the country.

results, which have yet to be released, are about a month overdue.

The candidates come from across Afghanistan's political spectrum and include some Karzai loyalists.

The moves by the IEC have infuriated many of those knocked out and given the outright losers rhetorical ammunition to claim they have been cheated out of their seats. There have been repeated protests by the losing candidates, including

one Wednesday near Kabul's presidential palace, and they have pressed Attorney General Mohammed Ishaq Aloko to investigate.

While election officials say voting problems were seen across the country, the worst case appears to have taken place in the eastern province of Ghazni. There, the ethnic Pashtun majority, the people from whom the Taliban draw almost all its members, stayed away from

the polls, handing all 11 seats to candidates from the ethnic Hazara minority. Official believe Pashtuns voted in lower numbers because the areas of the province they dominate are far more dangerous than those where Hazaras are concentrated.

The danger makes a rerun virtually impossible, but the results are too lopsided to certify, IEC officials said. The commission will decide in the next week what to do about the

seats from there, they said.

One solution being considered is to let the lawmakers elected in the last vote, in 2005, remain in their seats, said Zekria Barakzai, the deputy chief electoral officer at the IEC.

But Attorney General Aloko is now threatening to upend the results for many other parts of the country, too, announcing an investigation into the IEC after weeks of threatening to do so.

In a televised address to the upper house of parliament Tuesday, he said his office had documentary evidence that powerful and wealthy Afghans unlawfully swayed the vote.

The probe could alter the outcome of at least some races, officials say.

Mr. Aloko also ordered the suspension of the spokesmen for the IEC and the separate Election Complaints Commission, which investigates allegations of fraud and adjudicates disputes. The spokesmen said Wednesday they haven't received formal notice of their suspensions and remained on the job.

Critics of Mr. Aloko—some in the international community—say they suspect the attorney general is doing the bidding of the Karzai administration and wants to make sure as many of the president's allies as possible get re-elected.

Mr. Aloko and his deputies say they are looking to enforce Afghanistan's laws and have no political motivations.

—Arif Afzalzada
contributed to this article.

Stampede blamed on swaying bridge

By PATRICK BARTA

PHNOM PENH, Cambodia—A government investigation into Monday's deadly bridge stampede in Cambodia said victims panicked when the bridge began to sway, as criticism of the government's handling of the disaster mounted.

The investigation, summarized on a television news station that serves as a mouthpiece for the government, found that many of the victims came from rural areas and didn't know it was normal for suspension bridges to sway, according to the Associated Press and other local and international news agencies that followed the report.

The 8,000 or so people who were on the bridge apparently thought it was about to collapse and then panicked, the report said, leading to a struggle to escape that left hundreds of people crushed.

Government spokesmen couldn't be reached to comment.

More than 350 people died in the stampede, though the exact number became less clear Wednesday than in earlier reports, as government officials and news services offered conflicting figures ranging from 351 to 456 dead. Some of the confusion appeared to come from the fact that many relatives took victims' bodies back home to rural areas, making it harder to get an accurate count.

Human-rights groups and some residents have grown increasingly critical of the government's management of the disaster, which occurred during Cambodia's annual three-day

water festival, which marks the end of the country's rainy season. About two million people descend on Phnom Penh for the festival each year.

This year, tens of thousands of people gathered on an island across from the central downtown area that was holding a series of free concerts. Many residents and survivors say there weren't enough police on hand to manage such a large crowd, and that authorities should have known there wasn't sufficient bridge space to move people on and off the island.

"I want the government to do more investigation," said Sam Phalla, a 23-year-old restaurant manager along the riverside after she heard the results of the government's initial investigations.

"The government allowed people to come to the site—a lot of people—and they did not think in advance about the exit," said Yim Sovann, a spokesman for the main opposition Sam Rainsy Party. In other countries when a disaster of this magnitude occurs, officials in charge resign, he said, but that hasn't happened. "We need to create a culture of responsibility," he said. The complaints echoed concerns raised by human-rights groups.

Public criticism of the government is becoming more common in Cambodia, a country that is only just recovering from decades of civil war and chaos, including a period in the 1970s when it was ruled by a radical Maoist movement known as the Khmer Rouge whose policies led to the deaths of 1.7 million people.

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CONFLICT IN KOREA

Islanders describe shelling terror

BY GORDON FAIRCLOUGH

INCHEON, South Korea—When North Korean artillery shells started slamming into Kwan Young-hee's small island village Tuesday afternoon, she grabbed her cellphone and ran for her life.

"The noise was so loud, the whole house was trembling. All the windows shattered," said Ms. Kwan, who crammed with dozens of her neighbors into a civil-defense bunker as the bombardment continued.

Two civilians and two South Korean marines were killed by the roughly hourlong barrage, which rained about 170 shells onto South Korea's Yeonpyeong Island, according to the government in Seoul. It also shattered the aura of peace surrounding an area that for many residents seemed far from any conflict, despite the island's proximity to disputed waters and the longtime presence of South Korean troops.

On Wednesday morning, Ms. Kwan and nearly all of the island's other civilian residents—most of whom make a living fishing and farming—were evacuated aboard a South Korean coast-guard vessel.

The villagers, who arrived in the port city of Incheon Wednesday afternoon, described scenes of devastation. Shells started fires that spread quickly, incinerating houses, they said.

"Nothing like this has ever happened before. It was such a peaceful place," said Ms. Kwan, 47 years old. "Now I don't want to go back."

South Korean television aired images of the shattered village, showing the toll the barrage took on civilian buildings, as well as on the island's military base.

Cha Sang-ik says he and his brother moved to Yeonpyeong during the Korean War nearly six decades ago in an effort to escape the carnage sweeping the Korean peninsula. He says he never expected the



A South Korean searches Wednesday through homes destroyed by the North Korean shelling of Yeonpyeong island in the Yellow Sea.

tension between the two Koreas would erupt with such violence in his small village, on an island of some 1,200 residents.

Mr. Cha, 75, said that he and his wife were in their backyard making kimchi, a pickled cabbage dish that is a staple of the Korean diet, when the shells started to fall. "One of the neighbor's houses was hit. Then my house caught fire," he said.

Mr. Cha said he and his wife escaped with nothing more than the clothes on their backs.

Roh Young-ok, 74, said she was

on the beach harvesting oysters when she was shaken by a series of explosions. "There was fire everywhere," she said. "It burned away all the houses. Only concrete columns are still standing."

Villagers said they spent a cold night in concrete defense bunkers. Those who emerged after darkness fell said they saw fires raging out of control. The military handed out some cookies and soda. Otherwise, many said, they had nothing to eat until they arrived in Incheon.

Despite living in close proximity

to the North, where hostility toward the South has waxed and waned since a 1953 armistice ended the war, villagers said the island was a peaceful place.

"I didn't need to give much thought to North Korea before," said Ms. Kwan. "We work in the fields. We didn't think much about politics."

On Wednesday afternoon, 11-year-old Park Sa-bin stood sobbing in the bathhouse used as temporary accommodation for some villagers from Yeonpyeong. He had gotten

separated from his mother.

The boy said teachers herded children into civil-defense shelters when the firing started. He said he spent hours huddled in the dark fearing for the safety of his father, a South Korean marine sergeant stationed on the island.

"We didn't do anything to them, but they attacked us," said the boy, who was later reunited with his mother. His father remains on duty on Yeonpyeong. "When I grow up, I want to be a soldier, like my dad," he said.

U.S. aircraft carrier heads to region for exercise

BY EVAN RAMSTAD

SEOUL—South Korea on Wednesday took its first steps to penalize North Korea for its artillery attack on a South Korean island, announcing a naval drill with a U.S. aircraft carrier group, cutting off humanitarian assistance and halting traffic into the North.

Meanwhile, hundreds of residents left the island through the day Wednesday and military personnel who arrived to clean it up discovered the bodies of two civilians, bringing the death toll from Tuesday's attack to four. By Wednesday night, only about 250 of the 1,200 residents remained on the island, called Yeonpyeong.

South Korean President Lee Myung-bak conferred with his counterparts in the U.S., Japan, Germany and the U.K. about the North Korean attack, but he made no public statement. The U.S. said President Barack Obama stood "shoulder to shoulder" with South Korea.

Adm. Michael Mullen, the chairman of the U.S. Joint Chiefs of Staff, said Wednesday he believes the recent attack is tied to the succession of Kim Jong Il's son. Defense officials have previously said Kim Jong Eun, son of the current leader, has been trying to prove his military

bona fides by ordering attacks on the South. Adm. Mullen on a television talk-show blamed both men for the attacks and called the elder Mr. Kim's leadership "worrisome."

The U.S. military announced on Wednesday that the USS George Washington, an aircraft carrier, would conduct exercises with the South Korean navy Sunday. Col. David Lapan, the Pentagon spokesman, insisted that the exercise, meant to be a deterrent to North Korean attacks, was previously planned and not directly related to the North Korean attack.

The aircraft carrier, which is based in Yokosuka, Japan, set off for Korean waters Wednesday, the Associated Press reported.

The announcement of the exercise provided a chance to gauge China's reaction to the North Korean attack: Chinese officials vehemently protested when the U.S. and South Korea considered staging such a drill in the Yellow Sea in July. The two countries instead conducted the drill on the east side of the Korean peninsula.

In comments Wednesday, China's Ministry of Foreign Affairs didn't directly address the exercise, but said in a statement it "opposes any behavior that harms the peace and stability of the peninsula."

The South Korean government allowed no one to go into North Korea Wednesday and said it was monitoring the safety of 780 South Koreans who are working in the North. It halted shipments of humanitarian assistance, including 7,000 tons of cement that was loaded for shipping and about \$500,000 of medicine.

North Korea in a statement carried by the official Korean Central News Agency and reported by Japan's Kyodo news agency issued a

The announcement of the exercise provided a chance to gauge the reaction to the attack in Beijing, which has vehemently protested plans for such drills in the past.

fresh warning against South Korea on Wednesday, saying it remains ready to open fire against it.

Also on Wednesday, the country's Red Cross protested the aid cut and said the "positive atmosphere" that had developed recently was "in danger due to the South's evil and ignorant war provocation." North Korea on Tuesday said it fired its

artillery in response to a South Korean artillery shell landing in its territorial waters.

South Korea's military said it conducted routine artillery firing at some of the islands near the disputed maritime border Tuesday, but said no shells crossed the line.

North Korea earlier in the week protested a large-scale exercise by the South Korean military. But that took place elsewhere in South Korea, not in the vicinity of the island that was attacked Tuesday.

South Korea is constrained from a military response by the proximity of its largest city, Seoul, to the inter-Korean border, just north of which North Korea has lined up howitzers, rocket launchers and missiles for attack. But officials have several options to consider for penalties. The most damaging option on the table is the shutdown of an industrial park just inside North Korea where South Korean companies employ about 40,000 North Korean factory workers, generating needed revenue for the North.

South Korean officials Wednesday revealed more details about the attack, saying North Korea fired 170 artillery rounds in a barrage lasting more than an hour. About 90 hit the island, damaging 21 buildings. South Korea began firing back about 13

minutes after the barrage started, the military said. It fired 80 rounds but there were no reports of damage by North Korea.

In addition to the civilians found Wednesday, the barrage killed two South Korean marines and injured 15 troops and three civilians.

Mr. Lee, South Korea's president, ordered a review of the rules of engagement to give soldiers more leeway in responding to an attack. Under current rules, troops must send verbal warnings, then warning shots before firing at specific targets.

The military took a small group of South Korean reporters to the island, which is just a few miles wide and home to 1,200 people. Aerial video on local TV stations showed burned-out homes and cars.

Town officials said fires were put out and electricity had been restored by early Wednesday. Ferry boats arrived through the night and took most residents to the port city of Incheon.

"I never imagined that they would fire at us," said Lee Kil-yeo, one of the residents who stayed on the island Wednesday. "I don't want to live here anymore."

—Julian E. Barnes in Washington, Jaeyeon Woo in Seoul and Jeremy Page in Beijing contributed to this article.