



**It's time for a radical rethink of global energy conversation**

THE JOURNAL REPORT

**BP selling \$7 billion stake in Pan American Energy**

BUSINESS & FINANCE 19

# THE WALL STREET JOURNAL.

VOL. XXVIII NO. 212

EUROPE

Monday, November 29, 2010

DOW JONES  
A NEWS CORPORATION COMPANY

europe.WSJ.com

Rio police claim ascendancy in shantytown battle



Brazilian police and security forces raided the Alemão shantytown in Rio de Janeiro Sunday and 'gained the upper hand' against up to 600 drug traffickers holed up there. **Article on page 3**

## EU officials set aid blueprint, plan Irish loans

BY CHARLES FORELLE AND MARCUS WALKER

BRUSSELS—Europe sealed a €67.5 billion (\$89.34 billion) bailout of Ireland Sunday, while simultaneously laying plans to transfer some of the cost of rescuing an insolvent country, years in the future, to its private-sector lenders.

The Irish deal includes €50 billion to prop up government finances and billions more thrown into Ireland's ailing banks. Money is coming from two European Union funds and the International Monetary Fund. Three countries outside the euro area—the U.K., Sweden and Denmark—also agreed to chip in money.

The Irish bailout is intended as a signal that the euro zone will come to the aid of its own. The plan to share pain with banks and other private-sector lenders is a message that the munificence won't continue forever.

Germany has pushed such a measure for months. To Germans, the higher cost of

borrowing that would result is an essential disincentive to the sort of profligate debt-accumulation that felled Greece this spring and triggered the crisis.

But heavily indebted countries, such as Italy, aren't keen on the potential strain to their public purses. Plus, no one wants to shock already-jittery debt markets.

Under the compromise reached Sunday, the EU agreed to enact a new big bailout fund of undetermined size. It will replace, in 2013, the €440 billion temporary facility created in May and now being used to help Ireland. Under the new fund's terms, creditors of countries considered insolvent could be forced into a restructuring before the fund doled out aid.

For Greece and now Ireland, European taxpayers and the taxpayer-backed IMF have stepped into the breach with cash.

Germany didn't get its way entirely: Both Jean-Claude Trichet, president of the European Central Bank, and

Jean-Claude Juncker, the Luxembourg premier who heads the group of euro-zone countries, said that private-sector creditors would face restructuring on a "case-by-case" basis—and not automatically, as Germany had wished.

The new system wouldn't affect creditors until mid-2013, and new "collective action clauses" that could smooth restructuring would only be inserted into euro-zone bonds issued from June 2013 onward.

Ireland is the second euro-zone country, after Greece, to call for help paying its bills. Ireland needs cash to cover a big deficit, made worse by its spending on bank bailouts. Bond markets have all but cut Ireland off by demanding soaring interest rates.

They have also become more wary of lending to Portugal and Spain, stoking fears

Please turn to page 3

- Ireland's woes hit the country's 'new poor' ..... 4
- Belgian debt level prompts investor concerns ..... 4

THE WALL STREET JOURNAL.  
 Bahrein BD 1.50 - Egypt \$1.75 (CV)  
 Jordan JD 2 - Kuwait KD 1 - Oman OR 2  
 Qatar QR14 - Saudi Arabia SR 14  
 £1.50  
 Agency: France-Press/Getty Images

### The Quirk



What's in a name? It's hard to tell what some companies actually do. **Page 33**

### World Watch

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

### Editorial & Opinion

Spanish growth. Seriously. **Page 13**

## WikiLeaks releases data despite push from U.S.

A Wall Street Journal Roundup

Hundreds of thousands of leaked U.S. State Department documents reveal a hidden world of international diplomacy, divulging candid comments from world leaders and detailing occasional U.S. pressure tactics aimed at hot spots in Afghanistan, Iran and North Korea.

The classified diplomatic cables released by online whistleblower WikiLeaks and reported on by news organizations in the U.S. and Europe provide often unflattering assessments of foreign leaders, including U.S. allies such as Germany and Italy.

The more than 250,000

documents also contain new revelations about nuclear trouble spots, detailing fears of Iran's growing nuclear program and U.S. discussions about a united Korean peninsula as a long-term solution to North Korean aggression.

Saudi King Abdullah repeatedly urged the U.S. to attack Iran's nuclear program and China directed cyberattacks on the U.S., according to the documents released.

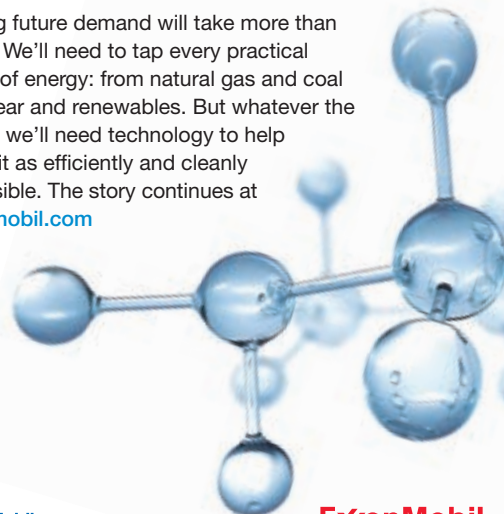
The State Department made a last-minute push to press WikiLeaks founder Julian Assange not to release the classified documents, arguing it could endanger activists globally, U.S. counterterrorism operations and the

wars in Iraq and Afghanistan.

In a letter sent Saturday, the State Department's legal adviser, Harold Koh, also denied a request made by Mr. Assange's lawyer for the U.S. government to provide WikiLeaks with information on the people Washington believes could be endangered by the publication of the documents. "Despite your stated desire to protect those lives, you have done the opposite and endangered the lives of countless individuals," Mr. Koh wrote. "We will not engage in a negotiation regarding the further release or dissemination of illegally obtained U.S. Government classified materials."

**Oil, gas, coal, biofuels, nuclear, wind, solar... to fuel the future we need them all.**

Meeting future demand will take more than just oil. We'll need to tap every practical source of energy: from natural gas and coal to nuclear and renewables. But whatever the source, we'll need technology to help us use it as efficiently and cleanly as possible. The story continues at [exxonmobil.com](http://exxonmobil.com)



Esso Mobil  
Brands of ExxonMobil

ExxonMobil

Taking on the world's toughest energy challenges.



## PAGE TWO

# Italy seems in good financial health, but the warning signs are still there

## [ Agenda ]

By IRWIN STELZER



The good news is that Italy, euroland's third largest economy, is not like Greece or Ireland. No major housing bust, no major banking implosion, at least not yet. The bad news is that Italy is like Portugal, which also has so far escaped housing and banking problems of Greco-Irish proportions, but is growing so slowly that its tax revenues might fall short of covering its IOUs. The worse news is that Italy's economy is almost half-again as large as Spain's, and troubled Spain is a country deemed too big to fail, but which the euro zone can't command sufficient resources to save.

Italy's relatively good financial position is due to some competent bank regulators and its talented central bank governor, Mario Draghi. Unfortunately, their success does not mean that all is well. Mr. Draghi complains that Italy is "incapable of growing at a sustained rate ... a clear loss of competitiveness compared to our main European partners." From 1998 to 2008, German productivity increased 22%, France's 18%, and Italy's a mere 3%. If productivity growth is not increased, Italy's economy will be unable to grow at faster than the 1% rate the government projects for this year and next. In which case, says the Organization for European Economic Co-operation, tax revenues will decline, and Italy will not be able to meet its deficit target.

But the new businesses needed to generate innovation, productivity and growth are hard pressed to get off the ground. Credit Italy's entrepreneur-blockage to the spaghetti-like red



Mario Draghi, Governor of Banca d'Italia, has fears for Italian growth.

tape, corruption, a tax structure that maximizes incentives to evasion, and an overweening government bureaucracy.

Compounding the problem is the depressed view Italy's business community has of its government. Prime Minister Silvio

## The new businesses needed to generate innovation and growth are hard pressed to get off the ground.

Berlusconi, his widely reported dalliances with young women not as amusing to Italians as they are to the rest of the world, will face a confidence vote on Dec. 14. Italian businessmen with whom I have spoken believe that no matter the outcome of that vote they will end up with a government still incapable of clearing the garbage from gangster-controlled Naples, or saving Italy's crumbling art treasures, or pushing through needed structural reforms of the economy.

Add a quite justified feeling of helplessness. Italians cannot set the exchange rate they need to become competitive, especially

with China's under-valued renminbi: Italy long ago gave up the lira for the euro. They cannot set the interest rate appropriate to their economic circumstance: that is set by the European Central Bank largely to suit the Germans. They cannot control their energy costs: the cartel that is the Organization of Petroleum Exporting Countries determines the cost of energy in a country overly dependent on oil.

The Italian economy is driven in large part by the manufacture of high-quality consumer goods produced by small and medium-sized family-owned enterprises. These labor-intensive industries are finding that the market for high-price quality goods is being eaten away by lower-quality and far lower-priced goods made by Chinese laborers both in the People's Republic and in Italy.

In Venice, designers and makers of the city's famous glassware doubt they will long survive the competition of made-by-Chinese knock-offs. Vicenza's gold-jewelry manufacturing industry is also shrinking as Asian makers take over that market. These labor-intensive industries and their family-owned companies are not dissimilar to Portugal's shoe industry, which is being

wiped out by cheaper Chinese imports.

Competition comes not only from far-away Asia. Many products once turned out by Italian craftsman are now manufactured in Italy by colonies of Chinese immigrants working hours and at pay that Italians are unable or unwilling to match. Worse still, I am told that both in China and in Italy the workers toil on machines that were designed in Italy, sold to China, and then copied for use by the low-paid Chinese workers.

There is a flip side to this coin. The streets of many major Italian cities are crowded with Chinese shoppers depleting the shelves of big name-brand retailers such as Gucci and Prada. By their shopping bags shall ye know them. Italian-made unbranded goods can't lure the international-brand-obsessed Chinese into their stores. So Italian manufacturers and shop keepers doubt their ability to survive.

Greece, Ireland, Portugal and Spain are paying premiums of between 5% and 7% over German 10-year bonds. Italy, which recently paid a premium of only about 1.7%, might be next in investors' sights unless it can get its economy growing at better than the 1% rate it is now managing. After all, with debt equal to 120% of gross domestic product, Italy is more heavily in hock than Portugal, its total debt running at 85% of GDP. And Portugal's World Bank ease-of-doing-business rank of 31 puts it just below Israel and the Netherlands, while Italy is ranked 80th, meaning it is tougher for an entrepreneur to do business in Italy than in Mongolia or Zambia, and only a notch or three easier than in Jamaica, Albania and Pakistan. That might be the most ominous portent of all.

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

## What's News

■ **Price pressures** have been building in emerging markets, particularly in Asia, which could force central banks to raise interest rates aggressively, upending predictions about asset prices and currency levels. 19

■ **Swiss voters approved** a plan to deport foreigners who commit serious crimes or benefit fraud, a victory for the nationalist party that pushed the proposal against the will of the government. 6

■ **Debate in Washington** over a new arms-control treaty with Russia is focusing on verification measures. 7

■ **The U.S. and South Korea** started naval drills in the Yellow Sea, as Chinese officials pushed to restart diplomatic dialogue between Pyongyang and the outside world. 11

■ **Dubai is considering** selling some of its most prized assets, including a stake in flagship carrier Emirates, in a bid to reduce its debt. 21

## Inside



How well does a body connect with Xbox Kinect? 31



The times could be changing for Spain's El Clásico. 32

## ONLINE TODAY

### Most read in Europe



1. China Warns U.S. About Korea
2. Europe Tries to Limit Crisis
3. Traders' Targets: Portugal, Spain
4. China Moves to Cool Tensions
5. Deaths Shift Course of Crisis

### Most emailed in Europe

1. Deaths Shift Course of Crisis
2. Opinion: Dr. James Watson: 'To Be a Good Leader, You Have to Ruffle Feathers'
3. Can Index Funds Get Harder to Beat?
4. A Home-Price Puzzle in Spain
5. Dubai Weighs Emirates Stake Sale

### The Source

blogs.wsj.com/source

'Zapatero said he's not willing to cut spending more. He's right, he's done much already, but that may not be enough.'



### Continuing coverage



See analysis of the day's top news, including Heard on the Street columns, at [wsj.com/europeananalysis](http://wsj.com/europeananalysis)

### Question of the day

Vote and discuss: Which Europe House of the Day is your favorite?

Vote online today at [wsj.com/polls](http://wsj.com/polls)

### Previous results

Q: How does your holiday shopping budget this year compare to 2009?

I'm spending more

17%

I'm spending less

52%

Spending the same

31%

THE WALL STREET JOURNAL EUROPE  
(ISSN 0921-99)  
Commodity Quay, East Smithfield,  
London, E1W 1AZ

SUBSCRIPTIONS, inquiries and address changes to:  
Telephone: +44 (0) 20 3426 1234. Calling time from  
8 a.m. to 5 p.m. GMT. E-mail: [subs.wsje@dowjones.com](mailto:subs.wsje@dowjones.com).  
Website: [www.services.wsje.com](http://www.services.wsje.com)

ADVERTISING SALES worldwide through Dow Jones  
International. Frankfurt: 49 69 29725 390;  
London: 44 203 426 1111; Paris: 331 40 17 17 01.  
Printed in Belgium by Concentra Media N.V. Printed in  
Germany by Dogan Media Group / Hürriyet A.S. Branch  
Germany. Printed in Switzerland by Zehnder Print AG WIL.  
Printed in the United Kingdom by Newsfax International  
Ltd., London. Printed in Italy by Teletampa Centro Italia  
s.r.l. Printed in Spain by Bermont S.A. Printed in Ireland  
by Midland Web Printing Ltd. Printed in Israel by The  
Jerusalem Post Group. Printed in Turkey by GLOBUS  
Dünya Basınevi.

Registered as a newspaper at the Post Office.  
Trademarks appearing herein are used under license from  
Dow Jones & Co. ©2010 Dow Jones & Company. All  
rights reserved. Editeur responsable: Patience Wheatcroft  
M-17936-2003.  
Registered address: Boulevard Brand Whitlock, 87, 1200  
Brussels, Belgium



NEWS

# Rio police gain edge against gangs

By JOHN LYONS

RIO DE JANEIRO—Backed by military hardware and hundreds of soldiers, Rio de Janeiro police appeared to get the upper hand in a deadly weeklong battle against heavily-armed gangs that rule many of the city's sprawling hillside shantytowns.

But the coastal city, preparing to host the 2014 FIFA World Cup tournament and the 2016 summer Olympic Games, still faces huge challenges to bring order to vast slums that became havens for drug-funded criminal gangs during decades of neglect by successive local governments.

At least 46 people are dead in eight days since police cracked down on a wave of robberies and vehicle burnings by suspected gang members.

Authorities said they scored an important victory Sunday after nearly 3,000 police and soldiers, some in armored vehicles, occupied the giant Complexo do Alemão slum, a stronghold of one of the city's most feared gangs and a refuge for others fleeing police.

The raid netted several arrests among gang leadership, as well as dozens of assault rifles, ammunition and packages of cocaine and marijuana, police said. Police have made more than 100 arrests in the crack-down.

It was the second big shantytown occupied by police since Thursday. In a symbol of how the



Police load a helicopter with six tons of marijuana found during a raid on Rio's Complexo do Alemão slum on Sunday.

neighborhoods have long existed outside government control, police planted a Brazil flag at Alemão's high point after Sunday's operation.

"We won," said Col. Mário Sérgio Duarte, who heads the military police for Rio de Janeiro state. "We brought peace to the Alemão community."

Keeping the peace and spreading it to the hundreds of other shantytowns, known as favelas, that cling

to the hills that slope down to Rio's beaches may be the hard part. Occupying all of the city's slums will take a massive expansion of police.

Meanwhile, officials concede that many gang members in occupied slums have slipped away amid the labyrinths of narrow streets and precarious handmade brick dwellings. Truly reintegrating the favelas, home to as many as one million people, or 20% of the city, will re-

quire big investments in security, infrastructure and education.

The seriousness of the task was on display over the weekend at an entrance to Alemão, where Brazilian troops in camouflage and elite paramilitary police in dark uniforms, bullet-resistant vests and assault rifles, gathered before mounting their raid. A tank with its main barrel pointed up into the slum sat in the middle of the dusty, unpaved entrance.

For police, distinguishing between gang members and innocent favela dwellers is part of the challenge.

Men, mostly dressed in Bermuda shorts and T-shirts, were checked at the entrance for identification by police, who detained at least 30 people.

In the late afternoon, police and gang members engaged in a 20-minute gun battle near the favela entrance. Three frightened children waiting for their father, among those detained in a police bus, hid behind a wall crying. A house burst into flames. A motionless man was pulled from the burning house. No police were injured in the exchange. It wasn't immediately clear whether any gang members were killed or hurt.

By late Saturday, another shootout broke out and police said a deadline for gang members to surrender had passed. At around 8 a.m. Sunday morning, troops and armored vehicles invaded the shantytown and occupied it.

Many in Rio support the efforts, despite the death toll and a historical suspicion of police. Armored vehicles heading toward the favelas on Saturday were applauded in some cases.

The past eight days were the most bloody in a two-year effort by Rio de Janeiro Gov. Sergio Cabral to restore law and order in Rio's slums.

Rio's Olympic organizers also issued statements supporting the police.

## EU lays out program for future bailouts

Continued from first page of toppled dominoes along the eurozone's weak perimeter. European finance ministers raced to reach agreement before unsettled markets opened Monday.

The deal "should decisively address the current nervousness in the financial markets," said Olli Rehn, the EU's economy commissioner.

The bailout for Ireland—widely expected for several days—is a complicated blend of loans, some for as long as 10 years, and at an average interest rate of around 6%. It covers the government's financing requirements for more than two years, gives it extra time to put in place deficit cuts and provides cash for banking troubles.

The extended timeframe for the loans makes clear just how long Europe is likely to be helping its weaker members; also Sunday, EU leaders suggested loans to Greece would also be lengthened.

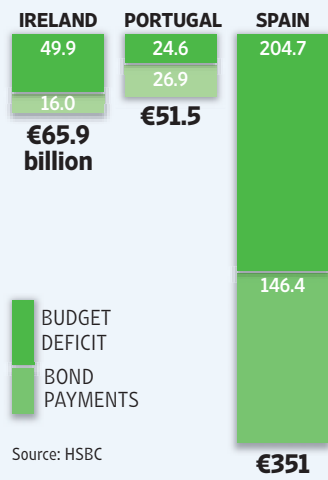
Ireland committed to providing €17.5 billion of a possible €35 billion earmarked for its banks. Counting Ireland's own contribution, which is coming out of the state's treasury and its pension-reserve fund, the total package is €85 billion.

"Can Ireland do without this program? The answer is no," said Prime Minister Brian Cowen at a Dublin news conference Sunday evening. The package "provides Ireland with vital time and space to address the problems we've been dealing with since this global economic crisis began."

Like the €110 billion bailout of

### Heavy burden

Projected financing needs for the euro zone's periphery, 2011-2013



Greece, the Irish rescue provides little more than time and space: Since debt relief is excluded before 2013, Ireland faces several years of mounting debt and budget austerity.

The same can be said for Spain and, particularly, Portugal, whose low-growth economy is stung by government cutbacks demanded to shrink its deficit.

For much of the past two years, a grin-and-bear-it mood—leavened by anger at the banks—has prevailed in much of Ireland. But it has recently been replaced by frustration.

—Nicholas Winning and David Enrich contributed to this article.

## BREITLING for BENTLEY

BENTLEY MOTORS CHRONOGRAPH

WWW.BREITLINGFORBENTLEY.COM



## EURO-ZONE CRISIS

## Belgian debt level prompts concerns

BY FRANCES ROBINSON

BRUSSELS—Belgium's borrowing costs are rising as high levels of public debt, the continuing political crisis and bailouts for euro-zone peers make investors nervous.

Belgian public debt will reach 100.2% of gross domestic product this year, according to the International Monetary Fund, the third highest level in the common-currency bloc after Greece and Italy.

Belgium has had a caretaker government since the last election in mid-June. Seven parties are trying to negotiate a coalition government but there is little sign a resolution can be found for the continuing political dispute between French-speaking Wallonia and Dutch-speaking Flanders.

The sovereign-debt crisis has roiled markets across Europe, with Ireland becoming the second country to take a European Union bailout after euro-zone governments agreed to assist Greece in May. While investors so far have focused on selling off the debt of Portugal, Spain, Greece and Ireland, they may turn their attention to Belgium next, analysts say. The country's debt is fully funded until April of next year, according to analysts at ING.

"We're in the middle of a financial crisis, which is spreading to more and more countries, and if the crisis continues due to unresolved government issues in Belgium this could create a problem," said Laurent Bilke, global head of inflation strategy at Nomura in London. "The political problem is pretty serious; in the current context you don't want to show any sign of weakness, and this is a meaningful one."

Belgian 10-year bonds Friday evening had a yield of 3.68%, a spread of nearly one percentage point over the German equivalent, according to Thomson Reuters. Although the spread is rising, it is still narrow compared to Portugal, Spain and Ireland. Portugal's yield was at 7.2% on Friday, with Spain at 5.2% and Ireland at 9.4%. Healthier euro-zone economies are closer to the German benchmark, with France at 3.1% and the Netherlands at 3%.

Belgium's relatively low yield is due to a number of factors, including its high household savings, a 2010 budget deficit forecast at about 5% of gross domestic product—modest compared to many peers—and stronger economic fundamentals than bailout recipients.

Belgium's Finance Ministry points out that because of a two-year budget plan made under former Prime Minister Herman van Rompuy, the government should be in line with its stability program. The country is still going to market debt regularly and it should account for about €8 billion (\$10.6 billion) of its 2011 funding needs by the end of this year, according to Pierre Wunsch, chief of staff in Finance Minister Didier Reynders's Cabinet. Belgium hasn't announced its gross financing requirements for 2011 yet; the total for 2010 was €45.75 billion.

Mr. Wunsch said the current yield on Belgian debt is less than expected six months ago based on forwards, and that the debt load will remain below 100% of GDP over 2010 as a whole and 2011, and is expected to decline in 2012.

"In terms of absolute level, if we stayed paying that level of interest

for the next five years, I'd be very happy," Mr. Wunsch said.

"Belgium has a huge debt, but it's one of the only countries that can afford it," said Julien Manceaux, an economist at ING in Brussels. "It's mainly held in the neighborhood, not by speculative Russian or Chinese investment funds, so volatility is less likely than in more exotic European countries."

According to Mr. Manceaux's calculations, the country's household savings are equivalent to net corporate and national debt combined, a situation matched only in the Netherlands and Germany, meaning the debt can be funded internally (mainly through funds, but also through direct purchases) if needed.

Doubts remain, however, about the country's banking sector. Belgo-Dutch bank Fortis was broken up during the crisis after it bought peer ABN Amro in a doomed joint bid with Royal Bank of Scotland Group PLC and Banco Santander SA. For the country's two other major banks, "Dexia's situation is still precarious due to restructuring and litigation issues and KBC could lose up to €60 million over a levy in its Hungarian subsidiary," said Emilie Gay of Capital Economics. Belgian banks had lent \$54 billion to Irish borrowers as of the end of June, according to statistics on cross-border banking claims from the Bank for International Settlements.

"There's a huge exposure of the private sector to bank loans in particular, which is added to the high level of public debt," said Silvio Peruzzo, an economist at RBS in London. "The country risk in terms of leverage is clearly substantial, so when the market moves forward leaving behind the usual suspects, Belgium is clearly a candidate."

As the political crisis rumbles on, voters may have to return to the polls next year, having been through three prime ministers and two elections since 2007. The most extreme scenario is a division of the country; French-speaking Socialist Laurette Onkelinx said in September that steps should be taken to "get ready for the breakup of Belgium."

"The worst-case scenario is a split in the country, and how the debt would be handled," said Ms. Gay, comparing the potential situation to East and West Germany. "For now it seems quite unlikely; what's holding it together is Brussels, that's what keeping yields in line." Brussels, home to the EU institutions, is Belgium's capital as well as a third federal state alongside Wallonia and Flanders.

Belgium's economy is growing, with GDP growth of 2.1% in the third quarter from a year earlier. According to ING, Belgian GDP will grow by 1.6% in 2011.

The political situation is also familiar—the country has gone for periods without a government before. "This is astonishing to anyone who's not Belgian, but for them it's normal," Ms. Gay said. "And as it's a federal country they're still able to run with a caretaker government."

Mr. Wunsch said: "If we had a government we would be in a very comfortable situation," adding, "We are in a weird one, where the fundamentals are all good, and on the economic front we've taken advantage of the very high growth in Germany, so the problems of not having a government are not that acute."



Guy Chazan/The Wall Street Journal

Volunteers handed out food parcels last week at Dublin's Capuchin Day Center, which has seen the profile of its visitors change. 'There are people who have beautiful houses and a car but no food,' says the center's Theresa Dolan.

## Ireland's cutbacks pile on for 'new poor'

BY GUY CHAZAN

DUBLIN—A church-run soup kitchen here symbolizes the human cost of Ireland's crisis: Middle-class homeowners, squeezed by rising debt and falling incomes, line up for food parcels alongside foreign asylum-seekers and the long-term unemployed.

These are Ireland's "new poor"—ordinary people with houses and jobs laid low by years of austerity, and now facing even tougher times as the government slashes public-sector jobs, raises taxes and cuts social welfare.

Theresa Dolan runs the Capuchin Day Center near Dublin's law courts that caters to the swelling ranks of the city's poor. Before 2008, about 250 people came each day for a hot dinner, she says. Now there are 520. And the visitors' profile is changing.

"There are people who have beautiful houses and a car but no food," she says. "All their spare cash goes on the mortgage."

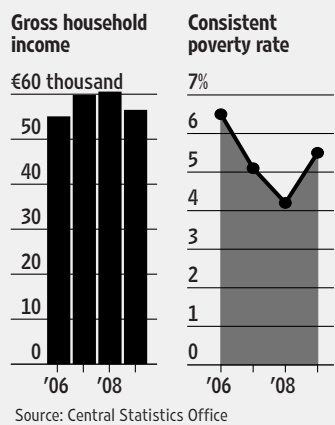
Last week, the Irish government unveiled a new four-year belt-tightening plan to repair public finances broken by recession and the cost of propping up the country's beleaguered banks. It is a key precondition of the bailout that was announced Sunday after negotiations by the European Union and the International Monetary Fund.

But it comes after three years of hairshirt budgets that have already sucked billions of euros out of the economy and the pockets of the middle classes. Since the onset of the crisis, Ireland's government has implemented some €15 billion (\$19.87 billion) of cuts—equivalent to roughly 10% of gross domestic product.

"Public-sector workers have seen their salaries fall by 13% over the last three years," says Paul Sweeney, economic adviser to the Irish Congress of Trade Unions. "Now they'll be paying significantly more, in income tax and things like water rates, university charges and property levies."

The measures are draconian. The government plans to shed almost

**Ireland's decline**  
Incomes have fallen and the ranks of Irish deemed living in or at risk of poverty have grown.



25,000 public-sector jobs, slash welfare spending and reduce the minimum wage. A new property tax will be introduced, water charges imposed, and tax base expanded to bring in lower earners. It adds to €10 billion in cuts and €5 billion in taxes in the next four years.

Ministers argue that such radical measures are needed to tame Ireland's gargantuan budget deficit, which this year stands at 32% of GDP—the largest in Europe—and to reassure investors who have stampeded out of Irish government debt. Yields of Ireland's 10-year bonds reached a record Friday of almost seven percentage points above benchmark German bunds.

Officials deny that lower-income groups are bearing the brunt of the cuts, highlighting measures to reduce tax relief on pension contributions, which will increase the tax burden on higher earners. "If you look at the adjustments we've made, those that earn the most will pay the most," says Eoin Dorgan, a Finance Ministry spokesman.

But it's clear that poverty is on the rise. Last year, almost a quarter of households were in arrears on utility bills, mortgage payments or other loans, compared to just over 10% a year earlier, according to a

new Central Statistics Office survey. Some 11% of households had to go into debt to meet ordinary living expenses, as disposable income per household fell 6.3%.

It's all a far cry from the boom, when Ireland was named the Celtic Tiger and enjoyed years of export-led growth. With the collapse of the property market, many of those who bought real estate in the good years now hold negative equity—with their houses worth less than the loans they took to buy them. Many of these are unemployed.

"We call them the new poor—people who have mortgages but no income and no money for anything," says Pat O'Donoghue, of Dublin's Pro Cathedral, who runs a charity distributing unwanted Christmas gifts to the poor.

One casualty of the downturn is Brendan Fagan, a 52-year-old IT manager at a Dublin hospital. As his salary was cut from €65,000 to €50,000, he could no longer afford the steep mortgage payments on his house in Clondalkin, a Dublin suburb. Last year he put the two-bedroom-house, bought in 1994, up for sale. It was a tough decision. "I intended to only go out of this house feet first in a wooden box," he said.

But prices plummeted. Mr. Fagan eventually sold his house after 18 months for €150,000—little more than half the asking price. The only place he could find for that money was a small house in Longford, 70 miles away. He will now commute two hours each way to work.

"We all thought things would get better after all the hardship," he says. They haven't. "People on the lowest rung of society are having to pay the bill."

Leah Speight earns €170 working a 20-hour week at a shopping mall. A single mother, she receives income support and a child benefit, which will likely be cut. Her take-home pay might shrink with the lower minimum wage. She's in arrears on rent and fears worse to come.

"I already feel like I'm only just managing, and now I'm going to be hit from all sides," she says.



## THE CLASSIC WATCH

No other watch is engineered quite like a Rolex. The Datejust, introduced in 1945, was the first wristwatch to display the date through an aperture on the dial. Its unique magnifying Cyclops eye, added a few years later, became recognised as a Rolex design standard. Now in a larger, more distinguished 41 mm size, the Datejust II is a natural evolution of a classic. The Datejust II is presented here in Rolex signature Rolesor, a unique combination of 904L steel and 18 ct yellow gold.

### THE DATEJUST II



## EUROPE NEWS



Agence France-Presse/Getty Images

Anti-racism groups criticized the Swiss People's Party's elections posters, showing white sheep kicking out black sheep.

## Swiss voters back plan to oust foreign criminals

Associated Press

GENEVA—Swiss voters on Sunday approved a plan to automatically deport foreigners who commit serious crimes, in a significant victory for the nationalist party that pushed the proposal against the will of the government.

Some 52.9% of voters backed the proposal put forward by the nationalist Swiss People's Party, or SVP, according to Swiss national broadcaster SFL. The plan was opposed by 47.1% of voters.

A government-backed counter-proposal failed. It would have required case-by-case review by a judge before an individual is deported.

"I'm totally for it," said Emma Link after casting her vote in Geneva. The 86-year-old blamed foreigners for what she said was rising crime in Switzerland, adding that she had recently been robbed on her way home from a nearby store.

The SVP plan drew fire before Sunday's referendum from legal experts who said it could breach offenders' human rights.

Marcelo Kohen, a professor of in-

ternational law at the Graduate Institute in Geneva, said people who had lived all their life in Switzerland, married Swiss citizens and had children, but never obtained Swiss passports, would be unusually hard hit by expulsion.

Under Switzerland's unique political system, any group that wants to change the law can collect 100,000 signatures to force a referendum.

Last year the country drew international condemnation after voters defied a government recommendation and approved a law to ban the construction of minarets.

Following the referendum, the Swiss government will now have to draft a law requiring automatic expulsion of foreigners found guilty of crimes such as murder, rape, drug dealing or benefit fraud.

Mr. Kohen predicted the law would be challenged before the European Court of Human Rights.

Likewise, the European Union—with which Switzerland has signed a bilateral treaty guaranteeing freedom of movement—would probably object to its citizens being automatically deported without the chance of judicial review, he said.

During the run-up to the vote, anti-racism groups bemoaned that the SVP's posters showed white sheep kicking black sheep off a Swiss flag, saying it played on stereotypical images of foreigners as criminals.

Virginie Studemann voted against the plan. "I think it's sad for our country," she said outside a polling station in the center of Geneva. "It's part of a concerted attack against foreigners."

Also Sunday, voters rejected a proposal to revise the country's tax system.

Swiss news agency SDA reported that 58% of voters opposed the plan, while 42% backed the proposal by the Social Democrat party to introduce a minimum tax across all Switzerland's 26 cantons, or states.

Polling group gfs.bern said this month that initial enthusiasm for the plan evaporated after heavy campaigning by business groups, which warned it could harm the Swiss economy.

Several prominent billionaires also spoke out against the proposal and threatened to move abroad if it was accepted.

## Catalan vote spells woe for Zapatero

Voters in Spain's wealthy north-eastern region of Catalonia have ousted the ruling Socialist party in Sunday's regional elections, a fresh challenge for Prime Minister José Luis Rodríguez Zapatero and his efforts to retain political control at a time of economic turmoil.

With 80% of the vote tallied, Cat-

By Jonathan House  
in Madrid and  
Santiago Pérez in Barcelona

alan nationalist party Convergence and Union, or CiU, had a dominating lead in the poll that will allow it to form a government, displacing the coalition led by the Socialists that also included pro-independence party Republican Left of Catalonia and the environmentalists of Initiative for Catalonia Greens.

"Convergence and Union has won the elections," Josep Antoni Duran I Lleida told party faithful gathered at a downtown hotel in Barcelona.

In an emailed statement, Socialist party spokesman Marcelino Iglesias conceded defeat. "Convergence and Union has clearly won the elections...it can legitimately assume the government" of Catalonia.

Analysts say the outcome of the closely watched elections in Catalonia could signal a change in Spain's political cycle, as support for Mr. Zapatero's Socialist party, which governs in Catalonia as well as at the national level, has been under-

Analysts say the outcome of the elections in Catalonia could signal a change in Spain's political cycle.

mined by a deep economic and fiscal crisis. Pressure on Mr. Zapatero has intensified during a tumultuous week in which concerns over Ireland spilled over into Spain, the euro zone's fourth-largest economy.

On Saturday, Mr. Zapatero called a meeting in Madrid with the heads of 37 of the country's top companies where he assured them he would speed up his government's overhauls of the labor market, banking sector and pension system. Mr. Zapatero told reporters the meeting had been useful in easing concerns over the Spanish economy and restoring



Artur Mas of the Convergence and Union party casts his ballot.

credibility with global investors.

The Catalan elections are the first in a series of polls ahead of national elections Mr. Zapatero must call by the end of his term in March 2012. Opinion surveys show Mariano Rajoy's center-right Popular Party would win national elections if they were held now.

The victory of CiU candidate Artur Mas would mark the return of the center-right, nationalist party, which held power for more than two decades before the Socialists took over in the early 2000s. The crisis has hit Catalonia particularly hard and its government is the most indebted of Spain's 17 regions, souring voter sentiment toward incumbent Socialist President José Montilla.

"The crisis has been the main theme of this election; it has been terrible and poorly managed," Gloria Riu, a housewife in Barcelona's residential Eixample neighborhood, said after casting her vote.

The crisis has also inflamed a historical grievance in Catalonia that the wealthy region gets little from the central government in terms of services and investment in return for the taxes it pays. Mr. Mas has promised a new fiscal framework for the region in which Catalonia would collect its own taxes and reduce the transfer of funds to the central government.

Critics of Mr. Mas's proposal say it is unconstitutional. At issue is the principle of redistribution of resources. Giving Catalans control of their own tax revenue would open the door for other regions to demand the same privilege.

## Russia admits Stalin ordered 1940 massacre of Poles at Katyn

By RICHARD BOUDREAU

MOSCOW—Russia's parliament accepted Soviet dictator Josef Stalin's responsibility for the 1940 Katyn Forest massacre of 22,000 Polish prisoners—a declaration that Poland's leaders welcomed, cautiously, as a step toward justice for an atrocity that still poisons the two countries' relations.

After a two-hour debate heated by Communist objections, parliament acknowledged Friday that archives first unveiled in the early 1990s "show that the Katyn crime was carried out on the direct orders of Stalin and other Soviet leaders."

Prime Minister Vladimir Putin and former President Boris Yeltsin had conceded Stalin's culpability,

but parliament's move was the first formal assertion by an official Russian body that linked the wartime leader to the killings.

The resolution was timed to smooth the way for President Dmitry Medvedev's Dec. 6 visit to Poland. Polish leaders, however, want Russia to go further and to accept legal responsibility for Katyn and declare it an act of genocide. Poland's opposition demands a formal apology and compensation for families of the victims.

Polish Prime Minister Donald Tusk called the measure "an important political gesture."

"The Polish government isn't hiding, however, that we expect those gestures...to be followed by bolder steps," he added.

More than seven months have passed since a plane crash killed Polish President Lech Kaczynski, his wife and dozens of other Polish dignitaries as they tried to land near the Katyn site in western Russia for a commemoration. The tragedy prompted an outpouring of sympathy in Russia and raised hopes for warmer ties.

Yet disputes persist. In October, Russia told the European Court of Human Rights, where it is being sued by victims' families, that it has no legal obligation to explain or own up to the killings. Russia closed its own criminal probe in 2004 without charging anyone, on the grounds that the perpetrators were dead.

Without challenging that position, parliament called for declassi-

fying still-secret files of the case in order to "restore the honorable names of all who died and...shed light on the circumstances of the tragedy." It conceded that Moscow's past efforts to pin the massacre on the Nazis had "provoked the wrath, grievance and mistrust" of Poles.

"Our task today is to get this lie out of our way," Konstantin Kosachev, chairman of parliament's foreign relations committee, said during the debate.

Communist lawmakers testily denied a Soviet role in the killings and warned that admitting otherwise would cost Russia billions of dollars in compensation—an estimate the resolution's backers called vastly overblown. The communists tried to amend the text to delete Stalin's

name but were defeated.

Former Polish President Alexander Kwasniewski said the resolution and its timing are a reassuring signal that the Katyn issue "will be under President Medvedev's special patronage."

Mr. Medvedev's critics in Russia are wary. "Speaking of Stalin's guilt is a positive step, but there's a danger it will stop there—that the resolution will be a substitute for legal steps," said Alexander Guryanov, a Katyn specialist at Memorial, a Russian human-rights group. Memorial wants Russia to accept legal responsibility for Katyn as a war crime, identify the perpetrators and open all case archives.

—Marcin Sobczyk in Warsaw  
contributed to this article.



U.S. NEWS

# New focus in fight over arms treaty

By JONATHAN WEISMAN

White House officials and Senate Republicans are shifting their arms-control arguments from politics to more substantive disagreements over treaty verification and nuclear weapons modernization ahead of what both sides say is a critical week for President Barack Obama's nuclear-arms treaty with Russia.

The new focus is on whether the New Strategic Arms Reduction Treaty contains robust enough verification measures to catch potential Russian cheating and whether the remaining nuclear arsenal can be modernized and maintained. Two key Republicans, Sens. Jon Kyl of Arizona and Bob Corker of Tennessee, circulated a seven-page memo to senators last week questioning the White House's commitment to modernizing the arsenal and the nuclear-weapons plants and laboratories needed to maintain them.

White House officials had committed \$80 billion to modernize the remaining arsenal and nuclear weapons complex, then added a further \$4 billion to address Mr. Kyl's concerns.

This week, Mr. Obama and Vice President Joseph Biden plan a robust, public push for a vote on the treaty before the end of the year. The vice president spoke last Monday with Mr. Kyl, who is leading efforts to delay treaty consideration, and spoke on Nov. 19 with Sen. Lindsey Graham (R., S.C.), a potential ally.

Russian officials support the treaty and have said they would abide by it.



Republican Sens. Jon Kyl, left, and Bob Corker questioned the White House's commitment to modernizing the U.S.'s arsenal.



Some Republicans, who had been calling for a delay in the treaty's consideration, have become more aggressive. "I think the treaty just needs to be scrapped," Sen. Christopher Bond (R., Mo.), the vice chairman of the Senate Select Committee on Intelligence, said in an interview.

The New START accord, which would cap the Russian and U.S. deployed strategic arsenals at 1,550 apiece, would also resume on-site inspections of U.S. and Russian nuclear weapons facilities that were

suspended a year ago, when the original START expired. But Mr. Bond said the new treaty's verification measures are inadequate to catch Russian cheating, which he said has been prevalent under all previous arms control accords, binding and nonbinding.

Under the original START, completed in 1991, each side had the right to conduct 28 inspections a year of opposing nuclear facilities. Under the new accord, 18 inspections are allowed a year, a reduction

Russia sought. Mr. Bond said Russia could secretly build up its mothballed arsenal of warheads, then "break out" of the treaty in a rush of deployments on missiles armed for treaty purposes with just one nuclear warhead, but capable of carrying several. Moscow could pursue this strategy to overwhelm missile defense systems being installed in Eastern Europe, he said.

The White House pushed back hard on the Bond argument. Under the new verification rules, the 18

annual inspections can be longer and more thorough, administration officials said. The original START was negotiated to cover 70 nuclear facilities in Russia, Ukraine, Kazakhstan and Belarus. All but Russia has since been "denuclearized," and Russia is down to 35 facilities, the officials said.

"We've learned a tremendous amount through 15 years of inspections under START," one official said. "We know which facilities were closed down or consolidated. We know they're not hiding anything."

The new treaty's delivery-system limits are based on the number of deployed missiles, not the capacity of those missiles, but administration officials say that works to the U.S.'s advantage, allowing two more nuclear submarines to stay in the fleet and maintaining U.S. technological superiority.

"We were surprised they didn't complain about our capability more strongly," a treaty negotiator said. "They tried, but we pushed back."

Besides, the officials argued, Mr. Bond's "break-out" scenario would happen only if U.S.-Russian relations deteriorated sharply, a shift more likely to happen if Senate Republicans block START ratification and freeze U.S.-Russian cooperation on issues from Iran to more complicated arms-control negotiations.

For the White House, Republican arguments over nuclear modernization may be more difficult to counter because it isn't clear how the administration can satisfy its critics, who appear to be angling for a resumption of nuclear-weapons development and testing.

## Inflation is low, but not in public's mind

[ The Outlook ]

By MARK WHITEHOUSE

By any widely recognized measure, U.S. inflation is extremely low, so low that the Federal Reserve wishes it were a bit higher. But many people don't see it that way.

The debate over potential inflationary effects of the Fed's latest efforts to boost the economy underscores this phenomenon: Many consumers think prices have been rising faster than the 1.2% the Labor Department has reported for the past year. That belief is reflected in surveys of consumers' expectations for the coming year's inflation. A mid-November survey found their median forecast at 3.0% despite Fed officials' repeated assurances that inflation pressures are subdued.

Why the disagreement? A number of factors—including consumers' perceptions, who they are, what they buy and where they live—make the inflation people experience different from what the government measures, or what matters for central bankers.

"How it feels in your or my back pocket is quite different to how it should be treated for monetary policy, and that might be part of the disjunction that we're seeing today," says Justin Wolfers, an economist at the University of

Pennsylvania's Wharton School.

Misperceptions of inflation can cause problems. If, for example, people think the Fed doesn't have inflation under control, the central bank might have to focus more on calming those concerns than on stimulating a weak economy.

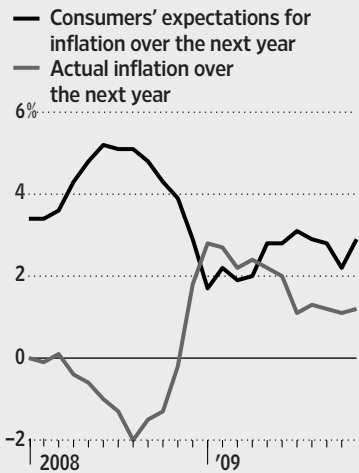
Measuring inflation isn't easy. Every month, Labor Department statisticians track the prices of some 80,000 goods and services. They adjust for changes in quality: An increase in the power of a computer without an increase in the price registers as a price decrease. They assign each item a weight depending on its share of the average U.S. household's budget. October's 1.2% fall in the price of apparel from the previous year, for example, outweighed the 13.4% rise in fuel oil, because fuel oil makes up a smaller share of the typical household's spending.

Consumers' mental accounting isn't nearly as exacting. They pay more attention to the prices of things they buy frequently, or to prices that fluctuate a lot, such as gasoline and meat. In a Bank of England survey, consumers identified household energy, gasoline, transportation, food and drink as the top influences on their perception of inflation. In the U.S. last year, prices rose sharply in all of those categories, with the exception of food and drink.

"It really comes down to where you have incentives to follow

### Perception and prices

Americans' perceptions of inflation often differ from reality, and their experiences can diverge depending on who they are and where they live



\*excluding shelter costs Sources: Reuters/University of Michigan consumer sentiment survey; Federal Reserve Bank of St. Louis; U.S. Labor Department; WSJ analysis

### Consumer-price inflation for different income groups over the 10 years ended October 2010\*

Less than \$19,175	31.0%
From \$19,175 to \$35,598	29.7
From \$35,598 to \$57,295	29.3
From \$57,295 to \$93,784	28.3
More than \$93,784	27.2
\$150,000 or more	26.9

### Annual consumer-price inflation by region, as of October 2010

Northeast	1.46%
Midwest	1.45
South	1.31
West	0.57

prices," says Mark Schweitzer, research director at the Federal Reserve Bank of Cleveland.

How people perceive inflation also varies with demographics. A recent paper in the Journal of Consumer Affairs suggests that inflation expectations tend to be higher among people who are older, poorer or less-educated. A study by Cleveland Fed economists found inflation perceptions to be about 50% higher among women than men.

Of course, the inflation any individual faces almost surely differs from the government's aggregate data. Outside of housing, middle-income consumers have experienced more inflation than other income groups over the past year, in part because they devote a relatively large share of their budget to energy and transportation.

Geography matters, too. Prices in western U.S. states rose only 0.6% in the year ended in October,

compared with 1.5% in the Northeast and Midwest.

But there's good reason the government focuses on averages, and on inflation measures that some consumers might find misleading. Low-income homeowners saw their mortgage costs rise 28% from 2007 to 2009 as many tried to keep up with subprime-loan payments resetting at higher levels. If the Fed counted such financing-related costs as inflation, it would see a signal to raise interest rates, a move that would push up mortgage costs even further. In part to avoid such problems, the Fed relies on government measures that use rents to calculate housing costs.

Inaccurate perceptions of inflation can lead people to behave in ways that have real effects on the economy. When Europe switched to a new currency in 2002, for example, some people cut back on spending in part because they erroneously thought prices had jumped.

Right now in the U.S., though, slightly elevated inflation perceptions could be useful to Fed officials. As long as people think and act as if inflation will inch up from today's very low levels, the economy is less likely to succumb to one of central bankers' big fears: A deflationary spiral in which people stop buying because they expect prices to fall in the future.



## U.S. NEWS

# U.S. blue-collar workers mine richer seam of jobs

By CONOR DOUGHERTY

Among U.S. workers who make their living using their muscles, those employed in the mining and drilling industries face brighter prospects than those who work in factories.

Several of the states with the highest concentration of extraction industries had unemployment rates below the national average, which stood at 9.6%, in October, according to a Labor Department report released Tuesday. The nation's lowest jobless rate, 3.8%, was in North Dakota, which has a large number of oil-related jobs. Oklahoma, rich in natural gas, had a 6.9% rate while coal-rich West Virginia was at 9.3%.

"Extraction industries are expanding," said Steve Cochrane, an economist with Moody's Analytics.

To be sure, the nation isn't going to drill its way to full employment. There are fewer than a million jobs in the mining sector all told, includ-

ing mineral and coal mining as well as onshore and offshore oil and gas drilling jobs. And commodity prices are likely to fall back at some point, taking employment down with it. Recently, the boom in gas drilling has begun to slow amid falling natural-gas prices.

But the situation compares favorably with that faced by workers in the manufacturing sector. Manufacturing has seen employment grow over the past year as factories have ramped up production amid a restocking cycle, but it still has two million fewer jobs than before the recession—11.7 million in October compared with 13.7 million in December 2007.

The states with the highest jobless rates are places that have been ravaged by declines in construction and manufacturing employment: Nevada, at 14.2%, had the nation's highest rate in October, while Michigan was second with 12.8%.

Thanks to the growth in gas drilling, Dennis Coffman, 29 years old, is planning a better Christmas for his family. Mr. Coffman, who lives in Connellsville, Pa., recently got a job at a construction firm that readies fields tapping into the Marcellus Shale Formation gas deposit.

Two years ago, Mr. Coffman worked at a satellite-television company training technicians to install dishes and satellite boxes. He was laid off when the economy slumped, and to make ends meet moved his wife and two children from a two-bedroom house to a one-bedroom apartment. In May, he found a job at a store leasing appliances and furniture that paid \$10 an hour—less than he was making from unemployment benefits.

But jobs have been plentiful at the fast-growing drilling operations near where Mr. Coffman lives. After dropping off résumés and a few months of follow-up calls, Mr. Coff-

man two weeks ago found his new job, which pays nearly double his old hourly rate. "This year is definitely going to be better than last year," he said of the gifts he hopes to buy.

Nationwide, there were 216,900 mining jobs in October, excluding oil and natural-gas drilling, up 12,600 from a year ago and just below the pre-recession peak. Natural-gas and oil extraction have added about 10,000 jobs over the past year and are well above their employment levels in December 2007, when the recession began.

The trend also shows up in workers' paychecks. Among the 30 U.S. areas with the fastest growth in household median income from 2000 to 2009, 19 have higher-than-average numbers of extraction jobs, according to Census data and Moody's Analytics.

—Sara Murray and Ben Casselman contributed to this article.



Dennis Coffman excavates a site in southwest Pennsylvania, where gas-drilling jobs have been plentiful.

Jeff Swensen for The Wall Street Journal



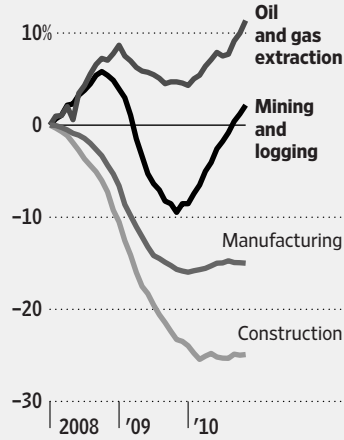
REPUBLIC OF TURKEY  
MINISTRY OF HEALTH  
DEPARTMENT OF PUBLIC PRIVATE PARTNERSHIP  
REQUEST FOR QUALIFICATION FOR THE CONSTRUCTION WORKS AND THE PROVISION OF PRODUCTS AND SERVICES FOR  
KONYA KARATAY INTEGRATED HEALTH CAMPUS

The tender for the Work of Construction Works and the Provision of Products and Services for Konya Karatay Integrated Health Campus through Public Private Partnership Model (the "Project") shall be awarded by Republic of Turkey Ministry of Health Department of Public Private Partnership (the "Administration") by restricted procedure in accordance with the Supplementary Article 7 of the Fundamental Law on the Health Services (the Law no 3359) as amended by Law no 5396, and the provisions of the "Regulation on the Construction of Health Facilities on a Lease-and-Build basis and the Restoration of the Services and Areas in Facilities other than Medical Service Areas on the Restore-and-Operate Basis" (the "Regulation"). Detailed information on the pre-qualification evaluation is situated as below:

- The Project shall be executed in Karatay-Konya. The Project would be covering a health campus investment with a total capacity of 800 beds consisting of a 400-bed General Hospital, a 400-bed Woman and Children's Hospital. The Contractor shall provide the financing, development of as-built design, design, construction works, medical devices and other equipment for the health campus, and furnish the facilities. The Contractor shall also undertake the provision of support services in the facilities including imaging, laboratory and other medical support services as well as information processing, sterilization, laundry, house-keeping, security, catering services, and the repair, maintenance and operating works of the buildings, along with the construction and operation of the commercial spaces that shall be compatible with the concept of health and approved by the Ministry. The Contractor shall be liable for all non-clinical costs. Executed under the public private partnership model, Project's construction period shall be 36 months whereas the operating period shall be 25 years, the total contract period is 28 years.
- Pre-qualification evaluation shall be open to all local and foreign applicants, meeting the application criteria. Parties ineligible for bidding in this tender are set out in Article 11 of the Regulation whereas those who shall be disqualified from the tender are set out in the fourth paragraph of Article 10. Joint ventures in the form of partnerships may apply for pre-qualification; however, consortia are not allowed.
- For the purposes of the pre-qualification application, candidates are required to submit a certificate of good standing issued by the trade and/or industry chamber, or the chamber of artisans and artists where the applicant is registered by law, a circular of signature or a signature declaration or equivalent documents evidencing that the applicant is authorized to make a pre-qualification application, and the forms attached to the pre-qualification specifications.
- Economic and financial qualification criteria for an applicant are (a) its average turnover of the last five years prior to the year of the publication of the pre-qualification notice not being less than TL 45.000.000, (b) the submission of its financial statements spanning last five years certified by independent auditors or certified financial advisor including their opinions, and its latest provisional tax returns, if applicable, and (c) the aggregate of available unused cash and non-cash loans and deposits without any restrictions with the banks being not less than TL 45.000.000. A partnership shall be deemed to have met this substance (a), and (c) criteria jointly.
- Professional and technical qualification criteria sought for an applicant are, during the last five years prior to the year of the publication of the pre-qualification notice, (a) the completion of the construction works of a hospital with a minimum capacity of 200 beds by 80% at the least; (b) the complete set-up and installation or the provision of the operation for a minimum term of two consecutive years of the information management system of a hospital with a minimum capacity of 200 beds; (c) the supply of imaging services in hospitals or health facilities for an annual average value of at least TL 1.500.000 for minimum two consecutive years; and (d) the supply of laboratory services in hospitals or health facilities for an annual average value of at least TL 3.000.000 for minimum two consecutive years. Applicants are further required to submit ISO 9001-2000 Quality Management System Certificates and 14001 Environmental Management Certificate. The parties of a joint venture may jointly meet these criteria. The applicants may also meet these criteria through sub-contractors. In this case the applicants shall submit along with the pre-qualification applications the list which indicates the fulfillment of the professional and technical qualification criteria by the partners or the sub-contractors.
- All applicants found to be pre-qualified following the evaluation shall be required notice.
- Pre-qualification documents could be seen at the Administration's address of T.C. Sağlık Bakanlığı, Ek Binası, Ceyhan Atfı Kızı Cad. No:102 Kat:2 Balgat / ANKARA and the bidding documents can be obtained at the Administration's address after depositing 2.000,00 TL to account number TR42000010010000350121014 of Merkez Bankası Branch of Ankara or to Merkez Saymanlık Müdürlüğü at the address of Konur-2 Sokak No:37/2 Kızılay/ANKARA. Pre-qualification will apply to those who buy pre-qualification documents are required.
- Pre-qualification applications could be delivered by hand as well as through certified mail to the Administration's address of T.C. Sağlık Bakanlığı, Ek Binası, Ceyhan Atfı Kızı Cad. No:102 Kat:2 Balgat / ANKARA at the latest by 14.00 on 07/01/2011. The tender shall not be subject to the State Procurement Law no. 2886 and the Public Procurement Law no. 4734. In case of discrepancies between the Turkish and English texts of the present notice, the Turkish text shall prevail.

## Extracting jobs

Percentage change in the total number of U.S. jobs in each sector or industry since December 2007



Note: Historical data are seasonally adjusted  
Source: U.S. Labor Department

## More dissent likely at Fed's key panel

By SUDEEP REDDY

Federal Reserve Chairman Ben Bernanke is likely to face some new dissenting votes when the make-up of the Federal Open Market Committee, the central bank's policy-making committee, changes in January.

Every Fed policy maker, including regional bank presidents, gets a voice at the table during FOMC meetings. But regional bank presidents draw more attention when they're among the ones who cast votes, as Kansas City Fed President Thomas Hoenig showed when he formally objected to the Fed's current policy at all seven of the committee's meetings this year.

Four presidents of regional Fed banks will step into the rotation at the Fed's policy meeting in late January: Charles Evans of Chicago, Charles Plosser of Philadelphia, Richard Fisher of Dallas and Narayana Kocherlakota of Minneapolis. They'll join the eight permanent voters on the FOMC: seven Fed governors and the New York Fed president.

In the 2011 lineup, Mr. Evans will bring a dovish voice to the FOMC table, arguing for strong action from the Fed to combat a deflation threat and backing Mr. Bernanke's move to buy \$600 billion in long-term U.S. Treasuries to help the economy, a policy known as quantitative easing.

Most attention among regional bank presidents will likely go to Mr. Plosser and Mr. Fisher, two policy makers who have not been shy about casting dissenting votes. Mr. Fisher dissented five times in 2008, either calling for higher interest rates or objecting to committee moves to lower rates. He was joined twice by Mr. Plosser, who objected to rate cuts at the time.

The other incoming voter, Mr. Kocherlakota, will have his first voting seat on the FOMC since taking office in October 2009. He has at times questioned the efficacy of the low-rate policy for addressing the economy's ills, but this month he publicly supported the Fed's latest decision to embark on a new round of quantitative easing.



## WORLD NEWS

# Ruling party expected to gain in Egyptian vote

BY CHARLES LEVINSON  
AND ASHRAF KHALIL

CAIRO—Egypt's largest opposition party, the Muslim Brotherhood, appeared headed for a drubbing on Sunday in parliamentary elections marred by scattered violence, widespread fraud allegations and a sweeping government clampdown on dissent.

President Hosni Mubarak's ruling National Democratic Party looked certain to strengthen its hold on Egypt's 508-seat lower house of parliament, setting the stage for presidential elections next fall. Those elections will likely be a critical milestone in the transition of power to Mr. Mubarak's still unnamed successor.

It remains uncertain whether the ailing 82-year-old Mr. Mubarak, who has ruled Egypt since 1981, will seek re-election. If he does, it is widely believed he will anoint a successor before the vote, perhaps by naming a vice president for the first time.

The prospects of an unpredictable transition, coupled with growing discontent among millions of Egyptian poor, appears to have sown unease within the regime, said analysts and Western diplomats in Egypt. It appears intent on smoothing the transition by electing a pliable parliament with little meaningful opposition, they said.

During the two-week campaign leading up to Sunday's vote, Egypt's

government arrested more than 1,300 members of the Muslim Brotherhood, according to the group, put restrictions on media and ignored U.S. calls to allow international poll monitors. A new election law, meanwhile, restricted judicial oversight of the vote.

The government crackdown, one of the most aggressive in years, underscored the degree to which Egypt has reversed the modest steps it took toward democratization ahead of parliamentary and presidential elections in 2005, at the height of the Bush administration's campaign to push democracy in the Mideast.

The Obama administration has been criticized by some congressmen and democracy advocates for taking too soft a stance on issues related to democracy and human rights with Mideast governments such as Egypt.

U.S. officials stressed their continuing commitment to promoting democracy in Egypt and elsewhere in the days leading up to Sunday's vote.

Despite a heavy security presence in Egypt's streets, there were scattered clashes throughout the country on Sunday, pitting Muslim Brotherhood supporters against police, and between supporters of rival candidates. There were conflicting reports of casualties. Human-rights groups monitoring the vote reported as many as seven deaths in election clashes.



Egyptian voters in Alexandria check their names before casting ballots in parliamentary elections on Sunday.

# New video shakes Afghan vote result

KABUL—A fresh controversy is threatening to further mar the already messy aftermath of Afghanistan's fraud-ridden parliamentary elections with the emergence of a videotape that appears to show an elderly Western woman soliciting an alleged bribe to fix the results.

By Matthew Rosenberg,  
Maria Abi-Habib  
and Arif Afzalzada

Afghan prosecutors and electoral officials identified the woman as a Hungarian who works for an obscure group called the Foundation for Afghanistan. She registered herself as a vote monitor ahead of the Sept. 18 poll, the officials said.

The video was first broadcast Friday evening on Emroz TV, a private Afghan station, which claimed the woman worked for the United Nations mission here and presented it as evidence of the international community's complicity in the widespread fraud during the elections.

The U.N. said it had no connection to the woman, who in the video is apparently receiving cash from a man sitting just off-screen. A copy of the video was reviewed Saturday by The Wall Street Journal.

In the video, the woman can be heard saying she will take the com-

plaints of the man to election officials. After allegedly being handed the cash, the woman says: "It is not enough. Give me this now but you have to give me more later."

She adds: "I think we agreed on \$8,000 and you still have to give me \$6,000."

It isn't clear where exactly the meeting took place or what complaints she was agreeing to pass on.

The woman's whereabouts aren't known, officials said. The Foundation for Afghanistan didn't respond to an email query.

Deputy Attorney General Rahmatullah Nazari said Afghan authorities were seeking to locate and question the woman.

Election officials said the tape was puzzling since an independent, low-level election observer wouldn't be in a position to alter the outcome of any race.

"She can't affect the process because she was not involved in the process," said Zekria Barakzai, the chief deputy electoral officer of the Independent Election Commission, which organizes Afghan elections.

Some Western diplomats suspect the video is part of an effort by elements within the administration of President Hamid Karzai to discredit the vote, although they cited no hard evidence to back the claim.



## REPUBLIC OF TURKEY MINISTRY OF HEALTH DEPARTMENT OF PUBLIC PRIVATE PARTNERSHIP

### REQUEST FOR QUALIFICATION FOR THE CONSTRUCTION WORKS AND THE PROVISION OF PRODUCTS AND SERVICES FOR YOZGAT EDUCATION AND RESEARCH HOSPITAL

The tender for the Work of Construction Works and the Provision of Products and Services for Yozgat Education and Research Hospital through Public Private Partnership Model (the "Project") shall be awarded by Republic of Turkey Ministry of Health Department of Public Private Partnership (the "Administration") by restricted procedure in accordance with the Supplementary Article 7 of the Fundamental Law on the Health Services (the Law no 3359) as amended by Law no 5396, and the provisions of the "Regulation on the Construction of Health Facilities on a Lease-and-Build basis and the Restoration of the Services and Areas in Facilities other than Medical Service Areas on the Restore-and-Operate Basis" (the "Regulation"). Detailed information on the pre-qualification evaluation is situated as below:

1. The Project shall be executed in Yozgat. The Project would be covering a Education and Research Hospital investment with a total capacity of 400 beds. The Contractor shall provide the financing, development of as-built design, design, construction works, medical devices and other equipment for the Education and Research Hospital, and furnish the facilities. The Contractor shall also undertake the provision of support services in the facilities including imaging, laboratory and other medical support services as well as information processing, sterilization, laundry, housekeeping, security, catering services, and the repair, maintenance and operating works of the buildings, along with the construction and operation of the commercial spaces that shall be compatible with the concept of health and approved by the Ministry. The Contractor shall be liable for all non-clinical costs. Executed under the public private partnership model, Project's construction period shall be 24 months whereas the operating period shall be 25 years, the total contract period is 27 years.

2. Pre-qualification evaluation shall be open to all local and foreign applicants, meeting the application criteria. Parties ineligible for bidding in this tender are set out in Article 11 of the Regulation whereas those who shall be disqualified from the tender are set out in the fourth paragraph of Article 10. Joint ventures in the form of partnerships may apply for pre-qualification; however, consortia are not allowed.

3. For the purposes of the pre-qualification application, candidates are required to submit a certificate of good standing issued by the trade and/or industry chamber, or the chamber of artisans and artists where the applicant is registered by law, a circular of signature or a signature declaration or equivalent documents evidencing that the applicant is authorized to make a pre-qualification application, and the forms attached to the pre-qualification specifications.

4. Economic and financial qualification criteria for an applicant are (a) its average turnover of the last five years prior to the year of the publication of the pre-qualification notice not being less than TL 30.000.000 (b) the submission of its financial statements spanning last five years certified by independent auditors or certified financial advisor including their opinions, and its latest provisional tax returns, if applicable, and (c) the aggregate of available unused cash and non-cash loans and deposits without any restrictions with the banks being not less than TL 30.000.000. A partnership shall be deemed to have met this substance (a) and (c) criteria jointly.

5. Professional and technical qualification criteria sought for an applicant are, during the last five years prior to the year of the publication of the pre-qualification notice, (a) the completion of the construction works of a hospital with a minimum capacity of 100 beds by 80% at the least; (b) the complete set-up and installation or the provision of the operation for a minimum term of two consecutive years of the information management system of a hospital with a minimum capacity of 100 beds; (c) the supply of imaging services in hospitals or health facilities for an annual average value of at least TL 1.000.000 for minimum two consecutive years; and (d) the supply of laboratory services in hospitals or health facilities for an annual average value of at least TL 2.000.000 for minimum two consecutive years. Applicants are further required to submit ISO 9001-2000 Quality Management System Certificates and 14001 Environmental Management Certificate. The parties of a joint venture may jointly meet these criteria. The applicants may also meet these criteria through sub-contractors. In this case the applicants shall submit along with the pre-qualification applications the list which indicates the fulfillment of the professional and technical qualification criteria by the partners or the sub-contractors.

6. All applicants found to be pre-qualified following the evaluation shall be required notice.

7. Pre-qualification documents could be seen at the Administration's address of T.C. Saei-k Bakanli-e Ek Binas Ceyhun Atf Kansu Cad. No:102 Kat:2 Balgat / ANKARA and the bidding documents can be obtained at the Administration's address after depositing 1.000,00 TL to account number TR420000100100000350121014 of Merkez Bankas Branch of Ankara or to Merkez Saymanli-k Mudurlu-u at the address of Konur-2 Sokak No:37/2 K-z:lay/ANKARA. Pre-qualification will apply to those who buy pre-qualification documents are required.

8. Pre-qualification applications could be delivered by hand as well as through certified mail to the Administration's address of T.C. Saei-k Bakanli-e Ek Binas Ceyhun Atf Kansu Cad. No:102 Kat:2 Balgat / ANKARA at the latest by 14.00 on 14.01.2011.

The tender shall not be subject to the State Procurement Law no. 2886 and the Public Procurement Law no. 4734.

In case of discrepancies between the Turkish and English texts of the present notice, the Turkish text shall prevail.



## WORLD NEWS

# Countries pare climate ambitions

By JEFFREY BALL

With the push to cap greenhouse-gas emissions all but dead in the U.S., world diplomats will meet in Mexico starting Monday to try to eke out a less-ambitious attack on global warming.

Few observers are confident of a breakthrough.

At a two-week United Nations climate conference in the Mexican resort city of Cancun, negotiators will focus not on the stick of mandatory emissions limits but on the carrot of tens of billions of dollars in subsidies from industrialized countries to help developing nations grow on a greener path.

Almost all growth in global greenhouse-gas emissions in coming years is expected to come from developing countries. The subsidies likely would, among other moves, help China build more-efficient coal-fired power plants, Brazil preserve forests, and an array of developing countries build wind farms and solar projects.

Diplomats pledged the incentives at a U.N.-sponsored climate summit in December in Copenhagen. They promised \$30 billion in climate funding for poor countries by 2012, and another \$100 billion annually, expected to come largely from private investment, starting in 2020.

But negotiators left for another day the task of hashing out the details of how to deliver on those funding pledges. The day has come, but the details have prompted yet another standoff.

Many developing countries say the U.S. and other rich nations are in some cases cutting as much money in other parts of their foreign-aid budgets as they're adding in what they call climate aid—basically shuffling rather than enlarging their foreign-aid budgets. They say the billions of dollars in new climate aid should be in addition to that already-existing assistance.

The U.S. rejects the argument that only climate funding that adds



Negotiators meet for two weeks in Cancun. Expectations of any major emission cuts over the next decade are dimming.

to past years' total amounts of foreign assistance should qualify toward such pledges, Todd Stern, the Obama administration's top climate negotiator, said in an interview. "There are very sharply differing views on what is new," he said.

No one suggests the incentives would bankroll emission cuts large enough to put a major dent in global greenhouse-gas output.

But the fight over these subsidies is a "concern, because, quite frankly, everyone has to start doing things now" to make deeper emission cuts down the road more possible, Robert Orr, the U.N.'s assistant secretary-general for policy planning, said in an interview.

Yet expectations of any major emission cuts over the next decade or two are dimming.

In recent months, Congressional leaders in the U.S. have made clear they don't intend to take up the issue of a nationwide emissions cap

anytime soon. China has said repeatedly it doesn't intend to accept a mandatory cap.

The U.S., China, and many other countries pledged voluntarily in Copenhagen to curb the growth in their emissions by specific amounts. The fitful economic recovery makes it easier to notch progress on those pledges, because a slower economy requires less growth in fossil-fuel consumption. Fossil fuels contribute to climate change, many national scientific academies say. And many countries, including China and India, are implementing policies that nurture domestic makers of renewable-energy and energy-efficiency equipment, hoping to promote new export industries.

But the International Energy Agency said in a report this month that even if countries met the emission-reduction pledges they made in Copenhagen, greenhouse-gas output probably would rise enough to push

average global temperatures more than two degrees Celsius (or 3.6 degrees Fahrenheit) above pre-industrial levels.

Many scientists say a temperature increase bigger than that would trigger dangerous consequences.

"We must act now to ensure that climate commitments are interpreted in the strongest way possible and that much stronger commitments are adopted and taken up" in the next few years, Nobuo Tanaka, the IEA's executive director, said in releasing the report. "Otherwise, the 2-C goal could be out of reach for good."

That suggests the fight over global warming is about to get even harder to solve.

The U.S. won't support any climate policy that requires it to curb emissions but lets China and other developing countries "just do it if they feel like it," the Obama administration's Mr. Stern said.

# Turnout of voters in Taiwan is high

By PAUL MOZUR  
AND FANNY LIU

TAIPEI—The shooting of a prominent Kuomintang politician appeared to mobilize supporters of Taiwan's ruling party, which retained three out of five mayoral seats in weekend elections seen as a gauge of support for its historic opening to China.

Sean Lien, the eldest son of former KMT vice president Lien Chan, was shot in the head as he was about to address an election-eve rally on Friday. He was in stable condition in National Taiwan University hospital on Sunday after a four-hour operation. Police arrested the suspected gunman, but the motive for the attack remains unclear. Mr. Lien's spokesman cited him as saying the shooter called out his name before he fired.

The incident recalled a similar shooting in 2004, when then-incumbent presidential candidate, Chen Shui-bian of the Democratic Progressive Party, was shot the day before polling. Mr. Chen narrowly won re-election, and the Kuomintang accused the DPP of using the incident to its advantage by bringing out a sympathy vote.

Some political analysts said Friday's shooting led to a high voter turnout—70% across Taiwan—that hurt the DPP, which had been building momentum in opinion polls ahead of the vote. Asked about this, President Ma Ying-jeou was quoted by the official Central News Agency as saying: "I'm not sure."

Mr. Ma said he believes the results show that the majority of the public "accepts" the government's push for closer ties with China, the news agency reported.

"Originally the KMT was struggling to mobilize its base, but the shooting Friday drove some of those disappointed and apathetic voters to the polls out of anger," said Wang Yeh-lih, the chairman of the National Taiwan University's department of political science.

The elections were dominated by debate about local issues such as transportation. However, experts said the KMT's strong showing in the elections, staged in key urban constituencies representing 60% of Taiwan's populace, signals support for its pro-China economic policies, which have helped Taiwan's economy stage a speedy recovery from the global economic downturn.

The election results were largely in keeping with traditional political divides in the island, with KMT candidates winning in the central and northern cities of Taipei, Xinbei City and Taichung while DPP candidates won in the southern cities of Tainan and Kaohsiung. Taipei mayoral incumbent Hau Lung-bin won in Taipei and Eric Chu beat out DPP chairperson Tsai Ing-wen in Xinbei City.

The results "show the Ma administration will be more confident on its cross-Strait policies going forward, but it does not necessarily mean it will take more aggressive approach, as Ma will need to be careful ahead of the presidential election in 2012," said Mr. Wang of National Taiwan University.

# Okinawa's governor wins re-election

By YUKA HAYASHI

TOKYO—The conservative incumbent governor of Okinawa won re-election after a hard-fought campaign, providing some hope for Washington and Tokyo for resolving a contentious issue over the status of U.S. bases on the southern Japanese island.

The gubernatorial election has been closely watched in the two capitals, as the campaign centered around local criticism of U.S. military bases on the island, host to the majority of American military operations in Japan.

The winner, Gov. Hirokazu Nakaima, has a history of supporting new U.S. military facilities, though he turned critical of a plan to build a new base in Okinawa during the campaign. His opponent was a staunchly antibase challenger.

The election had become a de facto referendum on the bases, a major headache for Prime Minister Naoto Kan, who is under sharp criticism for his handling of foreign-policy issues in recent weeks, ranging from territorial disputes with China and Russia, to how to respond to tensions in Korea.

Amid the rising antibase sentiment in Okinawa, Mr. Nakaima



Hirokazu Nakaima's daughter kisses him as he celebrates his re-election.

shifted his pro-base stance in recent months and made a campaign promise to move a controversial U.S. Marine Corps base off the island. Still, Mr. Nakaima, a former trade-ministry bureaucrat supported by several conservative parties, has been more flexible than his challenger toward the two governments' existing plan to build a new U.S. base at a new location on the island. Observers believe he may be willing to negotiate a deal with Tokyo once he assumes

his second term.

Mr. Nakaima fought a close race with challenger Yoichi Iha, a former mayor of a base-hosting city, who has made a name for himself with his fiery opposition to U.S. bases.

The timing of the growing antibase sentiment in Okinawa, a small island hosting three-quarters of U.S. military facilities in Japan, is awkward for the U.S. and Japanese governments, coming amid rising military tensions around the region. Government officials say the presence of U.S. troops there has become all the more important since the recent military flare-up on the Korean peninsula and the swelling military presence of China.

With all votes counted by late Sunday night, Mr. Nakaima won 335,708 votes, or 51.6% of the total, compared with 297,082 votes, or 45.6% for Mr. Iha, according to the website of the Okinawa prefecture. Mr. Nakaima, 71 years old, was supported by conservative parties, including the Liberal Democratic Party, the former ruling party with pro-American policies. Mr. Iha, 58, had received the endorsement of smaller liberal parties, including the Social Democratic and the Communist parties.

Mr. Kan's ruling Democratic

Party failed to field its own candidate, unable to find a local politician willing to campaign on the party's unpopular policy on bases. After his predecessor, former Prime Minister Yukio Hatoyama, lost his job after failing to meet his campaign promise not to allow a new base in Okinawa, Mr. Kan embraced an exiting bilateral plan with Washington, that calls for building a new Marine Corps facility on the island's scenic northeastern coast. In exchange, the existing Futenma air station, located in a densely populated area would be closed.

The governor has an essential role in the relocation plan as his approval is required for building a landfill on which a new runway is to be constructed.

In his victory speech Sunday, Mr. Nakaima stressed his plan to push for moving the Futenma facility outside of Okinawa. "There is no relocation site available in Okinawa," said the governor.

Still, calling himself a strong supporter of the U.S.-Japan security alliance, Mr. Nakaima has said his opposition to the new base is driven by the belief that the excessive burden on Okinawa needs to be reduced, not that the U.S. troops should leave Japan.