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Pope blesses Barcelona landmark amid protests



Associated Press

Pope Benedict XVI blesses the gate of the Sagrada Família in Barcelona, Spain, Sunday. As he headed to the basilica about 200 gays and lesbians staged a 'kiss-in' in protest at his visit and church policies that consider homosexual acts 'intrinsically disordered.' **Article on page 5.**

Socialists set to keep power in Greek vote

By ALKMAN GRANITSAS AND NICK SKREKAS

ATHENS—Greece's ruling Socialist party is projected to win eight of the country's 13 electoral regions and three of Greece's five biggest municipalities in local polls, the Interior Ministry said Sunday.

The early projections, based on more than 10% of the vote counted nationwide and with a margin of error of 1.5 percentage points, show that the government has managed to survive a key test of its popularity even amid widespread discontent with its economic reforms and despite a high level of voter abstentions.

According to the ministry, the Socialists were leading in the all-important electoral region of Attica, which surrounds the capital, Athens, and is home to roughly 40% of the Greek population.

The opposition, center-right New Democracy party

was ahead in five regions and in two of the country's biggest cities, including Athens and the northern Greek city of Thessaloniki.

However, in all but two of the key races, no candidate from either party had secured more than the required 50% of the vote to avoid a runoff election next Sunday, while three of the regional races were still considered neck and neck.

The elections come amid voter discontent and are seen as a referendum on the Socialist government's harsh, three-year austerity program.

The government has warned that poor results could force it to call new nationwide polls after only 13 months in office.

In May, Greece narrowly avoided default with the help of a €110 billion (\$154 billion) bailout from the International Monetary Fund and European Union in exchange for a three-year austerity and reform

program. That program has led to steep cuts in pensions and public-sector salaries, as well as a raft of new taxes on everything from cigarettes to basic foodstuffs.

The spending cuts and new taxes have also weighed on the economy, which is expected to shrink by 4% this year, while unemployment has rocketed to 12% in July from 9.6% a year earlier and bankruptcies have soared.

In the past two weeks, Prime Minister George Papandreou has said he would seek a fresh mandate for his government if voters don't back his party's candidates Sunday—a prospect that had unsettled the country's financial markets and drawn veiled criticism from Greece's international lenders.

Mr. Papandreou had given no clear indication of what he would consider a threshold for victory and, by extension, what would prompt him to call snap national elections.

The Quirk



Ministry of sound. The church that turned its crypt into a nightclub. **Page 29**

World Watch

A comprehensive rundown of news from around the world. **Pages 30-31**

Editorial & Opinion

In Ireland, it's the microeconomy, stupid. **Page 13**

U.S. battle lines drawn over taxes and spending

By JOHN D. MCKINNON AND DAMIAN PALETTA

Newly empowered Republicans pushed to extend Bush-era tax levels for as long as possible, and pledged significant cuts in spending Sunday, as President Barack Obama sought to maintain his footing in an escalating budget battle.

The fight over the coming weeks and months likely will be a crucial one for both sides, helping to set the policy and political tone for the next two years and beyond.

House GOP whip Eric Cantor and other lawmakers suggested that Republicans in the coming lame-duck session would press for a long-term

extension of current tax levels for all earners, despite Democratic opposition. The Bush-era tax cuts expire Jan. 1 unless Congress acts before then.

"I am not for sending any signal to small businesses in this country that they're going to have their tax rates go up," Mr. Cantor said on Fox News Sunday.

Sen. Orrin Hatch (R., Utah), who is expected to become the top Republican on the Finance Committee next year, said in an interview he favored "at least a three-year extension" of all current tax levels, and five years if possible. He cited economists' expectation that growth and job creation are likely to remain

soft for several years.

For his part, Mr. Obama signaled newfound flexibility on taxes over the weekend. But he maintained his opposition to any longer-term extension of the higher-earner breaks.

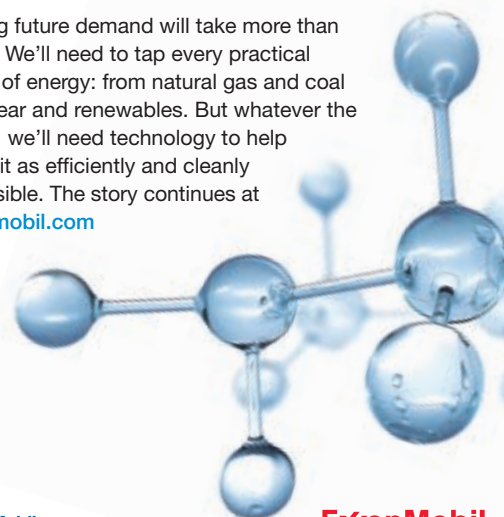
Spending curbs were emerging as the second phase of the battle, as the federal government confronts a range of deficit-reduction proposals early next year.

Several newly elected Republicans on Sunday vowed to pursue significant cuts in spending almost immediately next year.

■ Bernanke stands by Fed's monetary-stimulus plan 6

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PAGE TWO

Statistics don't help in the battle between stimulus and austerity

[Agenda]

By IRWIN STELZER



The problem of sorting out the news from euroland is highlighted by reports from

Spain, one of the so-called peripheral economies. The Instituto Nacional de Estadística reports that the jobless rate declined to 19.8% in October from 20.9% in September. Sounds like good news, except for the fact that the number of jobless increased by over 68,000, or almost 2%, to over four million. To confuse matters further, adjust for seasonal factors—joblessness typically increases in September and October as the tourist season winds down—and the 68,000 increase in jobless claims becomes an almost 10,000 decrease.

Rather than trying to parse all of this, concentrate on two revealing developments in Spain. The first is that the annual growth rate of well under 1% is too low to create many, if any, jobs. The second is that growth will most likely grind to a halt, or turn negative as the increase in the value-added tax and other austerity measures bite. Indeed, Markit reports that in October business activity in Spain fell for the second consecutive month, and new manufacturing orders continued to fall.

Which provides fuel for the continuing policy controversy over just what these periphery economies need to do to get their deficits and unemployment rates down, and their economic growth rates up. The eurocracy is not buying into the Fed's approach: print more money, some \$600 billion over the next eight months. The Fed is "clueless... [and] is increasing uncertainty in the global economy," announced



Germany's Finance Minister Wolfgang Schäuble described the Fed as 'clueless.'

Germany's Finance Minister Wolfgang Schäuble, reinforcing the European Central Bank view that the road to prosperity is through a period of austerity, which ECB president Jean-Claude Trichet is convinced will eventually bring the euro-area unemployment rate down from its 10.1% level.

Indeed, even as the premiums paid by the troubled periphery countries rose—to 5.31 percentage points over bunds in the case of Ireland—Mr. Trichet refused to

Like all policy disputes, this one in the end cannot be resolved by relying entirely on economic data.

make any significant purchases of their bonds. Spending cuts and tax rises, rather than support for periphery country bonds, is the ECB's prescription for what ails Greece, Portugal and Ireland, among others.

And should Mr. Trichet waver in his belief, there is always his putative successor, Axel Weber,

president of the Bundesbank calling for even tighter money, which public dissent might queer his chances of succeeding Mr. Trichet. The French are believed to prefer Mario Draghi, governor of the Bank of Italy and chairman of the Basel-based Financial Stability Board, his prior affiliation with Goldman Sachs notwithstanding.

The predictable result of this policy divergence between the Fed and the ECB is a rise in the euro relative to the dollar—15% since June. Bad news for euro-zone exporters and for any export-led growth strategy EU policy makers might have in mind. Worse, this comes on the heels of reports of a slowdown in the already anemic growth of the euro zone. Retail sales have dropped for two consecutive months and Markit reports that "the recovery in the euro zone private sector lost further impetus at the start of the final quarter" of this year.

Like all policy disputes, this one—stimulus vs. austerity—in the end cannot be resolved by relying entirely on economic data. Yes, Greece, Ireland, Spain and Portugal, bound by the ECB to cut spending and raise taxes, do not

seem to be improving their economies, or meeting deficit reduction targets. Greece, for one, will run a deficit of 8.9% of GDP, higher than its promised target of 8.1%. But Germany, the leading economy of Europe and the principal proponent, although not always the faithful practitioner, of tight monetary and fiscal policy, continues to grow, albeit at a slowing rate. Unemployment is down, exports are up, and Germany is more convinced than ever that it has got its budget-balancing policy right. Two austere countries, Greece (involuntarily) and Germany (a matter of conviction), two different performances.

It seems that austerity might not be a one-size-fits-all panacea, any more than the interest rate set by the ECB for all euro-zone countries suits them all. For countries with deficits so large that they are effectively excluded from international markets, spending cuts might—only might—be counter-productive. So several leading American economists claim as they retrieve John Maynard Keynes from the intellectual scrapheap on which his reputation was deposited before the current financial crisis and recession.

Investors, already demanding double-digit returns from periphery countries, are not only uncertain about the efficacy of the austerity plans imposed on those countries. They are now even more rattled as the process that dared not speak its name—default or, more politely, restructuring—resurfaces in conversations from Athens to Dublin and, worse still, in Berlin where Chancellor Angela Merkel is pressing for a bailout system that includes haircuts from private investors. For periphery-country creditors, the worst might just be yet to come.

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

What's News

■ **German officials**, concerned Washington could be pushing the global economy into a downward spiral, have launched an unusually open critique of U.S. economic policy and vowed to make their frustration known at this week's G-20 summit. 4

■ **The Nasdaq Composite** is rising much faster than the broader U.S. market, usually a sign that stocks in general will keep doing well. 17

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■ **HSBC** sounded its loudest warning yet that it could leave the U.K., after two top executives expressed frustration over pay restrictions for European and U.K. banks. 21

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NEWS

Honda puts power fears out to grass

By MICHAEL WEIR

LONDON—Honda Motor Co. believes a fast-growing African grass may be the solution for fueling an as-yet-unbuilt power station at its car factory near Swindon, in the southwest of England. A big hurdle: getting local farmers on board.

The plan to use miscanthus, a low-maintenance grass that can reach three meters tall and which is already burnt alongside coal in some U.K. power stations, is driven by environmental concerns as well as uncertainty over U.K. power supplies. Honda is aiming to build an on-site power station capable of producing between five and 30 megawatts by 2015, a year before the government forecasts Britain will run short of power capacity, and wants to help power the station with miscanthus—a biomass, or renewable energy crop.

“Obviously, everyone’s read the stories about power shortages and we’re aware of that situation but our biggest single driver is carbon reduction,” says Jeremy Edwards, a manager at Honda Trading Europe Ltd, a unit of the Japanese auto giant.

“We could pay extra for our electricity from a supplier who gets it from a clean source but we don’t want to go down that road. We want to take ownership of the problem, ask how we can find at least part of the solution and get our own hands dirty.”

Powering the Swindon plant, with its annual capacity of up to 250,000 vehicles, by burning grass rather than mains electricity will require much more than the 26 hectares (65 acres) of miscanthus currently under cultivation around the plant. Honda is seeking to lock in local farmers to long-term growing contracts to supply the factory with the crop.

‘The erratic nature of wheat prices and the rising cost of traditional farming will actually make miscanthus more attractive,’ says Honda manager Jeremy Edwards.

Miscanthus works well because it thrives in the southwest’s high rainfall and plentiful sunshine.

Brian Hunt, a Honda agricultural technical specialist, says a number of technologies as well as the use of oilseed rape, straw and virgin wood waste are being examined, but Honda hopes a substantial contribution will come from miscanthus. “We’re still at the feasibility study stage but we are getting together the supply chain and technology,” he says.

The company has offered farmers 15-year growing contracts and could eventually require between 5,000 and 15,000 hectares of farmland. But some farmers are reluctant to grow the crop.

Farmers expect a return within 12 months but miscanthus takes three years to generate its first income, says Honda’s Mr. Edwards. And “a lot of biomass projects have encountered unanticipated problems and not gone ahead.” Despite this, he says, “I think the erratic nature of wheat prices and the rising cost of traditional farming will actually make miscanthus more attractive.”



Press Association (left); Michael Weir for The Wall Street Journal (right)



A Honda car at the company’s plant in Swindon. The factory could eventually be fueled by miscanthus. Jeremy Edwards, above left, a manager at Honda Trading, and Honda Senior Staff Engineer Julian Bliss, in a miscanthus field outside the Swindon factory.

But Robert Loughton, who farms in the southwest, says, “I’ve grown miscanthus on test plots and it’s been a disaster. It didn’t establish well and it takes potash out of the soil, which costs a lot to replace. From an economic point of view, it’s a nonsense.”

Jonathan Scurlock, chief adviser on renewable energy with the National Farmers Union, says farmers are nervous about locking up their land to grow biomass crops like miscanthus because too much risk is pushed onto them.

Phillip Bennion, who farms 12 hectares of miscanthus in the English Midlands, says many people lost confidence when Bical, the main miscanthus dealer, went under. “I ended up with two years’ crop and no buyer, but some farmers had their crop collected then didn’t get paid at all, so they had it worse than me. I think we’ll see gradual growth. We expect to have more choice in who we sell to over the next few years.”

Bical, which collapsed after its credit facilities were withdrawn, was taken over by former shareholders and now trades as Renewable Energy Crops. Its general manager, David Croxton, farms miscanthus in the southwest and acknowledges the crop’s supply and demand imbalance. But he points out that, unlike the U.K.’s power supply, the biomass industry is growing.

“We see the miscanthus market doubling every two or three years. Demand for miscanthus is high but farmers are not supplying it, although that should change as new incentives are introduced. We see a potential market of 300,000 hectares, but only 10,000 hectares are under cultivation,” Mr. Croxton says.

“The government was wrong to put all its money into wind because we don’t just use electricity when it’s windy. Biomass works all the time.”

Miscanthus is already burnt alongside coal in some U.K. power stations, which consume about 40% of the national crop. Much of what the power stations don’t take is used for horse bedding. Unlike fossil fuels, which provide most of the country’s power, miscanthus is seen as carbon-neutral.

If Honda does build a power station producing 30MW, it would be one of the biggest built in Britain by an industrial manufacturer. Dozens of similar, albeit smaller, projects are also in the pipeline.

Honda officials say a miscanthus-fueled power station, along with wind turbines and the use of solar panels could, in theory, satisfy all its factory’s electricity needs. That would allow it to carry on operating if electricity to industrial power users had to be cut to preserve household supplies, as suggested in a 2009 report by the regulator of Britain’s electricity and gas markets.

Estimates of the size of the energy shortfall facing the U.K. from 2016 vary depending on assumptions about demand, but on current

trends the gap could reach 30 gigawatts, equivalent to a third of current capacity.

“It’s like watching a slow-motion train crash and the behavior of successive governments has been extremely disappointing,” says Professor Ian Fells, a nuclear-power advocate and a fellow of the Royal Academy of Engineering, an independent organization.

Energy Secretary Chris Huhne said last month that there would be a second consultation on the U.K.’s power supply, but British businesses

seem to be starting to take the view that consultations don’t power factories and are starting to go their own way. One of Ford Motor Co.’s three plants in the London suburb of Dagenham, for example, will see its diesel-engine factory entirely wind-powered by next year.

But, to date, Honda looks like the biggest company to be considering installing a plant on such a scale for supplying power to its primary operation—building cars.

—Caroline Henshaw contributed to this article

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EUROPE NEWS



Getty Images

David Cameron has made a stronger commercial relationship with Beijing one of his government's priorities.

U.K. aims to cash in on its ties with China

BY LAURENCE NORMAN

LONDON—Prime Minister David Cameron leads the U.K.'s largest-ever business delegation to China on Monday, hoping to cash in on what has become a steady relationship between the two countries in recent years.

Mr. Cameron, who has made stronger commercial ties with China one of his government's priorities, is hoping the trip will result in a string of business deals that will help U.K. firms drive an export-led economic recovery.

Yet the U.K.'s calm relationship with China could bear a cost, dissuading London from publicly airing concerns about the Asian country's economic policies and human rights record. And trade ties are likely to remain limited as long as China continues to look to its export sector to propel growth, rather than boosting domestic demand.

Speaking ahead of the 36-hour trip—during which Mr. Cameron is scheduled to meet Chinese President Hu Jintao and Premier Wen Jiabao before heading to the Group of 20 meeting in South Korea—the prime minister said the visit was a “vitaly important trade mission.”

“Our message is simple: Britain is now open for business, has a very business-friendly government and wants to have a much, much stronger relationship with China,” he said.

Mr. Cameron will be accompanied by ministers including Treasury Chief George Osborne, Business Secretary Vince Cable and Energy Secretary Chris Huhne, as well as 43 delegates from across British business sectors, the arts and academia.

The delegates include Kevin Smith, chief executive of engineering company GKN PLC; David Nish, CEO of insurer Standard Life PLC; George Weston, CEO of Associated British Foods PLC; and Julie Southern, chief commercial officer at Virgin Atlantic Airways, tipped as future CEO at the airline.

The coming visit has already borne some fruit. On Monday, Mr. Cable is scheduled to sign an agreement under which Chinese authori-

ties will recognize Scotch whisky as whisky produced only in Scotland—legal protection that industry officials say could double whisky sales in coming years. Mr. Cable is also due to pen a deal allowing the export of British breeding pigs to China.

The government hopes ministerial talks will lead to accords on energy, education and other commercial issues and that the two sides can begin to expand their dialogue on security issues. Mr. Cameron is expected to discuss priorities for the G-20 with Chinese leaders, including his hopes for advancing global trade talks.

The China trade mission follows a similar visit by to India in July, as Mr. Cameron seeks to flesh out his vow to put commercial ties at the heart of British foreign policy.

Mr. Cameron's coalition government took office in May promising to lock in the economic recovery and rebalance growth toward the export sector and manufacturers.

Britain hopes talks will lead to accords on energy, education and other commercial issues.

U.K.-China bilateral trade totaled \$51.8 billion last year, though Chinese exports to the U.K. were three times the size of U.K. exports to China.

The U.K. is among the largest European recipients of Chinese investment but its haul still totaled just \$44 million in 2009.

The China trip comes after a long period of steady relations between London and Beijing. The countries have avoided tensions such as those between the U.S. and China over trade and currency issues and occasional flare-ups between France and China over Tibet and human-rights issues.

The push for deeper ties represents continuity from the previous Labour government. Labour's Liam Byrne, former U.K. chief secretary to

the Treasury, said Mr. Cameron's government had continued a relationship that is “steady, strategic and crucially, committed to no surprises.”

The trip will also present diplomatic tests for Mr. Cameron.

In recent days, China has warned European government against attending the award ceremony for Nobel peace laureate Liu Xiaobo, a Chinese dissident currently serving an 11-year prison sentence for subversion. U.K. officials say human-rights issues will be on the agenda but that the issue will be raised in a “measured” way.

The U.K. confirmed this weekend its ambassador will attend the Nobel ceremony and the Foreign Office said Foreign Secretary William Hague has raised Mr. Liu's case with the Chinese.

And while the U.K. government privately encourages China to heed calls from Washington to allow its currency to appreciate and take more steps to boosting domestic demand, Messrs. Cameron and Osborne have avoided criticizing Chinese policy publicly.

That could cause disappointment in Washington, where U.S. Treasury Secretary Timothy Geithner has called on U.S. partners to engage with China on the issue.

“It is not good for the world for the burden of solving this broader problem...to rest on the shoulders of the United States,” he said in a speech last month.

Before leaving for China, Mr. Cameron is set to turn to domestic matters Monday morning, setting out four-year government business plans, aimed at sketching out how the government will meet key policy objectives while devolving power from the center.

In an event alongside Deputy Prime Minister Nick Clegg, Mr. Cameron is scheduled to say the plans will help the public hold government accountable.

“With this you'll be able to see month by month the progress being made—not what we're promising will happen but what we're actually doing to make sure it does happen,” Mr. Cameron is due to say.

Germany makes feelings known

BY PATRICK MCGROARTY

BERLIN—German officials, concerned that Washington could be pushing the global economy into a downward spiral, have launched an unusually open critique of U.S. economic policy and vowed to make their frustration known at this week's Group of 20 summit.

Leading the attack is Finance Minister Wolfgang Schäuble, who said the U.S. Federal Reserve's decision last week to pump an additional \$600 billion into government securities showed policy makers are “at a loss about what to do.”

“They are undermining the credibility of U.S. financial policy,” Mr. Schäuble, in an interview with *Der Spiegel* magazine published over the weekend, said of the Fed's move, known as “quantitative easing” and designed to spur demand and keep interest rates low. “It doesn't add up for the Americans to accuse the Chinese of currency manipulation and then use their central bank's printing presses to artificially lower the value of the dollar.”

Economics Minister Rainer Brüderle, who attended a summit of finance ministers from the Group of 20 industrial and developing countries last month in Mr. Schäuble's place, said in an interview Sunday with the newspaper *Welt am Sonntag* that all major economies want to see a robust U.S. recovery. “But I doubt the best way to do that is for the U.S. fed to put more money into circulation,” Mr. Brüderle said.

Berlin's eagerness to scold U.S. policy makers appears driven in part by a desire for payback after suffering persistent criticism this year for the German economy's reliance on exports.

German officials have been on the defensive since French Finance Minister Christine Lagarde suggested in March that German trade surpluses were hurting the competitiveness of weaker euro-zone members and contributing to the bloc's debt crisis. That argument was reinforced as German gross domestic product surged an annualized 9% in the second quarter on improved demand for its manufactured goods abroad. The government now believes the economy will grow 3.4% this year.

“Germany's reliance on exports rather than domestic demand may be a successful short-run strategy, but it is very hard on its trading partners and shortsighted,” said Christina Romer, until recently the head of President Barack Obama's Council of Economic Advisors.

“It is in Germany's interest for its neighbors to prosper because of the interconnectedness of their economies and, especially, their banks,” she said.

Pressure continued at the G-20 finance ministers' meeting last month in Gyeongju, South Korea, where U.S. Treasury Secretary Timothy Geithner urged countries to commit to keeping their current-account imbalances below 4% of gross domestic product over the next few years.

The measure was aimed at China as part of U.S. attempts to nudge Beijing to let the yuan rise, but Germany, whose current-account deficit is about 6% according to the International Monetary Fund, also vehemently opposed the plan. The result



was a general commitment among G-20 members to keep trade balances at “sustainable levels” and to avoid a cascade of competitive currency devaluations.

“Germany's exporting success is based on the increased competitiveness of our companies, not on some sort of currency sleight-of-hand,” Mr. Schäuble told *Der Spiegel*. “The American growth model, by comparison, is stuck in a deep crisis. The USA lived off credit for too long, inflated its financial sector massively and neglected its industrial base. There are many reasons for America's problems—German export surpluses aren't one of them.”

The Fed's most recent round of quantitative easing also offends German officials' core commitment to sound public finances and low inflation.

As the global recovery took hold this year, Ms. Merkel introduced €80 billion in budget cuts and urged other major economies to undertake their own fiscal consolidation. Mr. Schäuble said last week that he doubted the U.S. would live up to a commitment world leaders made this summer at a G-20 summit in Toronto to halve government deficits by 2013.

The aggressive monetary policy in the U.S. runs counter to the strategy of the European Central Bank, whose institutional thinking reflects a German abhorrence of high inflation that goes back to the country's financial ruin in the depression of the 1930s.

The rancor from Berlin has left U.S. officials wondering whether the Germans are going to push their frustrations into the heart of the summit discussions in Seoul or whether their objections are largely posturing.

From Washington, the German rhetoric seems particularly shrill at a time when the euro is trading at a lower level against the dollar than it was a year ago—though the euro has risen in value in recent months.

U.S. officials expect more substantive complaints from emerging markets, which are dealing with a flood of money from investors in the U.S. and Europe in search of higher yields.

Interest rates in Europe and the U.S. are much lower than in emerging markets, which creates an incentive for investors in both Germany and the U.S. to turn their attention overseas.

—Bob Davis
and Jonathan Weisman
contributed to this article.

EUROPE NEWS

Pope criticizes secular Spain

Associated Press

BARCELONA, Spain—Pope Benedict XVI strongly defended traditional families and the rights of the unborn Sunday, attacking Spanish laws that allow gay marriage, fast-track divorce and easier abortions as he dedicated Barcelona's iconic basilica, the Sagrada Família.

It was the second time in as many days that Pope Benedict had criticized the policies of Spain's Socialist government and called for Europe as a whole to rediscover Christian teachings and apply them to everyday life.

As he headed to the basilica, about 200 gays and lesbians staged a "kiss-in" to protest his visit and church policies that consider homosexual acts "intrinsically disordered." Later, several hundred women marched to protest their second-class status in the church and the Vatican's opposition to birth control.

But in contrast, some 250,000 people came out to cheer the pope and watch as he formally inaugurated Barcelona's newest basilica, an architectural marvel still unfinished after more than 100 years of construction.

Pope Benedict has focused much of his pontificate on trying to fight secular trends in the West such as the legal recognition of same-sex unions. He has visited Spain twice and has a third trip planned next year, an indication he sees this once staunchly Roman Catholic country as a battleground for the future of the faithful in Europe.

During his homily Sunday, Pope Benedict noted that the church of the Sagrada Família—a soaring, Art



Gay activists wave a rainbow flag Sunday at Pope Benedict XVI, who was in Barcelona to consecrate the city's Sagrada Família basilica.

Nouveau basilica with sandcastle-like spires—was conceived of as a temple to the sacred family of its name, Jesus, Mary and Joseph.

He railed against same-sex marriage and divorce, saying families are built on the "indissoluble love of

a man and a woman" who should be provided with financial and social benefits from governments. He criticized policies allowing for abortions, saying "the life of children [must] be defended as sacred and inviolable from the moment of their

conception." Pope Benedict also planned to visit a Spanish church-run home for children with developmental and behavioral problems before returning to Rome on Sunday night.

Spanish Prime Minister José Luis Rodríguez Zapatero's Socialist government has supported a legislative agenda that has deeply angered the Vatican, allowing gay marriage, quicker divorces and easier abortions.

On Saturday, Pope Benedict blasted such policies, saying today's "aggressive" anti-church, secular movement in Spain was reminiscent of the 1930s, when the church suffered violent persecution as the country lurched from an unstable democracy to civil war.

Before boarding his flight back to Italy on Sunday, Pope Benedict met with King Juan Carlos and Queen Sofia and then with Mr. Zapatero at a 10-minute, informal reunion in keeping with their divergent views.

In his homily Sunday, Pope Benedict again called for the West to embrace God and shun secular trends. He said the dedication of the Sagrada Família church was of great importance "at a time in which man claims to be able to build his life without God, as if God had nothing to say to him." The church, which was declared a basilica, is the masterwork of Antoni Gaudí, a staunch Catholic who dedicated his life to the project but died in 1926, only a few years after it was begun. He is on the path to possible sainthood.

City authorities said 250,000 Spaniards lined Pope Benedict's route and watched the Mass, cheering and waving the yellow-and-white flags of the Holy See.

Journalist beating pressures Kremlin

BY GREGORY L. WHITE
AND ALEXANDER KOLYANDR

MOSCOW—Media groups from inside and outside Russia called on the Kremlin to investigate the brutal attack early Saturday on a prominent reporter from the Kommersant daily newspaper, the latest in string of beatings and murders of journalists in recent years.

Dozens of reporters and others gathered outside police headquarters in Moscow Sunday afternoon, signing a petition to be delivered to President Dmitry Medvedev demanding protection for journalists—of whom it said eight have been murdered and 40 injured so far this year. Dozens of demonstrators also gathered in St. Petersburg over the weekend.

Though attacks on the media have become so commonplace that Russia ranks as one of the most dangerous places in the world to be a reporter, according to international media groups, Saturday's assault on Oleg Kashin struck a chord in the Russian press. Mr. Kashin, 30 years old, was a prominent political reporter and columnist at one of Russia's largest national newspapers, not the war correspondents or investigative reporters who are often the victims of attacks.

"Oleg is a general political news reporter, a successful one and a role model for many," said Dmitry Butrin, another Kommersant reporter. "The fact that mere reporting is no longer safe is a shock."

Mr. Medvedev ordered Prosecutor General Yuri Chaika to personally supervise the investigation. In a Twitter message, Mr. Medvedev said the criminals must be apprehended and brought to justice. State television, which has rarely reported on attacks in the past, covered Mr. Kashin's case prominently over the weekend.

Mr. Kashin was ambushed by two attackers outside his apartment building in downtown Moscow early Saturday as he returned home. The beating broke his hands, jaw and legs and severed a finger. Doctors kept him in a medically induced coma and performed several operations over the weekend. Sunday evening, he remained in serious condition in intensive care at Moscow's Hospital No. 36.

Police said they set up a special investigative group for the case, but had no suspects as yet.

Colleagues said the attack was clearly linked to Mr. Kashin's work, especially since his hands were targeted by those who beat him.

The Kremlin has rarely delivered on past promises to bring those who attacked journalists to justice. Major cases remain unsolved.

Vladimir Lukin, the government's ombudsman for human rights, said Saturday that attacks on journalists had become "systematic" because the guilty were so rarely punished, the Interfax news agency reported.

"By failing to prosecute those who have carried out crimes against journalists in the past ... the Russian government has created a climate of impunity," said Joel Simon, executive director of the New York-based Committee to Protect Journalists.

Turkey criticized on media rights

BY MARC CHAMPION

ISTANBUL—The European Union on Tuesday will criticize Turkey sharply over the rising number of prosecutions against journalists in an annual progress report on the country's bid to join the bloc, said a person familiar with the draft.

The attack on Turkey's press-freedom record is likely to further embarrass the country's Islamic-leaning government, which this week takes over the six-month rotating chair of the Council of Europe, the Continent's top human-rights body. Foreign Minister Ahmet Davutoglu has hailed that development as testament to "the level of democracy in Turkey."

But according to Turkish and international press watchdogs, media freedoms—a key right underpinning democratic systems—are getting significantly worse in Turkey. Reporters without Borders this year ranked Turkey 138th in terms of media freedom, out of 178 countries—down from 98th out of 167 in 2005.

The core problem, press advocates and Turkish journalists said, is the country's penal code, adopted in 2005. The EU's report will describe "the large number of cases initiated against journalists" arising from several articles in the code as a cause for concern that could lead to "self-censorship," said the people familiar with the draft.

Take Mehmet Baransu, an investigative reporter with the Turkish

Taraf daily, who faces potential jail sentences totaling just under 400 years from 40 separate prosecutions over articles he has written. Mr. Baransu has played a prominent role in cases against some of Turkey's top generals, on one occasion providing prosecutors with the suitcase of documents and CD-ROMs on which they based their case, which begins in December.

Virtually all of the prosecutions against Mr. Baransu involve either breaching laws on court secrecy, attempting to influence a court or publishing classified documents. One case involved a document suggesting the army knew nine days before a terrorist attack on a border post that the action would take place, but failed to act, he said. Another case concerns a document suggesting the army was tapping phones without authorization, he said. The army launched an investigation into the border incident, and said the tapping was of terrorists, and therefore necessary.

It isn't just those who report on the military who run afoul of the courts. Mr. Baransu's friend, Ismail Saymaz, is an investigative reporter at the Radikal daily. Of the 10 cases he faces, five stem from reports in which he purported to expose the flimsiness of the evidence against a prosecutor, Ilhan Cihaner, who had been investigating religious sects supportive of the government before he was accused of plotting a coup. Mr. Cihaner's trial is continuing, while Mr. Saymaz faces a poten-

Full-court press

Turkey has been sliding down press-freedom rankings...

	Turkey's rank	
2003	115 out of	166
2004	113	167
2005	98	167
2006	98	168
2007	101	169
2008	102	173
2009	122	175
2010	138	178

*Amended in 2008 to punish denigration of "the Turkish nation" instead of "Turkishness," and require permission of the Justice Minister to prosecute under it.

Sources: Reporters without Borders, Republic of Turkey Ministry of Justice

...because courts aggressively prosecuted articles of a new 2005 penal code that:

Article 285: punishes individuals for breach of the secrecy of an investigation or court proceeding, with sentence increased by 50% if it is done through the media

Article 288: punishes individuals for any public statements aiming attempt to influence a prosecutor, judge or witness and draws a 50 percent higher sentence if done through the media

Article 301*: makes it a crime to denigrate Turkishness, the republic, its military, courts, government or parliament

tial total of 45 years in jail sentences from the five cases, he said.

"Whenever I wrote anything about Cihaner, I was sued," said Mr. Saymaz. "I think I was just doing my job."

Reporters across the world have to take care not to breach laws designed to ensure people can get a fair trial. But according to Fikret Ilkiz, a prominent Istanbul press lawyer, Turkey is different because the courts apply wide-ranging laws so aggressively, and in an environment where politicians and officials also talk about cases and leak documents.

Mr. Ilkiz said tens of journalists are currently in Turkish jails, an improvement on the hundreds incarcerated in the 1990s. Many of these were ethnic Kurds who were convicted under an antiterrorism law that makes propagandizing for terrorists a crime. The concern today, said Mr. Ilkiz, is the sudden explosion since 2005 of new prosecutions against journalists who offend one side or the other in the country's struggle for power between the old secular establishment and a rising religious conservative elite.

—Ayla Albayrak
contributed to this article.

U.S. NEWS

Bernanke stands by Fed's monetary-stimulus plan

By MICHAEL S. DERBY

JEKYLL ISLAND, Ga. — Federal Reserve Chairman Ben Bernanke countered those worried by the central bank's decision to resume buying large amounts of Treasury securities, saying Saturday that the action is just effective, conventional monetary policy conducted with different tools.

"There is not really, in my mind, as much discontinuity as people think" in the path the Fed is currently following, the central bank chief said. "This sense out there, that quantitative easing or asset purchases, is some completely far removed, strange kind of thing and we have no idea what the hell is going to happen, and it's just an unanticipated, unpredictable policy—quite the contrary. This is just monetary policy," Mr. Bernanke said.

While he considers himself "very sympathetic" to those unnerved by what the Fed is doing now, he said more aggressive policy "can be helpful" to improving conditions in the current environment of tepid growth and ebbing price pressures.

Mr. Bernanke explained "we are not in the business of trying to create inflation," and "I have rejected any notion that we are going to try to raise inflation to a super-normal level in order to have effects on the economy." But because the Fed is "equally committed to both sides of our mandate," the central bank should also avoid having prices fall below levels consistent with price stability, he said.

"If inflation is declining and continuing to decline, at a minimum we should not be satisfied," and should view current price-pressure levels as "a signal more should be done."

"We see an economy which has a very high level of under utilization of resources and a relatively slow growth rate," Mr. Bernanke said. "The standard considerations suggest we should be using expansionary monetary policy, and that was the purpose of the action" taken last week, he said.

Mr. Bernanke made his remarks in a panel discussion with his predecessor, Alan Greenspan, and others at a Federal Reserve Bank of Atlanta conference that took a look at the history of the central bank, evaluating its success in dealing with various upheavals of the last century.

The Fed chairman spoke in the wake of the central bank's decision to restart its asset-buying program. On Wednesday, the interest rate-setting Federal Open Market Committee said that it would buy \$600 billion in longer-dated Treasury securities through the middle of next year, on top of the approximate \$300 billion in government bonds it will buy as it reinvests the proceeds of its maturing mortgage holdings.

There are widespread concerns about the Fed's actions. The central bank is buying the bonds because it believes growth has so far been too weak to lower persistently high unemployment rates amid rising deflation risks. But many worry about a massive expansion in a central bank balance sheet that already tops \$2

trillion.

Fears are the Fed's action will have limited impact in boosting credit availability, while at the same time increasing the chance inflation could break out at some point.

While it is a single report, the unexpectedly strong October jobs numbers released Friday called into question the economic need of the Fed's action, because if job gains can be sustained and built on, perhaps the economy doesn't need additional central bank support.

As part of the discussion Saturday, the former head of the New York and Minneapolis Fed banks, Gerald Corrigan, now at Goldman Sachs Group, Inc., noted that while he would have followed the same path blazed by Mr. Bernanke during the financial crisis, he has a sense of "uneasiness" as the Fed tries to gently nudge inflation toward a slightly higher level.

The Fed chairman also addressed those who believe in a so-called Fed "put"—famously associated by markets with Mr. Greenspan and, to a lesser degree, Mr. Bernanke. Mr. Greenspan himself said he considers the notion the Fed would consistently use monetary policy to put a bottom under any serious market rout—the genesis of the term "Greenspan put"—a puzzler.

Mr. Greenspan said the policy responses he led in response to troubles were "the way one would expect the central bank to respond." "I don't understand why it's become a pejorative term," Mr. Greenspan added.

Mr. Bernanke said the issue "is



Fed Chairman Ben Bernanke, left, and predecessor Alan Greenspan join panel.

beside the point," because policy makers need to be focused on taking action to ensure that financial markets remain functional, which is considerably more difficult in the wake of a credit market bubble implosion.

The former central bank chief's reputation has suffered in the wake of the financial crisis. Mr. Greenspan has been widely criticized for promoting policies that contributed to

the financial crisis, which culminated in the worst recession in generations.

Many believe Mr. Greenspan helped create the impression that the Fed would bail out markets when they got in trouble, and that his faith in a light regulatory touch, coupled with the very easy state of monetary policy in the middle of the last decade, came together to create a perfect storm of financial disaster.

Clinton seeks closer ties with Australia on defense

By RACHEL PANNETT

MELBOURNE—U.S. Secretary of State Hillary Clinton is expected to secure more access for the U.S. military in Australia as the final week of her Asia-Pacific tour draws to a close here.

A new defense pact, to be discussed in talks starting Monday, could ultimately see U.S. military personnel share Australian ports, training facilities and test firing ranges, Australia's Foreign Minister Kevin Rudd said ahead of the talks.

The negotiations, which fall under the U.S. Force Posture Review in the Asia-Pacific region, will also touch on the potential for greater cooperation on space monitoring and cybersecurity, officials said. They come amid growing concern about North Korean missile activity and cyberattacks on confidential military intelligence. Australia and the U.S. already have joint intelligence-sharing facilities such as Pine Gap, a satellite tracking station in central Australia.

Escalating military cooperation in both nations' "national security interests," Mr. Rudd told reporters. Mrs. Clinton noted that better coordination between the U.S. and Australia could improve the response to natural disasters in the region.

Many small, low-lying islands in the region are vulnerable to natural disasters such as tropical storms,



Hillary Clinton at a wreath-laying ceremony in Melbourne on Sunday.

tsunamis and volcanic eruptions, as is Australia's vast archipelago neighbor Indonesia.

Australia may offer a new operating base for the U.S. military in the Pacific at a time when Washington comes under increasing pressure within Japan to close down strategic sites in Okinawa, the Japanese island that has hosted U.S. forces since World War II.

The U.S. has been Australia's key strategic ally in the region since World War II, when thousands of American servicemen were based in the country.

When close does count: jobs

By SARA MURRAY

For those with little education, it pays to live among people with college degrees.

Workers with less than a high school diploma were likelier to keep their jobs during the recession if they lived in a handful of metro areas with the highest concentrations of employees with college degrees, according to a paper released Friday by Alan Berube, a senior fellow at the Brookings Institution.

Mr. Berube studied recent census data for the nation's 100 largest metro areas, identifying the 20 with the highest share of college graduates. In those areas, he found, the fraction of workers without high school diplomas who had jobs—their employment rate—declined by a median of 0.6 percentage point during the recent recession. In the other 80 areas, their employment rate fell three percentage points, or five times as much.

"Where you are matters," Mr. Berube said. "If you're a worker without a high school diploma, you are better off being in a highly educated labor market like Seattle than being in a less educated labor market like Scranton [Pa.]."

Part of the explanation, he said, is a trickle-down effect. Those with college degrees were likelier to keep their jobs through the recession than less educated workers, so they continued spending on things like restaurant meals and laundry services. The less-educated workers

found steadier work because they were in fields that served their college-educated neighbors.

There are other possible reasons. A less educated worker living in a city with a surplus of such workers, for example, might not fare as well as one in a city with a smaller supply, where it would be easier to hang on to a job.

Less educated workers were likelier to keep their jobs during the recession if they lived near employees with college degrees, according to new research.

U.S. employers boosted hiring in October, offering hope that the recovery may be picking up steam. The economy created 151,000 jobs last month, mainly on a surge of hiring by service businesses. The private sector notched its largest gain since April, adding 159,000 jobs.

Still, the job market faces a long road to full recovery. At October's pace, it would take almost 50 months just to replace the positions lost in the downturn.

One example of the location dynamic is Austin, Texas, where Facebook Inc. opened a new office in late October that employs more than 60 people, many with college degrees. Austin is also on the list of

most-educated metro areas.

"If you look at Austin, I think it makes a lot of sense" to open an office there, said Kathleen Loughlin, a company spokeswoman. "There's a large, talented employee base."

Those jobs generate work for the less educated. For instance, the office has an outside catering contractor that provides breakfast, lunch and dinner for employees, creating food service jobs.

The disposable income of better-educated workers is one reason Yard House USA Inc., a restaurant chain, is opening new locations in Denver, Boston and San Jose, Calif., all cities on the most-educated list. The Denver restaurant is hiring 200 workers—including many positions, such as dishwashers, that tend to go to less-educated workers.

"It seems like Colorado is doing well," Harald Herrmann, the company's president and chief executive, said of the area's economy. "Would we open another restaurant in, say, a Riverside, Calif., today? Probably not, given the economy."

Frankie Wright, 43 years old, recently landed two part-time jobs in Chicago, another city with a highly educated work force, with the help of Goodwill Industries of Metropolitan Chicago Inc. Ms. Wright, a high school dropout, works at a local grocer and for a community watch group in the mornings and afternoons, ensuring that high school students enter and leave a local school without incident and reporting any problems to police.

WORLD NEWS

Obama to urge overtures to Pakistan

BY JONATHAN WEISMAN
AND AMOL SHARMA

NEW DELHI—U.S. President Barack Obama will encourage India to press forward slowly toward a rapprochement with Pakistan, senior administration officials said, as his visit here turns to geopolitics Monday after a weekend dominated by trade deals and talk of closer commercial ties between the two nations.

In a speech before the Indian Parliament Monday, the President also will defend U.S. efforts toward peace in Afghanistan in an effort to address India's palpable concerns about U.S.-Pakistani relations and the president's intention to begin withdrawing U.S. troops from Afghanistan next July.

"It may be surprising for some of you to hear this, but the country that has the biggest stake in Pakistan's success is India," Mr. Obama said Sunday as he met with students in Mumbai. "If Pakistan is unstable, that's bad for India."

A senior administration official said Mr. Obama will try to give Prime Minister Manmohan Singh some political cover for overtures he has made to Pakistan, which have stirred political opposition in India. The U.S. president will suggest the countries start with small, "noncontroversial" steps, but he won't say what those steps should be.

The parliamentary speech will cap a three-day visit that has come at a turning point in Mr. Obama's presidency, just days after the Democrats received a drubbing in congressional midterm elections and after the U.S. economy has been slow to dramatically improve employment. On Saturday, the president said the U.S. is loosening export restrictions on India and called for In-



President Barack Obama and First Lady Michelle Obama greet children of workers at Humayun's Tomb in New Delhi.

dia to do its part to promote greater trade between the countries by lowering barriers to foreign investment in sectors such as retail and agriculture.

"Increased commerce between the U.S. and India can be and will be a win-win proposition for both nations," Mr. Obama said, addressing a packed gathering of U.S. and Indian business executives in Mumbai.

The move to liberalize export rules will result in Indian space and defense agencies being removed from the U.S. "entities list," which restricts trade with foreign organizations deemed nuclear-proliferation risks. That will make it easier for U.S. companies to export tech-

nology with both peaceful and military uses. "We're taking the necessary steps to strengthen this relationship," Mr. Obama said. "India can also do its part."

The White House drew attention Saturday to U.S. trade deals with India valued at \$14.9 billion, including \$9.5 billion in exported U.S. goods that the Obama administration believes will support more than 50,000 U.S. jobs.

Among the big-ticket transactions: Boeing Co. is finalizing an approximately \$4.1 billion sale of C-17 military transport aircraft to India's Air Force, a deal the White House said could support 22,160 jobs at Boeing's Long Beach, Calif. produc-

tion facility. In another deal, General Electric Co. is negotiating a final contract to sell India more than 100 engines for light combat aircraft, a deal valued at about \$822 million.

Mr. Obama has had rocky relations with U.S. business and part of his mission here was a charm offensive with some of America's largest companies.

His message of increased ties and greater market access in India was welcomed by the huge delegation of executives accompanying him.

While Mr. Obama called for India to lower barriers to foreign investment, it was GE Chairman Jeffrey

Immelt who delivered the tougher, more direct message to India during a panel discussion in front of executives and government officials of both countries. He said that U.S. companies such as his are doing their part to engage with India—by setting up local operations that create many jobs, for instance—but that India isn't moving fast enough to open up to foreign participation in sectors such as infrastructure development.

"In some ways you haven't lived up to your part of the bargain," Mr. Immelt said.

Some critics in the Indian media said the U.S. is pushing too aggressively for India to open up. But Anand Mahindra, managing director of Indian auto-to-tractor conglomerate Mahindra Group said India, which in the past had to seek foreign assistance, should be happy it is now in a position to help the U.S. economy by granting access to its own large market.

"It's nice to see a hand being outstretched toward us for a change," Mr. Mahindra said.

Mr. Obama's first engagement Saturday was a visit to a memorial of victims of the November 2008 terrorist attacks on Mumbai. Mr. Obama spoke of the city's resilience but was later criticized by some Indian commentators for not mentioning Pakistan by name since the terrorists embarked from there and the attacks were organized by a Pakistani-based terror outfit, Lashkar-e-Taiba.

Pakistan is always the thorniest issue for visiting heads of state in India. Mentioning Pakistan as a nation that has terrorist organizations on its soil plays well in India but inevitably upsets Islamabad and frequently overshadows all other business.

Airline flights to Indonesia restart

BY JAMES HOOKWAY

International airlines began flying again to Indonesia Sunday after dozens of flights were canceled in the wake of the latest eruption of the Mount Merapi volcano, which could jeopardize a planned visit by U.S. President Barack Obama this week if volcanic activity intensifies.

Cathay Pacific Airways Ltd., Singapore Airlines Ltd., Lufthansa AG and many other airlines scrapped flights to the Indonesian capital on Saturday and early Sunday, in a reminder of the travel chaos triggered by a volcano in Iceland earlier this year. The eruption on Friday hurled ash and debris eight kilometers (five miles) into the sky.

The ongoing eruptions at Merapi, which means "mountain of fire" in Indonesian, also affected flights to cities such as Bandung, Yogyakarta and Solo, stranding thousands of passengers. The Malaysian air force sent three Hercules C-130 transport planes to Yogyakarta, the city nearest the volcano, to fly home 664 Malaysians stranded there.

PT Angkasa Pura II, the operator of Jakarta's Soekarno-Hatta International Airport, said 15 international carriers canceled flights to Indonesia on Saturday, with nine carriers scrapping flights on Sunday. The airport operator's corporate secretary, Harry Cahyono, said Sunday the airport, which carries around 900



A search team carries the body of a victim of the eruption on Sunday.

flights a day, remains open and Indonesia's civil aviation authorities have declared it safe.

Many airlines resumed flights to Jakarta on Sunday, including Singapore Airlines and Cathay Pacific, although Japan Airlines Corp. canceled a flight bound for Jakarta on Sunday after a previous flight on Saturday returned to Tokyo after taking off.

The long-running eruptions at Mount Merapi are beginning to raise concern that if they get much worse they could disrupt air travel in a more sustained manner. The industry has already seen similar disruptions this year, after a massive

plume of volcanic ash from Iceland's Eyjafjallajökull volcano closed some airports in northern Europe for a week in April.

The eruptions have killed at least 138 people and come just before Mr. Obama's planned visit to Indonesia. As of Sunday, Mr. Obama was still expected to fly to Jakarta Tuesday as scheduled, according to a spokesman at the U.S. Embassy in Indonesia.

However, U.S. Embassy spokesman Paul Belmont told the Associated Press Sunday that if the eruptions escalate than rescheduling Mr. Obama's visit is "something we'd have to take seriously."

Mr. Obama has twice canceled

trips to Jakarta, where he spent some of his boyhood. He is set to deliver a major policy speech in which he is expected to make the most of Indonesia's status as the most populous Muslim country, in an effort to reach out to the Islamic world.

The Indonesian volcano began its eruption on Oct. 26 and Friday spewed nearly 50 million cubic meters (about 1.8 billion cubic feet) of toxic gas, ash and rocks into the sky in its most violent eruption in a century. At least 90 people were killed as a superheated clouds of ash, gas and debris known as pyroclastic flows tumbled down the mountain and incinerated villages.

Photographs taken by Indonesian disaster response officials showed the charred bodies of parents hugging their children while local medical officials say some survivors were admitted to hospital with burns covering as much as 95% of their bodies. Around 200,000 people who have been evacuated from the area are living in temporary camps that are now running short of supplies because of airport closures.

Local government officials now worry that the Code River, which winds down from Mount Merapi, could channel scorching volcanic mudflows into the city of Yogyakarta 30 kilometers (about 19 miles) away and have put the city on high alert.

—Yayu Yuniar
contributed to this article.

APEC nations caution U.S. on cash flows

BY IAN TALLEY
AND P. R. VENKAT

KYOTO, Japan—U.S. Treasury Secretary Timothy Geithner, heading to a G-20 summit in South Korea to cajole exporting countries into limiting their current-account surpluses, encountered some headwinds at a weekend meeting of APEC finance ministers who said that Washington's monetary policy is flooding their economies with too much cash.

Finance ministers from around the region complained that large-scale easing by the U.S. Federal Reserve has brought a surge of capital flows into their countries as investors look for higher yields, creating potential asset bubbles and stoking inflationary pressure.

The comments come as Mr. Geithner tries to calm roiled currency markets and avert a trade war by getting countries to sign up to limit their trade surpluses and deficits. The U.S. is hoping to get a deal signed this week in Seoul at a summit of the Group of 20 industrial and developing nations. The strategy is designed to counter growing protectionism and is a less controversial way of leveraging China to allow a faster pace of yuan appreciation, a sensitive issue for Beijing.

WORLD NEWS

Japanese leader launches trade push

By YUKA HAYASHI

TOKYO—Japanese Prime Minister Naoto Kan is hoping to use his first big moment as an international host to prod his country to take a bigger leadership role in the region and to make difficult decisions to open up its economy and dismantle agricultural protection—long a stumbling block to Japan's trade liberalization effort.

But the struggling leader faces formidable opposition from farm lobbies and fellow party politicians, even as multinational businesses pressure the government to seek aggressive free-trade deals.

"As the chairman of the APEC meeting, my responsibility is to promote free trade, which will enable the region to enjoy sustainable growth and reduce the income gap to the extent we can," Mr. Kan said in an interview with The Wall Street Journal Saturday, as he prepared to host a summit of the Asia-Pacific Economic Cooperation nations on Nov. 13 and 14.

"As Japanese prime minister, my important mission is to achieve a balance between reform of the domestic agriculture sector and further liberalization of trade," he added. APEC consists of 21 governments along the Pacific Rim, including the U.S. and China.

By pledging to push for an agricultural overhaul, Mr. Kan is taking on significant political risk. Farmers in Japan, like in many nations, are a heavily protected and politically powerful group, and few of Mr. Kan's predecessors have dared pick that fight, despite immense pressure globally and from domestic business

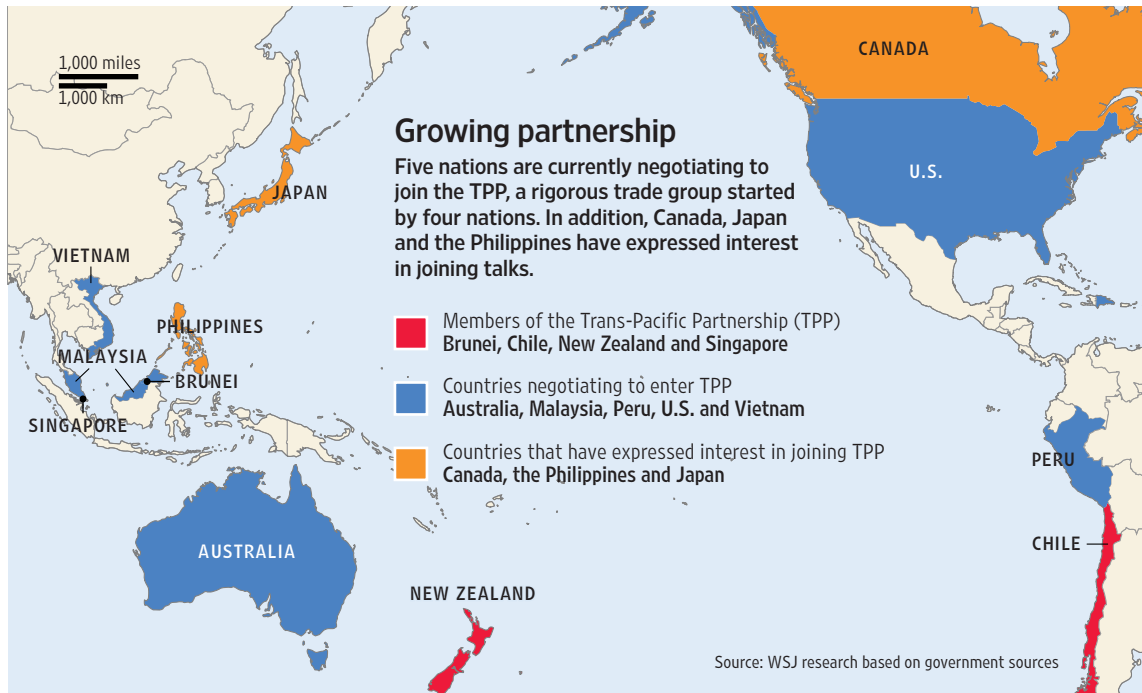


Japan Prime Minister Naoto Kan faces formidable opposition from farm lobbies and fellow party politicians.

leaders.

It's a battle the 64-year-old prime minister can ill afford to lose. He suffers from plunging popular support amid the criticism of the government's handling of a bitter territorial dispute with China. He is also struggling with a divided parliament after his party's recent election losses. That was the result of Mr. Kan's last big gamble taken shortly after he became prime minister in June: a bold but politically unpopular pledge to raise taxes in order to curb the country's mammoth government debt.

Particularly controversial in the government's new trade policy is a



decision to initiate talks to join the U.S. and others in expanding a regional trade agreement known as the Trans-Pacific Partnership. The pact seeks eliminating all tariffs among member nations in 10 years. Facing increasingly tough competition from China and fearing the empowerment of South Korean rivals as a result of Seoul's aggressive trade liberalization, Japanese manufacturers are fighting hard to get the government to commit to the agreement.

Japan is already a major agricultural importer, covering 60% of domestic food consumption on a caloric basis with imported food. But

to protect a few key areas, such as rice and dairy farming, the country uses a combination of hefty tariffs and nontariff measures, with rice and butter fetching import tariffs of 778% and 482%, respectively. Citing the fear of bovine spongiform encephalopathy, commonly known as mad-cow disease, Japan has also limited imports of U.S. beef.

In some ways, Mr. Kan is a logical champion for the free-trade cause. Agriculture overhaul efforts were blocked for many years by the long-ruling Liberal Democratic Party, which had strong support in rural areas that were given disproportionate electoral clout despite

their shrinking population. Mr. Kan's Democratic Party of Japan took power last year with heavy urban backing, and he himself hails from Tokyo, a contrast with most of his rural-based predecessors.

In the interview, Mr. Kan was blunt about the agriculture sector's decline. "In Japan, the average age of agricultural workers is 65.8. When the aging of its population is accelerating so rapidly, it will be very difficult to sustain the sector whether we liberalize trade or not," he said.

"What we need is drastic agricultural reform that will encourage young people to enter farming."

Activist may attend Nobel ceremony

By JEREMY PAGE

BEIJING—One of China's most prominent environmental activists has pledged to attend an award ceremony for Liu Xiaobo, the jailed Chinese dissident who won the Nobel Peace Prize last month, despite Beijing's intensifying efforts to keep his supporters—and Western ambassadors—away from the event.

Dai Qing, a 69-year-old former journalist who lives in Beijing but is visiting Canada, published a statement online saying she would attend the ceremony in Oslo next month if China did not release Mr. Liu or allow his wife or one of his friends to go on his behalf.

Mr. Liu's wife, Liu Xia, has been under effective house arrest since he won the award, and she issued an open letter last month inviting 143 of her husband's friends to receive the prize on his behalf. Almost all of them have since either been detained or placed under house arrest or tight surveillance.

"If the authorities ignore all these calls and no one on Liu Xia's list is permitted to go abroad through the proper procedures, it happens that I am in Canada now for an academic conference," Ms. Dai, who was among the 143 people invited, wrote on the website of Probe International, a Canada-based environmental group of which she is a fellow.

"To comfort Xiaobo in prison

and Liu Xia under house arrest, and for all who are on Liu Xia's list...then I shall tell the world that it is not true that no Chinese citizen who fights against authoritarianism will be able to attend the grand ceremony in Oslo. If necessary, I will go there to fulfill my duty to my friend."

She compared China's handling of the situation to that of Nazi Germany after the Prize went to German journalist Carl von Ossietzky in 1935, and of Myanmar after the award went to Aung San Suu Kyi, the Myanmar opposition leader, in 1991. Mr. Liu, a human-rights activist, is serving an 11-year prison sentence for subversion.

Ms. Dai's presence in Oslo would likely infuriate Chinese authorities. When she was invited to give a speech at the Frankfurt Book Fair last year, China—one of the main sponsors—protested so vociferously that organizers tried to rescind her official invitation.

Her letter was issued late Friday, after China issued an ultimatum to foreign governments planning to attend the ceremony, telling them they faced a simple choice between challenging China's judicial system and developing friendly relations.

Vice Foreign Minister Cui Tiankai told a news briefing that European and other governments showing support for Mr. Liu would have to "bear the consequences."

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SW7 3LD LONDON

WORLD NEWS



European Pressphoto Agency

Election officials count ballots on Sunday at a polling station in Naypyitaw, Myanmar's capital.

Myanmar vote's fairness is questioned by critics

By WSJ Staff Reporters

YANGON, Myanmar—Vote-counting began in military-run Myanmar amid heavy international criticism that Sunday's election, the country's first in 20 years, was rigged in favor of the armed forces and that it fails to signify any meaningful democratic reform in the tightly controlled country.

U.S. President Barack Obama said the polls were "neither free nor fair" and urged Myanmar's ruling junta to release detained pro-democracy icon and Nobel laureate Aung San Suu Kyi as well as 2,100 other political prisoners.

"The elections were based on a fundamentally flawed process and demonstrated the regime's continued preference for repression and restriction over inclusion and transparency," Mr. Obama said Sunday during a visit to India.

U.S. Secretary of State Hillary Clinton said in Australia that the U.S. would work with other countries to create an international commission to hold Myanmar's leaders accountable for their alleged human-rights abuses. Britain's Foreign Secretary William Hague called the result of the elections a "foregone conclusion," adding that "they will not be free, fair or inclusive."

It was unclear when the results of Sunday's vote will be announced. The election in Myanmar, which is also known as Burma, is described by its military leaders as part of their road map toward building a democracy in one of the world's most reclusive nations. Run by the armed forces since 1962, the country last had elections in 1990; Ms. Suu Kyi's National League for Democracy won by a landslide. The military government ignored the result of that vote and held on to power, imprisoning Ms. Suu Kyi on a variety of charges, including subversion, for 14 of the last 20 years.

Ms. Suu Kyi, 65 years old, is currently serving an 18-month house-arrest sentence for allowing an uninvited American man who swam a Yangon lake to enter her waterside home in May 2009. Speculation is

growing that she could be released as soon as next weekend once the result of the election is announced.

Critics and prodemocracy activists say Myanmar's so-called road map to democracy is little more than Senior Gen. Than Shwe's attempt to convert the military junta into a more civilian-oriented regime, which might cast the country in a more positive light and enable it to step up business ties with neighbors such as China, Thailand and India.

The junta banned international poll monitors and foreign journalists from entering the country to observe the elections. Ms. Suu Kyi is supporting a boycott of the election, as did her National League for Democracy, which has been dissolved. A breakaway opposition group, the National Democratic Force, did seize on the limited opening of some democratic space to put forward candidates for 164 seats and has raised hopes for at least some debate in the country.

Still, opposition groups contesting the ballot faced substantial obstacles. Many potential opposition candidates were, like Ms. Suu Kyi, in prison, while those who put themselves forward as candidates had to pay a fee of \$500 each to contest the election—a sum larger than many people in Myanmar earn in a year.

Some 1,159 seats were contested in a two-house national parliament and 14 regional parliaments. Voting began at 6 a.m. and ended 10 hours later. Two pro-military parties were expected to dominate: the junta's Union Solidarity and Development Party, which is contesting nearly all the seats, and the National Unity Party, which backs a previous military regime and which is contesting 995 seats.

State media late Sunday reported that 57 candidates who were running uncontested had secured seats in national and regional parliaments. Of those, 43 were USDP members and the others were allied with the military government, the

Associated Press reported.

Small opposition parties accused the pro-junta USDP of manipulating the casting of advance votes and of intimidating voters. Than Nyein, chairman of the National Democratic Force, said by telephone that he was "quite concerned" about the vote-counting process and had already sent a letter to regime leader Gen. Than Shwe about what he described as irregularities in the voting process. Residents closely watching procedures for the casting of advance votes said voters had expressed concerns that the secrecy of their ballots might be compromised and that this pressured them to vote for the pro-junta USDP.

Enthusiasm for the election seemed low. In Yangon, Myanmar's largest city and commercial capital, traffic on the streets was lighter than normal for an average Sunday, residents said. At one polling station in the city center, roughly two dozen people waited in line to vote, their numbers matched by a large contingent of uniformed election staff and other government officials.

Some residents were skipping the polls altogether. "I'm not going to vote—I don't care," said one man, a money-changer with a shop in downtown Yangon. "All the government cares about is money. I only care about my family."

Turnout was stronger in some neighborhoods. At one polling station in western Yangon, between 100 and 200 people waited to vote in the early morning hours.

Voters said that on polling day, at least, there was no evidence of fraud and that residents were able to vote in secret in booths. The National Democratic Force's Dr. Than Nyein estimated the turnout in some places at around 60% of the country's 29 million voters, and said he was confident of at least have some opposition candidates elected to parliament.

The government, however, canceled voting in 3,400 villages in areas dominated by ethnic minority groups, costing some 1.5 million people their votes out of a total voting population of 29 million.

Afghanistan plans to indict officials

By Matthew Rosenberg
and Maria Abi-Habib

KABUL—Afghan prosecutors are planning to indict nearly two dozen current and former senior officials—the current mining minister among them—on allegations of taking bribes and stealing government funds, Afghan officials said.

If the indictments proceed, the suspects would be the highest-ranking Afghan officials charged with corruption, despite years of allegations from Western officials and domestic critics of widespread graft in President Hamid Karzai's administration.

The U.S., which has pressed Mr. Karzai to make tough moves against corrupt officials, said any prosecutions were welcome, although the U.S. Embassy said it couldn't comment on specific cases.

But some U.S. officials privately were skeptical. No indictments have been handed down, they said, and they noted there has been little movement on a number of major corruption cases that touch directly on the president's inner circle. Those are considered a higher priority, at least by Washington, they said.

U.S. and other Western officials have for years accused Mr. Karzai of trying to scuttle investigations into high-level corruption, which they fear has turned Afghans against his government.

But the U.S. and its allies have struggled with how to tackle the problem. Direct and public pressure on Mr. Karzai has most often resulted in ugly public spats with the Afghan leader; private pressure has most often been brushed off, the officials said.

Mr. Karzai and his top officials have maintained they are doing all they can about corruption, arguing evidence presented in the past by Western officials wasn't substantial enough to warrant criminal charges.

Deputy Attorney General Rahmatullah Nazari said Sunday that some of the 20 former and current offi-



Mr. Karzai and the U.S. have clashed.

cially facing possible indictments have been under investigation for years.

One of the most senior former officials under investigation, ex-Commerce and Industry Minister Amin Farhang, is alleged to have stolen \$19.5 million from Afghan government coffers by signing padded contracts for fuel shipped through a number of Central Asian countries, including Uzbekistan, Turkmenistan and Kazakhstan, Mr. Nazari said.

Mr. Nazari said prosecutors had invoices and other documents proving Mr. Farhang siphoned off money that he claimed was being used to buy fuel. Mr. Farhang blamed the investigation on a "political conspiracy" and denied he stole money.

The sitting Cabinet minister under investigation, Wahidullah Shahrani, the mining minister, is alleged to have taken bribes, an Afghan official said, declining to discuss specifics of the case.

The minister's father, Nematullah Shahrani, who advises Mr. Karzai on Islamic affairs, is also facing a possible indictment for allegedly taking bribes when he was minister of the Hajj, the pilgrimage Muslims take to Mecca, Saudi Arabia, the religion's holiest city, the official said.

The attorney general's office didn't offer any formal comment on the investigation on the Shahrani, both of whom declined to discuss the allegations.

—Habib Khan Totakhil
contributed to this article.

Attrition, lack of officers weigh on Afghan forces

By Julian E. Barnes

Significant progress has been made in building up the Afghan security forces, but continuing attrition among police officers and a dearth of midlevel military leaders pose major challenges, according to a report on the international training effort to be released Monday.

The review by the NATO Training Mission Afghanistan comes ahead of a gathering this month of alliance leaders in Portugal to discuss the future of the international military effort.

Outside experts concurred with the report, noting dramatic improvements in the quality and quantity of Afghan security forces. But they also noted that Afghanistan's lack of experienced midlevel military officers means that the international military will likely need to provide help for some time.

Enthusiasm within NATO for long-term mentoring of Afghan security forces appears to be eroding,

and military leaders hope to persuade alliance leaders to continue their training commitment.

"They are absolutely moving in the right direction," said Andrew Exum, a scholar at the Center for a New American Security. "The question is: Is it too little, too late?"

Lt. Gen. William Caldwell, the commander of the training mission, began overhauling the training program and bringing in more trainers in November 2009. Since then, the Afghan army has grown to 138,164 people from 97,011, while the national police force has grown to 120,504 from 84,958. "It is an incredible uplift," Gen. Caldwell said in an interview.

In the report, Gen. Caldwell and his fellow trainers identify problems that NATO must address. One of the most critical is the high attrition in the Afghan Nation Civil Order Police, used by the international military command to "hold" areas that international forces have cleared of Taliban insurgents.

INTERVIEW



Agence France-Presse/Getty Images

The EU commissioner for the digital agenda, Neelie Kroes, seen above in May, has pledged to address issues such as digital copyright laws and how people pay to use the Internet.

The EU's digital economy gets ready for a makeover

But differences in copyright-protection laws of the EU's 27 members pose a large hurdle to a uniform market

[Neelie Kroes]

BY MAX COLCHESTER

AVIGNON, France—Neelie Kroes is the woman trying to disentangle the EU's jumbled online economy.

Across the 27-member European Union, each country has its own copyright-protection laws governing, among other things, the reproduction of online music, film and books.

As European Union commissioner for the digital agenda, Ms. Kroes, 69, is trying to foster uniformity.

"Digital by definition is borderless so it's a perfect fit with the single market," Ms. Kroes said in an interview on the sidelines of a conference on culture and the economy in this southern French city. "But now we are faced with the reality...getting 27 states in one market to co-operate is not one day's work."

One of her first tasks is to make it easier for Europeans to shop online across the continent.

According to the European Commission, more than 90% of people who shop online do so through national sites, such as local retailers or airlines. And around 60% of cross-border online transactions fail because of legal or technical reasons. According to Forrester Research Inc., the number

of online shoppers in Western Europe was 141 million in 2009 and is expected to increase to 190 million by 2014.

Another key issue for Ms. Kroes: how much to regulate roaming fees that telecom operators charge for phone calls and Internet surfing when travelling across the EU.

In the EU, the fees that mobile operators charge customers for using their phones abroad are capped to keep them competitively priced. For example, the maximum price for sending a text message within the EU can't exceed 11 European cents (15 U.S. cents). The caps, which were first introduced in 2007, are set to be revised in 2012. Ms. Kroes must decide whether to recommend extending them or let them expire—a decision the commissioner said she would be taking "in the next couple of months."

In the past, Ms. Kroes hasn't been afraid to alter the status quo.

Ms. Kroes cut her teeth in Dutch politics in the 1970s in the pro-business Dutch political party *Volkspartij voor Vrijheid en Democratie*. She then joined the corporate world and sat on the boards of numerous companies, including telecom-equipment maker Lucent Technologies Inc. and defense contractor **Thales SA**.

Following her appointment as EU anti-trust commissioner in 2004, some feared that Ms. Kroes would take a soft line toward corporate giants. She ended up deliberating a flurry of fines against cartels—action that

earned her the name "Steely Neelie."

Now, in a five-year plan entitled "The Digital Agenda" Ms. Kroes has pledged to address issues such as digital copyright laws and how people pay to use the Internet. Goals include getting half of the 500 million people in the EU's 27 member states to shop online by 2015 and to have fast broadband connections by 2020.

More than 90% of people who shop online do so through national sites, according to the European Commission.

Ms. Kroes's current priority is cracking down on online music and film piracy. "In Europe there is a single market for downloading music and film," she said. "The problem is that it's illegal."

Ms. Kroes said that most people don't want to break the law, but it's currently not easy to download films and music legally. Ms. Kroes wants to make it easier for companies to create pan-European websites where people can download without violating copyright laws. To make this happen, she wants to create a Europe-wide one-stop shop to collect and distribute copyright payments for artists across the EU, rather

than on a country-by-country basis.

Not everyone agrees with the approach. Bernard Miyet, president of French collecting agency **SACEM** says it won't be easy to convince national agencies to give up their local influence. "The system as it is works, so why change it?" said Mr. Miyet.

Nick Cunningham, an intellectual-property lawyer at **Wragge & Co.**, also questions whether it will solve online piracy. "It's not convincing to say people pirate because it's hard to pay for content."

Mr. Cunningham says copyright holders favor a more heavy-handed approach to cracking down on online piracy such as the online-piracy law that France has recently introduced: Under the new law, people who repeatedly download illegally can have their Internet connections cut off.

But Ms. Kroes says punishment isn't the right approach, because it serves only to "demonize millions of citizens." Instead, she hopes the music, film and other creative industries can work together to come up with a better solution regarding how to protect copyright laws on an EU-wide basis.

The EU has a "copyright system that has done the job for 200 years and been quite successful. But that was when there were separate countries fighting it out on battlefields," she said. Once we have a solution for copyright, then it will be easier to attack piracy. If you solve the real problem, then there will be less piracy."