



**David Cameron: We will double U.K. trade with China by 2015**

EDITORIAL & OPINION 14

**Ireland faces next problem —this time it's home loans**

BUSINESS & FINANCE 19

# THE WALL STREET JOURNAL.

VOL. XXVIII NO. 198

EUROPE

Tuesday, November 9, 2010

DOW JONES  
A NEWS CORPORATION COMPANY

europe.WSJ.com

## Obama faces down Fed's critics

BY JONATHAN WEISMAN

NEW DELHI—U.S. President Barack Obama returned fire in a growing confrontation over trade and currencies Monday when he took the unusual step of publicly backing the Federal Reserve's decision to pump billions into the U.S. economy.

In a joint news conference with Indian Prime Minister Manmohan Singh, the U.S. president essentially defended the central bank's decision to buy \$600 billion in U.S. Treasury bonds, a move that has come under withering international criticism for weakening the U.S. dollar. The Federal Reserve is independent, and the White House by longstanding tradition has strained to avoid any appearance of collusion.

Mr. Obama said the administration doesn't comment on particular actions of the U.S. central bank, before adding: "I will say that the Fed's mandate, my mandate, is to grow our economy. And that's not just good for the United States, that's good for the world as a whole."

Tensions have flared in particular between German and U.S. officials in the run-up to a Group of 20 summit that begins Wednesday night in Seoul. U.S. Treasury Secretary Timothy Geithner has been pressing member nations to sign up for a framework that would set limits on



U.S. President Barack Obama, left, and Indian Prime Minister Manmohan Singh embrace following a joint press conference at Hyderabad House in New Delhi on Monday.

countries' trade balances. In return, Germany, which relies heavily on exports, has publicly lectured Washington about its economic policies, which it sees as profligate and damaging.

The German criticism echoes those from other countries, including Brazil

and Japan, which have complained about potential spillover effects from the Fed's action. Printing more dollars, or cutting U.S. interest rates, tends to weaken the dollar and makes U.S. exports more attractive. But the accompanying rise in the value of other countries' currencies

tends to hurt their exports and can fuel unwelcome inflation or asset bubbles. U.S. officials maintain that the Fed's action is about stimulating domestic demand, and that a weaker dollar is a consequence, not an objective.

The G-20 summit is shaping up as a showdown be-

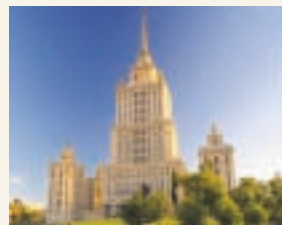
tween exporting powers, such as Germany and China, and nations such as the U.S. that are struggling to emerge from recession and high unemployment. Already, expectations are low for the meeting, which is unlikely to agree on specific targets for Mr. Geithner's trade regime. It's also

likely to leave unresolved other big questions, such as how to unwind big failing international financial institutions.

Please turn to page 4

- Protectionism clouds rare-earth efforts ..... 4
- Support for poor nations on summit's agenda ..... 4

### The Quirk



Moscow hotels get glitzy rehabs, but where would Stalin sleep? Page 33

### World Watch

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

### Editorial & Opinion

Geert Wilders and the limits of free speech in Europe. Page 15

## Rolls narrows its probe of Qantas engine failure

BY DANIEL MICHAELS AND ENDA CURRAN

Rolls-Royce Group PLC said it is closing in on understanding why one of its engines on a Qantas Airways Ltd. Airbus A380 jetliner blew apart last week, and the British engine maker is making fixes that will allow the Australian carrier to return its superjumbo jets to service.

Rolls-Royce said in a written statement that the Qantas incident was unrelated to an apparently similar accident in August with a test engine for the new 787 Dreamliner made by Airbus rival Boeing Co.

"It is now clear this incident is specific to the Trent 900 en-

gine," which is used only on Airbus A380s, Rolls-Royce said Monday.

Rolls-Royce added that checks are now being completed that will allow the aircraft to resume operations "in full compliance with all safety standards."

Qantas Chief Executive Alan Joyce said the carrier's engineers found oil leaks in engines on three of its six A380s. The fleet of double-decker planes—which are made by Airbus, a unit of European Aeronautic Defence & Space Co.—has been grounded since Thursday, after the fiery blowout of a turbine that forced a flight with 466 passengers and crew on-

board to make an emergency landing in Singapore soon after taking off.

Mr. Joyce said Monday that Qantas's A380 jets are likely to remain grounded for at least another 72 hours. "These engines are not performing to the parameters you would expect," he told a news conference in Sydney.

Qantas engineers identified oil leaks on engines from three separate superjumbos, one currently grounded in Sydney and two other aircraft in Los Angeles, Mr. Joyce said. "The oil leaks were beyond normal tolerances," he said.

A Rolls-Royce spokesman declined to comment on Mr. Joyce's remarks. Please turn to page 20



From the mind to the marketplace.

Intel is helping university students worldwide turn their thinking into the businesses of the future. Because encouraging new ideas fuels innovation. Learn more at [intel.com/inside](http://intel.com/inside).

Sponsors of Tomorrow:

THE WALL STREET JOURNAL.  
 £1.50  
 Bahrein BD 1.50 - Egypt \$1.75 (CV)  
 Jordan JD 2 - Kuwait KD 1 - Oman OR 2  
 Qatar QR 4 - Saudi Arabia SR 14  
 4.5  
 9 7792 19 986924

## PAGE TWO

# Firms must watch for pitfalls in China

## [ Agenda ]

BY PATIENCE WHEATCROFT



As the world's second-largest economy, China is now a magnet for any expansion-minded business.

It is not, however, a market without hazards. Lawyers Debevoise & Plimpton point out that in the past five years, roughly a quarter of the enforcement actions taken in the United States under the Foreign Corrupt Practices Act have been based in whole or in part on improper conduct in China.

This is particularly pertinent since, as Prime Minister David Cameron leads a delegation of U.K. business heads on a mission to China this week, the U.K.'s own new Bribery Act gets closer to clamping down on bribery even more forcefully than the FCPA.

Consultation on the Bribery Act closed on Monday. Business is hoping that, as a result, the legislation may be further clarified before it comes into effect in April. Neil Gerrard, joint head of the Litigation and Regulation group at lawyers DLA Piper, is among those calling for the act to be more specific over issues such as hospitality. What level of entertaining of a potential customer might amount to bribery? At the moment the act leaves this to the discretion of those in business and those who enforce the law, two groups that may not see things the same way.

Mr. Gerrard draws parallels with the Theft Act of 1968, where loose drafting spawned a huge number of court cases as lawyers tried to establish definitions for concepts such as "appropriate."

"We need clarity," he says. The CBI, the U.K.'s main employers' organization, agrees. While declaring its hostility to corruption in any form, and support for the aims of the Bribery Act, Katja Hall, the CBI's director of employment policy,



David Cameron boards a plane for China on Monday.

says that there is a risk that implementation of parts of the act could disadvantage the U.K. "In particular, we want the government to clarify rules on corporate hospitality, to ensure that people who are engaged in legitimate promotional activity are not caught out."

The FCPA is directed at bribery linked to government and does not, in theory, extend to private commercial bribery. However, Debevoise & Plimpton suggests that although the private sector now accounts for more than half of China's GDP, the division can be dangerously blurred. It highlights

## What level of entertaining of a potential customer might amount to bribery?

what it colorfully terms "The Princeling Risk," which can exist where the sons or other relatives of Communist Party and government officials take on major roles in the private sector.

Although the FCPA does not explicitly classify these "princelings" as "foreign officials," Debevoise warns that "dealings with officials' family members have been cited in the facts underlying several FCPA enforcement actions."

Since the U.K. Bribery Act extends to deals where there is no public-sector involvement, bribery of a princeling would be an offense in its own right. This is not the only aspect of the new act that goes beyond the FCPA. As this column has mentioned before, it makes no provision for "facilitation payments," those small payments that, even if nominally outlawed, are effectively accepted as part of the cost of doing business in some parts of the world. The FCPA accepts such payments.

While a climb to the moral high ground would demand the stance taken in the Bribery Act, DLA Piper's Mr. Gerrard is clear that "in taking that line, the U.K. act risks disadvantaging British business." And it is not just British business that may be hit. The legislation is drafted to give the U.K. authorities a very long reach. Any company with operations in the U.K. that is judged to be behaving badly anywhere in the world could get caught by the Bribery Act.

Those big companies represented in the U.K. prime minister's delegation to China will be well aware of the potential pitfalls to avoid when doing business with different cultures. For the smaller firms now being encouraged to be more adventurous in their export drives, however, there will be some surprises ahead, whether

they head to China, India, the Middle East or some of the more entrepreneurial parts of Europe. Caution will have to be their watchword.

## Resourceful China

While companies from the rest of the world eye China as a rich source of potential business, China continues to focus much of its spending on natural resources. Monday brought another example of its determination to seek out acquisitions.

Guangdong Rising, one of the largest state-owned enterprises, has declared the intention of buying **Caledon Resources**, a coking coal explorer and producer listed on the AiM in London. The deal is valued at just £250 million (\$403 million), evidence of the thoroughness with which China is scouring the world for potential transactions.

## Roller coaster

While the stock market has battered the shares of **Rolls-Royce**, the company has kept its silence until it felt it had something it could say with confidence about the fire that hit the Qantas Airbus 380 over Indonesia.

The statement it issued on Monday was brief but clear. After thorough investigation of the other similar engines, it is confident in saying that the problem has been isolated to the Trent 900 engine. That doesn't mean that Rolls-Royce doesn't have a problem, and there was no attempt to deny that it does, but at least it is limited. And the company, which takes pride in its engineering prowess, is right to point out that the incident is the first to occur on one of its large civil engines since 1994. Chief executive John Rose, due to leave the company next year, will be intent on sorting out the matter before he departs. The stock market, in its drastic reaction, may turn out to have overreacted to a failing that can be contained and relatively quickly put right.

## What's News

■ **Spanish company ACS's** hostile bid for the German construction giant Hochtief has become a test case for German takeover law that could open Europe's largest economy to more unsolicited foreign takeover offers. 19

■ **Oracle CEO Larry Ellison** said a discontinued SAP unit stole intellectual property worth about \$4 billion, during a closely watched copyright-infringement trial. 19

■ **Shell agreed to sell** about a third of its holding in Woodside for \$3.35 billion, potentially increasing the Australian energy company's takeover appeal. 23

■ **Russia's Gazprom posted** a 12% decline in profit for the second quarter, hampered by weak European demand for natural gas. 21

■ **Pope Benedict XVI called** a world-wide meeting of cardinals to discuss the Vatican's response to sexually abusive priests. 7

## Inside



The boardrooms of Civvy Street gain from military cuts. 31



Welcome to football's market pool, where big fish prosper. 32

## ONLINE TODAY

### Most read in Europe



1. Qantas Finds Leaks in Fleet
2. Statistics Don't Help in a Battle Between Stimulus and Austerity
3. 'Black Ops' Jeep Imitates Videogame
4. U.K. Pays Price to Save Euro
5. Qantas Blast Details Emerge

### Most emailed in Europe

1. The Fed: Dump the Dollar, Save the Economy
2. Security Fears Kill Huawei Bid
3. Mother Madness
4. The Perfect Stimulus: Bad Management
5. U.N. Indictments Near in Killing

### Iain Martin

blogs.wsj.com/iainmartin

'The Tories may be vulnerable to the charge from Farage that they have sold out on Europe.'

Iain Martin on why UKIP's Nigel Farage is a big problem for David Cameron



### Continuing coverage



Follow the latest news and see photos from President Obama's trip to India at [wsj.com/world](http://wsj.com/world)

### Question of the day

Vote and discuss: Where do you think will the Dow be by year's end?

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

### Previous results

Q: Which Europe House of the Day is your favorite?

Hamburg Estate

15%

Swiss Ski Chalet

21%

Tuscan Estate

12%

Andalusian Villa

52%

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 Telesampa 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

# Disease threatens New Zealand kiwi

By LUCY CRAYMER

WELLINGTON, New Zealand—Kiwi-fruit harvests that generate 1.2 billion New Zealand dollars (US\$956.9 million) a year of revenue for New Zealand's hard-pressed economy are under threat from the possible discovery of a virulent bacterial disease at an orchard on the nation's tropical North Island.

New Zealand's biosecurity agency warned Monday that it is unsure whether the suspected outbreak of *pseudomonas syringae* *pv. actinidiae*, which could wipe out orchards of the hairy fruit, has already spread across the nation. The disease, previously unseen in New Zealand, has caused substantial damage to kiwi vines in Italy since it was discovered there in 1992.

An outbreak of the disease could hurt New Zealand's economy, as the fruit accounts for about 2.5% of exports.

"This potential risk to our kiwi-fruit industry is being taken seriously," Biosecurity Minister David Carter said in a prepared statement. "While the strain of the disease is



A bacteria-infected kiwi-tree leaf at an unknown location. New Zealand's kiwi industry is worth nearly \$1 billion a year.



not yet known, all necessary precautions have been put in place on the orchard to prevent the disease from spreading."

The agency hasn't identified the exact location and owners of the plantation.

But concerns over how an out-

break could affect the economy weighed on the New Zealand dollar, which lost almost half a cent against its Australian counterpart.

Trading of shares in big kiwi producers **Satara Co-Operative Group** and **Seeka Kiwifruit Industries Ltd.** was suspended for most

of Monday.

"We don't know if it has spread throughout the industry," said Lain Jager, chief executive of Zespri, a major kiwi producer. The company has sales of about US\$1.5 billion among 2,700 fruit growers across New Zealand, according to its web-

site. "There is no aspect of this being a health-safety issue, but instead it is an economic issue," Mr. Jager said.

New Zealand maintains some of the world's most rigorous border checks to prevent the introduction of foreign diseases that could affect crops and livestock.

An outbreak would come at a bad time for the country's economy. The New Zealand dollar, also known as the kiwi, is hovering near its yearlong high against the U.S. dollar, making the cost of agricultural exports to key markets such as China more expensive.

The currency's strength is weighing on an economy struggling to shake off the global financial crisis, a weak housing market and a recent earthquake that hit business in Christchurch, one of the country's major cities.

The disease is "unequivocally a concern," said Stephen Toplis, head of research at Bank of New Zealand. "At a time when we have been hit by every pestilence known to mankind, recessions, earthquakes and storms, we don't need this."

CREDIT SUISSE 



75 year-old business  
 3 generations  
 2 safe hands  
**One Credit Suisse**  
 working for your future

People are not made of numbers. They are made of hopes and dreams, passions and partnerships, talent and tenacity. We strive to see beyond the numbers and understand what success means to our clients, to deliver what really matters. Credit Suisse, working to help its clients thrive since 1856.

[credit-suisse.com](http://credit-suisse.com)

## G-20 SUMMIT

# Rare-earth push hits hurdles

BY JOHN W. MILLER

BRUSSELS—A push by major Western corporations to get China to promise to free up key rare-earth exports during the Group of 20 summit this week is likely to be weakened by evidence that China has itself been the target of a raft of recent protectionist trade measures, say diplomats and trade experts.

Ahead of the G-20's meeting in Seoul on Thursday and Friday, a World Bank-backed study released Monday shows the U.S., European Union and G-20 allies have recently outpaced other countries in measures that have defended domestic producers, from France's \$2.3 billion payout to its farmers in October to a South Korean program that is giving export subsidies to 100 hand-picked companies. China has been the biggest target of these measures, the study said.

The report doesn't have the force of a ruling by the World Trade Organization, but it underscores tariffs and other trade measures against China that Beijing will cite to defend its trade policies, including its export taxes and quotas on rare earths, say diplomats.

South Korea, the summit's host, wants members to repeat a promise made in 2008 to not "repeat the historic mistakes of protectionism of previous eras." It also wants to pledge to assist developing countries by cutting tariffs and steering aid toward infrastructure. Such measures were part of the Doha Round of global trade talks, begun in 2001 and now suspended.

Business groups have also been trying to muscle the subject of rare-earth minerals—essential ingredients for products from cars to cell phones—on the agenda. China, which produces over 95% of such elements, has restricted shipments since July 2010 and is threatening to continue restrictions next year.

"What we are talking about here is a monopoly," says Carsten Dan-nohl of Business Europe, which rep-



Associated Press

South Korean police patrol near the G-20 summit venue in Seoul on Monday.

resents EU companies. "There needs to be normal, free competition on the issue."

Last week, a coalition of powerful Western business lobby groups addressed a letter to G-20 leaders, calling for G-20 members to "refrain from export taxes, quotas or other market-distorting measures on rare-earth elements that restrict global supply and unnecessarily contribute to price volatility."

The companies behind the letter say their message is part of a broad free-trade campaign aimed at all governments. "We oppose all export restrictions," says Catherine Berckmans, a Brussels-based representative for General Motors Co., which fought recent EU tariffs on Chinese wheel imports. "We always try to calm tensions between the U.S. and EU governments, and China."

EU and U.S. trade officials say they have received the letter but are uncertain whether they will be able to press China on the issue. U.S. Trade Representative Ron Kirk will attend the meeting, but his European counterpart Karel De Gucht won't. Neither has reacted publicly to the letter.

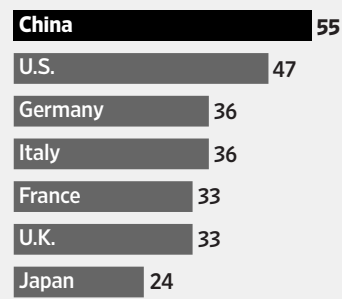
"Why should the Chinese listen, given the rest of the world's record?" says Simon Evenett, coordinator of the study, which points out that since the last meeting of G-20 members in June, G-20 members have imposed 94 protectionist measures, compared with 44 by countries not part of the G-20.

China has said it has no plans to manipulate global trade and is instead restricting rare-earth exports to minimize the environmental impact of mining.

## Trading with China

As Western countries lobby China to suspend export quotas on rare earths, they must face up to an uptick in protectionism at home.

Countries most targeted by protectionism, by measures since last G-20 summit in June



Source: Global Trade Alert

# Poor nations also on the agenda

BY BOB DAVIS

SEOUL—Although this week's Group of 20 summit is focusing on currency turmoil, the summiters are also putting together a plan to give the G-20 a big role in spurring development in poor nations.

South Korea, the summit's host, has pressed a development agenda for months, figuring that its climb from poverty would give it credibility with both the industrialized and developing nations that make up the G-20. It figured it could have the World Bank, regional development banks and various United Nations agencies carry out G-20 directives in the same way the International Monetary Fund works on G-20 finance plans.

But the development world is large and fractious with dozens of agencies jockeying for position to dole out aid, advice and research. Three of South Korea's major initiatives have all faced problems—ones seeking to eliminate tariffs and quotas on the world's poorest countries, direct more money into infrastructure spending, and create a "knowledge platform" where developing-nation governments could examine

cases studies on subjects like creating free-trade zones.

"It's a travesty" that the G-20 sometimes wouldn't support full-scale programs, says Lim Won-hyuk, a senior researcher at the Korea Development Institute, who has advised the South Korean government on G-20 development efforts.

But Stephen Groff, deputy director for development cooperation at the Organization for Economic Cooperation and Development, a rich-country group that looks at development issues, said the development agenda will help to defuse criticism that the G-20 ignores concerns of nonmembers. "If the G-20 is going to continue as the world's greatest deliberative body on economic issues, they can't leave out the developing world."

South Korean negotiators say they wanted to approach development from a pragmatic, what-works approach. They laid out nine broad areas they considered crucial for fast, sustainable growth, including macroeconomic stability, agricultural investment, liberalized trade, improved skills and technical advice. None are controversial, but they represented a different strategy

than that of the Group of Eight industrialized nations—the predecessor of the G-20—which routinely announced aid initiatives, which were then largely ignored.

But the South Koreans quickly found themselves in a bind. Without splashy new aid initiatives, their efforts were unlikely to get much attention.

And even modest concrete programs ran into trouble. European nations backed a plan to eliminate tariffs and quotas for imports from the world's poorest nations, a proposal that dates to a 2000 United Nations effort. Kimberly Elliott, a trade specialist at the Center for Global Development, a Washington think tank, calls the proposal, a "unique opportunity to deliver on the longstanding promise to promote trade as a tool for development in poor and marginalized countries."

According to G-20 negotiators, the group's developing nations, including China and India, argue that rich countries should have to make bigger trade concessions than they do. And the U.S. opposes the plan because some of the nations involved, particularly Bangladesh,

have powerful apparel industries that could threaten some U.S. jobs.

The U.S. also wants to protect trade preferences it already has negotiated with African countries, which could be diluted if Asian and Latin American countries received them too.

A negotiator said the G-20 now is trying to redefine what a "least developed nation" is—and decide if some should receive less of a trade boost than others.

Meanwhile, the South Korean plan to put together a "knowledge platform" got caught in a turf fight between the OECD and U.N. agencies, which each wanted to house the effort, said Mr. Lim.

Mr. Groff, the OECD official, said, "There never has been a sit-down between the Korean presidency, the OECD and United Nations Development Agency over how we should do this."

The third main initiative—boosting infrastructure spending—is faring better. The South Koreans have worked closely with the World Bank, which is changing course after years of de-emphasizing roads, dams and energy plants. The G-20 is to bolster support for such projects.

# Obama sides with Fed on plans to lift U.S. growth

Continued from first page  
tions, a task made urgent by the recent financial crisis.

Mr. Geithner said he is "very confident" world leaders, including those from China, will agree on a new framework that could instead include warning indicators for when a country's trade balance is out of line.

Underpinning the debate is a growing sense that the international currency system, which has been based on floating exchange rates for most players for more than 30 years, is wearing out. China's policy of keeping its currency artificially low has caused tensions for years, which have increased of late as other countries try to export their economies back to health. Now critics are lumping the Fed's policy, known as quantitative easing, into the same category.

German Finance Minister Wolfgang Schäuble lashed out at U.S. pressure on Berlin to rein in surging exports, accusing Washington of hypocrisy and telling Der Spiegel magazine, "the American growth model...is stuck in a deep crisis."

"It doesn't add up when the Americans accuse the Chinese of currency manipulation and then, with the help of their central bank's printing presses, artificially lower the value of the dollar," he said in an article published this weekend. Mr. Schäuble stuck to his guns Monday at an economic forum in Berlin.

Data released Monday showed Germany's trade surplus shot up to €16.8 billion (\$23.37 billion) in September from €9 billion in August, much larger than the €12 billion economists had anticipated.

In his first public comments since Mr. Schäuble's outburst, Mr. Obama seemed set to keep the heat on both Germany and China. "We can't continue to sustain a situation in which some countries are maintaining massive [trade] surpluses, others massive deficits, and there never is the kind of adjustments with respect to currency that would lead to a more balanced growth pattern."

He enlisted a key ally in Mr. Singh, an economist whose country is wielding increasing influence at the G-20. Responding to Mr. Schäuble's denunciation of the Fed, the prime minister said, "Anything that stimulates the underlying growth impulses of entrepreneurship in the United States would help the cause of global prosperity."

European Central Bank President Jean-Claude Trichet dismissed concerns that the world's major powers are deliberately weakening their currencies. Mr. Trichet said the committee had received a "very, very precise exposition" by the Fed of its new policy, but said there was no judgment of its action.

Observers said the blunt criticism of U.S. policy is in large part payback for a longstanding stance by U.S. policy makers that the American economy should serve as a model for others. The heated rhetoric also stems from real fears that the U.S. may be looking for a backdoor way to set exchange-rate policy in a way that favors the U.S.

—Deborah Solomon, Geoffrey T. Smith, Ian Talley contributed to this article.



Every day, Chevron relies on small businesses around the world. Electricians. Mechanics. Manufacturers. We spent billions on local goods and services last year. And helped thousands of entrepreneurs get ahead with microloans. We're helping small businesses thrive. Because we need them. Just as much as they need us. Learn more at [chevron.com/weagree](http://chevron.com/weagree)



# BIG OIL SHOULD SUPPORT SMALL BUSINESS.

**WE AGREE.**

*Steve Tomkovicz*  
 Steve Tomkovicz  
 President  
 S&S Supplies and Solutions

*Leo Lonergan*  
 Leo Lonergan  
 Chief Procurement Officer  
 Chevron

## EUROPE NEWS

# Street is microcosm of Ireland's malaise

[ Letter from Dublin ]

BY QUENTIN FOTTRELL

A walk down Grafton Street, frequently billed as Ireland's premier shopping street, provides a snapshot of just how the country's economic crisis is playing out on the ground.

Whereas it was once a place where the well-heeled came to be seen, today Grafton Street is distinctly down-market. Its storefronts include several news agents, McDonald's and Burger King fast-food restaurants, two Vodafone stores and two O2 stores selling cellphones, a Marks & Spencer's department store, and more than a few disgruntled independent retailers, like Korky's shoe store, owned by John Corcoran.

Above Korky's, which has been at the south end of the street since 1985, a sign hangs down the building's facade. It reads: "High rents are killing our jobs."

Mr. Corcoran, who employs 10 people in his Grafton Street store, spent €3,000 on the three-story sign. He says he paid annual rent of 100,000 Irish pounds when he took over the 35-year lease for the building 25 years ago. His annual rent is now €445,000 (about \$625,000), which he has refused to pay for the past nine months. His landlord is taking him to court.

"My landlord did what any decent landlord would do during a recession and refused to give me a rent reduction," he says, sarcastically. "Irish retailers successfully lobbied the government to ban upwards-only rent reviews by landlords, but that only comes into effect from March 1. Rents on Grafton Street are among the highest in the world."

"We've offered €500,000 to any incoming tenant to take the lease, but the landlord won't reduce the rent," he says. "Retail



Grafton Street, billed as Ireland's top shopping street, has fallen on hard times and now has a down-market feel.

in Ireland has been wiped by the recession, but more importantly than that it has been wiped by the rents."

Across the street, former workers are protesting outside the Laura Ashley store, which closed last month, over the short notice period and statutory redundancy. The windows, which used to display women's clothes and home furnishings, are boarded up. In a statement, Laura Ashley said that "the Grafton Street property was no longer suited to Laura Ashley's range of products" and that it hopes to re-employ as many of its former workers as possible when it finds another site.

The protesters' placards say: "This Tale Has No Happy Ever After."

The story is one of a small country with big dreams that

came true for just a decade. Big multinationals were drawn here by low corporation tax and a well-educated, English-speaking workforce. The construction boom and frenzy for housing was fueled by reckless lending of billions of euros by banks to property developers.

During the Celtic Tiger era, as the boom period became known, people bought houses...and shopped. The richest bought fancy attire in Brown Thomas—one of the few upscale stores left on Grafton Street—had their teeth whitened, and furnished their new homes with sofas and coffee tables from Habitat on nearby College Green, which closed its Dublin store in 2008, citing a deterioration in sales.

Unlike Laura Ashley, Habitat didn't board up its windows when

it closed its doors. Long after the retailer's retreat, one could see the re-creations of domestic bliss on the shop floor frozen in time. The former flagship lifestyle store—located in a mid-19th-century Bank of Ireland building—was a chilling barometer of the times.

New retailers looking for lower rents fare better. In commercial-real-estate broker and consultancy Cushman & Wakefield's latest "Main Streets Across the World" survey of global rents, Grafton Street fell from eighth to 13th place. New York's Fifth Avenue held the top spot. Still, that's quite a placing for Dublin, a city with a population of just over a million.

While rents for some retailers remain stubbornly high, the cost of buying a house has fallen

around 45% from the peak in 2006, and prices have come down across the board, with summer sales stretching into the fall. Clothing and footwear prices were down 7.4% in October from a year earlier, according to the latest government data.

Last week, there was more bad news for retailers. Consumer confidence hit a 17-month low in October, according to think tank Economic & Social Research Institute and KBC Bank Ireland. KBC economist Austin Hughes is cautious about a recovery: "The key question is whether consumers have now fully priced in all the bad news."

And what bad news. The government said last week that it would cut €6 billion from its budget next year, the first step in its planned €15 billion in cuts over four years. And the details of the cuts, to be released later in the month, look likely to spare no one, taking in social welfare, education, health, those on low wages currently outside the tax net, and the middle class, through a possible property tax and changes to a range of tax bands.

More old-fashioned shoppers have greeted the news that Mickey Mouse and U.S. entertainment giant Disney will be moving into the vacant Laura Ashley premises with bemusement. Others are grateful it won't remain empty and welcome the employment.

Teresa Tideman, joint managing director of Disney Store Europe, says the new store on Grafton Street is expected to open in the first half of next year. "The new store promises to delight children and adults," she says.

A purveyor of fairy tales with reliably happy endings, Disney may be arriving at just the right time; the scared, worn-down, angry Irish public needs all the escapism it can get.

■ Irish lenders brace for hefty losses on home loans ..... 19

## U.K. house prices decline

BY ILONA BILLINGTON AND PAUL HANNON

LONDON—U.K. house prices fell sharply in October to the lowest level since April 2009, reflecting still-tight mortgage lending and general caution about the outlook for the economy, the Royal Institution of Chartered Surveyors said Tuesday.

That caution was also apparent in consumer-spending behavior. The British Retail Consortium Tuesday said the value of sales at stores that have been open for at least a year was 0.8% higher in October than a year earlier, but added that much of the increase was due to higher food prices, rather than strong demand.

Whatever the near-term prospects for the housing market and the economy, over the longer term Britons and their government are likely to struggle under the burden of historically high debt levels, with business-services firm PricewaterhouseCoopers Tuesday warning total U.K. borrowing will hit £10 trillion (about \$16.2 trillion) by 2015.

The RICS survey showed that, in

seasonally adjusted terms, the proportion of surveyors reporting a fall in house prices exceeded the proportion reporting a rise, resulting in balance of minus 49 in October, compared with September's minus 36.

The number of new properties being advertised for sale fell in October for the first time since January, indicating that sellers are becoming as cautious as potential buyers. "With both supply and demand falling, transaction activity is set to remain at relatively flat levels for the foreseeable future," said RICS spokesman Jeremy Leaf.

Meanwhile, the BRC said total retail sales—including those from new stores—rose 2.4% in October from a year earlier. That was stronger than the 2.2% rise in September, but boosted by higher prices rather than higher volumes.

"Growth in food sales, partly created by inflationary pressure from rising commodity prices, has produced a modest increase in overall sales," said Stephen Robertson, the BRC's director general. "But any gains made in food continue to be counterbalanced by the nonfood

sector, where it's a struggle to convince wary consumers to part with their money."

Separately, PwC said the total indebtedness of the U.K.'s public and private sectors will rise to £10.2 trillion by 2015 from £7.5 trillion last year, and will remain equivalent to more than five times annual economic output.

The firm said that while the burden imposed by servicing the debt is bearable at current very low interest rates, it could become much more difficult should rates rise.

It warned that efforts by both the public and private sectors to cut their debts could push the economy back into recession.

By historic standards, debt would remain very high. It was twice as large as gross domestic product in 1987, and just over three times as large as GDP as recently as 2000.

"This is a very heavy burden of debt for the economy to continue to bear, particularly with interest rates likely to rise significantly at some point over the next five years or so," said John Hawksorth, PwC's chief economist.

## Rehn criticizes Ireland's 'low-tax country' status

BY AINSLEY THOMSON AND NICHOLAS WINNING

DUBLIN—European Union Commissioner for Economic and Monetary Affairs Olli Rehn Monday said Ireland couldn't continue as a "low-tax country," but declined to be drawn on whether its corporation tax rate should be raised.

It is the second time in the past six weeks that Mr. Rehn has publicly criticized Ireland's tax regime.

The Irish government has repeatedly said that the country's 12.5% corporate tax, one of the lowest in the euro zone, remains "a cornerstone of Irish industrial policy."

Mr. Rehn's comments came after a meeting in Dublin with Irish Finance Minister Brian Lenihan to discuss details of Ireland's four-year budget plan. The plan will detail how the government will make the €15 billion (about \$21 billion) of budget cuts needed over the next four years in order to reduce the country's budget deficit to the EU's target of 3% of gross domestic prod-

uct by 2014.

Mr. Rehn endorsed the Irish austerity drive but said the fiscal adjustment will take time and determination. Ireland hadn't requested any financial backstops from the EU, he said. Mr. Rehn also said the EU was closely following Irish domestic politics and stressed that cross-party consensus on the fiscal reforms would benefit Ireland. During his two day visit to Dublin, Mr. Rehn will also meet with opposition political parties.

The Irish government's slim parliamentary majority last week came under further pressure after it agreed to hold the Donegal South West by-election just days before a crucial vote on the 2011 budget.

The budget, which will include the sweeping spending cuts needed to tackle the country's budget deficit that will reach 32% of gross domestic product in 2010, is proving increasingly unpalatable to opposition lawmakers and even to some members of the governing Fianna Fail party.

## EUROPE NEWS



Reuters

Silvio Berlusconi, right, with Gianfranco Fini in Rome last week. Mr. Fini is pressing for Mr. Berlusconi to resign.

## Berlusconi looks secure, for now, amid attacks

By CHRISTOPHER EMSDEN

ROME—Gianfranco Fini has threatened to bring down Italian Prime Minister Silvio Berlusconi's government. Now the question is whether—and when—he will actually pull the plug.

Mr. Fini, who is speaker of Italy's lower house of Parliament, broke ranks with Mr. Berlusconi earlier this year, ending a 16-year friendship and alliance with Italy's billionaire leader. The right-wing Mr. Fini leads at least 35 lawmakers in the lower house—a basket of votes that would be enough to strip Mr. Berlusconi of his parliamentary majority should they all vote against the government.

Over the weekend, Mr. Fini made his most impassioned attack yet on Mr. Berlusconi, calling on him to resign. Mr. Fini's supporters on Monday claimed that the premier's days are numbered. "We are already in the post-Berlusconi era," Italo Bocchino, a center-right deputy who supports Mr. Fini, told reporters.

Yet the battle between Messrs. Berlusconi and Fini is far from over.

Members of Mr. Berlusconi's People of Freedom Party said on Monday that the premier had no intention of resigning. More crucially, the

Northern League, a key government member, also dismissed Mr. Fini's resignation calls and said Monday that the premier would go on.

"We decided to press on with reforms and carry on the government's program," top Northern League officials said in a statement after meeting with Mr. Berlusconi and Northern League leader Umberto Bossi. The League has roughly twice as many deputies as Mr. Fini's followers in the lower house of Parliament. Mr. Bossi's continued support for Mr. Berlusconi is crucial for keeping the government on its feet.

Still, Mr. Fini could pin the government's back against the wall by ordering his followers to resign from their cabinet posts or by voting against the government in a new parliamentary confidence vote. A number of key votes are coming up before Parliament over the next few weeks, including one on changes to Italy's three-year budget.

While Mr. Berlusconi prevailed in a confidence vote as recently as September, the political landscape is deteriorating for the prime minister, who on Monday scrapped his plans to give a keynote speech at a conference on family policy. The decision was largely the result of controversy stoked by his lifestyle of late-night

parties with young women.

A poll published in Milan daily *Corriere della Sera* on Monday by leading pollster Renato Manheimer's ISPO institute found that only 34% of Italians have confidence in the prime minister. Remarkably, that is the same rate as confidence in labor unions, which in Italy are broadly viewed dimly as an obstructionist lobby for pensioners and public-sector workers.

Two-thirds of the business executives surveyed in a snap poll released Monday by Business International, a corporate events manager, said they would prefer an actual government crisis to the continuing political uncertainty. A plurality, 38%, said they would like to see a technocratic caretaker government, a prospect that Mr. Berlusconi has sharply criticized.

In a sign of investor wariness to the political drama, the yield on Italian 10-year government bonds rose to 4% Monday from 3.93% on Friday, a much sharper rise than reported for Spain and in stark contrast to declining yields in German bunds. That one-day increase would, if permanent, translate over the medium term into an extra €1.2 billion (\$1.68 billion) in annual budget charges to service Italy's sovereign debt.

## Pope calls meeting to discuss sex abuse

By STACY MEICHTRY

ROME—Pope Benedict XVI called a world-wide meeting of cardinals to discuss the Vatican's response to sexually abusive priests, underscoring how the crisis is likely to loom large in the election of the next pope.

Pope Benedict will convene the meeting of "prayer and reflection" for the cardinals on Nov. 19, one day before he elevates 24 new cardinals in a Vatican ceremony known as a consistory, the Vatican said Monday.

The meeting is a chance for the pontiff to call greater attention to the sexual-abuse crisis among cardinals, who vote in papal elections known as conclaves. Cardinals rarely meet in Rome en masse because many of them oversee local churches around the globe.

Over the years, Pope Benedict has used consistories to confront cardinals with what he considers the biggest challenges facing the church, such as efforts to bring splinter Catholic groups back into the Catholic fold. "This is where all the most important, most relevant issues are discussed," said Gianni Cardinale, a longtime Vatican watcher who writes for *Avvenire*, the official newspaper of the Italian Bishops Conference.

It is unclear how many of the 120 cardinals who would be eligible to vote in the next conclave consider the crisis a top priority. The spread of hundreds of sex-abuse allegations across Europe, including the pope's homeland of Germany, has cut into the church's credibility in former Catholic strongholds like Ireland. Cardinals voting in the next conclave will face a multitude of challenges, however, ranging from the world-wide decline in priests to the fall in church attendance in Europe.

One top church official who is

expected to attend the Nov. 19 meeting said he expected the crisis to be among the factors influencing how cardinals vote, but added that there would be "no single issue" driving the election. In an address to bishops on Monday, Cardinal Angelo Bagnasco, the head of the Italian bishops conference, zeroed in on the crisis, saying the church had betrayed its flock by making "sins of omission" in handling sexual-abuse cases.

The Nov. 19 meeting will feature an address on the "response of the church to cases of sexual abuse" by Cardinal William Levada, head of the Congregation for the Doctrine of the Faith, the Vatican office in charge of disciplining abusive priests. Earlier this year, Cardinal Levada's office issued tougher rules for stripping abusive priests of their ministry. The pope, meanwhile, has held several meetings with victims and accepted the resignations of bishops who admitted to committing abuse or covering it up.

The Congregation for the Doctrine of the Faith continues to face scrutiny, however, from victims of sex abuse and other critics who fault his office for refusing to force bishops to report sex abuse to civil authorities. "It's easy and tempting to assume [the meeting] is a positive sign. But that's irresponsible," said Barbara Blaine, president of the Survivors Network of those Abused by Priests. "We'll only know if this is a good development when we see action resulting from this meeting."

On Monday, the Catholic Bishops' Conference of England and Wales said Five Church of England bishops were converting to Catholicism. The Archbishop of Canterbury Rowan Williams, who heads the Church of England, said he had accepted the resignations of two of the bishops "with regret."



Agence France-Presse/Getty Images

Pope Benedict XVI disembarks at Ciampino Airport Sunday after visiting Spain.

## EU nears deal on patent rules

By FRANCES ROBINSON

BRUSSELS—European ministers are expected to agree this week on rules that should allow innovators to submit a single pan-European Union patent, ending decades of negotiations.

"I really think it's possible to reach unanimous agreement," EU Commissioner for the Internal Market Michel Barnier said last week. "The current situation cannot continue."

Ministers for economics and enterprise will gather Wednesday in

Brussels to try to reach a final compromise on the language, rules and cost of a single European patent, having agreed on how the new system would work last year. The European Commission, the bloc's executive arm, has proposed a system where patents are registered in English, French and German.

Although there is crossborder protection for patents from the European Patent Organization, or EPO, it represents a package of patents that must then be enforced in individual countries. Last year, ministers agreed that under a single sys-

tem, the EPO—which covers 38 countries including Turkey—will grant EU patents that will be in effect within the EU, with a single court to handle litigation cases.

The translation of patents from one language to another isn't cheap. According to the commission, a European patent validated in 13 countries costs as much as €20,000 (\$28,800).

Mr. Barnier stressed the importance of reaching a deal that will ensure the cost of securing an EU-wide patent is no more expensive than the cost of doing so in the U.S.

F.P.JOURNE  
Invenit et Fecit

Octa Automatique Lune

FPJOURNE.COM



## U.S. NEWS

# Air Force's flyover plan draws flak

By STEPHANIE SIMON

The U.S. Air Force thinks the rough-hewn peaks of southwest Colorado and northern New Mexico make excellent surrogates for the treacherous mountain ranges in global hot spots such as Afghanistan. Some local residents beg to differ.

In a bid to provide Special Operations pilots more realistic simulations of wartime missions, the Air Force has proposed a vast new tactical-training zone that stretches across 94,000 square miles of rugged terrain. Starting next year, commanders want to send C-130 transport planes and CV-22 Osprey tilt-rotor aircraft skimming across the region after dark at altitudes as low as 200 feet and speeds of as much as 288 miles per hour. They envision three sorties a night.

The pilots would dart among the ridges and dip low over the rangeland, practicing the stealth needed for covert operations, said Col. Stephen Clark, wing commander at New Mexico's Cannon Air Force Base, which is pushing the proposal. Pilots would be required to avoid

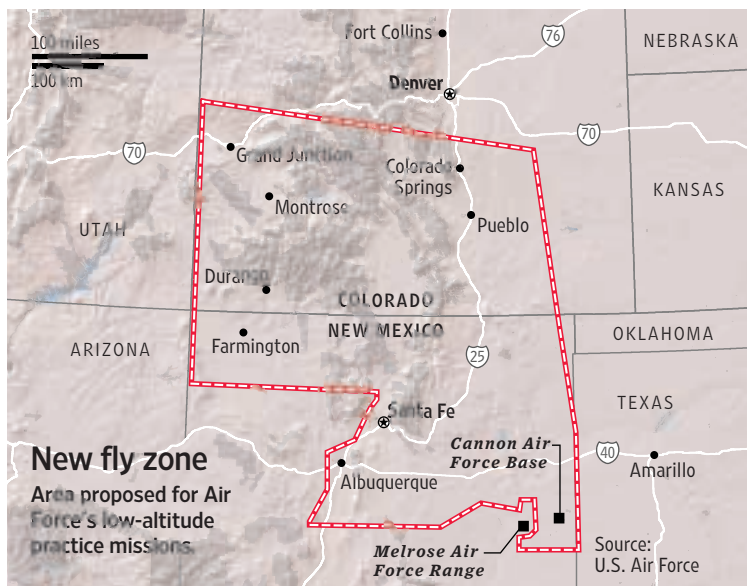
cities in the zone, including Santa Fe and Taos in New Mexico and Aspen, Pueblo and Durango in Colorado. But communities and residents fighting the Air Force say hundreds of low-altitude flights each year will spook cattle, scare children, rattle adobe buildings, create pollution and mar the tranquility.

"Our economy is based on people coming here for the beauty of the land, the solitude, the wild qualities," said Cliff Bain, who lives in Arroyo Hondo, N.M., north of Taos. He started an opposition group called Peaceful Skies.

At least four county commissions and two city councils have taken a stand against the proposal, and the Air Force has received 1,200 comments, most expressing concern.

The opposition disturbs some civic leaders who fear Cannon Air Force Base, an economic anchor for eastern New Mexico, might be vulnerable to cutbacks if pilots there can't properly prepare for missions. Others say occasional noise is a small sacrifice to ensure adequate training for the military.

"We always thank our service-



men and our veterans. We pray for their safety," said Chris Calvert, a former Air Force pilot who now serves on the Santa Fe City Council. "To then turn around and say, 'But we don't want to be inconvenienced in the least by your getting the

training you need' is hypocritical." Mr. Calvert is working on a resolution that doesn't oppose or endorse the proposal but urges the military to minimize the impact on people and wildlife. Military officers say the fears are overblown. The Air

Force already sends pilots zipping across the region, at times as low as 200 feet above the ground, though current regulations limit night sorties to a half-dozen well-surveyed routes, Col. Clark said.

Under the new proposal, pilots would be allowed to map their own routes through the tactical-training zone, Col. Clark said, which would tend to disperse the noise and disruption across a broader area. He said he doesn't anticipate that any one village or ranch would experience the aircraft overhead more than a couple times a month.

Col. Clark said the military hasn't measured noise levels of aircraft flyovers at 200 feet. For someone standing on the ground, aircraft at an altitude of 500 feet would create exposure of 91 to 95 decibels, or "somewhere between a lawn mower and a chain saw," he said.

The Air Force has hired a consultant to assess potential environmental effects, which will be the subject of public comment next spring, after which Special Operations commanders will decide whether to scrap, revise or implement the proposal.



© 2010 SunGard, all rights reserved. Trademark information: SunGard, the SunGard logo and the products and services of SunGard named herein are trademarks, registered trademarks or SunGard Systems Inc., or its subsidiaries in the U.S. and other countries.

**LOOK FOR US** wherever financial decisions are made. We provide software and technology services that account for and manage more than \$25 trillion in investment assets and process more than 5 million trades every day, and we never stop working to improve the software that underpins the world's financial markets. [sungard.com/missioncritical](http://sungard.com/missioncritical)

WHEREVER THE MISSION IS CRITICAL

**SUNGARD®**

Availability Services • Financial Systems • Higher Education • Public Sector



U.S. NEWS

# GOP may yet have upper hand in Senate

[ Capital Journal ]

BY GERALD F. SEIB



On paper, the numbers tell you the Democrats held on to a majority in the Senate last week.

In reality, things won't be quite that neat. In fact, on some issues the Republicans actually may have a functional majority, given the sentiments likely to prevail among certain Democrats who face the voters in two years.

Here's the situation. After last week's midterm election, the Senate next year will have 51 Democrats, two independents who caucus with the Democrats, and 47 Republicans. (The Republican from Alaska could be either Joe Miller, the tea-party candidate who was the official GOP nominee, or write-in incumbent Republican Sen. Lisa Murkowski. It appears Ms. Murkowski got enough votes to stick around, but all her write-in votes haven't been counted yet.)

So, in theory, that means Democratic Majority Leader Harry Reid, having survived his own election-day near-death experience, should be able to muster 53 votes if he keeps his troops in line.

But life is never that simple in

the Senate and certainly won't be now. Among the Senate Democrats, 23 will face re-election in just two years, and, having just witnessed the drubbing some in their party took at the polls, they likely will be even less willing now to toe the party line. Independent Joe Lieberman of Connecticut, who caucuses with Democrats, often leans rightward, anyway.

More important, among those 23 Democrats who face voters in 2012 are a handful of incumbents from the kind of moderate to conservative states where Democrats took a beating last week: Ben Nelson of Nebraska, Jon Tester of Montana, Jim Webb of Virginia and Claire McCaskill of Missouri. Joe Manchin, who just won a Senate race in West Virginia by separating himself from President Barack Obama and his party's congressional leaders, also faces voters again in two years because he was elected only to fill out an unexpired term.

Sen. Mitch McConnell, the Republican leader, looks at this field and thinks he may see some votes for his side. He points in particular to his desire to roll back parts of this year's big health bill.

"There are 23 Democrats up in 2012 and only nine Republicans," he said in an interview. "I think there is a widespread belief on the other side of the aisle that [the health bill] was a huge mistake. There could be, who knows, a



European Pressphoto Agency (left); Associated Press



Senate Majority Leader Harry Reid, left, and Senate Minority Leader Mitch McConnell

growing number of Democrats who think that was the wrong thing to do."

Mr. McConnell won't engage when asked whether Republicans will take the next step and try to persuade any moderate Democrats to switch parties, which has happened in the past when the winds shift. But he adds: "It doesn't require changing parties to change your mind."

So maybe there also are Democrats prepared to drift to the Republican side on issues beyond health—say, on spending cuts, tax levels and a new energy program built around such items as electric cars and clean-coal technology. On

selected issues, that means Mr. McConnell actually might find it at least as easy as the Democrats' Mr. Reid to assemble a working majority.

Of course, there are distinct limits to how much that means in the ever-messy Senate. In a body where any 41 members can mount and sustain a filibuster to stop action, having a bare majority, real or functional, has limited impact.

Moreover, lest Mr. McConnell be tempted to feel cocky about his position, he has internal problems of his own. Though tea-party favorites Christine O'Donnell in Delaware and Sharron Angle in

Nevada lost their Senate bids, Rand Paul from Sen. McConnell's own Kentucky won his race, and there's still a chance that tea partier Joe Miller of Alaska may prevail. Meanwhile, Republican Sen. Jim DeMint of South Carolina has become a kind of spiritual godfather to the tea-party movement.

And anyone who operates under the tea-party banner isn't likely to feel he is in Congress to compromise on principles to get things done but is highly likely to feel he has a mandate to defy the established leaders in both parties. So the Republican conference could be as unruly and unreliable as the Democratic one.

Asked about that prospect, Mr. McConnell notes that among the 13 new Republicans about to take Senate seats, there are several experienced politicians who know how to get things done in a legislative chamber: Former Indiana Sen. Dan Coats is returning, for example, and seats are being taken by North Dakota Gov. John Hoeven and former House Republican whip Roy Blunt.

The real upshot may be that, in a Senate where neither party really has a clear majority on every issue, party discipline means less and the opportunity for free-lancing and interparty mash-ups grows.

Nobody will really be in charge. Let the fun begin.

## Oil-spill panel probe finds money didn't trump safety

BY SIOBHAN HUGHES

WASHINGTON—A federal investigation into the U.S. Gulf oil spill hasn't found evidence that BP PLC sacrificed safety to save money, backing a key argument made by the oil company.

"To date, we have not seen a single instance where a human being made a conscious decision to favor dollars over safety," said Fred Bartlit, the chief counsel for the National Commission on the BP Deepwater Horizon Oil Spill and Offshore Drilling, during his first public presentation on the causes of the spill.

The findings are a blow to Anadarko Petroleum Corp., which owns a 25% stake in the blown-out Macondo well and has said that its liability is limited because the spill was a result of BP's actions. Anadarko shares were down nearly 5% Monday afternoon in New York.

Shares of Halliburton Co. and Transocean Ltd. were up nearly 5%, as the spill commission said that challenges in drilling the well, which led to the worst offshore oil spill ever, are common in the oil industry. That makes it harder to break contractual provisions protecting the companies against liability.

The panel's staff concluded that gas and oil blew up through the casing, in the middle of the well. That is in line with what BP has concluded. BP has said that the pathway is evidence that the disaster was unlikely to have started with its own design. The panel's staff did say that BP introduced more risk into the system by removing heavy drilling "mud" that provides pressure to keep down gas before setting a cement plug that provides another safeguard against a surge of combustible gas.

But investigators also said that while the problems encountered in

drilling the Macondo well were common throughout the industry, the combination of problems meant that the design team should have paid special attention to testing the job.

"These things individually are common in the industry," said Sambhav Sankar, the deputy chief counsel. "Taken together they're something that should have been in the head of the design team ... and if nothing else should have led them to be very careful."

BP, Halliburton and Transocean argued some points, jockeying to avoid taking blame. Halliburton's Richard Vargo Jr., a cementing manager for the Gulf of Mexico region, disagreed with the conclusion about the flow of the oil and gas. BP's executive vice president of safety and operational risk, Mark Bly, challenged a conclusion that BP had added risk with its handling of a cement plug.

## Impact of money mixed in midterm

BY BRODY MULLINS

Money talks, but not always loudly enough.

In the most expensive midterm campaign in American history, a flood of cash from conservative organizations helped Republicans win control of the House. But the pro-Republican groups didn't fare as well in the Senate. Unions spent millions to little avail. And a slew of self-funded

billionaires and millionaires fell dramatically, and expensively, short.

Republican Meg Whitman, the former eBay Inc. chief executive, spent \$140 million of her own cash in a bid to be California's governor, equivalent to about \$45 a vote. She lost by 12 points to Democratic Attorney General Jerry Brown.

"Money can't turn Democrats into Republicans," said Tucker Bounds, a spokesman for Ms. Whit-

man's campaign.

The 2010 election saw a record \$4 billion in spending by candidates and political parties, plus a wave of new spending by outside political entities on the right and left.

Conservative political entities such as those set up with the help of Republican strategist Karl Rove spent about \$300 million on the races, a number matched by labor unions and other Democratic supporters.

CLASSICAL  
DEWITT  
AUDACITY



EVERY DEWITT IS BUILT BY A DEDICATED MASTER HOROLOGIST AND EACH INCLUDES AN AUDACIOUS TWIST ON THE CLASSICAL WATCHMAKERS ART.

WWW.DEWITT.CH

## WORLD NEWS



Agence France-Presse/Getty Images

Iraqi police inspect the remains of a car and bus that carried Iranian pilgrims when they were struck by a suicide bomber in the Shiite holy city of Najaf Monday.

## Iraq blocs meet amid attacks

BY BEN LANDO

BAGHDAD—Leaders of Iraq's political blocs met for a televised conference Monday aimed at forming a government, but showed no signs of progress despite fresh pressure from a court order to convene parliament and a stream of terrorist attacks.

Two car bombs appearing to target Iranian pilgrims exploded Monday in the Shiite holy cities of Karbala and Najaf, killed at least eight people and injuring 48. In western Basra, a car bomb exploded on the main road of a commercial and residential area five miles from the center of the city. Ten people were killed and 43 injured, according to an official in the Basra Health Department.

Last week, more than 100 died after insurgents targeted a Catholic church in a bloody siege and, two

days later, orchestrated more than a dozen bombings across the capital.

Monday's meeting, the first of two planned this week, lasted less than two hours and adjourned before lunch on Monday in the northern city of Erbil. The meeting consisted of a handful of leaders giving brief speeches, at times praising each other, at the same time blaming the delay in forming a new government on rivals' inability to compromise.

Still, deputies for the various factions met ahead of the meeting, and on the sidelines. They were expected to continue their horse trading through Tuesday evening, when a second meeting of faction leaders is scheduled in Baghdad.

Parliament is scheduled to convene Thursday, following an order to meet from Iraq's highest court. It will be only the second meeting of

the body since polls in March elected a new slate of lawmakers.

The first order of business for the meeting of lawmakers will be the election of a new speaker, the first procedural step in seating a new government.

Former Prime Minister Ayad Allawi, a secular Shiite leading a coalition including many prominent Sunni politicians, edged out current Prime Minister Nouri al-Maliki, a Shiite, in the March elections.

Since then, Mr. Maliki has outmaneuvered Mr. Allawi in negotiations, winning support from another big vote-getter—the anti-American cleric Moqtada al-Sadr—and putting him close to a parliamentary majority.

That has elevated Iraq's Kurdish bloc to the role of kingmaker. Under-scoring the Kurds' new clout, Iraqi politicians accepted their invitation

to meet in Erbil, one of two main cities in the semiautonomous Kurdish northern enclave of Iraq.

Mr. Allawi's Iraqiya slate won 91 of parliament's 325 seats. Mr. Maliki's State of Law bloc won 89, and the Iraqi National Alliance, a combination of several Shiite parties, including Mr. Sadr's, captured 70 seats. Iraq's broad Kurdish alliance won 57 seats.

Regional powers have joined the jockeying. The U.S. has pushed for a power-sharing deal, at one point suggesting the creation of a new federal post to allow both Messrs. Maliki and Allawi to divide power. American officials have expressed worry about the inclusion of Mr. Sadr in any new government.

Iraqi politicians have said Iran has pushed for the Shiite slate to coalesce behind Mr. Maliki. Iran denies meddling.

## Iranian students arrested in crackdown

BY FARNAZ FASSIHI

BEIRUT—Four prominent Iranian student activists were arrested over the weekend in a fresh crackdown targeting students.

Iranian authorities have been tightening security ahead of a controversial government plan to phase out basic food and fuel subsidies. The government is bracing for social unrest, and has increased the police presence in Tehran and other cities. On Monday, several underground rap musicians were arrested in Tehran, and last week hundreds of young men and women were arrested in what the police termed a "security cleansing."

The four students, from cities across Iran, are recently elected members of the central committee of a politically active student group,

the Office for Fostering Student Unity, which has local chapters at campuses nationwide. The group has been at the forefront of the struggle to reform the regime and has faced severe crackdowns from authorities.

The group says the government had pressured it not to hold its election this year to select five new committee members. The ballot was held via the Internet last week, the group said, and as of Monday, four of the five elected had been arrested and one was in hiding.

The four men were picked up by plainclothes agents without arrest warrants, according to their families and the group's website. Their current whereabouts aren't known. Prosecutors in local chapters of the Revolutionary Court, which tries po-

litical dissidents, have told their families that the men will be transferred to Evin prison in Tehran.

"The regime is systematically targeting different groups, like lawyers, students and journalists, in order to prevent them from activism," said Hadi Ghaemi, director of the International Campaign for Human Rights in Iran, an independent organization based in New York.

President Mahmoud Ahmadinejad has denied that Iran imprisons its critics and has slammed recent reports of human-rights violations in Iran as propaganda.

One of the detained students, Mr. Qolizadeh, a 25-year-old with a degree in engineering, was a subject of a Wall Street Journal story last December detailing the Iranian regime's war on student activists.



Ali Qolizadeh was arrested by plainclothes officers over the weekend.

## Israel plans to advance building of new units

BY CHARLES LEVINSON

JERUSALEM—Israel has advanced plans for nearly 1,300 new housing units in predominantly Palestinian East Jerusalem, as Prime Minister Benjamin Netanyahu arrived in the U.S.

The announcement was published as required by Israeli law in a small Jerusalem weekly newspaper on Friday, but passed unnoticed until Monday. It advances plans for a significant expansion of Har Homa, a Jewish development in southern Jerusalem, as well as for 320 additional units in the East Jerusalem development of Ramot, said an Israeli Ministry of Interior official.

The proposed new housing units will now enter the public-review phase of the planning process. Actual construction could be months or even years off, the official said.

The announcement is another blow to U.S. efforts to restart direct peace talks, which have stalled over Israel's refusal to halt construction in West Bank settlements and in East Jerusalem.

"Netanyahu's choice is settlements and not peace," Palestinian chief negotiator Saeb Erekat said. "The derailment of the direct talks is now certain and the only person responsible for this is Netanyahu."

In Washington, State Department spokesman P.J. Crowley said Monday's announcement was "deeply disappointing" and "counterproductive to our efforts to resume direct negotiations between the parties," the Associated Press reported.

Israel has maintained its right to build without restrictions within East Jerusalem, but has largely curtailed such building while Washington tries to advance the peace process with the Palestinians.

"In every peace plan that has been put on the table over the last 20 years the Jewish neighborhoods of Jerusalem remained part of Israel in a peace agreement," a senior aide to Mr. Netanyahu said. "Building in those new neighborhoods in no way contradicts the desire to move ahead toward peace and a two-state solution."

Mr. Netanyahu is in New Orleans to address the Jewish Federation of North America's General Assembly. On Sunday, he met with Vice President Joseph Biden in the city.

An announcement during Mr. Biden's visit to Jerusalem last year, of Israel's plan to build 1,600 units in another East Jerusalem development, plunged U.S.-Israel ties into one of its worst crises in decades.

After that incident, which Mr. Netanyahu said occurred without his prior knowledge, the prime minister's office quietly put out orders to government bureaucrats that any housing announcements in East Jerusalem required the approval of Mr. Netanyahu's military attaché, Maj. Gen. Yochanan Locker, said Jerusalem municipality officials and Western diplomats.

Mr. Netanyahu's office signed off on the latest settlement announcement, a senior Jerusalem municipality official said. A senior aide to Mr. Netanyahu declined to comment on whether the prime minister knew about it ahead of time.