



## Vodafone CEO sets new course for sprawling telecom empire

INTERVIEW 12

## Hot wheels: Higher-grade Chinese products scare EU

BUSINESS & FINANCE 19

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Facing up to the modern world

# Most banks to easily clear Basel hurdles

By DAVID ENRICH AND DANA CIMILLUCA

LONDON—Most banks world-wide appear poised to comply easily with the tougher capital requirements regulators and central bankers unveiled Sunday, a stark contrast to the dire warnings made by the industry in the run-up to the new regulatory agreement.

Analysts and bankers said Monday that most large lenders appear to already have sufficiently thick capital cushions to meet the new rules. Those that don't will have until 2019 to develop them, before the rules fully kick in. Prior to the agreement, banks warned that tough new rules might crimp lending and choke off the shaky global recovery.

Bank shares jumped Monday, helping lead a global stock-market rally. Investors expressed relief that the landmark regulatory agreement,

finalized this weekend in the Swiss city of Basel, didn't include tougher provisions and that banks will have the better part of a decade to comply with the so-called Basel III rules.

The new rules will require banks to gradually build up their capital cushions starting in 2013, with banks needing a so-called common Tier 1 ratio of at least 3.5%, up from 2% now. The requirements get tougher each year until 2019, when the minimum ratio will be 7%.

After months of negotiations among the 27 countries that sit on the Basel Committee on Banking Supervision, the final round of talks largely revolved around the U.S. and Germany. In July, German negotiators, worried the rules would leave their banks undercapitalized, had withheld their support from an interim version of the accord.

Over the weekend, the Germans secured a key con-

cession: Banks will be able to count capital they received from their governments until 2018. That is a big deal to regional German banks that are partly state-owned.

Bankers said Monday that the long time frame for replacing government capital will take the pressure off German banks to move quickly to issue new shares or raise capital through other means.

Attention now shifts to whether the industry needs to do much to prepare itself for the rules. Deutsche Bank AG inaugurated a roughly €9.8 billion (\$12.5 billion) share sale Monday, with the proceeds partly aimed at positioning the giant German lender to comply with the Basel requirements, and also to increase its stake in fellow

Please turn to page 4

- Two ways to interpret the 2019 deadline ..... 2
- European stocks rally ..... 27
- Paradise postponed ..... 36



Associated Press

A Christie's employee strikes an unusual pose behind a Roman bronze helmet and mask at the office of the auction house in London on Monday. The piece, discovered by a treasure-hunter using a metal detector in northwest England, is expected to fetch up to £300,000 (\$462,000) at a sale on Oct 7.

## Cuba unveils huge layoffs in shift toward capitalism

By JOSE DE CORDOBA

Cuba will lay off more than half a million state workers and try to create hundreds of thousands of private sector jobs, a dramatic shift by the hemisphere's only Communist country toward a more capitalist-style economy.

The mass layoffs will be made between now and the end of March, according to a statement by the Cuban Workers Federation, the island nation's only official labor union. Workers will be encouraged to find private-sector jobs.

"Our state can't keep maintaining ... budgeted sec-

tors with bloated payrolls," the statement said.

The move represents Cuba's biggest step toward a more market-oriented economic system since the early 1990s, when it embarked on a brief period of change after the collapse of the Soviet Union, its main benefactor.

The shift in the work force is also the boldest effort to remake the flagging economy since Raul Castro, the brother of retired dictator Fidel Castro, took the helm of the Communist country more than four years ago after his brother fell gravely ill.

To help workers who are laid off, the union said Cuba will allow a far greater num-

ber of citizens to work for themselves rather than in state jobs, handing out licenses for self-employment and promoting job-creating industries like oil and tourism.

"Job options will be increased and broadened with new forms of nonstate employment, among them leasing land, cooperatives and self-employment, absorbing hundreds of thousands of workers in the coming years," the union statement said.

The changes were announced shortly after Fidel Castro gave a controversial interview to The Atlantic magazine, in which he said

Please turn to page 3



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### The Quirk



Fort Worth is getting a \$4.4 million luxury hotel for cats and dogs. Page 33

### World Watch

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

### Editorial & Opinion

How do you solve a problem like the Roma? Page 15

## PAGE TWO

# Five-year plan for banks to play with

## [ Agenda ]

BY PATIENCE WHEATCROFT



Jan. 1, 2019, seems some way off. Yet that is the deadline that has been set for banks to comply with the new capital requirements agreed by finance ministers at the weekend.

More than five years is time enough for banks to enjoy the recovery and then precipitate another crash. So the lengthy timescale laid down in Basel implies either that the ministers are confident that banks have voluntarily embarked on a prolonged period of caution or they are concerned that economies and many financial institutions remain highly vulnerable and forcing new capital requirements on the latter now could both cause them difficulties and have a severely negative impact on lending, thus damaging the fragile recovery.

The argument appears to have seen those who wanted even less demanding capital requirements agreeing to go along with the numbers in return for a concession over the phasing-in period.

Yet the numbers themselves could hardly be described as tough, as the bounce in bank shares testified. Some German and Spanish banks may struggle to reach the 7% tier-one target immediately but they will be compliant with the minimum even if, on Jan. 1, 2015, they have only managed to hit 4.5%. Even though Jean-Claude Trichet, the President of the European Central Bank and chairman of the Basel Committee on Banking Supervision, described the new rules as "a fundamental strengthening of global capital standards," 4.5% is not a cushion to guarantee comfort.

The ministers, though, have not concluded their work. The announcements so far, demanding



European Central Bank President Jean-Claude Trichet in Italy earlier this month.

an ultimate 7% by 2019, explains that this comprises a 4.5% minimum plus a 2.5% capital conservation buffer, to be eaten into "in periods of financial and economic stress." Banks and regulators may quibble over definitions of what constitutes such stress but will be clear about the consequences: if difficult times cause a bank to bite into its buffer, then shareholders will pay

**Ministers want to find means of ensuring bank failure, should it occur, will not amount to catastrophe.**

the price, since dividend payments will be restricted.

Some banks, however, are to be subjected to a harsher regime. Those judged to be "systemically important" could be facing higher capital requirements than the Basel minimum. These are the "too big to fail" institutions and—one way or another—ministers want to find means of ensuring their failure, should it occur, will not amount to catastrophe. Contingent capital and bail-in debt are two of the options under consideration.

When the G-20 meets in Seoul in November, there should be firm proposals for the Basel Committee and the Financial Stability Board

for dealing with the banking behemoths. Until the details are known, stock-market celebrations over the relatively light capital demands just announced may be premature. Even those banks that do not pose systemic risk may on occasion find that they have to bump up their capital to more than 7%. Basel has outlined plans for a further buffer of up to 2.5% to be imposed by national authorities when they feel that the economy is in danger of overheating.

The "counter-cyclical buffer" would be applied in an attempt to gently deflate bubbles before they burst. As the Basel Committee put it when the proposal was first announced last year: "The financial crisis has provided a vivid reminder that losses incurred in the banking sector can be extremely large when a downturn is preceded by a period of excess credit growth." So the idea is that when governments and regulators perceive that boom, they demand that banks hang on to more of their cash.

The devisers of the idea are clear that its object is to protect the banking system, not to try to manage asset prices. That restricting lending would have a calming effect on things such as property prices would not, however, be an unhappy consequence. The Basel Committee takes the view that such a buffer might only need to

be employed once in every 10 to 20 years but international banks may feel its effects more regularly, since it would relate to credit exposures within particular jurisdictions, not merely the particular bank's home territory. While regulators might love the idea of having this extra tool to employ, they could face some tricky calculations in employing it.

Neither will it be easy to determine the right moment to act. When does buoyancy become over-exuberance? Bankers and regulators may not immediately agree on the answer.

## A striking response to the need for austerity

A delegation from the IMF arrived in Greece Monday to check how the country is proceeding with the budget cuts which are the price for its €110 billion (\$141 billion) rescue. Their visit is likely to be disrupted by the efforts of the country's truck drivers and rail workers who are the latest to join the wave of strikes that have swept Greece over the summer.

The strikers are not enthusiastic about the job cuts and reforms being imposed as Greece tries to get to grips with its huge debts. Even if the unions cooperated, its chances of avoiding an eventual default seem minuscule. The EU/IMF bailout has most probably only postponed the day on which the country has to admit defeat and default.

But the protesters bring that day closer. The strikers have already deterred tourists from taking their cash to Greece and the latest transport strikes should ensure that even those who are visiting the country decide that their next trip will be elsewhere.

The age of austerity is being met with calls for strike action wherever governments are trying to tackle their deficits. The union leaders who encourage such action, let alone the "civil disobedience" being advocated by one U.K. union boss, do not seem to realize that pain cannot be avoided, merely delayed.

## What's News

■ **The EU is expected to increase punitive tariffs on imports of Chinese-made aluminum car wheels in a dispute that shows how China's shift into more sophisticated manufacturing is raising tensions with some of its most important trading partners.** 19

■ **The EU raised its 2010 growth forecast to 1.8% from 0.9%, but warned that growth is likely to slow in the second half as the global economy hits a "softer patch."** 4

■ **Volvo would almost double its global sales under a plan by its new China-based owners to build three factories in that country.** 19

■ **The shake-up at Nokia continued with the resignation of Anssi Vanjoki, the head of the handset maker's smartphone business.** 21

■ **Robert Moffat Jr., an ex-IBM executive, pleaded guilty in the Galleon insider-trading case. He was sentenced to six months in prison.** 26

## Inside



Standard Chartered Private Bank's CEO plans a big catch. 31



European football's underdogs bare their teeth. 32

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**'Bankers are the big winners to come out of the disaster they were so instrumental in creating.'**

**Alan Mattich** on the new regulations being imposed on the world's banks



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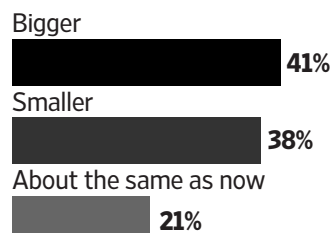
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**Vote and discuss: Will new bank regulations help prevent another financial crisis from happening?**

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

### Previous results

**Q: Where will Nokia's share of the smartphone market be in a year?**



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NEWS

# Luxury London homes find a haven

By CECILIE ROHWEDDER

LONDON—This summer, it took London real-estate firm **Marsh & Parsons** less than a month to sell a pricey property in Kensington, one of the most prestigious parts of the British capital.

Sixty-three potential buyers flocked to view the white row house, which has five bedrooms, a ground-floor kitchen and a strip of gravel for a garden. The sale price of £6.75 million (\$10.4 million) was both above the asking price and the home's price in 2007, when it was previously for sale and the market was at a record high before the global financial meltdown.

Real estate in the most upscale parts of London has enjoyed a roaring comeback from a short dip during the downturn, with prices for the area's luxury homes back to stratospheric heights. "The best places in London are up and above the peak in 2007," said Peter Rollings, Marsh & Parsons' managing director. "For family homes in prime central London, [sellers] can name [their] price right now."

Yet as bad news pile up from housing markets in the U.S. and elsewhere in the U.K., the resilience of London's toniest neighborhoods is facing a new test. In a report to be released Tuesday, the Royal Institution of Chartered Surveyors, an industry authority, said U.K. house prices dropped for the second consecutive month in August from the month before, and predicted they would continue to fall in the next three months. The report echoes other surveys published earlier this month, showing a market in decline and suggesting that the partial recovery in the British housing market is grinding to a halt.

In London, long the motor of the British real-estate sector, house prices fell for the first time in 2010, according to Monday's report, and surveyors' expectations for the next three months have worsened since July. The survey didn't single out London's so-called prime areas such as Kensington, Chelsea and Belgravia.

But real-estate firm **Savills PLC** says even in those districts, prices are easing and will fall 1% this year. Rival firm **Knight Frank LLP** still forecasts a 5% price rise in the prime areas of central London for the year, but that means that they will drop in the coming months after strong growth in the first half.

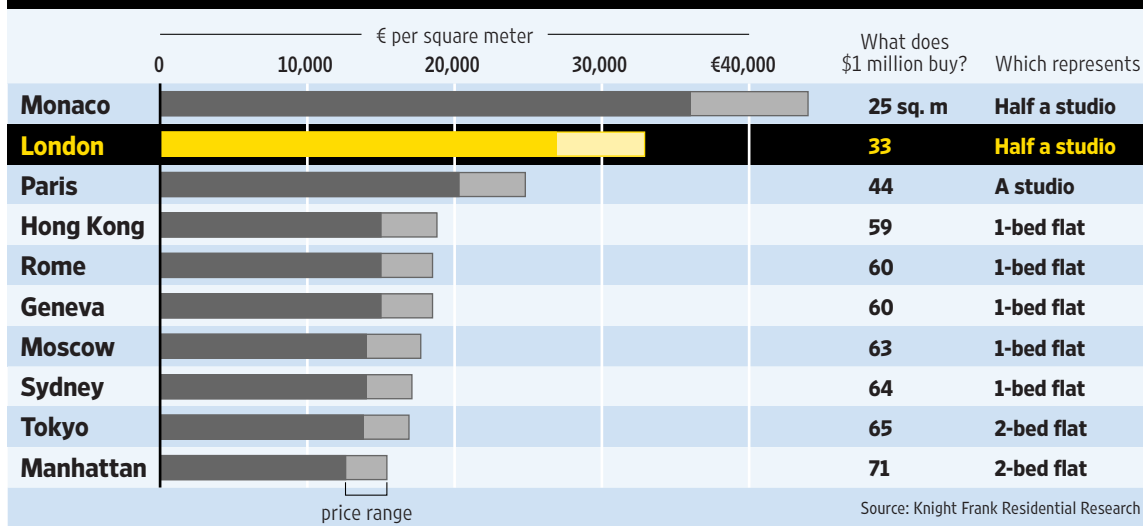


Bloomberg News



Marsh & Parsons

## High-end homes | Prime market pricing for some global cities, fourth-quarter 2009



Homes on London's Trevor Square, left, and in Kensington are among the city's priciest. This summer, the white five-bedroom row house, above, sold for \$10.4 million.

In the Royal Borough of Kensington and Chelsea, studio apartments can cost \$2 million or more, according to Knight Frank. Even moderately sized homes easily exceed \$10 million. Earlier this year, a luxury penthouse in a rare new apartment complex, built by developers Nicholas Candy and Christian Candy, sold for \$215 million, according to British media reports, which didn't name the buyer.

Prices of the historic homes in prime London, with their manicured trees and lacquered flower boxes, have grown 17.5% since the low in March 2009, according to Savills. Director Lucian Cook says the area still benefits from the high percentage of cash buyers, especially foreigners, who see London as a safe haven from political or economic instability at home. David Adams, head of residential for real-estate agents **Chesterton Humberts Group PLC**, says at least half of the firm's sales in the area are to international buyers, and that portion rises as homes get more expensive.

"In America, the property market is affected by an oversupply and a lack of bank financing," he said. "In England, we don't have an oversupply, and the majority of buyers in prime central London are cash buyers."

Special factors that fueled last year's price increases are no longer at work. They included a temporary exchange-rate advantage, caused by a weak pound, and a tax amnesty in Italy that prompted Italians to buy London real estate. The beginning slide in prime property prices could get steeper, experts say, if economic uncertainty persists, falling markets make investors poorer and the bankers who form the backbone of London's real-estate market fear for their jobs and bonuses.

"I have a skeptical view that pockets of any property market anywhere in the world can behave differently from the wider market or

indeed be immune to it," said Ed Stansfield, a property economist with research firm Capital Economics Ltd. who feels the recent recovery in U.K. house prices was a "false dawn."

For now, in the elegant streets of central London, it feels as if the economic and financial crisis never happened. While much of the world still reels from the resulting real-estate crash, house prices in the epicenter of global finance—the leafy West London streets where many of the city's bankers live—dipped in 2008 but surprised even real-estate agents when starting in April 2009, they rebounded to astronomical lev-

els.

The genteel areas along Hyde Park, around the Harrods department store and Princess Diana's former palace, are now among the world's priciest neighborhoods. Wall Street and hedge-fund executives compete with Middle Eastern royalty and Russian oligarchs for homes on a limited number of streets where nearly no new building takes place. Prices range between \$3,600 and \$4,400 per square foot—topped only by those in Monaco and well above those in Manhattan, where they range from \$1,500 to \$2,100, according to research by Knight Frank.

# Cuba unveils huge employee layoffs in the state sector



A Cuban state worker sweeps the street in Havana on Monday.

European Pressphoto Agency

*Continued from first page*  
the Cuban model no longer worked for any country, much less Cuba. Mr. Castro later said he was kidding and was misunderstood.

Cuba's 1990s experiment with market economics didn't last long. Changes, such as permitting self-employment and allowing the U.S. dollar to circulate, were gradually rolled back after the island stabilized its economy.

Mr. Castro has said repeatedly that he sought to reform the pay system to hold workers accountable for their production, but the changes have been slow in coming, the Associated Press reported.

Currently, the state employs 95% of the official work force. Unemployment, which last year was 1.7%, hasn't risen above 3% in eight years,

but that ignores thousands of Cubans who aren't looking for jobs that average salaries of only \$20 a month, the AP said. In exchange for the low salaries, the state provides free education and health care and heavily subsidizes housing, transportation and basic food.

The union's statement, which was published in state-controlled newspapers and read on government-run radio and television, said that because of the sheer number of workers involved, the layoffs would come slowly, but that they would affect all government sectors, the AP said.

The union didn't say which parts of the economy would be retooled to allow for more private enterprise. It said the state will continue to employ people only in "indispensable" areas where the labor force is his-

torically insufficient, such as farming, construction, industry, law enforcement and education.

Mr. Castro warned in August that layoffs would be coming and said Cuba would expand private enterprise on a small scale, increasing the number of jobs where Cubans could go into business for themselves, the AP said. Still, Monday's announcement shows his government is moving to pair back state payrolls far faster than expected.

The union said Cuba will overhaul its labor structure and salary systems since it will "no longer be possible to apply a formula of protecting and subsidizing salaries on an unlimited basis to workers." Instead, Cubans will soon be "paid according to results," it said, though few details were provided.

## EUROPE NEWS

# EU raises growth forecasts

BY MATTHEW DALTON

BRUSSELS—The European Commission on Monday raised its 2010 economic-growth forecast for the European Union, but warned that growth is likely to slow in the second half of the year as the global economy hits a “softer patch.”

Government stimulus programs and spending by companies to replenish their inventories in the first half gave a surprisingly strong jolt to global demand for European exports, said the commission, the EU's executive branch. Those growth drivers are likely to weaken in the second half, it said, even though Europe is likely to avoid another recession after its economy contracted 4.2% last year.

“This gives reason for cautious optimism, despite a more uncertain global environment,” said Olli Rehn, the EU's economic and monetary affairs commissioner, at a news conference.

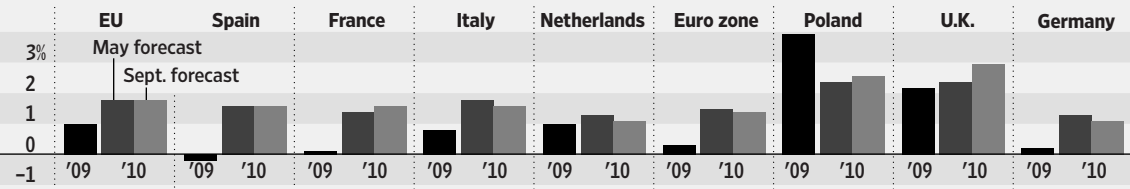
The commission said the 27-nation bloc's economy will likely grow 1.8% in 2010, up from its forecast in May of a 0.9% expansion. Growth in the 16 countries that use the euro is expected at 1.7%, up from the May forecast of 0.9%, the commission said.

Strong sales from Germany's export sector were a major driver in the first half, lifting Europe's growth prospects for the entire year, according to the commission, which now expects Germany's economy to expand 3.4% in 2010. The May forecast predicted German growth of just 1.2%.

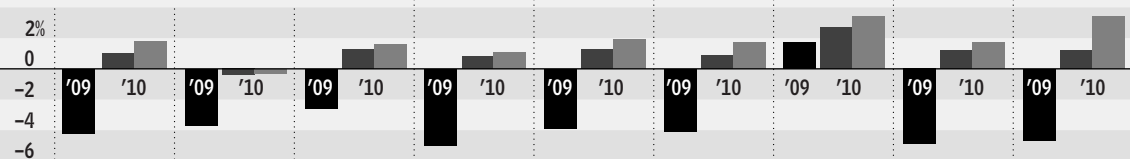
The strong performance of Ger-

## EU heats up | European Commission economic growth forecasts

### Consumer-price index, change from previous year



### Gross domestic product, change from previous year



Source: European Commission

man exporters has raised concerns that current-account imbalances between the EU's largest economy and those in southern Europe may grow. But “signs of a revival in domestic demand, including private consumption, also became evident, particularly in Germany,” the commission said.

France, unlike most European economies, showed no acceleration of growth during the first half of 2010. The commission raised its 2010 growth forecast for France to 1.6%, from 1.3% in May.

The French economy contracted less during the crisis than other EU economies, because of the strength of its unemployment payments and other “automatic stabilizers,” the

commission said. But “the same structural features that partly shielded the French economy during the crisis will continue to contain the pace of expansion,” it added.

Spain's economy is expected to contract 0.3% in 2010, the commission said, because of tax increases and public-spending cuts sought by the commission and enacted by the Spanish government in an effort to reduce the large budget deficit.

The commission raised its growth forecast for the U.K. economy to 1.7%, from 1.2% in May, after unexpectedly strong growth in the second quarter.

Business spending on inventories and resilient consumer demand have lifted the U.K.'s growth prospects for

year, even though the “extraordinary boost to second-quarter growth from the turning of the inventory cycle will not be repeated in the third quarter,” the commission said.

U.K. inflation, seen at 3% for the whole year, is expected to moderate in the second half because of the large amount of spare industrial capacity, the commission said. Inflation across Europe is likely to remain muted, averaging 1.8% in the EU and 1.4% in the euro zone for 2010, the commission said.

Italy's growth prospect of 1.1% for 2010 remains below the EU average, the commission said. “This is probably due to Italy's lower share of exports toward emerging economies,” Mr. Rehn said.

# Business lobby seeks new laws for Turkey

BY MARC CHAMPION

The head of Turkey's largest business lobby on Monday called for an all-new constitution, as the country's stock markets surged to a record high in the wake of a referendum victory for the government on changes to the existing one.

The call from Tusiad, the business lobby that Prime Minister Recep Tayyip Erdogan warned to take sides or risk “elimination” ahead of Sunday's vote on constitutional amendments, underlined that the struggle to define Turkey's future is likely to continue.

“The spirit of the [1980 coup] constitution, no matter how many times it is amended, is still there,” said Umit Boyner in a phone interview. She called for an entirely new basic law “to define Turkey for the 21st century.”

Ms. Boyner said the new constitution should establish a clear separation of powers, freedom of expression and worship, and freedom of ethnic identity, specifically for ethnic Kurds. She said it should lower the threshold for political parties to enter Parliament from the current 10% of the vote.

The government won Sunday's referendum on its package of amendments by 58% to 42%, according to unofficial results with all votes counted. The outcome was a much wider margin than predicted.

Investors showed their enthusiasm for the government's victory, which appeared to ease concerns that a poor showing could herald an unstable coalition government after elections due next summer. Economists also had worried a poor result might prompt the ruling Justice and Development Party, or AKP, to launch a spending spree to attempt to shore up support, at a time when the International Monetary Fund has expressed concern over the country's current account deficit.

Turkey's benchmark IMKB index closed up 2.7% at 62260 points, a record high, in Monday trading.

Asked about Mr. Erdogan's talk of Tusiad's elimination ahead of the referendum, Ms. Boyner noted that Mr. Erdogan acknowledged in his victory speech on Sunday that the campaign had caused all sides to use rhetoric that was unnecessarily harsh. She said Tusiad—the Turkish Association of Businessmen and Industrialists—hadn't been given any indication the government would act on the warning.

Tusiad's members include most of the big family-held conglomerates that have dominated Turkey's economy in recent decades. The group prides itself on producing influential studies and policy proposals.

Mr. Erdogan also proposed replacing the constitution in his speech, using Sunday's amendments as a foundation. The shape of an all-new basic law would likely be hard-fought. Tusiad's focus on separation of powers echoed critics of Sunday's amendments, who said the changes to the Constitutional Court and Supreme Board of Judges and Prosecutors risked making the courts dependent on the government.

—Joe Parkinson in Istanbul contributed to this article.

## Demjanjuk trial resumes in Germany

Associated Press

MUNICH, Germany—Ukrainian guards risked being killed by their SS supervisors if they tried to flee Nazi death camps where they served, according to evidence presented Monday at the trial of John Demjanjuk, the retired Ohio auto worker accused of being a death-camp guard.

The 90-year-old, Ukrainian-born Mr. Demjanjuk has denied ever having served as a guard. However, the historical evidence could bolster his defense's separate argument that any Ukrainians who agreed to serve the Nazis did so to escape deplorable conditions in prisoner-of-war camps, or possible death, and couldn't flee once they learned they would be guarding death camps.

Mr. Demjanjuk faces 28,060 counts of accessory to murder on allegations he served as a guard at the Nazis' Sobibor death camp in occupied Poland. The prosecution argues that after Mr. Demjanjuk, a Soviet Red Army soldier, was captured by the Germans in 1942 he agreed to serve under the SS as a guard.

Mr. Demjanjuk says he spent most of the rest of the war in Nazi POW camps before joining the so-called Vlasov Army of anti-communist Soviet POWs and others. That army was formed to fight with the Germans against the encroaching Soviets in the final months of the war.

## Most banks ready for Basel III

Continued from first page

German lender **Deutsche Postbank AG**.

Investment bankers are hoping the new Basel rules will translate into a flurry of such capital-raising deals, which are lucrative for the firms that arrange them.

“If you apply all the rules today, it does still imply a material capital and funding requirement. All they've done is spread this out over a period of time,” said Prasad Gollakota, head of capital solutions and liability management at UBS.

On Wall Street and in the City of London, firms are urging banking clients to raise capital quickly, before investors are inundated with other capital offerings.

“The last thing you want is for the market to know you need to raise equity,” Mr. Gollakota said. “Investors are likely to hold you more to ransom, or hold out completely, when they sense that you need to be in the market.”

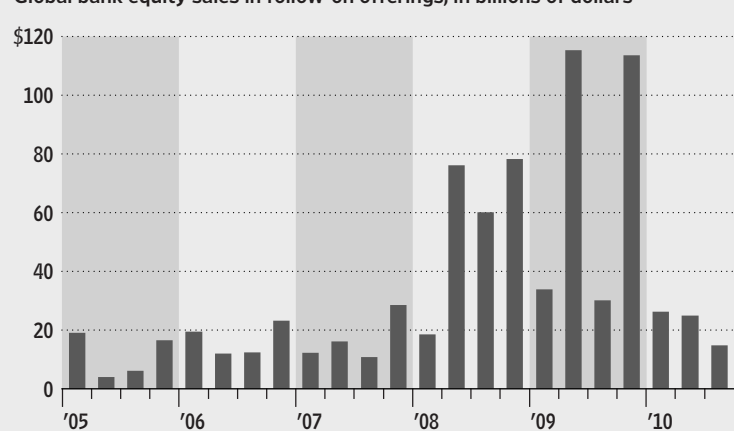
But analysts and some bankers expressed skepticism that many banks will rush to raise new capital by selling shares.

“There's a handful of banks in Europe that are a bit light on capital, but not as many as in 2008-09,” said Craig Coben, head of European equity capital markets at Bank of America Merrill Lynch. “This time, absent an acquisition, most banks will not need to issue equity, and even those that do need capital may use different techniques to raise it, such as asset sales or spinoffs.”

Analysts said Monday that few large banks would need to raise significant amounts of new capital to

### New issue

Global bank equity sales in follow-on offerings, in billions of dollars



Source: Dealogic

comply with the rules. For the most part, the banks' existing capital buffers, coupled with profits they are expected to earn in coming years, will be more than enough.

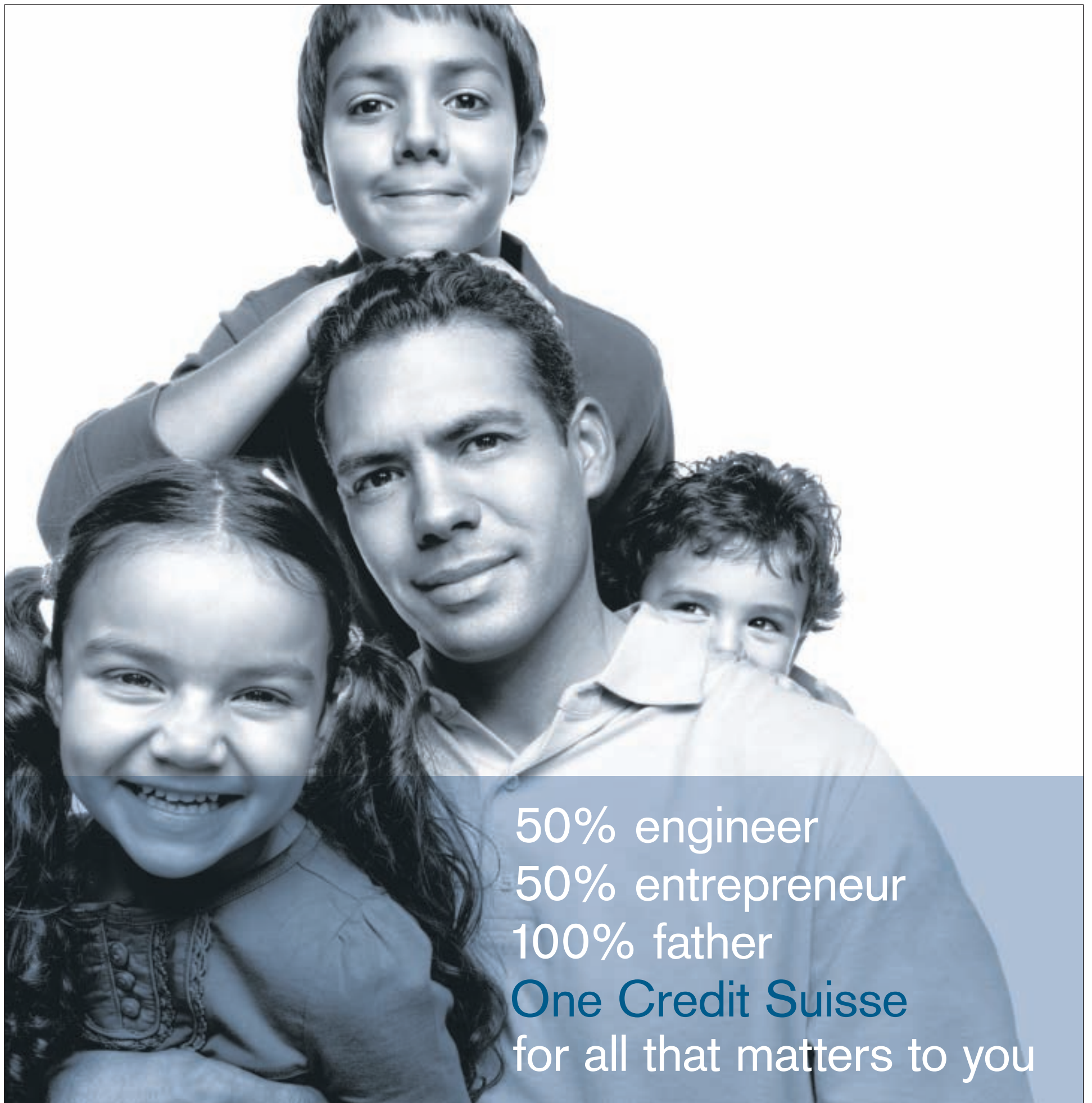
In the U.S., bank analysts quickly concluded that most American institutions, which have raised hundreds of billions of dollars in capital since the financial crisis struck two years ago, already have ample stockpiles to meet the new Basel requirements. Major banks in Japan and Canada, which some analysts worried could have thin cushions, also appear to have socked away plenty of capital, analysts said.

European banks were widely expected to be hardest hit by the new requirements. Bankers and analysts on Monday pointed to **Allied Irish Banks PLC** and Germany's **Commer-**

**zbank AG** as examples of lenders that most likely will have to drum up outside capital to meet the new rules. Representatives of Allied Irish and Commerzbank weren't available to comment.

But broadly speaking, most European banks won't need to do much. “The great majority of large European banks are already well in excess of minimum requirements today,” said Nomura's Robert Law and Jon Peace. Those that aren't will likely be able to meet the goal “over the generous transitional period.”

In a sign of market confidence that banks won't have trouble hitting the targets, analysts on Monday turned to the prospect of banks raising dividends or repurchasing their own shares as a way to return excess capital to shareholders.



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## EUROPE NEWS

# Greek truckers demonstrate

By Nick Skrekas

ATHENS—The Greek truckers' union's decision to stop work on Monday to protest liberalization of the sector has reignited fears of a severe fuel shortage after a paralyzing strike in July.

A bill to open up the closed truckers' industry will go before parliament this week. In response, 1,000 drivers parked their vehicles on the side lane of Greece's national highway linking Athens to the northern city of Thessalonica, creating traffic jams.

The line stretched for four kilometers on both sides of the major artery.

The action was the newest in a long line of protests against the Socialist government's austerity agenda, imposed on the debt-strapped nation by its international lenders.

Several thousand took to the streets on Saturday in Thessalonica to protest the prime minister's key policy speech at the inauguration of the 75th International Trade Fair.

An overwhelming police presence, in part, kept the rallies from turning to the kind of violence that claimed the lives of three people in similar demonstrations in May in Athens.

Greece's umbrella truckers' union, the Federation of Overland Commercial Transporters, said in a televised statement that "the pause in our activity is not a strike, but our voice needs to be heard because the dialogue promised by the government hasn't taken place and we want concessions on taxation treatment and assurances about our pensions."

Greek motorists were hit hard in July by a five-day trucking strike that cut off fuel supplies are wary. Some long lines have formed at gas stations in suburban Athens.

The government has decided to impose a weeklong cap on the price



Greek drivers one Monday parked their trucks along a major artery to protest efforts to change industry policies.

of fuel, with a limit of €1.473 a liter (\$7.18 per gallon) of unleaded, to prevent price gouging. In Athens, prices rose to €1.57 a liter Sunday.

The length and duration of the truckers' work stoppage is still un-

**Liberalizing tightly regulated sectors, such as trucking, is one of the overhauls promised in exchange for a loan package offered in early May.**

certain, because under the constitutional emergency back-to-work order issued at the beginning of August, it is illegal for the truckers to formally strike for 12 months from the law's passage.

Liberalizing Greece's tightly regulated sectors, such as trucking, is one of the overhauls the government has promised the European Union and the International Monetary Fund in exchange for a €110 billion loan package offered in May.

No new freight licenses have been issued in Greece for decades and the current regulation dates back to the early 1970s, when a military junta ruled the country.

As a result, a private secondary market for licenses has developed, causing the value of licenses to jump, effectively preventing new entrants into the industry and keeping trucking rates unnecessarily high.

The new law is designed to spur competition and get the fragmented owner-driver sector to collate and provide economies of scale.

It will severely undercut the value of the license as an asset for current drivers, and they are resist-

ing.

The truckers' strike in July was disruptive and was the hardest test of the government's will to push changes designed to create a more competitive local economy, reduce costs and create growth and employment.

On Sunday, Prime Minister George Papandreou reiterated that his freshly revamped cabinet is committed to pressing ahead with promised reforms, and said transportation was one of the sectors slated for liberalization.

He added that he was determined to put in place "obvious and self-evident" economic policies.

George Tsamos, president of the fuel truckers' unions, has played down the threat of a repeat of the shortages and the chaos of July. "We have no intention to leave consumers and the market without fuel," he said.

## Unions eye joint action to protest U.K. cuts

By Laurence Norman

MANCHESTER, England—U.K. unions may team up to carry out industrial action against the government's planned public-service cuts, after approving plans on Monday to step up a collective campaign against the austerity measures.

At the annual Trades Union Congress, delegates approved a motion opposing the public-service cuts, which included a call to "support and coordinate campaigning and joint union industrial action, nationally and locally in opposition to attacks on jobs, pensions, pay or public services."

Earlier, TUC General Secretary Brendan Barber said U.K. unions aren't "set on confrontation." He added: "But we are entitled to be clear. Although the government is pursuing a political program that we will only defeat politically, where members ... take a democratic decision for industrial action, they will have the support of their unions and the TUC stands ready to coordinate that."

Prime Minister David Cameron's coalition government has set out plans for a £113 billion (\$173.53 billion) fiscal consolidation over the next five years, based largely on spending cuts.

The government has said action is necessary to rein in a huge budget deficit and prevent a surge in the government's borrowing costs.

It is due to announce in October details of the planned cuts as part of its comprehensive spending review.

"We want to work with the trade unions. We needed to deal with the record deficit and we wanted to work with everyone in tackling that," a spokesman for Mr. Cameron said.

There have already been moves by some unions to co-ordinate opposition to the government's austerity plans.

Last week, two of the biggest public-sector unions, representing about a quarter of the public-sector work force, agreed to join up their efforts to fight the cuts. Unison and the Public Commercial and Services union have called on others to join them.

Transport unions also disrupted the London Underground last Monday in a 24-hour strike against job losses.

In a speech on Monday, PCS General Secretary Mark Serwotka said industrial action was inevitable unless the government was prepared to change direction.

"The responsibility of this movement ... is to start the planning now," Mr. Serwotka said.

The TUC is organizing a rally for Oct. 19, on the eve of the spending-review announcement, and a national demonstration against cuts in London next March.

However, there are voices within the union movement who have warned against strike threats. Les Bayliss, who is standing for leader of the U.K.'s largest union, Unite, said that "to talk of strikes when even public-sector workers aren't ready for them, will be to concede defeat before the battle starts."

# Belgian church puts off overhauls

By John W. Miller

BRUSSELS—Catholic leaders in Belgium promised more cooperation with law enforcement in cracking down on sexual abuse but, to the dismay of victims' groups, maintained what they said was their right to keep reports of sexual abuse confidential.

The church is reeling from the publication Friday of a special commission's report on sexual abuse in the church, which disclosed 475 previously undocumented cases in Belgium.

The shocking details included the facts that 13 victims had committed suicide and that not a single priest came forward with a spontaneous confession. The report also included gripping personal testimony from victims. "Guilt is suffocating me," one woman wrote.

The church had promised to announce reforms this week. Friday's report, however, prompted bishops in this once fiercely Catholic country to put off finalizing their response. "The challenge is so big and touches so many raw emotions, it's not possible to present new proposals right now," said Archbishop André-Mutien Léonard.

Instead, Archbishop Léonard,

speaking on behalf of the bishops, delivered the vague outlines of a five-point plan. The church would help more victims and priests to come forward, collaborate more with law enforcement, enforce canon law, including defrocking abusive priests, fight sexual abuse outside the church, and include victims in planning future overhauls. To accomplish these things, the church will set up a center of "recognition, reconciliation and healing" before December, the archbishop said.

The initiatives disappointed victims' rights groups. For these groups, Belgium is yet another example of the church's 4,000 bishops seeking to control the abuse scandal, instead of letting police and prosecutors deal with it.

"The church needs to get out of the business of investigation," said Barbara Blaine, founder of the Survivors Network of those Abused by Priests, or SNAP. "It's as if you let a gang leader investigate the drug trade." Mrs. Blaine, who lives in Chicago, flew to Brussels to protest the church's response.

Vatican spokesman Rev. Federico Lombardi called the report "striking and painful," adding that Belgian bishops were taking "concrete steps" to address the abuse in the wake of

the report. Vatican officials deny they are trying to stonewall civil investigations into sex abuse. The judge's ruling found that the documents were seized in a way that was "not correct and legal," Father Lombardi said, reiterating the Vatican's policy for church officials to comply with civil laws in reporting abuse. "The church intends to collaborate with civil authorities in the most correct way."

Open confrontation with the church over sexual abuse has been common in the U.S. since the early 2000s, but has been late in arriving to Western European countries such as Belgium, where the church once oversaw life from cradle to grave. There was palpable tension when the bishops appeared in Brussels's EU district on Monday afternoon. Two security guards kept out advocates for victims.

Belgian prosecutors have attempted to wrest control away from the church.

In June, they sent police to raid church headquarters and seize records. Last week, however, a judge ruled that prosecutors had overstepped their boundaries and ordered the records returned to the church. Prosecutors say their investigation continues.

### Can the church reform?

Belgium's bishops have proposed the following five-point plan, which has been criticized by victims' rights groups.

■ Encourage more victims and priests to come forward

■ Collaborate more with law enforcement

■ Enforce canon law, including defrocking abusive priests

■ Help fight sexual abuse outside the church

■ Include victims in planning future moves against sexual abuse

In the early 1960s, 65-year-old San Deurinck, one of the victims, attended a boarding school in suburban Brussels. He said two priests molested him there.

Mr. Deurinck said the church should completely withdraw from the inquiry and provide money and psychotherapy to the victims "so they can live decently for the rest of their lives."

—Stacy Meichtry in Rome contributed to this article.

U.S. NEWS

# Saudi fighter-aircraft deal advances

By ADAM ENTOUS

The Obama administration is set to notify Congress of plans to offer advanced aircraft to Saudi Arabia worth up to \$60 billion, the largest U.S. arms deal ever, and is in talks with the kingdom about potential naval and missile-defense upgrades that could be worth tens of billions of dollars more.

The administration plans to tout the \$60 billion package as a major job creator—supporting at least 75,000 jobs, according to company estimates—and sees the sale of advanced fighter jets and military helicopters to key Middle Eastern ally Riyadh as part of a broader policy aimed at shoring up Arab allies against Iran.

The talks between the U.S. and Saudi Arabia have been widely known for months, but many new details are only now coming into focus. These include the number and type of aircraft involved, how much the Saudis intend to spend in an initial installment, and the ongoing negotiations to also upgrade the kingdom's navy and missile defenses.

The \$60 billion in fighter jets and helicopters is the top-line amount requested by the Saudis, even though the kingdom is likely to commit initially to buying only about half that amount.

In a notification to Congress expected to be submitted this week or next, the administration will authorize the Saudis to buy as many as 84 new F-15 fighters, upgrade 70 more and purchase three types of helicopters—70 Apaches, 72 Black Hawks and 36 Little Birds, officials said.

The notification triggers a congressional review. Lawmakers could push for changes or seek to impose conditions, and potentially block the deal, though that is not expected.

On top of the \$60 billion package of fighter jets and helicopters, U.S. officials are discussing a potential \$30 billion package to upgrade Saudi Arabia's naval forces. An official described these as "discreet, bilateral conversations" in which no agreement has yet been reached. That deal could include littoral combat ships—surface vessels intended for operations close to shore, the official said.



Blackhawk UH-60 helicopters, such as these flown in South Korean military exercises last winter, are part of a proposed arms sale to Saudi Arabia.

Talks are also under way to expand Saudi Arabia's ballistic-missile defenses. The U.S. is encouraging the Saudis to buy systems known as THAAD—Terminal High Altitude Defense—and to upgrade its Patriot missiles to reduce the threat from Iranian rockets. U.S. officials said it was unclear how much this package would be worth.

The U.S. has sought to build up missile defense across the region, and the Saudi package could be similar to one in the United Arab Emirates, officials said. THAAD is built by Lockheed Martin Corp. and Raytheon Co. supplies the system's radar. THAAD is the first system designed to defend against short- and intermediate-range ballistic missiles

both inside and outside the Earth's atmosphere. It complements the lower-aimed Patriot missile defense system, providing a layered defense.

Lockheed officials have stated that they see serious export potential for the system in the Middle East, where a major concern exists about Iran's ballistic missile development.

The prospect for job growth could help build support in Congress for the \$60 billion package, officials said. "It's a big economic sale for the U.S. and the argument is that it is better to create jobs here than in Europe," said one person close to the talks.

Boeing Co., which makes the F-15s, the Apaches and the Little Birds, believes the Saudi package would directly or indirectly support 77,000 jobs across 44 states. It is unclear how many jobs, if any, would be supported by the Saudi purchase of Black Hawks, made by Sikorsky. Production levels are already high at Sikorsky, which is owned by United Technologies Co.

—Nathan Hodge contributed to this article.



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## U.S. NEWS

# BP process is scrutinized

By **DIONNE SEARCEY**

As dozens of attorneys gather this week in New Orleans for a kick-off hearing to the sprawling oil-spill case against **BP PLC**, legal experts are newly scrutinizing the complicated legal structure it will use.

In recent years, thousands of suits filed across the U.S. in some of the biggest product liability and personal injury cases—from harmful diet drugs to smelly Chinese dry-wall—each have been consolidated into “multidistrict litigation” cases.

The idea is to roll numerous suits of similar nature filed in U.S.

district courts into one case before one judge, for efficiency’s sake. The 1968 law that created the process stemmed from a price-fixing case that gummed up federal courts involving more than 25,600 claims against electrical-equipment manufacturers.

But critics of the consolidation say these cases become so unwieldy they sometimes drag on for years. While the cases concern similar topics they can include those seeking class-action status with hundreds of plaintiffs as well as individual wrongful-death suits. The critics point to asbestos litigation

filed in the 1980s that has yet to be resolved or the civil case tied to claims from the 2001 terrorist attacks on the World Trade Center, which is still in its initial stages.

Texas plaintiffs’ attorney Lisa Blue said multidistrict litigation cases are “like glue.”

“It’s much more expensive, more time consuming, more infighting,” said Ms. Blue of Dallas. “They get consumed in minutia. They’re a defense lawyer’s dream. You get to charge the client a lot more.”

And they say outcomes are usually a one-size-fits-all settlement for hundreds or even thousands of plaintiffs. Also, defendants end up with huge hourly legal bills.

That fate could now befall the hundreds of plaintiffs who have filed cases against BP.

On Thursday, New Orleans federal judge Carl Barbier will set the tone for how the oil-spill case will proceed at the first hearing since the more than 300 suits were consolidated. The suits, originally filed in federal courts across the Gulf region, blame BP for economic losses, injuries or wrongful deaths.

Kenneth Feinberg has been charged with administering BP’s \$20 billion fund to pay out legal claims tied to the spill. Anyone who is paid through the fund waives their rights to sue. Mr. Feinberg has cited the lengthy court process as reason why claimants should avoid lawsuits and instead turn to the fund.

Keeping a close eye on the BP and other consolidated cases throughout the U.S. will be Duke University law professor Francis McGovern. Mr. McGovern, who declined comment, was commissioned this year by the Judicial Panel on Multidistrict Litigation to poll attorneys on concerns they have about the process. The outcome of his research could serve as a guide to help judges resolve glitches.

Already, complaints from attorneys about a lack of clarity on why the panel selects particular venues to hear the cases prompted it to issue a detailed order about why it picked New Orleans for the BP oil-spill case.

“If there is a geographic and psychological ‘center of gravity’ in this docket, then the Eastern District of Louisiana is closest to it,” panel chief judge John G. Heyburn II said in his August order.

The stakes of multidistrict litigation cases are high. Analysts think the outcomes of the BP suits as well as the case against Toyota Motor Corp. for its vehicles’ accelerator issues could approach hundreds of millions or even billions of dollars.

Many lawyers agree the multidistrict litigation process has benefits. Attorneys can share depositions and evidence gathering to cut costs and save time.

“It prevents the version of the movie *Groundhog Day* where an attorney wakes up in the morning in a different court and does the same thing that he or she did in another court,” said John H. Beisner, a Washington, D.C.-based defense attorney. “We would have an enormous waste of resources if this process wasn’t available.”

For plaintiffs’ attorneys the streamlining can be brutal. While hundreds of attorneys may be representing clients, judges typically pick only a handful to handle the day-to-day workload.

The sidelined attorneys must pay the lead lawyers a fee and often say they feel shut out from key decisions.



Fish sellers like Ruth Graves, here at a market in June in Westwego, La., say they have been hurt by the spill.

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U.S. NEWS

# Imam examines options in Islamic center battle

By SUMATHI REDDY

NEW YORK—The imam behind the controversial Islamic community center planned near Ground Zero said he is exploring all options and that if he had known what grief the plan would spark he might have had different stakeholders or not done it at all.

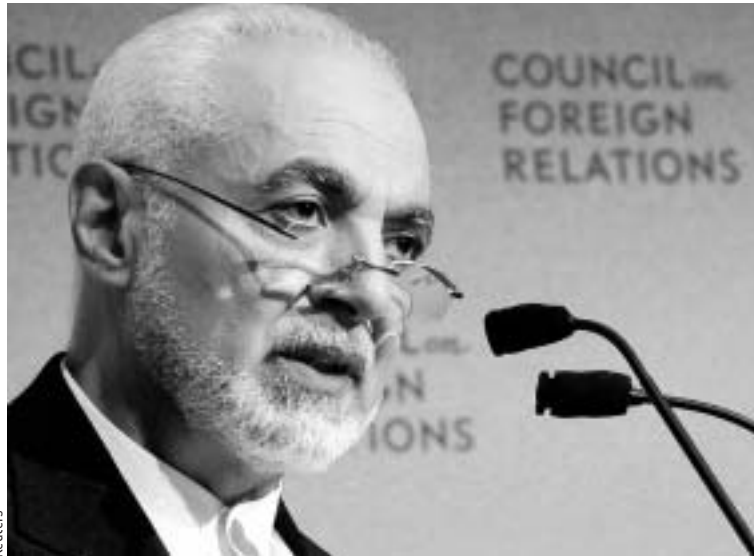
Imam Feisal Abdul Rauf's comments came at the Council on Foreign Relations on Monday morning and were followed by a question-and-answer session with some of the region's top academic, policy and business leaders.

When pressed by Richard N. Haass, president of the council, on what he would have done differently had he known the effect, Mr. Rauf said, "For starters we would have tried to do it differently, maybe have different stakeholders. Maybe not even do it at all."

In response to another question about whether he would consider taking a "time out," he said, "Our advisors have been looking at every option including that."

Mr. Rauf is a partner in a proposed \$100 million Islamic Community Center to be built two blocks from the site of the Sept. 11 terrorist attacks. The proposal has sparked an outcry across the country, with some elected officials, families of Sept. 11 victims and activists weighing in.

In his remarks, Mr. Rauf stressed his dual identity as a moderate Muslim and an American and a man dedicated to building bridges between faiths and a public that is largely ignorant of the religion he practices.



Feisal Abdul Rauf said he would consider a 'time out' for the planned center.

Monday morning's appearance was Mr. Rauf's third set of public comments since returning from a U.S. State Department-sponsored trip in the Middle East. Over the last two weeks, he has done two television interviews, and published an op-ed piece in the New York Times.

His comments Monday were similar to previous statements in terms of the status of the project. He was short on specifics but said "everything is on the table."

"We come together at a time of great crisis and danger," he said in his opening remarks. "What began as a dispute over a community center in Lower Manhattan has grown into a much larger controversy about the relationship between my beloved religion and my beloved

country—between Islam and America," he said.

"I regret that some have misunderstood our intentions," he added. "I am distressed that in this heated political season, some have exploited this issue for their own agendas. And I am disappointed that so many of the arguments have been based on misinformation and harmful stereotypes."

In response to another question, Mr. Rauf said it was "absolutely disingenuous" that the block where the center is slated to be built is hallowed ground, noting that there are strip joints and betting parlors in that area.

"I need a space, I want a space where the voice of the moderates can be amplified," he said.

# The lost campaign of 2008 takes toll on Obama, U.S.

[ Capital Journal ]

By GERALD F. SEIB



To watch President Barack Obama these days is to watch a leader struggling with wildly contradictory demands and impulses.

With midterm elections approaching, should he be above the partisan fray or in the midst of it? Is his mission to lure Republicans into more economic stimulus measures, or to demonize them for resisting?

And by the way, was his original stimulus package too small, as his party's liberals now say, or too expensive, as Republicans charge? Was he right to have followed the stimulus with big health legislation? Having done health care, should he be defending it, as some Democrats want, or ignoring it to talk only about jobs, as others demand?

The tug of these impulses was evident when Mr. Obama held a news conference late last week, at which he tried to sound simultaneously firm and flexible on rolling back Bush-era tax cuts and passing jobs legislation.

To some extent, these cross-currents simply go with being president, though they are made much more acute by both the economic mess and the conflicting priorities—health and stimulus, bailouts and deficit concerns—within President Obama's own agenda.

But these struggles have their roots in a factor that's rarely discussed: the 2008 presidential campaign, which left neither the president nor the country fully prepared for the momentous decisions that followed.

One of the virtues of a presidential campaign is, or at least ought to be, that it provides a platform to fully debate the biggest questions the nation faces. Sure, campaigns are long, and sometimes silly. But amid the madness they offer a forum for the country to chew over the choices before it, and point to some resolution of them.

That didn't happen as much as it should have in 2008, and that's one reason for the severe political cross-currents seen today.

The campaign was less about policy agendas than about image

and leadership. On the Democratic side, there was little substantive or ideological difference between the two main contenders, Mr. Obama and Hillary Clinton, except perhaps (irony of ironies) that Mr. Obama was the one who actually favored the slightly more modest approach to health overhaul. "Change" was the main message, and, given the unpopularity of President George W. Bush, that often seemed enough.

Beyond that, though it's hard to remember now, Iraq was the subject of the most intense debate both among Democrats and between Democrats and Republican nominee John McCain.

More important was the timing of the 2008 campaign. The bulk of the campaign debate came before the Wall Street meltdown that began in earnest in mid-September of that year. In short, the campaign unfolded mostly in an era that ceased to exist when the Great Panic set in, and thus simply didn't vet the tough choices to come, or produce anything like a consensus on them.

Bank bailouts weren't really debated, because that wasn't the idea the Bush administration put on the table that fall to deal with the crisis. (The \$700 billion financial-aid package originally was to buy up "toxic assets," not to shovel money directly to banks, remember?) Nor was there a real debate about an economic stimulus plan, because few envisioned how far and fast the economy would fall.

Certainly Democrats had always been four-square behind a big health overhaul, but that started before anybody realized the full dimensions of the economic crisis, and how it would drive up the federal deficit.

Everyone should have known that, in voting for Barack Obama, they were voting for more, and more activist, government than if they'd gone with Sen. McCain. But nobody—likely including Mr. Obama himself—knew just how much more was to be offered.

Instead, the country is deciding what it thinks in real time. In retrospect, the president would have been better off if the campaign had offered a clearer preview, and a chance to flash the yellow warning lights that are so bright now.

It wasn't so much that Mr. Obama misread a clear mandate as that he never got one.

# Violent crime declines in U.S.

By EVAN PEREZ

The number of violent crimes reported in 2009 declined for the third-consecutive year, the Federal Bureau of Investigation reported, with law-enforcement officials crediting better policing despite cutbacks caused by the weak economy.

Violent crime was down 5.3% and property crime declined 4.6%, according to the FBI's full-year statistics released Monday. The property-crime decrease was the seventh-consecutive annual drop.

Policing experts attribute lower rates to a number of factors, from improved policing tactics to demographic trends. The U.S. also impris-

ons people at a much higher rate than other industrialized countries.

Attorney General Eric Holder said the more than \$4 billion the Obama administration steered toward law enforcement in the 2009 economic-stimulus legislation "helped maintain public safety and encourage new criminal-justice innovations."

But with federal funds likely to drop off and local governments cutting budgets to deal with revenue shortfalls, the number of police officers is expected to drop. Some crime specialists wonder whether that could lead to a rise in crime down the road as a delayed effect of the recession.

The FBI crime statistics are gathered from nearly 18,000 federal, state and local law-enforcement agencies, which cover more than 96% of the U.S. population.

Among the types of violent crimes that posted decreases in 2009 were murders, rapes, robberies and assaults. Among the sharpest declines was the number of murders. The FBI estimated 15,241 people were murdered nationwide in 2009, down 7.3% from the 2008 estimate.

Among property-related crimes, which include offenses such as burglaries and theft, the sharpest decline was in motor-vehicle thefts, down 17.1% in 2009 compared to the year earlier.

# Democrats, GOP harden tax positions

[ Washington Wire ]

By JOHN D. MCKINNON

Senate Republicans and Democrats hardened their rhetoric over the Bush-era tax cuts on Monday, suggesting that a protracted floor debate could be looming in the run-up to the November elections.

Senate Republicans vowed again on Monday to fight for

across-the-board extension of the current tax levels, including for higher earners, and said all their members are in line.

"We haven't had a single Republican say they want to raise taxes" on higher earners, said a spokesman for GOP Leader Mitch McConnell of Kentucky.

In response, Senate Majority Leader Harry Reid issued a fiery statement, saying, "It is unconscionable for Senate Republicans to hold middle-class

tax cuts hostage in order to secure more tax giveaways for millionaires and CEOs who ship American jobs overseas."

Monday's developments suggest that a no-holds-barred battle over tax cuts is looming in the Senate, despite recent efforts by House GOP Leader John Boehner of Ohio to dial down the rhetoric on the House side.

If Congress takes no action, taxes would rise for most earners. —More at [blogs.wsj.com/washwire](http://blogs.wsj.com/washwire)

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## WORLD NEWS

# Japan set for tight election

By YUKA HAYASHI

TOKYO—A small group of Japanese lawmakers will decide Tuesday whether to extend the prime minister's fragile grip on power beyond his current three-month tenure, or to replace him with a controversial power broker vowing a shake-up of government policy on everything from currency intervention to government borrowing to relations with the U.S.

The most recent Japanese media surveys show a close fight in the race for leader of the ruling Democratic Party of Japan between Prime Minister Naoto Kan and challenger Ichiro Ozawa, a party stalwart and longtime kingmaker seeking to become national leader for the first time. Most reports give Mr. Kan a slight edge, but not an insurmountable one. With most eligible party members having taken sides, the vote appears to come down to about 30 undecided members of parliament.

No matter who wins, the result is likely to be more uncertainty and volatility in a political system that has seen five new prime ministers in four years—and two since the DPJ took power for the first time a year ago. The winner will have to heal internal rifts from a bruising campaign and a party already weakened by a debilitating loss in July national elections.

A victory by Mr. Ozawa, viewed as a strong leader and heavy spender, could roil financial markets as investors worry about worsening fiscal conditions in the debt-ridden nation. Mr. Ozawa also has been outspoken in advocating direct government intervention in currency markets to try to stem the yen's rapid rise, something Tokyo hasn't done since 2004.

Nearly 350,000 people—party lawmakers, regional-office holders and general party members and supporters—participate in Tuesday's vote, which is closed to the public. But a complex formula gives two-thirds of the voting power to the party's 411 members of parliament. The lawmakers will gather at a Tokyo hotel for an election that starts at 2 p.m. local time, hearing



Japanese Prime Minister Naoto Kan, left, and rival Ichiro Ozawa campaign for votes of party lawmakers on Monday.

final appeals from the two candidates before casting their secret votes. Ballots from other voters were sent in over the weekend.

The Japanese media predict a close race, with Mr. Kan having an edge among regional-office holders and general supporters. Polls over the two-week campaign have consistently shown the general public favoring Mr. Kan over Mr. Ozawa at about a 3-to-1 ratio, and the results likely have affected the choices of voting party supporters.

But Mr. Ozawa enjoys a strong following among party lawmakers, particularly younger members who feel they owe their seats to Mr. Ozawa, the DPJ's prime campaign strategist. According to a survey released Saturday by the Asahi Shimbun, Mr. Ozawa has support from

193 of the 411 lawmakers, compared with 183 for Mr. Kan. The positions of the remaining 35 are either unknown or undecided.

The Nihon Keizai Shimbun estimated that the two candidates have support from about 190 lawmakers each, with about 30 of them undecided.

The two candidates spent the last day of their appeals Monday to woo the support of those still on the fence. Mr. Ozawa, wearing a red tie, as he has done every day at the end of the race, ran a traditional old-fashioned campaign, appealing to large interest groups and bringing along a lawmaker loyal to him after he helped get her elected.

He paid a visit to the Japanese Trade Union Confederation to sway the votes of lawmakers who receive

their support. On his visit to a trade group of shipping companies, Mr. Ozawa was accompanied by Ryoko Tani, a judo gold medalist he had helped win a seat in the July election.

Mr. Kan, in his shirt sleeves, spent time visiting lawmaker offices near parliament, focusing on those known to be on the fence or supporting Mr. Ozawa.

"When this is over, I am thinking about forming a cabinet of 400 people, where everyone in the party is united and given a chance to play to their strengths," he told one lawmaker known to be close to Mr. Ozawa.

Whoever wins, instability in Japanese politics will probably linger, with many experts predicting a short tenure for the victor.

# Seoul sends North aid, faults it on sinking

By EVAN RAMSTAD

SEOUL—South Korea offered nearly \$10 million in aid to North Korea to cope with recent flooding, even as it issued a final report blaming Pyongyang for the March sinking of one of its warships.

The two countries have exchanged heated rhetoric since the March sinking but have also worked to bring down the tenor of the conversation in recent weeks. Over the weekend, for instance, the two took steps to hold an event to reunite relatives separated by their six-decade division, a ritual that has taken place almost every year since 2000.

North Korea last week asked South Korea for rice, considered an unusually important request given the importance of the food as a staple in both Koreas. The South Korea Red Cross, which will handle the aid package, said that in the coming weeks it will ship 5,000 tons of rice and 10,000 tons of cement, plus medicines and other assistance. Late-summer rains create flood conditions almost annually throughout North Korea, conditions made worse by near-complete deforestation by people desperate for heating fuel.

North Korea accepted the offer late Monday, a spokesman at South Korea's Unification Ministry said.

Meanwhile, North Korea watchers continued to wonder when a heavily promoted political meeting would begin in Pyongyang, or even whether it had already begun. Announced in June by officials in the North without an official start date, the meeting was expected to begin last week and produce major changes in the North's leadership ranks, including perhaps the appointment of a son of dictator Kim Jong Il to a government post.

A South Korean TV station, citing anonymous government officials, for a time Monday reported the meeting was delayed because of Mr. Kim's poor health. But an intelligence official in Seoul later said Mr. Kim was healthy and visited government-related sites Sunday.

South Korea's aid offer came the same day as the final report on the sinking of the Cheonan warship, which resulted in the deaths of 46 South Korean sailors. North Korea denies involvement in the sinking.

South Korea's Defense Ministry said it hoped the final 289-page report would quell criticism from North Korea, reinforced by nationalist politicians and some media and civic groups in South Korea, over the initial findings, which were accompanied by little published data when they were announced in May.

South Korean Foreign Ministry officials Monday met with visiting U.S. counterparts to discuss next steps for dealing with Pyongyang.

The report issued Monday included numerous photographs of the damaged ship, large portions of which were recovered from the Yellow Sea, as well as photos of the remnants of a torpedo that it says caused the explosion. The torpedo matches one in a North Korean catalog of weapons sold to other countries, the report said.

—Jaeyeon Woo  
contributed to this article.

# Wen vows fairness to foreign firms

By AARON BACK  
AND ANDREW BATSON

TIANJIN, China—Chinese Premier Wen Jiabao addressed rising concern among international executives, pledging that foreign businesses in China will be treated fairly, one of the Chinese government's most direct moves yet to counter such complaints.

Mr. Wen's comments, made before an audience of global business leaders at a meeting of the World Economic Forum in this eastern port city, were unusual for acknowledging some policy missteps by China. The recent debate about China among foreign investors, he said, "is not all due to misunderstanding by foreign companies. It's also because our policies were not clear enough."

Foreign companies in China have repeatedly complained of inconsistent enforcement of regulations, a government procurement process biased toward local companies, and



Chinese Premier Wen Jiabao speaks at the welcoming session of a meeting of the World Economic Forum in Tianjin, China, on Monday.

insufficient protection for intellectual property rights. The speech by Mr. Wen, who rarely makes public comments, underscored the concern among China's leaders about the chorus of complaints.

"China is committed to creating an open and fair environment for foreign-invested enterprises," Mr. Wen said.

Mr. Wen noted that businesses have continued to pour billions of

dollars into the country this year. "All this demonstrates that the efforts of the Chinese government to foster a good business environment have been recognized by foreign investors," he said.

After complaints by foreign businesses over "indigenous innovation" policies that favor domestically developed products in government procurement, China has revised the rules and clarified that the Chinese operations of foreign companies can receive treatment as "indigenous" innovators under that law. Mr. Wen emphasized that point Monday, saying, "Any company registered in China according to Chinese law is considered a Chinese company."

Some prominent foreign executives speaking at the forum passed up criticizing Beijing's foreign-investment policies. Ferdinando Beccalli-Falco, chief executive for international operations at General Electric Co., for instance, said the company hasn't had a problem with government procurement policies.