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# THE WALL STREET JOURNAL.

VOL. XXVIII NO. 162

EUROPE

Monday, September 20, 2010

DOW JONES  
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Painting the town red



Agence France-Presse

British designer Vivienne Westwood, center, appears on the catwalk after her spring/summer 2011 show on the third day of London Fashion Week. Her show on Sunday displayed the kind of vibrant collection that has come to be expected from her Red Label brand. **Related article on page 5.**

## Sweden vote shows gains for far right

By MARCUS WALKER  
AND CHARLES DUXBURY

A far-right party that blames Muslim immigrants for social ills won seats in Sweden's parliament for the first time on Sunday, marking the latest advance of anti-immigrant populism in Europe.

The anti-immigration Sweden Democrats won 4.6% of the vote, according to exit polls, breaching the 4% threshold for entering Parliament for the first time in its history. The result is a sign that part of the traditionally tolerant Scandinavian nation is turning against the country's openness to asylum seekers and other migrants.

Thanks to the gains by the Sweden Democrats, who want to reduce immigration to a trickle, Sweden's mainstream center-right Alliance looked set to fall just short of an overall majority in Parliament.

If exit polls prove accurate, Alliance leader and Swedish

Prime Minister Fredrik Reinfeldt is likely to remain in power but would need support from some left-leaning opposition lawmakers to pass laws. Mr. Reinfeldt has said he would refuse to cooperate with the Sweden Democrats.

Across Europe, radical parties exploiting xenophobia are gaining votes and influence, profiting from economic uncertainty in the wake of a deep recession and tapping fears that Muslims and other minorities cause crime, terrorism and the erosion of national identity.

Analysts say the trend risks deepening Europe's social tensions and the alienation of many minorities, while making it harder for policy makers to argue in favor of immigration—something Europe needs more of to help sustain its economy as its native populations age, according to economists.

"In the long run we need more labor force, and Europe

is already not very successful at taking in the labor it needs," said Björn von Sydow, a lawmaker for Sweden's left-leaning Social Democrats and political scientist at Stockholm University. Rising anti-immigrant sentiment across Europe "is related to the economic downturn, and to a sense of sharpened competition for jobs and for a fair share of public spending," he said.

Angst over migration, and about Islamic influence, is also on the rise in the U.S. But surveys suggest more widespread support in the U.S. for a diverse society than in much of Europe.

"Sweden has been quite a homogeneous country. Previously immigrants were only from Europe, but now lots of immigrants have come from Africa and Asia, and there is fear of what one is unused to," said Alf Svensson, former leader of the center-right Christian Democrats.

### The Quirk



Qatar bids to beat nature and host football's World Cup. Page 29

### World Watch

A comprehensive roundup of news and business from around the world. Pages 30-31

### Editorial & Opinion

The perils of schizophrenia in the euro zone. Page 13

## Gulf well declared dead, but BP's battles go on

By GUY CHAZAN

BP PLC's Gulf of Mexico well was declared permanently sealed Sunday as a page turned on a disaster that fouled huge swaths of the Gulf Coast, damaged the Obama White House and rocked the U.S. oil industry.

The U.S. government's point man for the spill-response effort said Sunday that BP had killed the well by pumping in mud and cement from below through a relief well.

BP's well "is effectively dead," said Coast Guard Adm. Thad Allen after tests verified the strength of a cement plug placed at its bottom.

"Additional regulatory

steps will be undertaken, but we can now state, definitively, that the Macondo well poses no continuing threat to the Gulf of Mexico," he said.

It was the last act of a struggle to subdue a well that blew out five months ago off the Louisiana coast, destroying the Deepwater Horizon rig that drilled it, killing 11 men and triggering the worst offshore spill in U.S. history.

The "bottom kill" involved flooding the gap between the well casing and the rock formation that surrounds it with cement through a relief well that intersected the Deepwater Horizon well at a depth of about 5,500 meters. The operation finished Friday, and ce-

ment tests early Sunday morning confirmed that "the well has been permanently sealed with cement plugs," a U.S. government statement said.

"This is a significant milestone in the response to the Deepwater Horizon tragedy and is the final step in a complex and unprecedented sub-sea operation," said Tony Hayward, the outgoing BP chief executive.

Though the well is now plugged for good, the reper-

*Please turn to page 7*

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## PAGE TWO

# The Eurocracy is fiddling while the continent's economy slowly burns

## [ Agenda ]

BY IRWIN STELZER



If you can't solve a really important problem, create one that you can solve. So while the Eurocracy fiddles with charges and countercharges of Nazi-ism over the issue of sending gypsies home, the economy burns. And not because it is overheating.

"Europe lags other major regions of the world in terms of economic recovery..." Although it is still growing slowly, continues the report of the Economic Group at Wells Fargo Securities, "the recovery in the euro zone is hardly self-sustaining at present..." David Owen, chief European financial economist for Jeffries International concurs, "We have had more evidence of activity in much of the EU losing some momentum... hardly surprising... given much of the growth seen in Q2 was inventory led." To which Goldman Sachs adds that "the softening global demand environment creates headwinds for exports."

Industrial production in the euro zone does not seem to be growing, after a Germany-driven period of growth in the first half of the year. The optimism engendered by that growth has also faded. The index of expectations for the German economy—based on a survey of financial analysts—dropped 18 points into negative territory in September, the largest drop in close to two years.

There are multiple reasons for the replacement of first-half euphoria with gloom. Perhaps most important is the market's expectation that if Greece falls the other peripheral dominoes, with Spain a possible exception, will follow. Consider the argument



ECB President Jean-Claude Trichet at an economics forum in Italy this month.

mounted by Greek finance minister George Papaconstantinou to support his position that Greece will not have to restructure its €300 billion (\$390 billion) debt. "If Greece restructures, why on earth would people invest in other peripheral economies?"

Indeed, why on earth would they? Mr. Papaconstantinou

## The struggles of Greece and Ireland are not the only reason that sentiment has turned sour.

assumes that in order to avoid such a catastrophic "break to the unity of the euro zone," the Brussels cavalry, flush with German money, will ride to the rescue, with help from the International Monetary Fund if Greece remains effectively locked out of financial markets by the more-than 11% interest rate investors are demanding on Greece's 10-year bonds in anticipation of a 30% "haircut" on Greek debt.

Note first the concession that as Greece goes, so go the

periphery countries, and as they go so goes the euro zone. Hence, "Save us or else..."

There is truth in that argument. A default by Greece would certainly increase the pressure on Ireland, which has been hit by a report from Barclays Capital suggesting that Ireland might have to call on the EU and the IMF for a bail-out; a radio interview by Taoiseach [prime minister] Brian Cowen, after which he was forced to deny being drunk or hung over, but who says that in the future he "will be a bit more cautious in terms of that aspect of how I conduct my social life"; and figures showing that even if the cost of bank bail-outs is excluded Ireland's fiscal deficit will hit 11.6% this year.

Yields on Irish 10-year bonds, at 6.17%, are almost four percentage above bunds and at their highest level since the euro was launched in 1999, which suggests that Ireland will pay a fancy premium at tomorrow's auction of four- and eight-year bonds.

The struggles of Greece and Ireland are not the only reason that sentiment has turned sour. It is becoming increasingly clear that more than a few euro-zone banks have not confronted the bad

debts still on their balance sheets. Ireland's banking sector is essentially insolvent, loaded down with loans to property developers who cannot repay. Any doubts that German banks are undercapitalized were dispelled when they fought to water down the new and not-so-very-demanding Basel III capital requirements. Worse still, any confidence generated by the recent stress tests is fast dissipating. It turns out that an unknown number of the 91 banks tested excluded holdings of certain sovereign bonds from their reports to regulators, to the tune of billions of euros. It seems that regulators were eager to demonstrate that Europe's banking systems are in good shape, and jiggered the reporting rules accordingly.

All of this has the Eurocracy in a quandary. Jean-Claude Trichet, president of the European Central Bank, continues to insist that the path to sustainable growth lies in ever-more austerity to restore business confidence. The Organization for Economic Co-operation and Development, until recently in agreement with Mr. Trichet's prescription, has studied new data, decided that the EU economy is slowing at a pace that "is somewhat more pronounced than previously anticipated," and that with 24% of people in OECD countries out of work for a year or more, less emphasis should be placed on austerity and more on stimulating growth—a position in line with that of President Barack Obama and Britain's opposition Labour Party.

All very confusing. But one thing is clear: the peripheral countries and Europe's banks are going to have to raise money on terms that are, to put it mildly, unlikely to contribute to rapid growth.

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

## What's News

■ **A U.K. government panel** is set to pay close attention to competition in the banking sector and could potentially recommend splitting up large retail-banking operations. The Independent Commission on Banking, set up in June, will detail the scope of its investigations Friday. 17

■ **Pope Benedict XVI** presided over the beatification of Cardinal John Henry Newman, at the end of a tumultuous visit to the U.K. 4

■ **Turkey allowed Armenians** to worship at a symbolic but politically sensitive church on Akdamar island for the first time since the collapse of the Ottoman Empire. 8

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### The Source

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"Greek government has no credibility. Nor does it deserve any. And ultimately, it will default."

Alen Mattich on the likelihood of default by the Greek government



### Continuing coverage



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

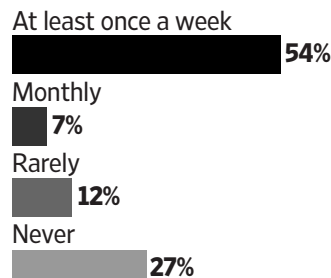
### Question of the day

Q: Is the Vatican now responding adequately to the sexual-abuse scandal?

Vote and discuss at [wsj.com/polls](http://wsj.com/polls)

### Previous results

Q: How often do you attend religious services?



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

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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).  
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Germany by Dogan Media Group / Hürriyet A.S. Branch  
Germany. Printed in Switzerland by Zehnder Print AG WIL.  
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M-17936-2003.  
Registered address: Boulevard Brand Whitlock, 87, 1200  
Brussels, Belgium

## NEWS

# 'Boris bike' vandals leave Barclays in a sticky patch

BY DAVID ENRICH  
AND PAUL SONNE

LONDON—When British bank **Barclays PLC** agreed to shell out £25 million (\$39 million) to sponsor London's new public bike-rental program, it envisioned the marketing benefits of seeing its sky-blue logo draped on thousands of cycles around the city.

But last week, Barclays' prime marketing opportunity quite literally turned into a curse.

Londoners woke up Friday morning to find obscene stickers affixed to a number of the rental cycles. Attached to the bikes just above the bank's logo, the decals delivered a one-word message that, combined with the bank's name underneath, succinctly conveyed many Britons' anger toward the banking sector: "F- Barclays."

"There are fairly resourceful people out there, even if they've got potty mouths," said Matt Brown, a spokesman for Transport for London, which runs the city's extensive network of public buses, trains, boats and now bikes.

The vandalism is the latest outburst of quiet subversion aimed at public figures and institutions. Another recent example of mischief: Slews of Britons in recent weeks surreptitiously moved former Prime Minister Tony Blair's memoir to the "true crime" or "fantasy" sections of bookstores, in apparent protest over Mr. Blair's legacy, including Britain's involvement in the Iraq War.

Banks are a popular target in the U.K. these days. After reckless loans and overzealous acquisitions landed lenders in financial trouble, the government rushed in with multibillion-pound rescues that left two of the U.K.'s top banks partly owned by taxpayers.

Barclays wasn't bailed out, but has benefited from the government's efforts to stabilize the banking system and has become a target for criticism. Those criticisms flared up again this month when Barclays announced that Robert Diamond, the American head of the investment banking division, would become chief executive next year.

It was Mr. Diamond who negotiated the £25 million cycle-sponsorship deal with London Mayor Boris Johnson. Mr. Johnson, an avid cyclist, spearheaded the launch of the so-called Barclays Cycle Hire program—known locally as "Boris Bikes." It was designed to avoid the vandalism problems that plagued a similar scheme in Paris, including thicker tires to repel slashings.

But vandals struck overnight Thursday. It's unclear how many bikes were hit, but bloggers and Tweeters posted images of defaced bikes at locations across London.

On Friday, TFL and the contractor charged with running the program were scrubbing stickers off the bikes' frames. Police were looking for the perpetrator, but hadn't nabbed anyone as of Friday evening.

Mr. Brown said TFL was coordinating its response with the mayor's office and Barclays. A Barclays spokesman declined to comment. A spokeswoman for the mayor referred questions to TFL.

Meanwhile, in bookstores across the country, Britons in apparent protest over the legacy of the for-

mer U.K. prime minister, began relocating Mr. Blair's memoir in bookshops, rooted on by a Facebook group promoting the groundswell of civil disobedience.

By last week, the Facebook group—entitled "Subversively move Tony Blair's memoirs to the crime section in book shops" had grown to almost 13,000 members, with many members posting photographs of their achievements.

It wasn't long before the dissidents got more creative with the memoir, entitled "A Journey." Some began moving it to "fantasy" or "horror" sections. In supermarkets, some Britons nestled the memoir amid the rolls of toilet paper.

Mr. Blair's publisher, **Bertelsmann AG's Random House**, didn't comment.

—Sara Schaefer Muñoz contributed to this article.



Bikes parked at a Barclays Bike Hire docking station in London, Friday.

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**JOSÉ AROLD GALLASSINI**  
President,  
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## EUROPE NEWS

# Pope beatifies convert as trip ends

BY STACY MEICHTRY

BIRMINGHAM, England—Pope Benedict XVI on Sunday presided over the beatification of Cardinal John Henry Newman, a 19th century Anglican convert to the Roman Catholic Church, at the end of a tumultuous four-day visit to the U.K.

With the beatification, one step short of sainthood, the 83-year-old pontiff completed an obstacle course of critics who challenged him at every turn, questioning his commitment to dialogue with the Anglican Communion, his handling of the sex-abuse crisis and his firm adherence to traditional Church teachings.

A seemingly more serious threat ended quietly with the release of six North African men from police custody early Sunday. They had been held initially as part of an investigation into threats against the pope. The men, detained on Friday, weren't charged, the police said, after searches failed to produce any weapons or explosives.

The wave of criticism of the pope crested Saturday evening as an estimated 10,000 people took to the streets to protest his visit.

At times, the pope's attempts to mollify his critics—addressing the sex-abuse crisis four times during the trip—appeared to drown out his goal of calling for religious renewal in Europe from one of the region's most secular countries. The criticism that greeted the pope in the U.K., however, also underscored the pontiff's main contention: that religious leaders must struggle like never before to assert themselves in Europe's public square.

That struggle loomed large during the beatification mass held be-

fore tens of thousands of faithful in Birmingham's Cofton Park on Monday. In his sermon, the pope cast Cardinal Newman, who was one of Victorian England's most prominent theologians, as a historical ally in his battle to amplify the public voice of religious leaders. Pope Benedict recalled how Cardinal Newman applied "his pen to many of the most pressing subjects of the day."

"His insights into the relationship between faith and reason, into the vital place of revealed religion in civilized society...were not only of profound importance for Victorian England but continue today to inspire and enlighten many all over the world," the pope said.

The pope, a native of Germany, also noted that Sunday was the day on which Britons commemorate the Battle of Britain, when the U.K. drove back the advancing forces of Nazi Germany—a regime the pope described earlier in the trip as a product of "atheist extremism."

"For me as one who lived and suffered through the dark days of the Nazi regime in Germany, it is deeply moving to be here with you on this occasion, and to recall how many of your fellow citizens sacrificed their lives, courageously resisting the forces of that evil ideology," the pope said.

Pope Benedict's push to revive the papacy's status as a voice of moral leadership in Europe was undercut hours later as he stood before a group of local bishops and acknowledged, once again, how the public attention swirling around the sex-abuse crisis "seriously undermines the moral credibility of Church leaders."

"I have spoken on many occasions of the deep wounds that such



Pope Benedict walks past an image of Cardinal John Henry Newman after mass.

behavior causes, in the victims first and foremost, but also in the relationship of trust that should exist between priests and people, be-

tween priests and their bishops, and between Church authorities and the public," the pope said.

Pope Benedict's decision to beat-

ify Cardinal Newman, risks upsetting some Anglicans. Pope Benedict has never presided over a beatification, underscoring the late cardinal's importance to him.

The pope also selected the anniversary of Cardinal Newman's conversion to Catholicism, Oct. 9, as his feast day rather than using the date of his death—the more common choice. The move also comes against the backdrop of the Vatican's offer to ease the path for Anglican clerics and rank-and-file faithful to convert to Roman Catholicism.

Speaking to bishops on Sunday, the pope tried to assuage Anglican concerns by describing the Vatican's offer to convert Anglicans "as a prophetic gesture that can contribute positively to the developing relations between Anglicans and Catholics."

The Vatican's openness to the Anglican faithful, the pope said, "helps us to set our sights on the ultimate goal of all ecumenical activity: the restoration of full ecclesial communion."

Although Anglicans remain skeptical of the Vatican's offer, many have welcomed the pope's homage to Cardinal Newman, arguing that both Anglicans and Catholics can claim the late theologian and make his beatification a touchstone for ecumenism. "In some ways, we can both lay claim to his legacy," said Rev. Canon Alyson Barnett-Cowan, director for unity, faith and order for the Anglican Communion. "He was shaped as an Anglican, and many of his ideas came from that experience."

By Sunday, there were also some signs that the pope had managed to thaw much of the initial opposition to his visit.

## Liberal Democrats face budget test

BY ALISTAIR MACDONALD

LIVERPOOL, England—Britain's Liberal Democrats began their annual party conference, able to enjoy—for the first time in 65 years—the fact that they are helping run the country as the junior party in the new Conservative-led coalition.

But as Liberal Democrat delegates try to push aside voter dissatisfaction with their coalition role, the party's popularity in U.K. opinion polls is sliding. Party members' satisfaction will be tested next month, when the deficit-cutting Tories take an ax to a wide array of public services that the Liberal Democrats have always championed. In a country unused to coalition politics, some Liberal Democrats worry that their identity and agenda are being submerged by the Tories'.

Addressing the conference Sunday, party leader and Deputy Prime Minister Nick Clegg acknowledged he could be in for a "rough ride" from some activists. "I know that being in the coalition still isn't always easy," he added.

Still, party members, gathering in this northern English city to kick off the U.K.'s party meeting season, are enjoying the novelty of being in power. For years Liberal Democrat activist Helen Walsh was told by voters on doorsteps at election time that a vote for the party was wasted because it would never be in government. "Well here we are," she



Nick Clegg in Liverpool on Sunday

said on Sunday.

An estimated 6,500 people are attending the conference this year, up from around 5,000 in previous years.

Liberal Democrat members of Parliament are finding themselves in demand. Lawmaker Lorely Burt says she has had around seven times as many requests for meetings this September as during a typical conference. "I have suddenly found out what it is like to be in government," she said.

The confidence seen here is likely to help put off any prospect of a destabilizing internal rebellion and keep motivated the activists who have to sell the party. But it may not sell to voters, given coalition compromises that have gone

against the grain of this typically left-leaning party. Particularly jarring has been the Liberal Democrats' signing on to the Conservatives' more-aggressive timetable of spending cuts, aimed at tackling one of the largest budget deficits in the world.

On Sunday, a poll by ComRes showed that 40% of those who voted for the Liberal Democrats in the June election wouldn't have done so had they known the party would enter a coalition with the Tories.

"The dissenters are biting their lip," said Mark Littlewood, a former head of media for the Liberal Democrats. "But sooner or later the left will step up to the plate and be the disgruntled organization within the party. It's a matter of time," he said.

Among the voters reserving judgment is Alec Metcalfe, 81 years old, from Wakefield, a poorer part of the country that is likely to be hit harder by cuts. "The proof of the pudding is in the eating, and that will happen next month," the former manager of a textile factory said.

Almost one in two postwar European coalition governments have collapsed over budget disagreements and economic policy problems, according to the Institute for Government, a London-based think tank.

While few expect this coalition to fall when the cuts are announced in October, the government is likely to be tested throughout next year as

the budget cuts bite and as jobs in public services are lost. Outside the Liverpool conference, a handful of protesters stood in the rain Sunday, holding up posters of Margaret Thatcher to remind Liberal Democrats of the unpopularity on the left of the Iron Lady's cuts in the 1980s.

Liberal Democrat officials say that by the end of the next year they will start to see the benefits of an improving economy and healthier national bank balance, with voters giving them credit for their role.

But some political analysts say the risk for the Liberal Democrats is that they will be held responsible for the pain while the Tories get the credit for the gains.

Liberal Democrat ministers are using the conference to make a series of announcements they hope will show that the party still has a "liberal" identity of its own. Treasury Minister Danny Alexander on Sunday announced a crackdown on tax evasion by the super-rich, in a bid to show the party hasn't forgotten what it calls an "agenda for fairness."

Mr. Clegg also launched his party's campaign for next year's referendum on changing the U.K.'s winner-takes-all voting system, reminding the audience that a referendum was one of the concessions he wrung from the Conservatives in coalition negotiations.

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## Dutch police arrest man in terror probe

BY DANIEL MICHAELS

Dutch Royal Military Police on Sunday arrested a British man of Somali origin as he was about to leave Amsterdam's Schiphol Airport aboard a flight for Entebbe, Uganda, on suspicion he was "involved in a foreign terrorist organization," a Dutch Ministry of Justice spokesman said.

The man, who had flown from Liverpool, England, is being questioned, the spokesman said. He gave no further details.

The arrest came three days after the director of Britain's security service, MI5, warned publicly that the country faced the threat of terrorism from Somalia and Yemen.

The Dutch justice ministry spokesman said police acted on information from British authorities. A spokesman for Britain's Foreign and Commonwealth Office confirmed that a British man had been arrested at Schiphol.

A spokeswoman for Schiphol Airport declined to comment.

The only flight from Schiphol to Entebbe on Sunday was KLM Flight 561 at 11 a.m. local time, according to Schiphol's website. A KLM spokeswoman directed inquiries to the justice ministry.

—Alistair MacDonald and John W. Miller contributed to this article.

EUROPE NEWS

# Westwood and Millers show off London twists

[ Heard on the Runway ]

By BETH SCHEPENS

LONDON—Vivienne Westwood's packed show Sunday night was exactly the fun, youthful collection we've come to expect from her offshoot Red Label brand. The clothes, in her signature tailoring, had asymmetrical hems and draping, and were built to show off a woman's form. There were, as always, unexpected twists. Shorts with squares cut out at the hips, shoulders with extra fabric that gave them added shape and volume, tassels that hung off the tail of a leopard-print skirt.

The clothes and fabric, which

ranged from bright plaids to something that resembled a disco ball, fit the music and mood. Even the models, who included Jacquetta Wheeler, looked like they were having fun.

In recent years, Ms. Westwood has become known for her political statements as much as her fashion. At Sunday's show, in one of many of London's gilded halls that have seen action during fashion week, on every seat there were water bottles that Ms. Westwood designed with SIGG, urging attendees to "think beyond fashion and to the most urgent issue facing our world today, climate change."

### Twenty8Twelve and '50s

While Sienna Miller's on-again boyfriend Jude Law may have stolen the paparazzi's attention

with his front-row presence at Twenty8Twelve's spring 2011 show, the collection that the actress and her sister, Savannah, put out was the showstopper. Eclectic and free-spirited, the mostly casual looks inspired in part by 1950s Mexico captured the essence of the brand, creative director Savannah Miller said after Saturday's show.

The '50s were most evident in the dresses—many of which had full skirts, filled out with white petticoats that had a pop of color at the hem.

If you were to take a road trip on Highway 66 today, all you would need are some pieces from Twenty8Twelve's spring collection and a tube of red lipstick. And maybe some Bob Dylan for good measure.

—More at [blogs.wsj.com/Runway](http://blogs.wsj.com/Runway)



At London Fashion Week, Twenty8Twelve designers Sienna, right, and Savannah Miller showed mostly casual looks inspired in part by 1950s Mexico.

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## U.S. NEWS

# New name in GOP sights

By JON HILSEN RATH  
AND TENNILLE TRACY

WASHINGTON—Indiana Rep. Mike Pence's win in a straw poll of social conservatives over the weekend puts a new name in the Republican presidential contest for 2012.

Mr. Pence, the third-ranking Republican in the House, won the "Value Voters" poll for the 2012 GOP nomination conducted by the Family Research Council Action, with 170, or 24% of votes. He beat out other social-conservative favorites, including former Arkansas Gov. Mike Huckabee, who finished second, with 22%, and former Alaska Gov. Sarah Palin, fifth with 7%. Ms. Palin didn't attend the event, though many other conservatives did.

Mr. Pence hasn't said whether he is interested in running in 2012, and he couldn't be reached for comment. But political pundits say the five-term congressman's credibility with establishment Republicans, as well as with the tea-party movement and social conservatives, could make him a contender.

The tea-party movement has focused heavily on government fiscal responsibility, and many of its activists distrust establishment Republicans after the federal deficit run-ups over the last decade. Mr. Pence is one of the few elected officials to speak at any tea-party rallies.

Brian Darling, director of Senate relations for the Heritage Foundation, a conservative, Washington-based think tank, said those would be "important qualities if [Mr.



Sen. Pence at a rally against government spending in Washington on Sept. 12.

Pence] tries to run for president. He's a sitting member of the House who can talk both to the tea-party movement and the social conservatives and bring them together."

Mr. Pence is strongly anti-abortion—a key issue for social conservatives—and also has credentials with fiscal conservatives. In addition to battling President Barack Obama's fiscal policies, he led a failed revolt against former President George W. Bush's campaign for federal prescription-drug benefits for the elderly, saying he didn't want to create new federal entitlements. He also voted against the 2008 Wall Street-bailout bill advanced by the Bush administration.

"We do not consent to runaway federal spending by either political party. And we demand an end to the

borrowing, spending and bailouts once and for all," Mr. Pence said at a tea-party rally in Washington earlier this month.

Mr. Pence's straw poll win comes as debate heats up within the Republican Party over the impact of the tea-party movement in November's midterm election. Republicans are expected to post major wins in the House and Senate this fall. But the size of the potential gains remains unclear, especially in the wake of victories by tea-party candidates over establishment-backed candidates in several GOP primaries.

While the tea-party movement has helped to energize voters who are more likely to vote for Republicans than Democrats, tea-party candidates could splinter the Republican vote in some races.

## Weaker output, more jobs?

### [ The Outlook ]

By JUSTIN LAHART

Companies are having a harder time boosting productivity. For now, that is probably a good thing.

Productivity, as measured by output per hour, grew at a breakneck pace last year as businesses sought to get as much work out of as few people as possible. This year that growth slowed, and then screeched into reverse. That's a sign that many companies are reaching the limit of how much they can get their workers to do. In other words, they might actually have to start hiring more.

"Businesses were able to squeeze their work forces, but that wasn't sustainable," said Michelle Meyer, economist at Bank of America Merrill Lynch. Even with her forecast of the economy growing at a sluggish pace in the remainder of this year, she reckons that companies are so lean they'll have to increase hiring.

Lackluster productivity growth usually isn't something to crow about. Without coming up with ways for workers to produce more and better goods and services, the economy can over time grow no faster than the labor force grows, leaving wages stagnant. But with the unemployment rate at 9.6%, getting more people back to work would do far more for the economy now than improving the productivity of the current work force.

It's normal for productivity to surge in the early part of an economic rebound, as business returns quicker than companies add workers, and for those productivity gains to then recede as hiring catches up. But the recent swing has been unusually extreme. Last year, productivity grew at an average annual rate of 6.2%, the fastest pace since the 1960s. In the first quarter it slowed and then in the second it actually contracted, falling 1.8%. Such large declines are uncommon, especially in the early stages of an economic recovery.

The last time productivity fell by as much was in the third quarter of 2006, when it dropped 1.9% as the housing market fell faster than home builders could shed workers.

The latest drop in productivity was something of a fluke, said Barclays Capital economist Dean Maki, coming about because companies upped hiring and workers' hours even as the economy slowed. But he

calculated that even if the economy grew as quickly as it had in the first quarter, "we still would have seen a slowdown in productivity in the second quarter."

In the third quarter, the economy appears to be growing at about the same rate as companies are increasing workers' hours. That's a recipe for little, if any, productivity growth.

Mr. Maki, like most other economists, reckons that productivity will only grow around its historical average of 2% to 2.5% rate in the quarters to come.

That stands in sharp contrast to after the 2001 recession, when productivity growth remained elevated for two years, giving companies little impetus to hire.

The key to that strong productivity boom of the early 2000s was companies' heavy spending on new equipment and software in the late 1990s. Labor-saving technology like online ticketing and check-in kiosks, for example, allowed airlines to operate with far fewer employees than before.

But companies across the economy have been reluctant to invest in new equipment in recent years, and last year didn't even spend enough to replace what was wearing out, economists estimated. Even with a rebound in capital spending this year, companies still haven't brought the capital stock—the inflation-adjusted value of all business equipment and software in place in the U.S.—back to where it was two years ago.

The result: Companies have far less leeway to increase production without adding workers now than they did following the 2001 recession. That suggests that the current economic recovery, which most economists believe began in the middle of last year, won't be nearly as jobless as the post-2001 experience was. Indeed, companies have been adding jobs, albeit slowly, since January; after the 2001 recession, they didn't start hiring for nearly two years.

Of course, today's unemployment rate of 9.6% is well above the 6.3% it reached in 2003. And if the economy doesn't continue to grow, companies will have no impetus to hire, no matter how lean they are.

Over the longer run, says Harvard Business School economist Josh Lerner, it's crucial for productivity to grow strongly. "Productivity increases translate into better quality of life on so many dimensions," he said. "It's linked to our economic futures and our kids' economic futures."

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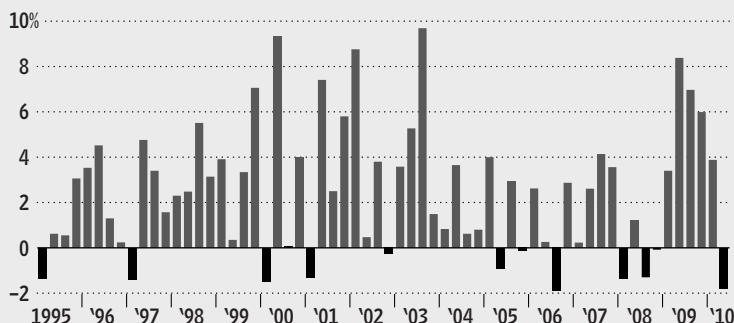


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Source: Labor Department

## U.S. NEWS

# Well expert led shutdown

By GUY CHAZAN

For most people watching from the sidelines, BP PLC's Gulf blowout was a catastrophe of historic proportions. For John Wright, it was just another out-of-control well.

Mr. Wright is the man BP brought in to oversee the relief well that has finally closed the book on the Gulf oil spill. It brings to an end a saga that exploded into the public consciousness on April 20 when the Deepwater Horizon drilling rig blew up off the Louisiana coast, killing 11 men.

The relief well Mr. Wright drilled for BP is the 41st he has designed and managed in a legendary oil-industry career that took him from the seas of Alaska to the tea plantations of Bangladesh.

Normally, experts like Mr. Wright, a 56-year-old Houston native, function under the radar. Blowouts typically involve gas, not oil, so cause little environmental impact and get no media coverage. Not so BP's troubled well.

"Most of the jobs [I've done] have been in jungles, deserts and oceans in remote parts of the world and usually few people outside the operator knew they were even happening," Mr. Wright said in an email interview. "I never imagined a relief well would be the focus of so much attention."

That reflects the extraordinary scale of the Gulf disaster and the unprecedented industry-wide effort mobilized to battle it. Some of the world's top petroleum engineers joined BP in the fight to shut off an underwater gusher that ultimately spewed nearly 5 million barrels of crude into the waters of the Gulf.

Blowouts—sudden, uncontrolled surges of oil or gas from a well—are rare, but when they occur, they can be devastating. Often a relief well, which intersects the stricken well deep underground, is the only way to tame it.

It is a challenging task, however. Mr. Wright's target was a 7-inch diameter pipe—the span of a hand—nearly 3 ½ miles below the surface of the ocean. The drill-bit only has to be off a few inches to miss.



John Wright, above on the deck of the Development Driller III rig Saturday, has designed and managed 41 relief wells.

But he is one of the select few who has consistently scored direct hits. "The list of people who have actually made an intercept and pumped a blown-out well full of cement is actually quite short," says Jerry Winchester, chief executive of **Boots & Coots International Well Control Inc.**, and Mr. Wright's boss. "It's a real unusual niche."

Because his skills are so rare, he rarely has to tout his wares: Companies tend to come knocking at his door. "It's like if you need an ambulance, you don't go out for bids and you don't negotiate a price," says Bill Abel, a veteran well-control expert.

Born in Houston in 1954, Mr. Wright graduated from Texas A&M University and went to work as a surveyor for drilling company Eastman Whipstock, whose founder, John Eastman, drilled the world's first relief well in 1934.

Soon he was traveling the world to deal with blowouts and fires, including the 1988 Piper Alpha disaster in the North Sea that killed 167 men.

In 1986 he met Asger "Boots" Hansen, a protégé of legendary firefighter Red Adair and co-founder of Boots & Coots. From then on, he would call John Wright whenever he

had a blowout that required a relief well.

In 1989 the two worked together on Saga Petroleum A/S's massive blowout in Norway. Using new technology, Mr. Wright intercepted the blown-out well at the first attempt, at a depth of more than 3 miles.

That year, Mr. Hansen convinced Mr. Wright to strike out on his own. There was a lot of business to be had. In the North Sea, safety laws were tightened after Piper Alpha, and companies had to come up with contingency plans in case of blowouts. John Wright wrote a lot of them.

Some situations were life-threatening. In 1995, he traveled to Syria's Western Desert, not far from the Iraqi border, where a huge gusher was shooting hundreds of feet into the air, forming a million-barrel oil lake on the sand. Official scrutiny was intense.

"The Syrian oil minister came to the location in a motorcade and told me, 'I don't care if you hang it...shoot it, strangle it, suffocate it, but whatever you do next, make sure you kill it,'" Mr. Wright recalls. "That made me very nervous, given the source."

The blowout was in the middle of nowhere, and Mr. Wright had to ship in 100 tractor-trailer loads of equip-

ment from the U.S. One month after he and his team arrived, gas from the blowout ignited, setting the lake of oil on fire. Three Boots & Coots' employees and two locals were killed. The well was finally subdued with the oil minister and his entourage looking on.

Mr. Wright often used advanced technology to build his business. In 1991 he co-founded a Norwegian engineering company, **Well Flow Dynamics A/S**, that uses sophisticated software to model blowout flows and simulate different scenarios for well-kill operations.

In recent years, he started spending more and more time at his ranch house in Texas Hill Country, and scaled back the international sales trips. Last year, Boots & Coots, which wanted to beef up its relief-well capability, bought his company for \$10 million and made him a senior vice president. BP's well exploded a few months later.

Mr. Wright and the other engineers BP hired to shut the well faced a slew of challenges involving the well's depth and location. But on all other counts, it was just another day's work.

"The intersection is not particularly challenging," Mr. Wright says, nonchalantly.

## Gulf enters new phase as the well is killed

*Continued from first page*  
cussions of the disaster will be felt for years, possibly decades, to come. The U.S. offshore oil industry, which was unprepared for a disaster on this scale, is bracing for change as government regulation and oversight increases. BP is facing civil and criminal probes and a wave of litigation that could tie it up in the courts for years. And the work of restoring the tarnished ecosystems of the Gulf Coast is only just beginning.

Curbs on drilling placed by the U.S. government in the wake of the disaster have also hit the region hard, putting hundreds out of work. With rigs now leaving the area, some even predict the U.S. offshore industry could forfeit its leading position. "The Gulf Coast is the Silicon Valley of the oil industry, but that innovation could easily migrate elsewhere," said Dan Yergin, head of IHS Cambridge Energy Research Associates. On Sunday, BP said the spill has so far cost about \$9.5 billion, including the spill response, containment, relief-well drilling, static kill and cementing, grants to Gulf states, claims paid and federal costs.

The process of identifying just who was to blame for the disaster and who should pay for the damage could drag on for months, if not years. Already the blowout has become one of the most scrutinized maritime disasters ever, with parallel probes by the Coast Guard and Interior Department, the Justice Department and the U.S. Chemical Safety Board, among other agencies.

Lawyers representing BP, **Transocean Ltd.**, which owned the Deepwater Horizon rig, and **Halliburton Co.**, which did the cement job on the doomed well, are digging in for a long, high-stakes fight over culpability, the outcome of which could determine who picks up the tab.

BP earlier this month issued the findings of its own internal investigation into the incident, which spread the blame among employees of BP, Transocean and Halliburton. But it is unlikely to be the last word in what promises to be a long, multipronged search for the truth of what actually happened April 20 and why.

The Gulf disaster is also redefining Big Oil's relationship with the U.S. government. Authorities have shed their hands-off approach as they rush to make offshore drilling safer. Companies are bracing for new government rules, particularly on the capability and strength of well-control equipment.

"Regulators both in the U.S. and abroad will become more engaged in our and our customers' business," said Jack Moore, chief executive of Cameron International Corp., a major manufacturer of subsea equipment, in early August.

The oil companies themselves are also likely to become more cautious, especially in their drilling operations. "The attitude will be 'we are going to take as long as the job needs, no longer and no less,'" said David Dismukes, associate director of the Louisiana State University Center for Energy Studies.

—Russell Gold and Angel Gonzalez contributed to this article.

## BP faces lingering challenges

By GUY CHAZAN

BP PLC may finally have killed its rogue well, but navigating the gathering swell of litigation and official inquiries may prove just as hard as capping the leak.

Finishing the relief well officially closes one of the most traumatic chapters in the British oil giant's 102-year history, but the company still has months of cleanup work and a barrage of probes that could be distractions for years.

BP also faces billions of dollars in fines for polluting the Gulf of Mexico, civil lawsuits brought by oil-rig workers and fishermen, and complaints by its own shareholders.

Perhaps most damaging is the uncertainty surrounding BP's liabilities. It could face civil fines of \$1,100 for every barrel of oil spilled, but \$4,300 a barrel if gross negligence is found—meaning potential penalties of nearly \$18 billion.

A finding of gross negligence also would absolve the co-owners of

BP's well, **Anadarko Petroleum Corp.** and Japan's **Mitsui & Co.**, of any responsibility for the accident and its aftermath.

"The critical issue is whether the investigation exonerates or incriminates BP," says Fadel Gheit, an oil analyst at Oppenheimer & Co. "If the latter, it will have to shoulder 100% of the cost by itself."

BP has accepted some responsibility but also laid much blame on its contractors: **Halliburton Co.**, which did the cement job on the well, and **Transocean Ltd.**, which owned and operated the rig. A report issued this month after an internal inquiry identified eight key failures that combined to cause the incident. It said only one of the eight was BP's direct responsibility, and that mistake was shared by Transocean.

However, uncertainty about BP's role remains, and that, analysts say, is one of the reasons the stock market's reaction to BP's success in capping the well has been so guarded.

Since July 15, when oil stopped spewing into the Gulf, its share price has been essentially flat.

BP has been in the firing line since the blowout that ruptured its well off the coast of Louisiana. As its efforts to stanch the flow failed, BP experienced one of the biggest crises to hit a London-listed blue chip. Its share price more than halved between April 20 and June 25, it suspended its dividend for the first time in 18 years and announced a \$17 billion second-quarter loss.

BP took drastic steps to right what at times was a listing ship. Easing some of the political pressure on the company, it agreed to set aside \$20 billion for spill victims. BP said it would sell \$30 billion of assets and took a \$32 billion pretax charge to pay for the spill. It ditched its chief executive who had become a lightning rod for public anger.

BP's share price recovered somewhat, rising by more than a third after hitting 14-year lows in late June.

But the company still faces headwinds, with a big question mark hanging over its future in the U.S.

A proposal passed by the House of Representatives would prevent BP from obtaining future offshore drilling leases. Any threat to BP's U.S. business could raise alarm bells with investors. The U.S. accounts for 26.6% of BP's global oil and gas production.

The Justice Department is conducting parallel criminal and civil investigations, while the Coast Guard and Bureau of Ocean Energy Management are conducting a joint probe into the causes of the blast. The House Energy and Commerce Committee is conducting its own investigation into the explosion. A presidential commission began meeting last month, and the Chemical Safety Board, which looks into industrial accidents, has also launched a formal inquiry.

Despite the clouds hanging over BP, few think it will be forced out of the U.S. completely.

## WORLD NEWS

# Armenian church reopens

BY JOE PARKINSON

AKDAMAR ISLAND, Turkey—Turkey allowed Armenians to worship at a symbolic but politically sensitive church here for the first time since the collapse of the Ottoman Empire, in a service on Sunday that was hailed by Turkish officials as a sign of growing tolerance for religious minorities, but that underscored the lingering distrust between Ankara and Yerevan.

The emotional two-hour mass at the Church of the Holy Cross—an iconic landmark on Akdamar island in the turquoise waters of Lake Van in Turkey's poverty-stricken southeast region—was attended by about 1,000 people. But that was a fraction of the 5,000 visitors expected, as a partial Armenian boycott saw thousands cancel their trips after Turkish authorities refused to display a 200-kilogram cross on the church's roof, claiming it was too heavy and could damage the structure. The five-meter-tall cross instead was set next to the belltower of the church.

Worshippers, the vast majority from the Armenian diaspora community, packed into the small red-stone church or watched Orthodox priests deliver the first liturgy there in almost 100 years on big-screen televisions specially erected for the event. Some pilgrims, overcome with emotion, held wooden crosses aloft as they prayed. Others exchanged stories about the ancient Armenian civilization that once existed in Turkey, but was almost erased in 1915 in what many regard as genocide. Turkey strongly denies that a genocide took place, describing the killings as the tragic result of a civil war in which all sides suffered.

Eighty-year-old Lebanese-Armenian Victoria Tutunjian, whose parents fled to Beirut to escape those killings, said she "always hoped but never imagined" she could come to pray here. "I'm so happy this ceremony is taking place and I will come here every year until the day I die. But Turks are still my enemy, and coming here and walking on this soil is my revenge," she said, clutching a small Armenian flag.

Other Turks and Armenians here were more positive about the service's significance. "This is a great



About 1,000 Armenian Christians attended services at the Church of the Holy Cross in Van, Turkey, on Sunday.

day for all Armenians, I'm confident things will start to change now," said Tigran Abrahamian, a 45-year-old industrial engineer from Istanbul, who is married to a Turk and brought his family to the service. An estimated 170,000 Armenians live in Turkey, according to Turkish authorities, who say more than half aren't legal residents.

Still, Muslim Turkey and Christian Armenia remain bitterly divided over their troubled history. The border between them remains closed despite U.S.-brokered peace accords signed last year.

For Armenians across the world, the Church of the Holy Cross, abandoned in 1915 and reopened in 2007 as a museum after a \$1.5 million restoration, has become symbolic of the deportation and killings at the hands of Ottoman forces. The controversy over the church's cross underlines the mistrust between the neighbors. In Yerevan on Sunday, 1,500 people attended an alternative religious service at a genocide memorial that denounced the Akdamar service as a publicity stunt.

"Our mission for today was to

show that the Turkish government should not use our heritage as a propaganda tool to pretend that they are tolerant," said Hayk Demoyan, director of Yerevan's Genocide Museum, in a telephone interview after he addressed the crowds.

Turkish Culture and Tourism Minister Ertugrul Gunay said that the government had agreed to the Armenian religious service in good faith and that nationalists on both sides were exploiting the event for political purposes.

Sunday's service was the second of two special church openings recently permitted by the Turkish government. Ankara in August allowed Christians to pray at a Greek Orthodox monastery in Sumela, in the Black Sea region, for the first time since modern Turkey was founded.

Often criticized for its treatment of Christian minorities, Ankara has promoted the services as proof of its growing commitment to religious tolerance. Critics say the tightly controlled services are a carefully choreographed public-relations cam-

paign designed to boost Turkey's prospects of joining the European Union, for which it is a candidate.

"Yes, this is a PR stunt by the Turkish government to show it is being respectful to its minorities... but, frankly, if it means that Turkey and Armenia can move closer towards resolving their differences, then who cares," said Ara Sarafian, director of the Gomidas Institute, a London-based research organization.

Local businesses in the region are supportive of improved relations, hoping religious tourists would help the region profit. Gaye Akay, a hotelier born in Van but based in Ankara, is planning to open the region's first five-star hotel next year. "We think this is the beginning of something really special," she said. "More Armenians and international tourists will start coming here and spending their dollars."

Negotiations to open the border between Turkey and Armenia have gone into deep freeze; neither side ratified a deal outlined last year and both sides accused the other of setting additional conditions.

# Car bombs in Baghdad kill at least 10 people

BY SAM DAGHER

BAGHDAD—Two powerful car bombs hit Baghdad Sunday, one outside the sales office of one of the country's fastest-growing cellular-service providers. The two blasts killed at least 10 people and perhaps more than two dozen, according to Iraqi security officials.

Hours later, a suicide car bomber detonated his payload against an Iraqi Army vehicle in the center of Falluja, west of Baghdad, killing four, officials said.

The uptick in violence in and around Baghdad comes in the midst of an unrelenting political stalemate over the country's next government, still unformed since March parliamentary polls. Amid a troop draw-down this summer by the U.S., concern has heightened that the recent attacks could curb or reverse some of the security gains of recent years. Still, violence remains below levels from the height of Iraq's sectarian warfare a few years ago.

Sunday's attacks come less than three weeks after Washington announced the official end of its combat operations in Iraq and a reduction of troop levels to below 50,000, in preparation for full withdrawal by the end of 2011.

"The goal is to terrorize us and destroy the country's infrastructure," said Harith Abdul-Majid, a government employee, at the scene of one of the bombings in Baghdad.

As is the case after most attacks in Iraq, official casualty figures differed widely. The Baghdad Operations Command, a security task force, gave a combined toll of 10 killed and 74 wounded for both Baghdad bombings, according to a statement posted on its web site. An official at the Ministry of Interior, however, said the death toll was 29, with 111 wounded.

The first car bomb rocked Baghdad shortly after 10 a.m. local time, during morning rush hour, off a busy traffic roundabout known as Aden Square at the edge of the northern district of Kadhimiya. Police said the target of the attack was a branch for the Ministry of National Security in the area.

Minutes later, a second car bomb exploded in another major thoroughfare near the 14th Ramadan intersection in the western Al-Mansour neighborhood, according to witnesses.

Blood-soaked footprints leading away from the blast site were still fresh on the median of Abu Jaafar al-Mansour Street. The twisted wreckage of at least a dozen cars littered the area, some as far as 100 yards away from the blast.

The explosion gouged a deep crater in front of a two-story building housing a sales office of the **Asiacell** telecommunications company. It also sheered off sections of the concrete walls from the building and an adjacent building.

Asiacell Chief Executive Diyar Ahmed said he didn't know if the company was the target of the attack, but he said it has been receiving more threats in recent weeks.

—Munaf Ammar, Ben Lando and Jabbar Yaseen contributed to this article.

# China halts high-level Japan talks

BY JEREMY PAGE

BELJING—China suspended high-level government exchanges with Japan, significantly escalating the two countries' worst dispute in five years, after Japanese authorities extended the detention of the captain of a Chinese fishing boat detained near disputed islands in the East China Sea.

Beijing also threatened "strong countermeasures" following Japan's decision, which could provoke fresh nationalist protests across China this week and potentially damage commercial relations between the world's second- and third-largest economies.

China and Japan have frequently clashed over the unpopulated islands, known as the Diaoyu in China, and the Senkaku in Japan, whose waters are thought to contain substantial natural-gas reserves, but this year's row has graver implica-

tions for both—and for the U.S.—as China is rapidly acquiring the naval power to enforce its claims.

It is being closely watched by many other Asian countries—including India, Vietnam and the Philippines—which have territorial disputes with China, and which have concerns about China's expanding naval power.

Japanese prosecutors had been expected Sunday either to charge or release Zhan Qixiong, who was arrested on Sept. 7 when his trawler collided with two Japanese coast-guard vessels near the islands. Instead, they extended his detention for another 10 days—the maximum period.

The decision was all the more provocative in China's eyes as it followed small demonstrations outside Japanese diplomatic missions in several Chinese cities on Saturday—the anniversary of Japan's invasion of China in 1931.

China responded on Sunday by suspending ministerial and provincial-level bilateral exchanges, halting talks on increasing flights between the two countries and postponing a meeting about coal, China's state-run Xinhua news agency reported.

China's foreign-ministry spokesman, Ma Zhaoxu, said, "China demands that Japan immediately release the captain without any preconditions. If Japan insists on making one mistake after another, the Chinese side will take strong countermeasures, and all the consequences should be borne by the Japanese side."

China has repeatedly demanded Mr. Zhan's release since the incident, summoning Japan's ambassador five times, postponing talks on joint natural-gas exploration near the islands, and delaying a visit to Japan by a senior Chinese official. Sunday night, the ambassador was

summoned a sixth time, with Chinese Vice Foreign Minister Wang Guangya expressing "strong indignation and protest over Japan's prolonged detention," Xinhua reported.

The row has also likely killed chances for an informal meeting between Chinese Premier Wen Jiabao and Japanese Prime Minister Naoto Kan on the sidelines of the United Nations General Assembly in New York this week.

Mr. Kan's predecessor met with Chinese President Hu Jintao ahead of last year's U.N. meeting in New York.

State Department spokesman P.J. Crowley on Sunday said, "We're aware of the rising tensions, but we believe these issues can be resolved diplomatically." He said the case was an issue between the two countries, and that the U.S. hadn't gotten involved.

—Yuka Hayashi in Tokyo contributed to this article.



## WORLD NEWS

# Election violence keeps Afghans away from polls

By YAROSLAV TROFIMOV  
AND MARIA ABI-HABIB

KABUL—Taliban intimidation and violence during Afghanistan's parliamentary elections kept many voters away from the polls, producing the lowest turnout in any Afghan election since the U.S. invasion in 2001, amid reports of widespread fraud.

"Ballot-stuffing was seen to varying extents in most provinces," said the Free and Fair Election Foundation of Afghanistan, the country's largest observer group, adding that it has "serious concerns about the quality of the elections."

The chief United Nations envoy in Afghanistan, Staffan de Mistura, called on Sunday for a thorough and transparent investigation of complaints about fraud in the election. "It's premature to call it a success," he said in an interview.

At least 21 Afghan voters, four international troops and nine Afghan servicemen were killed on election day, Saturday, as Islamist insurgents fired rockets, set off bombs and took over polling stations across the country. The U.S.-led coalition forces reported that the insurgents launched a total of 294 separate attacks during the day.

It will take weeks for election authorities to tabulate the results, and the final winners won't be known until late October. The overwhelming majority of the candidates ran as independents.

Despite the violence, Afghan and coalition officials described Saturday's election as a triumph, and were relieved the Taliban didn't pull off mass-casualty strikes in Kabul despite intelligence reports forecasting such plans. "The people of Afghanistan sent a powerful message today," said the commander of the coalition forces, U.S. Army Gen. David Petraeus. "The voice of Afghanistan's future does not belong to the violent extremists and terror networks."

Afghanistan's Defense Minister Abdul Rahim Wardak acknowledged, however, that Taliban threats alone had succeeded in keeping many voters at home. The lower turnout on Saturday "may be the result of the enemy's negative campaign to terrorize the people not to participate," Mr. Wardak said. "They claimed they could do much more damage than they were actually able to inflict."

Hours before Saturday's voting began, the Taliban fired rockets at the Afghan state television headquarters in Kabul and at polling stations and government installations around the country, cutting off some roads to keep voters home. Throughout the day, they set off bombs in major Afghan cities, including one that exploded near a vehicle carrying the governor of Kandahar province and the mayor of Kandahar city. The two officials were unhurt.

Because of the violence and intimidation, 461 out of the 5,816 polling centers that were supposed to open Saturday remained closed, the Afghan election commission said. The commission in previous days already had decided not to open some 1,000 other polling centers in Taliban-heavy areas, saying a credible vote couldn't be organized there.

Fazel Ahmad Manawi, chairman of the Afghan Independent Election Commission, or IEC, estimated on Sunday that more than 4 million bal-

lots were cast nationwide.

There were 6.4 million votes cast in the previous parliamentary election in 2005, and more than 8 million in the 2004 presidential poll.

In last year's presidential vote, marred by widespread falsifications in favor of President Hamid Karzai, the IEC initially reported almost 6 million ballots. The tally of valid votes, however, was cut to 4.6 million, mostly because fraudulent

votes were discarded by the Electoral Complaints Commission.

Initial reports from observers pointed to irregularities in many provinces.

The ECC said it had received complaints about the delayed opening of polling centers, shortages of ballot papers, ineligible individuals voting, and indelible ink marking voters' index fingers that proved easy to wash off.



Candidate representatives check results at a polling station in Kabul on Sunday.

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## INTERVIEW



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Ben Verwaayen, who has headed Alcatel-Lucent for two years, says, 'The easy part is done. The strategy is in place.' By 2011 the struggling company will be 'normal' and profitable, he predicts.

# Rethinking like a start-up

*Alcatel-Lucent CEO sheds businesses, pushes workers at the telecom equipment giant to shed their 'silo mentality'*

[ Ben Verwaayen ]

BY MAX COLCHESTER

PARIS—Two years after taking over as Alcatel-Lucent's chief executive, Ben Verwaayen swapped a sprawling office with leather sofas and framed paintings in central Paris for a small white room near the staff coffee machine.

It's a new office for a new way of thinking: global telecom equipment giant Alcatel-Lucent needs to act more like a start-up, Mr. Verwaayen says, and less like a slow-moving behemoth.

"Being big is not the aim," says the 58-year-old Dutchman as he sips coffee from a cardboard cup. "On the outside we have to look like a sophisticated, long-term company, but inside we need the feel and energy of a start-up."

Since his arrival, he has focused Alcatel-Lucent on equipment that delivers high-speed broadband connections and services to help telecommunications operators manage data traffic—from voice to video—that zips across their networks.

In particular, he is banking on Long Term Evolution—a fourth-generation, or 4G, wireless technology that allows fast downloads to mobile phones. Alcatel is conducting 50 trials with telecommunications operators and has signed seven contracts including one with AT&T Inc. He wants Alcatel-Lucent to be among the top-three in the market as LTE rolls out in the coming

years.

He says he is confident that demand for high-tech equipment in the U.S. and China will spur a long-term revival at the group.

"The easy part is done. The strategy is in place. Now you have to embed it into a model that not only delivers a recovery but is sustainable." By 2011 the company will be "normal" and profitable, he predicts.

Under Mr. Verwaayen's stewardship, the group has recorded a profit in only two quarters of the past eight. Some critics say that Mr. Verwaayen hasn't yet done enough to cut unprofitable product lines and integrate its wide portfolio of businesses, which range from fixed line to wireless networks.

"We just can't see Alcatel Lucent making a profit because it is still made up of lots of little businesses with no real scale," says Richard Windsor, an analyst at Nomura.

The global telecom equipment market is set to grow to €150 billion by 2013 from €133 billion in 2009, according to Idate, a French research group. But there are currently around eight equipment makers fighting for their slice of that market. The competition has forced down prices, while forcing vendors to spend heavily on developing the latest cutting edge technologies.

"There is just too much overlap," says Sylvain Fabre, an analyst at market-research firm Gartner Inc. "Everyone is doing the same R&D and network roll outs. It's just very inefficient."

Alcatel-Lucent was born out of a hope to share resources. France's Alcatel SA and the U.S.-based Lucent Technologies Inc. merged

in 2006, hoping to achieve economies of scale, pool research and development resources and increase their global presence.

But managers clashed over strategy and transatlantic integration proved slow. At the same time, telecommunications operators tightened their budgets. The merged company lost money every year, and by 2008, its market capitalization had shriveled to about \$6 billion, from a premerger level of \$35.6 billion.

**Mr. Verwaayen dismisses the idea of another merger. 'I don't think that you can buy yourself into a better position,' he says. 'Those mega-deals result in mega-headaches.'**

That year, Mr. Verwaayen—a former public relations man—arrived in Paris. His priority, he says, was to create a "winning mentality" at the company. Mr. Verwaayen quickly understood that he had to plunge into the local culture if he was to be taken seriously. His exotically accented French is fluent, aside from an occasional grammar mistake.

His path to Alcatel-Lucent has been far from direct. Heavily involved in student politics, he started a trade union for soldiers when he was doing his military service. His

first corporate position was in public relations for conglomerate ITT Corp. In 1988 he became a managing director of Dutch PTT Telecom, the state owned forerunner of today's Royal KPN NV, where he stayed for nine years, before moving to Lucent Technologies as chief operating officer in 1997, and to U.K. telecom company BT Group PLC in 2002 as CEO. An Anglophile, he has not cut his U.K. links in moving to France, remaining head of the Confederation of British Industry's climate-change panel.

Sitting in another small white office, Philippe Camus, Alcatel Lucent's chairman, later describes Mr. Verwaayen as "rather hyperactive."

"When I came from the outside [this company] was advertised as the battle between the Americans and the French," says Mr. Verwaayen. In reality, "It was worse. It was the silo mentality of tech people in their own little worlds."

Mr. Verwaayen quickly put Alcatel-Lucent on a diet, reducing costs by €950 million (\$1.24 billion) in 2009. He disclosed a plan to get rid of 1,000 managers and cut hundreds of products that were unprofitable to maintain because the technology was out-of-date and demand for them was waning.

Last year there were rumors that Alcatel-Lucent would join forces with another player in the market. But Mr. Verwaayen dismisses the idea of another merger.

"I don't think that you can buy yourself into a better position," he says. "Those mega-deals result in mega-headaches."