

The New York Times

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1 Yale Plans to Create a College in Singapore

Sept 10
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YALE University announced on Monday that it was planning to create a liberal arts college in Singapore that would be financed entirely by the government there and could, in time, establish a new model for higher education in Asia.

While Yale has many international programs, it has not put its name on an overseas project the way it envisions doing at the National University of Singapore. The new institution, to be called Yale-N.U.S. College, would seek to import Yale's signature residential college concept – in which students live, study and take classes in an intimate setting – as well as a curriculum that encourages critical thinking and inquiry in the humanities and sciences.

But the diplomas would lack the cachet of a full Yale degree; they would be issued by the National University of Singapore. By contrast, New York University's ambitious new college in Abu Dhabi, also underwritten by the government there, awards N.Y.U. diplomas.

Still, Yale would be largely responsible for hiring 100 professors to teach about 1,000 students at the college, which is scheduled to open in 2013. If Yale decides to move forward with a full partnership with the Singapore university, it would control half of the seats on the college's governing board and would jointly plan the curriculum and admissions strategy.

The college is envisioned as a highly elite school within an already prestigious, yet huge and career-focused, university. Yale officials said it would draw top students from across Asia, where liberal arts programs are rare, and attract even more qualified Asian applicants to the New Haven campus of Yale by raising the university's profile.

"There has never been a greater need for undergraduate education that cultivates critical inquiry," the president of Yale, Richard C. Levin, said in a statement. "In a world that is increasingly interconnected, the qualities of mind developed through liberal education are perhaps more indispensable than ever in preparing students to understand and appreciate differences across cultures and boundaries, and to address problems for which there are no easy solutions."

In a prospectus outlining the initiative for the faculty, Dr. Levin and the provost, Peter Salovey, pointed to Yale's early cultivation of a liberal arts ethos in the United States, with its scholars and graduates becoming the founders or first presidents of more than 30 colleges and universities, including Princeton and Columbia.

"By collaborating in the development of an entirely new liberal arts curriculum for an emergent Asia," the prospectus said, "Yale could influence the course of 21st-century education as profoundly as it influenced education in the 19th century."

As if to allay concerns about forming a relationship with a university that is 9,500 miles and worlds away, culturally and politically, Yale's leaders pointed out that the National University of Singapore had recently formed joint degree programs with Duke University, the Massachusetts Institute of Technology, N.Y.U. and others.

Still, some faculty members have bristled at the notion of joining forces with a government that reins in speech and squelches public demonstrations.

"We've had a lot of discussion groups, and a lot of people said, 'Wait a minute; are we carrying water for restrictive, repressive regimes?' " said Haun Saussy, a professor of comparative literature and East Asian languages

and literatures, and a co-chairman of a committee that is helping to plan the new college's curriculum. "It's a real concern."

The prospectus outlined assurances that Yale had received from Singapore leaders that "the college upholds the principles of academic freedom and open inquiry, essential core values in higher education of the highest caliber."

Yale leaders said that while the university had signed a nonbinding "memorandum of understanding" with the Singapore institution, they would seek faculty reaction to the plan, which requires a vote by the governing board at Yale.

2 Anti-Immigrant Party Rises in Sweden

Sept 10
14

JIMMIE Akesson, 31, looks more like an up-and-coming advertising executive than a seasoned politician. But Mr. Akesson, the leader of the Sweden Democrats, does not believe in a soft sell: He wants to cut immigration by 90 percent, and he thinks that the growth of Sweden's Muslim population is the country's biggest foreign threat since World War II.

Sweden, which is seen by many people as a guardian of liberalism and tolerance, has never elected to Parliament a member of any party who campaigned openly against immigration. That could change in elections on Sunday.

Opinion polls suggest that the Sweden Democrats will exceed the 4 percent threshold needed to reach Parliament. An alliance of center-right parties appears to have a narrow overall lead, according to the surveys, but the Sweden Democrats could hold the balance of power, something that could create a political crisis.

That prospect has jolted a nation in which even some of Mr. Akesson's fiercest critics now acknowledge that too

little has been done to integrate immigrants. Political analysts also say that the rise of the populist right shows that Sweden is being buffeted by broad political currents familiar in other European countries.

Mainstream politicians are taking this development seriously. "These kinds of parties, they thrive on uncertainty and political crises," said Finance Minister Anders Borg, a member of the governing Moderate Party. "They need to create turmoil and crisis, so we will push hard to their voters: Is this really a responsible choice?"

For most of the last century, Social Democrats dominated politics here, but in 2006 the center-right Moderates came to power under Prime Minister Fredrik Reinfeldt. This time, the parties are standing as competing blocs: one from the center-right, led by the Moderates, and one from the center-left, led by the Social Democratic leader Mona Sahlin, who in running for prime minister could become the first woman to hold that job in Sweden if she is elected.

Though sidelined from much of the official campaign, the Sweden Democrats have nonetheless attracted attention. Their biggest coup involved a blunt 30-second advertisement that showed a white pensioner being over-

taken by a group of Muslim women in burqas as they rushed toward a line for welfare payments.

One station refused at first to broadcast the ad, before agreeing to do so with parts obscured. The ad generated enormous publicity and made the Sweden Democrats appear to be victims of censorship.

In a televised debate on Sunday, Mr. Reinfeldt and Ms. Sahlin ruled out working with the Sweden Democrats if their coalitions did not win an absolute majority.

But Mr. Akesson, speaking before the debate, said he thought the Moderates could find themselves in need of his party to form a governing majority. “I think now, if you look at the polls, it is not impossible for the right alliance to get a full majority,” he said. “But if they don’t, they need us to stay in government.”

Mr. Akesson contended that his party could win as much as 8 percent of the vote. “We are quite confident,” he said. “We are underestimated in those polls. We have grown a lot since the last elections.”

Though the party was created in 1988, it has grown slowly, recently building strongholds in southern Sweden in cities like Malmö and Landskrona.

The populist right has been helped by structural changes in politics, analysts say. While mainstream parties, particularly the Social Democrats, could once rely on a strong core vote, loyalties are fading, said Jenny Madestam, a political scientist at Stockholm University.

The collectivist, egalitarian ideas that have been associated with Sweden for decades are fading. The debate over immigration in Sweden mirrors the debate elsewhere in Europe, where economic pressures have exacerbated tensions over the role of Islam on the continent.

“There is a general change in Swedish society,” Ms. Madestam said. “Social democratic ideas are losing their grip on Sweden, and we are getting more and more individualistic. These collectivist ideas are not so strong.”

Ibrahim Baylan, the national secretary of the opposition Social Democrats, who came to Sweden from Turkey when he was 10, said the recession and unemployment were largely responsible for the rise of the populist right.

“You find a lot of people who are young, without any job or education and without any hope of getting a job,” Mr. Baylan said.

But he also said that it was harder to integrate immigrants than it once was. Many immigrants are arriving from poor nations, and some are illiterate in their own language and therefore face extra difficulties learning Swedish, Mr. Baylan said.

“The opportunities are still very big in this country, but we have a situation that is totally different,” Mr. Baylan said. “The people coming here are less skilled than in the 1970s and 1980s.”

At the main mosque and Islamic center in Malmo, Beyzat Becirov, who came to Sweden from Yugoslavia more than 40 years ago, said that most Swedes were welcoming, but that perhaps 2 to 4 percent of the population seemed to say “that economic problems are due to the Muslims.”

He said there had been dozens of attacks on the mosque, including a serious fire in 2003. In one office, he pointed to a window with a bullet hole. As for Mr. Akesson’s Sweden Democrats, he said that their support was not substantial, before adding, “But Hitler’s support started small.”

3 Microsoft Changes Policy Over Russian Crackdown

MICROSOFT announced sweeping changes on Monday to ensure that the authorities in Russia and elsewhere do not use crackdowns on software piracy as an excuse to suppress advocacy or opposition groups, effectively prohibiting its lawyers from taking part in such cases.

The company was responding to criticism that it had supported tactics to clamp down on dissent.

The security services in Russia in recent years have seized computers from dozens of outspoken advocacy groups and opposition newspapers, all but disabling them. Law-enforcement officials claim that they are investigating the theft of Microsoft’s intellectual property, but the searches typically happen when those groups are seeking to draw attention to a cause or an event. Allies of the government are rarely if ever investigated for having illegal software on their computers.

The raids have turned into a potent tool to muzzle opposition voices, and private lawyers retained by Microsoft

have often bolstered the accusations, asserting that the company was a victim and calling for criminal charges. Until Monday, the company had rebuffed pleas from Russia's leading human-rights organizations that it refrain from involvement in these cases, saying that it was merely complying with Russian law.

The new Microsoft policy was announced in an apologetic statement by the company's senior vice president and general counsel, Brad Smith, issued from its headquarters in Redmond, Wash. His statement followed an article in The New York Times on Sunday that detailed piracy cases against prominent advocacy groups and newspapers, including one of Russia's most influential environmental groups.

Mr. Smith said that Microsoft would make sure that it was no longer offering legal support to politically motivated piracy inquiries by providing a blanket software license to advocacy groups and media outlets. They would be automatically covered by it, without having to apply.

"We want to be clear that we unequivocally abhor any attempt to leverage intellectual property rights to stifle political advocacy or pursue improper personal gain," Mr. Smith said in a post on the company's blog. "We

are moving swiftly to seek to remove any incentive or ability to engage in such behavior."

Advocates and journalists who have been targets of such raids said they were pleased that Microsoft was announcing reforms, though some added that they remained suspicious of its intentions. The piracy cases have stirred resentment toward Microsoft in the nonprofit sector in Russia.

In his statement, Mr. Smith appeared to acknowledge that Microsoft needed to address the damage to its image. He said the company would set up a program to offer legal aid to nonprofit groups and media outlets in Russia that are caught up in software inquiries. He also said the company had retained an international law firm to investigate its operations in the country.

With the new, blanket licenses in place, any Microsoft programs on the computers of advocacy groups would carry Microsoft's seal of approval, making it much harder for the authorities to charge those groups with stealing the company's software, company executives said.

The licensing plan is intended to last until 2012 but could be extended, Mr. Smith said. The policy could

have repercussions beyond Russia because the company indicated that it would apply to other countries as well, though it did not immediately detail which ones.

Microsoft will also step up its efforts to ensure that non-profit groups and media outlets in Russia have access to a company program that provides Microsoft software at little or no cost. (Mr. Smith said that in the past year alone, the company had donated software with a market value of more than \$390 million to over 42,000 non-profit groups around the world.)

The article in *The Times* described the case of an environmental group in Siberia, Baikal Environmental Wave, which was raided by the police in January just as it was planning protests against a decision by Prime Minister Vladimir V. Putin to reopen a paper factory that had long polluted Lake Baikal.

Plainclothes officers took 12 computers from Baikal Wave and immediately charged the group with piracy, even though its leaders said they had only licensed Microsoft software. After the raid, the group reached out to Microsoft's Moscow office, seeking help in defending itself.

Baikal Wave asked Microsoft to confirm that its software was legal, but the company would not, angering the environmentalists. And Microsoft's local lawyer in Siberia offered testimony to the police in the case on the value of the software that was said to have been stolen.

Prosecutors have not yet decided whether to bring charges against Baikal Wave.

On Monday night, Jennie Sutton, who helped found Baikal Wave two decades ago, said in a telephone interview from Irkutsk that the shift in Microsoft policy might significantly undercut the allegations in the group's case and any future ones. "This is a victory," Ms. Sutton said. "If Microsoft is against the police, then it will really look as if the cases that they are bringing are not fair and correct. And they won't have this as an excuse to try and close us down."

Dmitri Makarov, an organizer at the Youth Human Rights Movement, said that for months, he had been calling on Microsoft to acknowledge that the private lawyers whom it had retained across Russia had formed unseemly ties to the police.

He said he hoped that under the company's new policy, the lawyers would never again harass the opposition. "This is what we have been asking for all along," he said.

4 After Negotiations, Israel Emerges on Twitter

Sept 10
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ISRAEL has acquired the user name @israel on Twitter, the microblogging Internet service, from the Spanish owner of a pornographic Web site, in an unusual transaction intended to help Israel exercise more influence over its image.

The owner of the user name, Israel Meléndez, got it in 2007, when Twitter was in its infancy. He struggled to use his account, however, because every posting prompted a flood of anti-Semitic or anti-Israel comments from Twitter users, in a case of mistaken identity.

“My account was basically unused because I was getting dozens of replies every day from people who thought the account belonged to the state of Israel,” Mr. Meléndez said.

Yigal Palmor, a spokesman for the Israeli Foreign Ministry, confirmed the purchase. He declined to say how much Israel paid, but he said that “it was not pro bono.”

“We thought we could put it to better use than he did,” Mr. Palmor said, adding that the purchase was in line with Israel’s recent efforts to expand into social media.

Mr. Meléndez, who is Spanish but lives in Miami, said that an agreement had been reached last month in a telephone negotiation that he conducted from the Israeli consulate in Miami. Mr. Meléndez described the sale price as “adequate.”

Israel then took over his Twitter account after first closing down the original version.

The transaction was first reported this month in *Público*, a Spanish newspaper.

Israel has been busy lately trying to improve its global image. Among other things, it added a military channel on YouTube, and it used the channel to defend an assault by Israeli Navy commando troops on a Gaza-bound aid flotilla in May.

5 In Iraq, Clearer Image of U.S. Support

Sept 10
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A MERICAN forces provided extensive support to the Iraqi military in a recent operation north of Baghdad, illustrating the risks that United States troops still endure in their new advisory role there.

During two days of combat in Diyala Province, American troops were armed with mortars, machine guns and sniper rifles. Apache and Kiowa helicopters attacked insurgents with cannon and machine-gun fire, and F-16's dropped 500-pound bombs.

One American soldier was slightly wounded during the operation, which at times put United States forces within the range of insurgents' hand grenades in an area thick with trenches and palm groves.

"This operation demonstrates the importance and dangers of the mission in Iraq during Operation New Dawn," Col. Malcolm B. Frost, the commander of the Second Advise and Assist Brigade, said in an e-mail response to a reporter's questions.

"The elements in close ground combat were about 25 U.S. assisting and advising approximately 200 I.A. and I.P.," the colonel added, using the acronyms for the Iraqi Army and Iraqi police.

The Obama administration declared an end to the United States combat mission in Iraq on Sept. 1, a step intended to underscore the Iraqis' increasing role in providing for their own security, but which was also aimed at reassuring Americans that President Obama was keeping his promise to remove forces from Iraq.

The American mission was renamed "Operation New Dawn," and American officials stressed that the main American role would now be to advise Iraqi troops and escort civilian American advisers.

But the six United States advisory brigades that remain retain all the weapons and forces of a combat brigade. Their rules of engagement allow them to defend themselves if they come under attack and to come to the aid of Iraqi forces – which is what occurred in recent days.

The latest round of fighting began when nearly 600 Iraqi soldiers and police mounted an operation in Diyala Province, a strategically vital area rife with sectarian

tensions. A major purpose of the operation was to uncover arms caches and detain people from Sunni insurgent groups like Al Qaeda in Mesopotamia and Jaish al-Islami. The town of Al Hadid was one objective in a five-day campaign that covered 21 towns and cities.

Colonel Frost's unit – a Stryker combat brigade from the 25th Infantry Division in Hawaii that was converted to an advisory unit – was charged with helping the Iraqis, who began the operation with their own forces. It turned out to be the biggest Iraqi operation that the American brigade has supported since it arrived in July.

While searching for an arms cache near Al Hadid, Iraqi forces came under attack from hand grenades and machine guns in an area laced with trenches. Late on Sept. 11, Iraqis asked for American help that very evening, and the Americans responded.

All told, 49 American soldiers were on the ground in support, including two Stryker platoons and a 10-person Special Forces detachment. Apache helicopters responded with 30-millimeter cannon fire and Kiowa helicopters fired their machine guns. F-16's dropped bombs. Iraqi helicopters and Iraqi armored personnel carriers were also involved in the operation.

"This was a grinding, slow, close combat fight," Colonel Frost wrote, also referring to the Iraqi security forces, or I.S.F. "Over the course of two days, U.S. forces advised I.S.F. leaders, and through air and ground, supported them as the I.S.F. conducted several attacks against a determined and well-armed enemy dug into a web of trenches in this thick palm grove area."

The colonel added, "U.S. soldiers were right there the whole time, advising and assisting the ISF every step of the way."

6 For the Bad News Bulls, Adversity Is Opportunity

Sept 10
14

ON jobs and the stagnating United States economy is shrouding an immutable fact: the recovery is at hand – you just can't see it yet.

At a time when fear-stricken hedge funds are stocking up on gold, retail investors are fleeing the stock market and gloom-peddling economists like Nouriel Roubini are commanding the airwaves, making a bullish case for stocks can be lonely, dispiriting work.

But therein lies the opportunity for investors like John A. Paulson, the hedge fund executive who made billions by betting on a housing crash, and Bill Miller, the mutual fund manager at Legg Mason Capital Management who is best known for his 15-year streak of beating the Standard & Poor's 500-stock index.

Mr. Paulson has big stakes in companies like Bank of America and JPMorgan Chase as well as in the French automaker Renault. Mr. Miller is betting on I.B.M. and

Citigroup, and says that stock in large American companies has not been this cheap, compared with bonds, since 1951.

"The corporate earnings of both European exporters and U.S. companies have exceeded analyst estimates," Mr. Paulson wrote in a letter to investors this summer. "The S.&P. 500 now trades at only 13.8 times 2010 estimates, well below the 30-year average of 19.5."

So far, the returns have been hard in coming.

Mr. Paulson's Recovery fund was down 9 percent in August, and over the last three years Mr. Miller's main fund is down 16.5 percent, compared with a 10 percent decline in the S.& P. 500.

For many analysts, the idea that one should ignore the chief economic indicators is absurd – especially when some suggest that the world's largest economy may be heading into another slump.

"To steal a march on the market, one should follow the leading indicators closely," Albert Edwards, a well-known bearish strategist at Société Générale, wrote in a note last week. He is forecasting a 50 percent retreat for

the S.& P. 500. “These are variously pointing either to a hard landing or, at best, a decisive slowdown.”

The bad news bulls do not dispute that the relentless beat of lost jobs and sagging house sales represents a serious economic threat.

But they argue that in many respects this avalanche of bad news has little bearing for a growing number of corporations that are making money by relying more on technology, borrowing at rock-bottom rates and increasing sales to galloping overseas markets in China, Brazil and India.

“Yes, the job numbers are frightening,” said Michael Hintze, the founder of CQS Management, a fixed-income hedge fund based in London. “But that does not affect a company like Glaxo, which sells a value-added product into markets like China, the U.K. and Indonesia.”

No doubt, the indicators of fear remain powerful.

They include the persistence of net short positions on the broad indexes, meaning that investors have more money riding on a market fall than on a market rise, and, despite

low interest rates, the still relatively high cost of financing for banks, which curtails lending. A rising number of large Wall Street banks says the likelihood of a second recession is increasing, and most significant, the notion is still widely held that house prices in the United States will not soon recover.

Mr. Hintze, who manages about \$6.8 billion, refers to what is commonly known in financial circles as an “up-crash,” in which a market consumed with negativity finally realizes that things are not so bad. Investors begin to climb the wall of fear, producing a sharp, and in some cases, long-lasting rally.

What Mr. Hintze and other like-minded investors are betting on is that in spite of the combination of high sovereign debt and unemployment figures, global companies with worldwide brands and limited leverage are in a position to drive a longer, more sustained stock market boom.

But for that to happen, they say, investors must break free of a tendency to either stay on the sidelines or to continue selling whenever there is a bad report on jobs or housing.

“Apple does not depend on U.S. housing starts, nor does BMW,” said David F. Marvin, chairman of Marvin & Palmer Associates, an institutional global equity fund based in Wilmington, Del.

Since 2007, Mr. Marvin’s assets under management have shrunk to \$4.6 billion, from \$12 billion, and he concedes that it has been hard to persuade clients to take risks, given what has happened since 2008.

“When you are burned that badly you get cautious,” he said. “But there is a real boom going on now in emerging markets from China to Korea and India, where incomes are rising and there is demand for the upscale products that LVMH and Mercedes produce.”

In a report on the United States economy published in July, the director of economic research for the Milken Institute, Ross C. DeVol, pointed out that in the second quarter, corporate investment in equipment and software increased at an annualized rate of 24.9 percent as companies made use of available cash and easy borrowing terms to become less reliant on human workers.

“It’s a bit of a disconnect because this will retard job growth,” Mr. DeVol said, “but companies are becoming more efficient.”

Mr. DeVol is forecasting United States unemployment of about 7.7 percent at the end of 2012, a high figure for the country but one that he argues reflects the fact that many people who lost their jobs in the recession will not be qualified to re-enter the work force.

And therein lies the rub. Is the rise of a global corporate elite, increasingly dependent on markets like China, India, Turkey and Brazil, enough to generate a broad-based stock market recovery even as house prices sink and good jobs remain increasingly difficult to find in the United States and Europe?

Hedge funds, generally seen to be the most courageous of investors, remain for the most part on the sidelines. Prime brokers say that many of the big funds, hurt by poor performance this year, are largely unwilling to take on significant leverage and make a bet on stocks.

All of which leaves the bad news bulls in a distinct minority, rarely seen and not often heard – for now at least.

“The prevailing view is definitely negative,” said Byron R. Wien, global strategist for the Blackstone Group, adding that he had begun to observe a tendency for

investors to take on more risk. “But that provides an opportunity for optimists.”

Crucial Work Remains in Rewriting Bank Regulations, Officials Say By JACK EWING BASEL, Switzerland – Stock markets cheered new regulations announced this weekend that were intended to prevent a recurrence of the financial crisis, but central bankers cautioned Monday that officials still must forge agreements to limit short-term bank risk and deal with institutions considered too big too fail.

“We have hard work to do still,” Jean-Claude Trichet, president of the European Central Bank, said during a news conference in Basel, where central bankers and bank regulators from 27 countries agreed Sunday to require banks to more than triple the amount of capital they held in reserve.

“It’s a work in progress on a large front,” said Mr. Trichet, who was chairman of the Basel group.

The group endorsed a plan to require banks to raise the amount of common equity they held, considered the least risky form of capital, to 7 percent of assets, from 2 percent. That requirement is the centerpiece of a host

of new rules, most of which will be phased in through 2018, that are aimed at increasing banks’ ability to absorb market shocks.

But the authorities plan to develop additional rules that will apply to large, cross-border banks that can rock financial markets when they get in trouble – as happened when Lehman Brothers failed in September 2008. The investment bank’s collapse was instrumental in precipitating a global financial crisis that required billions in government bailouts.

“These institutions are still too big and interconnected to fail,” said Mario Draghi, governor of the Bank of Italy and chairman of an international panel that is working with Mr. Trichet’s group to determine how best to reduce risk to the financial system.

Mr. Draghi said that regulators needed to improve their capacity to “resolve the systemically important institutions without creating huge market disruptions and without dipping into the taxpayer purse.”

He said regulators needed to deal with the problem known as moral hazard, in which large institutions are tempted to take on too much risk because their

executives believe that governments will always bail them out.

“The systemically important institutions will need enhanced supervision – supervision which is broader, more effective and more intrusive,” Mr. Draghi said. “The stakes are way higher than with a normal small or medium-sized bank.”

The Basel Committee on Banking Supervision, whose recommendations were endorsed Sunday by the central bankers and regulators, is also working on new rules intended to ensure that banks always have enough cash on hand to survive periods of market turmoil.

After Lehman’s failure, lending among banks seized up. Banks like Hypo Real Estate in Munich were unable to borrow the cash they needed for daily operations and did not have enough reserves to survive without taxpayer bailouts. German officials said Friday that they would supply an additional 40 billion euros in government guarantees for Hypo Real Estate, bringing the total to 142 billion euros, or \$183 billion.

Still, shares of banking companies rose Monday as investors welcomed the agreement in Basel and expressed

relief that banks would have plenty of time to adjust to the new rules. Investors may also have simply been relieved that the agreement provided more certainty about the shape of future regulation.

Analysts at Goldman Sachs calculated that only four of the 47 large publicly listed banks in Europe would fall below the new reserve targets in 2012. They are ATE-bank in Greece and three Italian banks: Banco Popolare, Credito Valtellinese and Banca Monte dei Paschi di Siena.

But the analysts did not evaluate Germany’s savings banks and state-controlled landesbanks, Spanish thrift institutions and other banks that do not have publicly traded shares.

In addition, many banks may face investor pressure to raise their reserves well above the regulatory minimums. Analysts at Credit Suisse forecast Monday that 8 percent would become the working minimum of common equity, from an investor point of view, with 10 percent regarded as a comfortable level.

Analysts at Nomura Equity Research said they expected only a few weaker banks, like Crédit Agricole in France

and Commerzbank in Germany, to take steps to raise additional capital.

Still, some banking groups continued to insist that the rules were too onerous and would throttle lending.

“We see a danger that German banks’ ability to issue credit could be significantly curtailed,” Karl-Heinz Boos, president of the Association of German Public Sector Banks, said Monday.

Mr. Boos said that lending to midsize businesses could suffer because the new rules would no longer allow the landesbanks to consider nonvoting shares as a form of common equity.

Asked about complaints from the banking industry, Mr. Draghi said, “I think this agreement has been welcomed by the markets.”

“By making the system more resilient,” he said, the rules “will support a sustained recovery.”

3-D Printing Spurs a Manufacturing Revolution By
ASHLEE VANCE SAN FRANCISCO – Businesses
in the South Park district of San Francisco generally

sell either Web technology or sandwiches and burritos. Bespoke Innovations plans to sell designer body parts.

The company is using advances in a technology known as 3-D printing to create prosthetic limb casings wrapped in embroidered leather, shimmering metal or whatever else someone might want.

Scott Summit, a co-founder of Bespoke, and his partner, an orthopedic surgeon, are set to open a studio this fall where they will sell the limb coverings and experiment with printing entire customized limbs that could cost a tenth of comparable artificial limbs made using traditional methods. And they will be dishwasher-safe, too.

“I wanted to create a leg that had a level of humanity,” Mr. Summit said. “It’s unfortunate that people have had a product that’s such a major part of their lives that was so underdesigned.”

A 3-D printer, which has nothing to do with paper printers, creates an object by stacking one layer of material – typically plastic or metal – on top of another, much the same way a pastry chef makes baklava with sheets of phyllo dough.

The technology has been radically transformed from its origins as a tool used by manufacturers and designers to build prototypes.

These days it is giving rise to a string of never-before-possible businesses that are selling iPhone cases, lamps, doorknobs, jewelry, handbags, perfume bottles, clothing and architectural models. And while some wonder how successfully the technology will make the transition from manufacturing applications to producing consumer goods, its use is exploding.

A California start-up is even working on building houses. Its printer, which would fit on a tractor-trailer, would use patterns delivered by computer, squirt out layers of special concrete and build entire walls that could be connected to form the basis of a house.

It is manufacturing with a mouse click instead of hammers, nails and, well, workers. Advocates of the technology say that by doing away with manual labor, 3-D printing could revamp the economics of manufacturing and revive American industry as creativity and ingenuity replace labor costs as the main concern around a variety of goods.

“There is nothing to be gained by going overseas except for higher shipping charges,” Mr. Summit said.

A wealth of design software programs, from free applications to the more sophisticated offerings of companies including Alibre and Autodesk, allows a person to concoct a product at home, then send the design to a company like Shapeways, which will print it and mail it back.

“We are enabling a class of ordinary people to take their ideas and turn those into physical, real products,” said J. Paul Grayson, Alibre’s chief executive. Mr. Grayson said his customers had designed parts for antique cars, yo-yos and even pieces for DNA analysis machines.

“We have a lot of individuals going from personal to commercial,” Mr. Grayson said.

Manufacturers and designers have used 3-D printing technology for years, experimenting on the spot rather than sending off designs to be built elsewhere, usually in Asia, and then waiting for a model to return. Boeing, for example, might use the technique to make and test air-duct shapes before committing to a final design.

Depending on the type of job at hand, a typical 3-D printer can cost from \$10,000 to more than \$100,000.

Stratasys and 3D Systems are among the industry leaders. And MakerBot Industries sells a hobbyist kit for under \$1,000.

Moving the technology beyond manufacturing does pose challenges. Customized products, for example, may be more expensive than mass-produced ones, and take longer to make. And the concept may seem out of place in a world trained to appreciate the merits of mass consumption.

But as 3-D printing machines have improved and fallen in cost along with the materials used to make products, new businesses have cropped up.

Freedom of Creation, based in Amsterdam, designs and prints exotic furniture and other fixtures for hotels and restaurants. It also makes iPhone cases for Apple, eye cream bottles for L'Oreal and jewelry and handbags for sale on its Web site.

Various designers have turned to the company for clothing that interlaces plastic to create form-hugging blouses, while others have requested spiky coverings for lights that look as if they could be the offspring of a sea urchin and a lamp shade.

“The aim was always to bring this to consumers instead of keeping it a secret at NASA and big manufacturers,” said Janne Kytanen, 36, who founded Freedom of Creation about 10 years ago. “Everyone thought I was a lunatic when we started.”

His company can take risks with “out there” designs since it doesn’t need to print an object until it is ordered, Mr. Kytanen said. Ikea can worry about mass appeal.

LGM, based in Minturn, Colo., uses a 3-D printing machine to create models of buildings and resorts for architectural firms.

“We used to take two months to build \$100,000 models,” said Charles Overy, the founder of LGM. “Well, that type of work is gone because developers aren’t putting up that type of money anymore.”

Now, he said, he is building \$2,000 models using an architect’s design and homegrown software for a 3-D printer. He can turn around a model in one night.

Next, the company plans to design and print door-knobs and other fixtures for buildings, creating unique

items. “We are moving from handcraft to digital craft,” Mr. Overy said.

But Contour Crafting, based in Los Angeles, has pushed 3-D printing technology to its limits.

Based on research done by Dr. Behrokh Khoshnevis, an engineering professor at the University of Southern California, Contour Crafting has created a giant 3-D printing device for building houses. The start-up company is seeking money to commercialize a machine capable of building an entire house in one go using a machine that fits on the back of a tractor-trailer.

The 3-D printing wave has caught the attention of some of the world’s biggest technology companies. Hewlett-Packard, the largest paper-printer maker, has started reselling 3-D printing machines made by Stratasys. And Google uses the CADspan software from LGM to help people using its SketchUp design software turn their creations into 3-D printable objects.

At Bespoke, Mr. Summit has built a scanning contraption to examine limbs using a camera. After the scan, a detailed image is transmitted to a computer, and Mr. Summit can begin sculpting his limb art.

He uses a 3-D printer to create plastic shells that fit around the prosthetic limbs, and then wraps the shells in any flexible material the customer desires, be it an old bomber jacket or a trusty boot.

“We can do a midcentury modern or a Harley aesthetic if that’s what someone wants,” Mr. Summit said. “If we can get to flexible wood, I am totally going to cut my own leg off.”

Mr. Summit and his partner, Kenneth B. Trauner, the orthopedic surgeon, have built some test models of full legs that have sophisticated features like body symmetry, locking knees and flexing ankles. One artistic design is metal-plated in some areas and leather-wrapped in others.

“It costs \$5,000 to \$6,000 to print one of these legs, and it has features that aren’t even found in legs that cost \$60,000 today,” Mr. Summit said.

“We want the people to have input and pick out their options,” he added. “It’s about going from the Model T to something like a Mini that has 10 million permutations.”

7 For Many, 'Washroom' Seems to Be Just a Name

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THE next time a man hands you a hot dog after making a run to the restroom and the concession stand at an Atlanta Braves baseball game, be careful: there is a good chance he did not wash his hands, according to a report released Monday by a group that sends spies into public restrooms in the name of science.

Only about two-thirds of the men observed washed their hands after using the restroom at Turner Field – the lowest rate for any of the locations cited in the observational study and survey on the hand-washing habits of Americans. The study, conducted every few years, was released by the American Society for Microbiology and the American Cleaning Institute at a microbiology conference in Boston.

Some subjects were asked about their washing habits in telephone interviews; others were watched by undercover observers in public restrooms. Some of what the sink spectators witnessed was, well, filthy. Consider: 20 percent of people using the restrooms at Pennsylvania

Station and Grand Central Terminal in New York did not wash their hands.

The researchers, from Harris Interactive, stood in restrooms while pretending to fix their hair or put on makeup, said Brian Sansoni, a spokesman for the American Cleaning Institute, a trade group for producers of cleaning products. "After they took care of business, the observer checked whether or not they actually washed their hands," Mr. Sansoni said.

Women tended to be more responsible hand-washers than men – and female Braves fans were no exception: 98 percent of women observed at Turner Field exercised proper hygiene before exiting the restroom.

The restroom observers reported that 85 percent of men and women observed at public places in Atlanta, Chicago, New York and San Francisco washed their hands after using a public bathroom. (Curiously, in the telephone survey, 96 percent of people said they always washed their hands after using a public bathroom.)

The hand-washing rate dips to 89 percent for those using the facilities at home, according to the phone survey.

People using public restrooms in Chicago and San Francisco were the most frequent hand-washers, according to the observations, with 89 percent of adults washing before exiting.

The overall numbers are the highest reported since the study started in 1996, said Barbara Hyde, a spokeswoman for the American Society for Microbiology. The threat of the H1N1 flu over the past year drove home the importance of hand washing, she said.

“The message is getting out there, and I think people are responding,” Ms. Hyde said. “We’ve lived through a pandemic flu, and that is in part responsible for the change in behavior.”

As for sports fans, Mr. Sansoni said, they “might be in a rush to get back to the game.” He noted that the percentage of men who soaped up at Turner Field, although the lowest in the report, showed an improvement since the last survey, in 2007.

“But if you’re passing people’s hot dogs down the aisle, you kind of hope that hand-washing behavior would increase,” Mr. Sansoni said.

8 Chinese Remake the ‘Made in Italy’ Fashion Label

OVER the years, Italy learned the difficult lesson that it could no longer compete with China on price. And so, its business class dreamed, Italy would sell quality, not quantity. For centuries, this walled medieval city just outside of Florence has produced some of the world’s finest fabrics, becoming a powerhouse for “Made in Italy” chic.

And then, China came here.

Chinese laborers, first a few immigrants, then tens of thousands, began settling in Prato in the late 1980s. They transformed the textile hub into a low-end garment manufacturing capital – enriching many, stoking resentment and prompting recent crackdowns that in turn have brought cries of bigotry and hypocrisy.

The city is now home to the largest concentration of Chinese in Europe – some legal, many more not. Here in the heart of Tuscany, Chinese laborers work round the clock in some 3,200 businesses making low-end

clothes, shoes and accessories, often with materials imported from China, for sale at midprice and low-end retailers worldwide.

It is a “Made in Italy” problem: Enabled by Italy’s weak institutions and high tolerance for rule-bending, the Chinese have blurred the line between “Made in China” and “Made in Italy,” undermining Italy’s cachet and ability to market its goods exclusively as high end.

Part of the resentment is cultural: The city’s classic Italian feel is giving way to that of a Chinatown, with signs in Italian and Chinese, and groceries that sell food imported from China.

But what seems to gall some Italians most is that the Chinese are beating them at their own game – tax evasion and brilliant ways of navigating Italy’s notoriously complex bureaucracy – and have created a thriving, if largely underground, new sector while many Prato businesses have gone under. The result is a toxic combination of residual fears about immigration and the economy.

“This could be the future of Italy,” said Edoardo Nesi, the culture commissioner of Prato Province. “Italy should pay attention to the risks.”

The situation has steadily grown beyond the control of state tax and immigration authorities. According to the Bank of Italy, Chinese individuals in Prato channel an estimated \$1.5 million a day to China, mainly earnings from the garment and textile trade. Profits of that magnitude are not showing up in tax records, and some local officials say the Chinese prefer to repatriate their profits rather than invest locally.

The authorities also say that Chinese and probably Italian organized crime is on the rise, involving not only illegal fabric imports, but also human trafficking, prostitution, gambling and money laundering.

The rest of Italy is watching closely. “Lots of businesses from Emilia Romagna, Puglia and the Veneto say, ‘We don’t want to wind up like Prato,’ ” said Silvia Pieraccini, the author of “The Chinese Siege,” a book about the rise of the “pronto moda” or “fast fashion” economy.

Tensions have been running high since the Italian authorities stepped up raids this spring on workshops that use illegal labor, and grew even more when Italian prosecutors arrested 24 people and investigated 100 businesses in the Prato area in late June. The charges included

money laundering, prostitution, counterfeiting and classifying foreign-made products as “Made in Italy.”

Yet many Chinese in Prato are offended at the idea that they have ruined the city. Instead, some argue, they have helped rescue Prato from total economic irrelevance, another way of saying that if the Italian state fails to innovate and modernize the economy, somebody else just might.

“If the Chinese hadn’t gone to Prato, would there be pronto moda?” asked Matteo Wong, 30, who was born in China and raised in Prato and runs a consulting office for Chinese immigrants. “Did the Chinese take jobs away from Italians? If anything, they brought lots of jobs to Italians.”

In recent months, Prato has become a diplomatic point of contention. Italian officials say the Chinese government has not done enough so far to address the issue of illegal immigrants, and they are seeking a bilateral accord with China to identify and deport them. Some Prato residents suspect that the flood of immigrants is part of a strategy by Beijing to exploit the Italian market, though the Chinese government does not generally use illegal migrants to carry out its overseas development plans.

Italian officials say Prato is expected to be on the agenda when Prime Minister Wen Jiabao of China visits Rome in October.

China in Italy’s Backyard

According to the Prato chamber of commerce, the number of Italian-owned textile businesses registered in Prato has dropped in half since 2001 to just below 3,000, 200 fewer than those now owned by Chinese, almost all in the garment sector. Once a major fabric producer and exporter, Prato now accounts for 27 percent of Italy’s fabric imports from China.

Resentment runs high. “You take someone from Prato with two unemployed kids and when a Chinese person drives by in a Porsche Cayenne or a Mercedes bought with money earned from illegally exploiting immigrant workers, and this climate is risky,” said Domenico Savi, Prato’s chief of police until June.

According to the Prato mayor’s office, there are 11,500 legal Chinese immigrants, out of Prato’s total population of 187,000. But the office estimates the city has an additional 25,000 illegal immigrants, a majority of them Chinese.

With its bureaucracy, protectionist policies and organized crime, Italy is arguably Western Europe's least business-friendly country. Yet in Prato, the Chinese have managed to create an entirely new economy from scratch in a matter of years.

A common technique used, often with the aid of knowledgeable Italian tax consultants and lawyers, is to open a business, close it before the tax police can catch up, then reopen the same workspace with a new tax code number.

"The Chinese are very clever. They're not like other immigrants, who can be pretty thick," said Riccardo Marini, a textile manufacturer and the head of the Prato branch of Confindustria, the Italian industrialists' organization.

"The difficulty," he added ruefully, "is in finding a shared understanding of the rules of the game."

Prato's streets have slowly become more and more Chinese, as the Chinese have bought out Italian-owned shops and apartments, often paying in cash. Public schools are increasingly filled with Chinese pupils.

Hypocrisy abounds. "The people in Prato are ostriches," said Patrizia Bardazzi, who with her husband has run a

high-end clothing shop in downtown Prato for 40 years. "I know people who rent space to the Chinese and then say, 'I don't come into the center because there are too many Chinese.' They rent out the space and take the money and go to Forte dei Marmi," she added, referring to the Tuscan resort town.

A short walk past the city's medieval walls, past the cathedral with Filippo Lippi's Renaissance frescoes, lies Via Pistoiese, the heart of Prato's Chinatown. Here, shop signs in Chinese and Italian advertise wedding photography, hardware, electronics and gambling parlors.

Outside a supermarket selling foodstuffs imported from China, an electronic job board flashes a running ticker of garment-industry jobs.

The work – long hours at sewing machines – takes place in back-room workshops with makeshift sleeping quarters. The heart of the "fast fashion" sector is an industrial area on the outskirts of town, Macrolotto, filled with Chinese fashion wholesalers.

Here, vans from across Europe line the parking lots as retailers buy "Made in Italy" clothing to resell back home

at a huge markup. By buying in relatively small quantities and taking advantage of the fluid borders of the European Union, most manage to avoid paying import tariffs.

On a recent afternoon, a couple from Montenegro loaded racks of cotton summer dresses into boxes in the back of their van. The wife wielded a label gun, tagging each dress “Made in Italy.”

Just blocks away, Li Zhang, who immigrated to Italy in 1991 from Wenzhou, a city in southeastern China known for its global network of entrepreneurs, explained how his clothing company, Luma, produced on-demand fashion.

He showed off bolts of fabric, which he said he bought locally or in India or China. He often buys white fabric and has it dyed and cut by other Chinese companies in Prato before giving the pieces to subcontractors to produce the requested items – 1,000 green skirts, in a typical example – in a matter of weeks, if not days.

Mr. Zhang and hundreds of other Chinese like him are at the center of Prato’s so-called gray economy, whose businesses are partly above board in that they pay taxes, and

partly underground, in that they rely on subcontractors who often use illegal labor. (Asked if his subcontractors used illegal labor, Mr. Zhang laughed and said, “You’d have to ask the subcontractors.”)

Since founding Luma in 1998, Mr. Zhang said, he has exported clothes to 30 countries, including China, Mexico, Venezuela, Jordan and Lebanon. He said that his biggest order was for the Italian retailer Piazza Italia, but that he had also sold to wholesalers who said they had sold to Zara, Mango, Top Shop and Guess, European retailers specializing in bargain chic.

The raids, he said, are hindering business, unsettling the local Chinese community to the point that many workers had gone into hiding.

“People are afraid,” Mr. Zhang said. “This was a political decision. At first, they left us too free. Now they are tightening things too much.”

The New Sheriff in Town

Much of the tightening comes from Prato’s new administration. In 2009, the traditionally left-wing city elected its first right-wing mayor in the postwar era,

whose winning campaign tapped into powerful local fears of a “Chinese invasion,” and who seeks a broader European Union response to Chinese immigration.

“How can China leave a mark like this in the E.U.?” the mayor, Roberto Cenni, asked. “Noise, bad habits, prostitution. People can’t live anymore. They’re sick of it.”

An elegant man in a well-cut gray suit, Mr. Cenni is a former president and a current shareholder of Go-Fin, a Prato holding company that is behind several midrange Italian fashion companies. At least one of these, Sasch, has moved much of its production to China within the last 10 years.

Powerless to reverse the broader economic currents, the mayor has instead focused on small initiatives, including new rules that prohibit drying fish on balconies and require all Prato shopkeepers to speak Italian. These have won him praise from some local people, but also criticism for bigotry.

The mayor has also stepped up raids on Chinese businesses. Critics say they are little more than media spectacles, but local Chinese have seen them as unwarranted attacks.

On a rainy recent morning, a team of police officers, tax collectors and other state officers swooped in on two Chinese workshops in a residential and industrial area just outside Prato’s downtown.

Tucked behind apartment houses, the garage-like space was filled with rows of sewing machines, with white fabric strewn about and lace shirts lying unfinished on the concrete floor.

The police rounded up the workers in the courtyard. A woman in plastic flip-flops carried a black bucket filled with urine downstairs, accompanied by a young boy wearing only underwear. “Pantaloni,” she told the officers in broken Italian, “Pants.” “O.K., let him put on pants,” an amenable officer agreed with a shrug.

Next door, the police brought some Chinese workers in a small, windowless bedroom to be identified. A woman in a blue T-shirt sat on the bed and sobbed uncontrollably.

The officials sorted through paperwork. “This is the last name, right?” one asked an interpreter.

Between the two workspaces stood a little house with hydrangeas in the yard. The Italian couple in the doorway did not want to reveal their names.

“It’s an ant colony,” the man said. “Who knows how many? They closed the door and covered up the windows.”

His cautious wife tugged on his arm. “You can’t get into these discussions,” she said, drawing him back inside.

Soon an owner of the workspace came in from his home down the block. Paolo Bonaiuti, 73, a tall man with white hair, blue eyes and a look of unflappability, waved his lease, showing that he rented out the space for \$2,220 a month. To judge from their expressions, the police officers did not look as if they believed it.

Italy’s Immigration Woes

But crackdowns like these can only do so much. In the first half of this year, the authorities raided 154 Chinese-owned businesses – out of more than 3,000. To do the job, “We’d need an army of people,” said Lina Iervasi, the head of the Prato Police Department’s immigration office.

Earlier this year, several officers in that office were arrested on charges that they took bribes in exchange for granting residence permits.

“We don’t go on the hunt for the illegal immigrants. We’re not so crazy as to do that,” said Mr. Savi, the former police chief. “But we seek a balance between norms and reality.”

That balance has been strikingly hard to find.

Many illegal Chinese immigrants arrive by bus from Russia or the Balkans, and either destroy their passports or give them away to the organized crime groups that help bring them. Many others overstay their tourist visas.

“Italy has a 20th-century immigration law; it tends to think of immigrants as a phenomenon linked to work, in which people move from poor countries to rich ones,” said Andrea Frattani, a former social welfare commissioner in Prato’s previous center-left government.

Instead, he argued, what Italy is witnessing in Prato is “a precise strategy” on the part of the Chinese government to create an economic foothold in Europe.

Asked at a recent public appearance if that was the case, China's ambassador to Italy, Ding Wei, said only that Prato had been a central issue in his portfolio since he arrived in the spring, and that he had sent advisers to investigate.

"I've been very attentive to resolving the question of Prato, which is unique and particular," he said in late July. "It should not have an impact on the cooperation between our countries."

Italians in Prato are feeling less sanguine. "At 20, I was sure the world was mine," said Mr. Nesi, 45, the culture commissioner and a writer whose family sold its three-generation, high-end textile business in 2004.

"It's hard to accept that all this happened in a short time," he said, bewildered. "It makes us feel old and without hope."

The problems will not be resolved easily. "There's no plan," said Xu Qiu Lin, a local entrepreneur and the only Chinese member of Confindustria in Prato, echoing a widespread sentiment. "There's no plan; that's the problem."

9 N. Korea Suggests Family Reunions

IN a surprise gesture of reconciliation that could ease tensions on the divided Korean Peninsula, North Korea proposed to South Korea on Saturday that they arrange reunions of families separated by a war six decades ago.

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Family reunions have usually been proposed by the South, not the North. The North's initiative showed how the humanitarian program is used as a chip in the complex diplomacy surrounding the peninsula.

But the South has refused to resume aid shipments or six-nation talks on ending North Korea's nuclear weapons development before North Korea apologizes for the sinking of a South Korean warship in March, which killed 46 sailors. The North has denied involvement in the sinking, but the South has insisted on the North making gestures to mollify South Koreans.

The proposal came a day before Stephen W. Bosworth, Washington's top envoy on North Korea, was to arrive in

Seoul in the first leg of a regional trip aimed at resuming the nuclear talks.

South Korea was “favorably” reviewing the offer for immediate discussions of family reunions so the reunions could take place in North Korea’s Diamond Mountain resort around the Sept. 22 Chuseok fall-harvest holiday, a government statement said.

About 20,000 Koreans have been temporarily reunited since the two Koreas held their first summit meeting in 2000. The last such reunions were a year ago, and thousands of older South Koreans wait for a chance to meet relatives not seen for 60 years.

The scenes of teary people hugging long-lost parents and children have previously helped sway South Korean opinion in favor of engaging the North. Meanwhile, North Korea has used the reunions to win economic concessions from the South.

Although the new proposal is a sharp departure from the North’s recent invectives against South Korea, it remains unclear whether the South considers it enough to change a stance hardened by the warship’s sinking.

“We wonder about the North’s motive behind this unexpected proposal, but whatever it might be, we must say we welcome the offer,” Ahn Hyoung-hwan, a governing party spokesman in Seoul, told reporters. Opposition parties also welcomed the initiative.

China, the North’s main ally and the leader of the six-nation nuclear talks, urged both Koreas to shift from confrontation to dialogue by rejoining the talks. Although Washington stood by the South, a crucial Asian ally, in the standoff over the ship sinking, and vowed to keep sanctions on the North, it is also looking for ways to bring North Korea back to the talks, a central part of its global nonproliferation efforts.

“We believe it would be critical for there to be some element of reconciliation between the North and South for any process to move forward,” Kurt M. Campbell, a United States assistant secretary of state, said Thursday.

The six-nation talks were last held in December 2008. South Korean officials have voiced a deep skepticism of the talks. Without a concrete North Korean commitment to denuclearization, any such talks would simply give North Korea a tool to weaken an international resolve to enforce sanctions on the North while buying time to perfect its nuclear arsenal, they said.

After making various threats, North Korea has recently begun offering conciliatory gestures. Last month, it freed an imprisoned American during former President Jimmy Carter's diplomatic trip to Pyongyang. It also released a seven-man crew of a South Korean fishing boat seized a month ago. The North's proposal for reunions came as the South was considering how much aid it should provide for North Koreans devastated by floods.

In an interview with Russia 24-TV on Friday during a visit to Russia, President Lee Myung-bak of South Korea offered to build a second joint industrial park in North Korea if the North changed its policy.

10 Inflation in China Is Rising at a Fast Pace

FOR K. K. Lam, a 37-year-old accountant in Guangzhou, inflation means higher prices for pork and for vegetables like bok choy.



For Allen Dong, the sales manager for a home appliance manufacturer 700 miles to the northeast in Ningbo, inflation means trying to persuade retailers to pay more for dehumidifiers so his company can cover rising costs for wages and raw materials.

From street markets to corporate offices, consumers and executives alike in China are trying to cope with rising prices. The National Bureau of Statistics announced on Saturday that consumer prices in China were 3.5 percent higher compared with a year earlier, the largest increase in nearly two years.

To make matters worse, inflation over the short term also seems to be accelerating. A seasonally adjusted comparison of August prices to July prices showed that inflation was running at an annualized pace closer to 4.8 percent.

Prices are rising in China for reasons that many Americans or Europeans might envy. The economy is growing, stores are full and banks are lending lots of money, according to other statistics released by the government on Saturday. Compared with August of last year, industrial production rose 13.9 percent last month, retail sales increased 18.4 percent, bank lending climbed 18.6 percent and fixed-asset investment surged 24 percent.

All four categories rose slightly more than economists had expected, in the latest sign of the Chinese economy's strength even as recoveries seem to be flagging elsewhere.

Separate data released on Friday by the General Administration of Customs showed that Chinese demand for imports also remained surprisingly strong. The trade surplus narrowed to \$20 billion last month, and would have been nearly in balance without China's \$18 billion surplus with the United States.

But so much cash in the Chinese economy chasing a limited volume of goods is pushing up prices. Inflation is starting to become troublesome, especially for young people entering the work force and retirees on fixed incomes.

Young people with vocational school degrees typically earn \$200 to \$300 a month in factories near the coast these days, and somewhat less in the Chinese interior. Rising prices have prompted many to ask for bigger paychecks, and blue-collar incomes have increased faster than inflation.

But salaries for recent college graduates, at \$300 to \$500 a month in coastal areas, have actually declined in the last few years, even before adjusting for inflation. A rapid expansion of universities over the last decade has resulted in more young men and women with undergraduate degrees than companies are ready to hire, except at lower pay.

And as in many countries, retirees are among the most vulnerable to inflation. Ms. Lam said her own mother lived on a pension of just \$150 a month.

Rising wages are putting pressure on companies to increase their prices. Mr. Dong, the sales manager at the Ningbo Deye Domestic Electrical Appliance Technology Company, said the company had to raise wages by 10 percent a year, while raw material costs were also climbing.

“It is impossible to transfer our cost increases entirely to our customers, because if we do so, they will all run away,” he said. “We are currently doing a study of our assembly line work processes to see where we can achieve greater efficiency.”

But as the powerful growth in fixed-asset investment last month showed, Chinese companies are still responding to rising prices by building more factories, office buildings and other equipment, instead of cutting back.

Pan Ning, the sales manager at the Newsunda Industries Company, a manufacturer of school bags and pocket calculators based in Shantou, said labor and raw material prices had been climbing by 5 to 10 percent. But as school years have begun around the world in the Northern Hemisphere, Newsunda has been able to raise the prices it charges to cover the increased costs, Ms. Pan said.

Chinese officials have said for many years that they regard 5 percent inflation as unacceptable, and they have shown a willingness to clamp down on bank lending and investment whenever annual increases come close to that level. They have taken some of these steps in recent months, but more recently eased back on lending

controls as some Chinese economists suggested that domestic demand might not be as strong as the August data showed.

For now, many Chinese consumers are irked by rising prices for everyday necessities.

“I honestly don’t know how young people starting out in the work world manage,” Ms. Lam said. They pay nearly half their salaries for their own room in a shared apartment in a bad neighborhood, she said, “and if you add in food and transportation, there will be nothing extra left in your salary to send home.”

11 The Hero of a Nation Looks Back and Ahead

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TEN years after Cathy Freeman galvanized Australia by lighting the Olympic caldron and winning a gold medal, she is still bringing attention to the plight of her people.

Freeman does not appear to have changed much from the 27-year-old Aboriginal athlete who opened the Sydney Games on Sept. 15, 2000, and won the 400-meter final 11 nights later to fulfill a nation's expectations.

She still has a runner's physique, and still punctuates conversations with an infectious, almost giddy laugh.

But as the name and face of the Catherine Freeman Foundation, a charity devoted to helping to educate Aboriginal children from Palm Island in northeastern Australia, she has no problem conveying the challenge she now confronts. "It is a national disgrace," she said.

Freeman is a long way from Palm, a small group of islands off Townsville in Queensland state where her

mother was born, while sitting in the foundation's Melbourne office during an interview.

She recounts the euphoric moments of the Olympics – and how difficult it was to love running while hating the associated hype.

After the Olympics, she admitted to being at a loss about what to do in the future until she looked within.

"Everyone knows I've always been proud of my indigenous roots," said Freeman, who drew official rebuke but public accolades for waving both the Aboriginal and Australian flags during her victory lap at the 1994 Commonwealth Games in Victoria, British Columbia.

When she repeated the two-flag celebration after winning Olympic gold, she was unilaterally showered with praise.

After years of trying to dodge the fame Olympic success brought her, Freeman decided she might as well just run with it.

"It just felt so right," she said. "Instead of trying to deny my status here in Australia, I just went with it and that's

why the foundation came about – so it doesn't feel so painful.”

On Wednesday, Australia celebrates 10 years since Sydney hosted an Olympics that many here view as helping to redefine the country's international profile, giving it the image of a modern, successful and enviable nation.

The bleak history of Australia's indigenous people has long been a blight on that vision.

Although Aborigines make up less than 3 percent of Australia's population of 22 million, they are the poorest and most disadvantaged minority more than 200 years after white settlers arrived, despite billions spent on programs to close the gap.

The Palm mission, Freeman said, was established by the government in 1918 to resettle nearly 2,000 so-called troublesome people forcibly removed from dozens of tribal groups. The community that took root remains troubled, but is also fiercely proud.

Freeman was born on the mainland in nearby Mackay and moved around as a child with her family as her athletic career flourished, but she retains vivid memories of her visits to Palm.

“There are some really devastating living conditions,” she says, ticking off its socioeconomic ills. “Palm Island in itself is the fourth most disadvantaged community in Australia: 90 percent unemployment; only 7 percent of kids have reached the national standards in literacy and numeracy; 3,500 residents, only 350 houses.

“There's still an aura of racism and hatred and loathing. It's hard because it does bring up the past. Everyone's country has got a past they don't feel good about. The nice thing about who I am, is I represent something that is possible.”

Freeman does not pretend to speak from the perspective of Palm's residents. She is just determined to help improve their situation.

“I've never dealt with a community or let alone an individual who's been hurt so much and burnt so badly,” she said. “We're talking about years and years of hurt,” dating to when people like her great-grandparents were “sent there under a really sort of concentration camp regime.”

The death in 2004 of a man in police custody sparked riots on the island that left the police station and courthouse in ruins.

An inquest found that blows from a police officer contributed to the death, but there has never been a conviction.

“There’s been one letdown after the other,” said Freeman, whose main aim is to build trust and bridge the gap between outsiders and the people of Palm.

“I’m doing what I think I’ve always been born to do in a way,” she added. “I’m not wondering why. I don’t overanalyze it. It’s a continuum of what I’ve already done on the track. It fulfills. It’s a oneness more than a separate journey.”

Her foundation sponsors scholarships for seven girls to attend boarding schools. Freeman also visits Palm every few months to reinforce the rewards-based program her foundation fosters to improve school attendance. The highlight of those trips is playing with the children.

“I’ll go for a run and they say, ‘There’s Cathy Freeman, there’s Cathy Freeman,’ ” she said. Some youngsters want to race her.

Mayor Alf Lacey of Palm Shire said Freeman’s foundation has had success in improving education on the island.

“It’s really important for our community, where you don’t have a lot of choices or options,” Lacey said in a telephone interview. “It’s about the kids, the next generation and giving them opportunities earlier generations didn’t have.”

Freeman’s profile is helping on and off the island.

“Cathy’s a good influence,” Lacey said. “She’s been able to get through doors, talking it up through the private sector and the government sector, and getting them to know it’s very important.”

Freeman was the first Australian Aboriginal athlete to win an individual Olympic gold. She was a two-time world champion and Olympic silver medalist when she was asked to light the Olympic caldron in 2000.

At the time, debate was raging in Australia about whether the government should offer an official apology to thousands of Aborigines who were forcibly removed from their families under assimilation policies that were not abandoned until 1970. A national inquiry in the 1990s laid bare decades of abuse and trauma for many in what is known as the Stolen Generation. Australians

of all backgrounds shed tears when Freeman lighted the flame.

“A dear friend of mine says that I have a lot to do with flying that flag,” Freeman said. “The indigenous culture, people are now concerned. It’s just nice to have played a part.

“For me it was just a simple expression of pride. It’s not a secret indigenous people were the first land dwellers of this country. It’s pure truth.”

Kevan Gosper followed Freeman’s career after working with her in 1991. A former vice president of the International Olympic Committee, he said he was concerned that the pressure of lighting the flame and winning gold at the same Olympics would be too much. Gosper was relieved after Freeman won the 400, and hugged her when he presented her with the gold medal.

“She’s an Australian icon,” he says. “It made every Australian proud. She is a symbol of all that’s good about relations between indigenous Australians and other Australians.”

Freeman is only just now starting to become comfortable with reliving her Olympic experience.

“Now that I’ve found this purpose with the foundation,” she said. “I’ve understood I really need to accept it and embrace it.”

12 Consumer Candidate May Avoid a Vote

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THE Obama administration is considering appointing the legal scholar Elizabeth Warren to run a new consumer bureau on a temporary basis to avoid a potentially bruising confirmation battle in the Senate, according to people who have been briefed on the search.

The Consumer Financial Protection Bureau, a centerpiece of the Dodd-Frank Wall Street regulatory overhaul law that Mr. Obama signed in July, was established to prevent abusive, deceptive and fraudulent terms for mortgages, credit cards, payday loans and a vast array of other financial products. It is to be led by a director, appointed by the president to a five-year term with the consent of the Senate.

Two people who have been briefed on the appointment process, who spoke on condition of anonymity because they feared reprisal, said the White House was exploring ways to have Ms. Warren effectively run the bureau without having to endure a confirmation battle and, potentially, the threat of a Republican filibuster.

Mr. Obama could name Ms. Warren using a recess appointment, though such an appointment would last only until the end of next year. In addition, the law appears to permit Ms. Warren to run the bureau's day-to-day affairs while it is nominally under the supervision of the Treasury Department, to which Congress has delegated the powers of the bureau until it is fully established as a freestanding agency. The bureau, which will consolidate employees and functions from a host of other agencies, could have a budget as large as \$500 million.

On Friday, Mr. Obama credited Ms. Warren, a Harvard law professor, with coming up with "the idea for this agency," and he praised her as "a dear friend" and "a tremendous advocate." He said he had had conversations with her but was not yet ready to make an official announcement.

Amy Brundage, a White House spokeswoman, declined Monday evening to discuss the possibility of a temporary appointment.

"Elizabeth Warren has been a stalwart voice for American consumers and families and she was the architect of the idea that became the Consumer Financial Protection Bureau," Ms. Brundage said in a statement. "The

president will have more to say about the agency and its mission soon.”

The Dodd-Frank law gave the Treasury secretary, Timothy F. Geithner, power to “perform the functions of the bureau” until a director is confirmed. The bureau will have vast powers to write and enforce new rules, and Treasury aides have already begun administrative work to get the bureau running.

Under the law, Mr. Geithner has until Sunday – 60 days from the signing of the act – to designate a date for transferring to the new bureau functions currently performed by the Federal Reserve, the Federal Trade Commission, the Federal Deposit Insurance Corporation and other agencies.

The transfer date is supposed to be anywhere between six and 18 months from July 21, when Mr. Obama signed the law.

But under the law, Mr. Geithner could delay that transfer until 24 months – or July 2012 – if he explained to Congress that “orderly implementation” of the law was “not feasible” within the 18-month limit.

Ms. Warren, 61, is widely admired by consumer groups and labor unions, while banks and other financial institutions have indicated that they would oppose her appointment. Senator Harry Reid, Democrat of Nevada and the majority leader, picked her to lead the panel overseeing the 2008 Wall Street bailout program.

An Oklahoma native, Ms. Warren is an authority on bankruptcy law and contracts. She taught at law schools in New Jersey, Michigan, Texas and Pennsylvania before joining Harvard in 1995.

Ms. Warren has been a front-runner to lead the new bureau, though a leading Democratic senator, Christopher J. Dodd of Connecticut, who is the chairman of the Banking Committee, has raised doubts about whether she could be confirmed. (Mr. Dodd has pledged to support Ms. Warren if she is nominated.)

A temporary appointment would permit Ms. Warren to shape the bureau from its inception, while avoiding the delays that could accompany a lengthy confirmation fight.

But some Democrats also say they believe the Obama administration might benefit from taking a prominent

stance in support of Ms. Warren, and said the White House might relish a public battle rather than shy away from it.

13 A Thai City of Sleaze Tries to Clean Up Its Act

SOMEWHERE in the world there may be a city with a more seedy reputation, a place more devoted to the sex industry and more notorious as a haven for criminals on the lam. But probably not.



When dusk comes to this beach resort, a sea of pink neon bulbs casts a pale glow onto the thickly made-up faces of thousands of women (and some men) who sit on bar stools waiting for their patrons.

If Las Vegas is Sin City, Pattaya is a bear hug from Lucifer himself.

And yet, amid the back alleys jammed with girlie bars and a beachfront peopled with what the Thais euphemistically call “service women,” there are signs of change.

Indian couples, Chinese tour groups and vacationing Russian families stroll around the city. A dozen luxury hotels cater to the weekend crowd of wealthy Thais from

Bangkok who mingle with tourists at a huge shopping mall. Pattaya has a growing number of fancy restaurants, an annual music festival and, perhaps most improbably, regular polo tournaments.

Long derided as a city of sleaze, the city is reaching for respectability.

A two-hour drive from Bangkok, Pattaya was little more than a fishing village four decades ago when U.S. soldiers fighting in the Vietnam War discovered a pristine, coral-filled bay. Tens of thousands of lonely soldiers armed with dollars sought respite from the war in a country of relative poverty, lax law enforcement and historically tolerant attitudes toward prostitution. The result was predictable.

Pattaya survived the departure of the G.I.'s by expanding into sex tourism. Visitors to Thailand in the 1970s were offered brochures at the Bangkok airport showing pictures of available companions. The booth at the airport no longer exists, but the business lives on: for at least the past decade, men have outnumbered women as tourists in Thailand. They make up about 60 percent of foreign visitors in Thailand compared with 52 percent in nearby, law-abiding Singapore.

In recent years the Pattaya tourist industry has sought to diversify its client base. Hotel managers learned that, despite jokes about recession-proof industries, relying heavily on a Western male clientele was unwise at a time when the United States and Europe were buffeted by recession.

Tourism agencies now actively seek out visitors from the rising economies of China and India.

"There's definitely been a change," said Shyam Anugonda, a 39-year-old lawyer from Bangalore, India, whose first trip to Pattaya was eight years ago, when he was single.

"It was more sex oriented before," Mr. Anugonda said as he shopped for Thai fabrics with his wife, Kavitha.

This time, Mr. Anugonda's five-day vacation included an elephant show and parasailing.

The government is encouraging the rebranding of Pattaya by developing a master plan for the city, including a monorail to help relieve traffic-clogged streets, a redrawn waterfront and a high-speed rail line from Bangkok. The plan is awaiting approval from the Thai cabinet.

The police, too, say they are trying to clean up the city's image.

"There are people who say Pattaya is the paradise of criminals," said Col. Atiwit Kamolrat, the head of the immigration police. "It's now going to be impossible for them to hide here."

His office's Transnational Crime Data Center combs through lists of wanted criminals from foreign governments and cross-references them with hotel registration logs and visa renewal applications. Since the beginning of the year, the office has arrested 12 foreign criminals hiding out in Pattaya, Colonel Atiwit said.

Somchet Thinaphong, a board member charged with the city's redevelopment plan at the Designated Areas for Sustainable Tourism Administration, a government agency, said Pattaya's face-lift would cost 32 billion baht, or about \$1 billion. He spoke in generalities about "sustainable development" and making the city more ecologically friendly.

But here in Pattaya, officials chuckle derisively at the notion that the city can be totally sanitized. Stamping out Pattaya's sex industry is fantasy, said Niti Kongrut, the

director of the Pattaya branch of the Thai government's tourism office.

"You talk about sustainable development, how about prostitutes? They have been around for a very long time," Mr. Niti said. "We can't close down the go-go bars. It's a free country. Besides, it makes money."

For decades, officials have wrestled with the question of what to do about the seedy side of the city, Mr. Niti said. "Now we just ignore them and try to promote other activities."

For visitors who have no intention of partaking in it, the sex industry has become a sort of spectacle, a red-light district that makes its counterparts in other cities seem almost Victorian.

Olga Bidenko, 28, a tourist from Ukraine who came to Pattaya with a colleague from the marketing company she works for, said she was entertained by Walking Street, a thoroughfare stretching a kilometer and a half, or about a mile, blocked to motor traffic and packed with bars. Typical of the bars is Sexy Airline, where women dressed in old-fashioned air hostess outfits call out to prospective patrons passing by.

“We thought Amsterdam was the sex capital of the world,” said Ms. Bidenko, 28. “But now that I’ve been here, I think Amsterdam is a perfectly respectable city.”

14 U.S. Adopts Tougher Stance on China

THE Obama administration is moving to take a harder stance on the Chinese government’s trade and currency policies, with anger toward China rising in both political parties ahead of midterm elections.



Treasury Secretary Timothy F. Geithner, in separate hearings before House and Senate panels, plans to acknowledge on Thursday that China has kept the value of its currency, the renminbi, artificially low to help its exports and has largely failed to improve the situation as it promised to do in June.

“We are concerned, as are many of China’s trading partners, that the pace of appreciation has been too slow and the extent of appreciation too limited,” Mr. Geithner plans to say, according to excerpts of his statement released on Wednesday night by the Treasury Department.

The United States brought two cases to the World Trade Organization on Wednesday, accusing China of improperly blocking imports of a specialty steel product

and denying credit card companies access to its markets. The move came just hours before House lawmakers demanded action on the currency issue.

The renminbi has risen about 1 percent against the dollar since Beijing promised new exchange rate flexibility in June.

In his testimony, Mr. Geithner is not expected to rule out declaring China a currency manipulator, a finding that could lead to retaliatory trade measures. The administration has so far refused to take such a step, relying instead on persuasion, though with little success.

The currency issue is increasingly likely to be a focus when leaders of the Group of 20 nations meet in November in Seoul, South Korea. A bill with support from 143 House members from both parties would allow the United States to impose tariffs and other penalties on countries that undervalue their currencies.

But many economists believe that China is unlikely to yield to American pressure, and they have called on the Obama administration to do a better job of enlisting support from the European Union and Japan.

The office of the United States trade representative, Ron Kirk, said the timing of the new W.T.O. cases was unrelated to the other economic tensions with China.

In one case, the United States accused China of violating world trade rules when it imposed antidumping duties and countervailing duties on grain-oriented, flat-rolled electrical steel, which is used to make transformers and reactors used to generate electricity. The two largest makers of such steel are Allegheny Technologies, based in Pittsburgh, and AK Steel, based in West Chester, Ohio.

China imposed duties as high as 65 percent in April after concluding that the American manufacturers had sold the steel at less than fair value and had received improper subsidies from the United States. The Americans say the charges are false.

In the other case, the trade representative's office accused China of illegally blocking American electronic payment companies from access to its markets, through its support of a state-financed company, China Union Pay, which has had a monopoly since 2001 over renminbi-denominated debit and credit card payments in China.

Mr. Kirk said his office was “fighting for the American jobs threatened by China’s actions, and insisting on the level playing field promised in our W.T.O. agreements.”

Leaders of the Senate Finance Committee, which oversees trade, applauded the filings. Its chairman, Senator Max Baucus, Democrat of Montana, called them “critical steps forward in our effort to enforce our market access rights in China.” The panel’s senior Republican, Senator Charles E. Grassley of Iowa, said, “It’s about time the administration decided to act.”

Mr. Grassley added: “The administration should go one step further and bring a case against China’s unfair currency manipulation at the W.T.O.”

On Wednesday, the House Ways and Means Committee began two days of hearings on China’s currency, its third set of hearings this year on the topic.

Its chairman, Representative Sander M. Levin, Democrat of Michigan, said “a multilateral approach would be the most likely to yield the broadest results.” Mr. Levin also called Japan’s move to weaken the yen, that country’s first intervention in the currency markets since 2004, “a deeply disturbing development.”

Mr. Levin said that the International Monetary Fund had little power to enforce its rules against currency manipulation, adding that the G-20 should take up the issue. But he warned that “there does not appear to be anything remotely approaching an international agreement to end predatory exchange rate policies.”

Mr. Levin urged the administration to bring a case before the W.T.O. arguing that China’s currency policy amounted to an illegal export subsidy. He said he thought the United States could impose countervailing duties against China without violating its own obligations under world trade rules.

More than 140 House members have signed onto a bill sponsored by Representatives Tim Ryan, Democrat of Ohio, and Tim Murphy, Republican of Pennsylvania, that would compel the administration to impose such duties.

The United States-China Business Council has said it believes such a move would antagonize China without yielding meaningful results, and the senior Republican on the committee, Representative Dave Camp of Michigan, expressed similar skepticism at the hearing.

Manufacturers, labor unions and politicians from the Midwest have been among the most vigorous in calling for sanctions, but there were indications on Wednesday that policy experts were increasingly in favor of tough action.

China permitted the value of the renminbi to rise about 20 to 25 percent against the dollar from 2005 to 2008, before the government reimposed a currency peg to support its export-centered economy after the global financial crisis.

C. Fred Bergsten, director of the Peterson Institute for International Economics, a leading research organization here, told House lawmakers on Wednesday that a similar increase over the next two to three years would create about 500,000 jobs. He said it would reduce China's current account surplus by \$350 billion to \$500 billion, and the American current account deficit by \$50 billion to \$120 billion.

The United States should seek to mobilize the European Union and countries like Brazil, Russia and India to press China to realign the renminbi, and should seek W.T.O. authorization to impose restrictions on Chinese imports if it does not do so, Mr. Bergsten said.

15 Europeans Like Obama but Fret Over Some Policies

PRESIDENT Barack Obama's popularity remains high among Europeans, but there are growing doubts about his handling of some foreign policy issues, particularly Iran and Afghanistan, according to the annual Transatlantic Trends Survey published Wednesday.

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Although there was a slight decline in Mr. Obama's approval rating, down from 83 percent in 2009 to 78 percent this year, over half of the Europeans polled said they supported the United States' exerting strong leadership in world affairs. This is in sharp contrast to the ratings of Mr. Obama's predecessor, George W. Bush, who consistently received poor scores from Europeans.

The latest survey, published by the German Marshall Fund of the United States and Compagnia di San Paolo, an Italian foundation, was conducted in June in 11 European Union countries – Britain, Bulgaria, France, Germany, Italy, the Netherlands, Poland, Portugal, Romania, Slovakia and Spain – as well as in Turkey and the United States.

The survey, a random telephone sampling of 1,000 men and women, 18 years and older, in each country, had a sampling error margin of plus or minus three percentage points. The major topics included attitudes toward the euro crisis, China, Turkey's foreign policy shift toward its neighbors and Poland's waning Atlanticism.

With few exceptions, respondents in Europe said the euro has been bad for their economy. The only countries that had majorities supporting the euro were the Netherlands (52 percent) and Slovakia (64 percent).

A plurality (46 percent) said it was the responsibility of each country's government to deal with the economic crisis, while 39 percent said Brussels should be primarily responsible for handling it. But most E.U. respondents (63 percent) agreed that being a member of the E.U., the world's biggest economy, was a good thing.

Surprisingly, Germany was the only country in which a majority of participants (54 percent) said the European Union should have primary responsibility for economic decision-making, a view not shared by Chancellor Angela Merkel's coalition government.

On two foreign policy issues, Afghanistan and Iran, the Europeans and Americans were at odds. A slim majority of U.S. respondents, (51 percent, down five percentage points from 2009) felt optimistic about stabilizing Afghanistan, compared to a quarter of Europeans. A majority of European respondents said their countries should reduce or withdraw all troops, while a majority of Americans supported maintaining or increasing a military presence.

As for Iran, a big majority of Americans and Europeans said they were concerned about Iran's nuclear arms ambitions but differed on how to curb them. A majority of Europeans prefer economic incentives, while a majority of U.S. respondents support economic sanctions.

Another divergence was over the growing role of China, with half of Americans believing that the United States had enough common values with China to cooperate on international problems. Almost two-thirds of European respondents said the values were so different that cooperating on international issues was impossible.

16 China Shifts Away From Low-Cost Factories

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COMPANIES here in China's industrial heartland are toiling to reinvent their businesses, fearing that the low-cost manufacturing that helped propel the nation's economic ascent is fast becoming obsolete.

The TAL Group, which operates an immense garment-making plant in this coastal boom town, is moving beyond piecework by helping J. C. Penney electronically manage its inventory of dress shirts, from factory floor to retail shelves as far away as Connecticut.

Chicony, maker of a power device used in the Xbox from Microsoft and a major supplier of computer keyboards to Dell, is diversifying by opening department stores, with three so far around China and seven more planned.

And after years of assembling vacuum cleaners and rechargeable toothbrushes for Philips and other Western companies, Kwonne Electrical Products is planning its own line of home appliances.

"We want to do more original design and build our own brand," Benjamin Kwok, a company founder, said during a recent tour of a sprawling factory complex that has 3,000 workers, a huge warehouse and labs for testing juice makers, vacuum cleaners and other appliances.

"Many customers won't be happy with the decision to compete with them," Mr. Kwok said. "But we have no choice."

It is too soon to know whether such makeovers will succeed. But economists consider such efforts necessary – and overdue.

For years, factories here in the Pearl River Delta region have served as the low-cost workshops for global brands, turning this part of China into the nation's biggest export zone. The city of Dongguan, about 35 miles northwest of Hong Kong, has long churned out toys, textiles, furniture and sports shoes – including hundreds of millions of sneakers a year for companies like Nike and Adidas.

But now, with manufacturing costs rising and China looking to create a consumer middle class, experts say the revamping of this region's industries could help reduce the nation's wide income gap and encourage more balanced and sustainable economic growth.

“It is my hope that China’s comparative advantage as a low-wage producer does disappear – the sooner the better,” Fan Gang, an economics professor at Peking University, wrote in a recent essay, adding that China needed to upgrade and embark on “the next stage of development.”

Manufacturing costs have risen rapidly here in response to nagging labor shortages and worker demands for higher wages to help offset soaring food and property prices.

Those pressures were evident a few months ago, when a series of big labor strikes in southern China disrupted several Japanese auto factories and resulted in hefty pay raises.

There is also the looming prospect that China’s currency, the renminbi, will strengthen against other world currencies in the coming years. That would make goods produced here even more expensive to export, and further erode what manufacturers say are already thin profit margins.

Seeking lower costs, some Pearl River Delta factories are relocating to poor inland regions of China where wages

are as much as 30 percent lower than in coastal provinces. Other factories are moving to lower-wage countries like Bangladesh and Vietnam.

But for companies that have invested billions of dollars in factories here, simply packing up and pulling out is not always financially feasible. That is why many owners of Dongguan factories are experimenting with other solutions.

“We’ve decided that we’re not going to be on the low end,” says Roger Lee, the chief operating officer at TAL Apparel, part of the TAL Group.

TAL, which is based in Hong Kong and says it makes one of every six dress shirts sold in the United States, is expanding into supply-chain management for J. C. Penney, one of its big shirt-buyers. Through an extensive computerized system, TAL can stock and restock shirt shelves in all 1,100 of Penney’s retail stores in the United States, as demand warrants.

“Too much inventory kills retailers,” Mr. Lee said. “Now, we’re managing inventory in each store. We get sales data. We know what’s in the warehouse, what’s on the boat. We help reduce inventory.”

TAL is a fortunate survivor. After the global financial crisis hit, Dongguan's exports plummeted by about 25 percent. Thousands of factories simply closed. Now – even though exports have rebounded to 2008 levels – there are worries that regional growth is slowing drastically.

“Since 2008, the investment environment has worsened in Dongguan,” said Lin Jiang, a professor of finance at Sun Yat-sen University in Guangzhou. “A lot of companies don't see a future in Dongguan. And they feel pressure from the government to upgrade.”

In Qingxi, an economic zone in the southeastern part of Dongguan, district government officials are trying to help desperate factories adjust to the new realities. If many companies are reluctant to leave, the local government is just as loath to lose the companies and their tax revenue.

The 56-square-mile Qingxi district is crowded with textile and electronics factories, mostly backed by companies from Hong Kong and Taiwan, that produce for global brands like Burberry, Hewlett-Packard and Sony.

The country's export boom helped Qingxi transform vast tracts of farmland into bustling factories with noisy

assembly lines. That created enormous wealth for the country and the local region. But the labor equation is rapidly changing.

Years ago, migrant workers lined up outside factories here hoping to apply for work. As a result, 90 percent of Qingxi's 350,000 residents are migrant workers. Most of them traveled from China's poor interior provinces to find factory jobs that today often pay about 90 cents an hour, which is the typical wage in the Shenzhen-Dongguan area.

But a demographic shift tied to the nation's one-child policy means fewer young people are entering the work force. And government efforts to improve conditions in the interior provinces have lifted growth in those regions and persuaded many young workers to find jobs closer to home.

So companies here can no longer pick and choose among workers.

“We used to prefer women because they are easier to manage,” said Frank Chen, a manager at a Qingxi factory called Lite-On Technology, which makes Internet-access cards for Wi-Fi devices. “Before, we wanted three

females for every male. But because of the labor shortage, it's hard to get that ratio now."

Chicony, trying to drum up workers, has taken to sending a bus around Dongguan with a loudspeaker blaring, "Chicony is the best."

Because of labor shortages and government efforts to raise the minimum wage to improve the livelihoods of migrant workers, pay rates in the Shenzhen-Dongguan area have nearly doubled in the last five years.

Still, factories here often have to pay middlemen and vocational schools to find migrant labor. The Qingxi government has also tried to step in, organizing recruiting drives into the country's poorest regions.

But longer term, district officials want to encourage innovation.

Zhu Guorong, the vice director of the Qingxi Office of Trade and Economic Cooperation, is among those trying to remake Qingxi. Recently, he drove a sparkling blue Toyota FJ Cruiser – a kind of miniature Hummer – through the city's economic zones, talking about the shift under way.

"Every company now wants to be a high-tech company, and we want to encourage them," Mr. Zhu said, as he headed for an electronics factory, where he would inquire about profitability.

The national government has preferential tax policies to encourage technology companies, and the Qingxi district government has a research and development fund – officials decline to say how much money it has – to support efforts.

One company that has already received government money for research and development is a division of Lite-On Technology, the electronics supplier.

But even for innovators like TAL, the garment maker, success is far from guaranteed.

"The price of a shirt has gone down," Mr. Lee said. "But our costs have gone up."

17 Competitor Sues Google Over Location Software for Smartphones

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SKYHOOK Wireless, which makes software that shows smartphone users where they are on their phone's maps, filed a lawsuit Wednesday claiming Google had persuaded Motorola and another phone manufacturer to break contracts with Skyhook and use Google's competing service.

In a separate suit, also filed Wednesday, Skyhook accused Google of infringing on Skyhook's patented methods of determining location.

The two companies are fighting for the lead in the nascent but promising business of location-based data that uses GPS or Wi-Fi signals to locate phone users. These services not only direct people to businesses, but collect information about where people are. That is valuable information that lets marketers direct advertising to people where and when they are most likely to buy.

"People view it as the next frontier, the next place to get the attention of the consumer," said Carl Howe, an analyst with Yankee Group, a technology research company. "It's not big now, but we believe it to be the next consumer battleground."

Skyhook's interference suit against Google, filed in Massachusetts Superior Court in Suffolk County, accuses Google of intentionally disrupting Skyhook's business relationships. It says Google has notified cellphone makers that they need to use Google's location service as a condition of using Google's Android smartphone operating system.

The complaint claims that Andy Rubin, Google's vice president for engineering, gave Sanjay K. Jha, chief executive of Motorola's mobile devices division, a "stop ship" order, preventing Motorola from shipping phones with the Android operating system using the Skyhook software, called XPS.

The complaint charges that the Skyhook software had already been tested by Motorola and had completed the Google approval process.

“It’s very hard to meet compliance when Google keeps moving the goal post,” said Ted Morgan, Skyhook’s chief executive, in a telephone interview Wednesday.

Google declined to comment. Motorola did not respond to requests for comment.

Skyhook, based in Boston, said that it had a nearly identical experience with a second company referred to only as “Company X” in the complaint. The suit said that Skyhook’s licensing agreement with Company X was announced July 2, the date Skyhook announced its agreement with Samsung Electronics. Samsung declined to comment.

In the patent suit, filed in Federal District Court in Massachusetts, Skyhook claims that Google violated four of Skyhook’s patents that gave it an advantage over competitors.

Competition to control location data is escalating because of the potential size of the market. “Regardless of how you calculate the number, the size of the opportunity is enormous,” said Alistair Goodman, chief of Placecast, a San Francisco location-based mobile marketing company.

Early research also shows mobile marketing to be highly effective at reaching consumers, said Mr. Goodman, whose company lets people sign up for alerts that appear on their phones when they are near the store of a client company or a site that company thinks will interest its customers.

“In aggregate, 65 percent of people in the programs made purchases, and 79 percent say the service was valuable,” Mr. Goodman said. “They didn’t see it as advertising or marketing.”

The value of the data surpasses the placing of ads on phones. It also allows companies to make inferences about a phone owner’s wealth, lifestyle and shopping preferences, which is also sought by marketers.

“We learn pretty interesting things, for instance who prefers Wal-Mart over Target, or Walgreens over CVS, who is split, which stores they will travel to get to,” said Thaddeus Fulford-Jones, chief of Locately, a location analytics company.

18 Poll Suggests Opportunities for Both Parties in Midterms

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REPUBLICANS are heading into the general election phase of the midterm campaign backed by two powerful currents: the highest proportion of voters in two decades say it is time for their own member of Congress to be replaced, and Americans are expressing widespread dissatisfaction with President Obama's leadership.

But the latest New York Times/CBS News poll also finds that while voters rate the performance of Democrats negatively, they view Republicans as even worse, providing a potential opening for Democrats to make a last-ditch case for keeping their hold on power.

The poll represents a snapshot of the country's political mood as the campaign pivots from primary contests that have revealed deep divisions among Republicans into the general election, where the parties deliver their competing arguments to a wider audience.

The findings suggest that there are opportunities and vulnerabilities for both parties as they proceed into the final seven weeks of the campaign.

A case for Republicans: Voters are remarkably open to change, even if they are not sure where Republicans will lead them. Most Americans, including one-third of those in the coalition that elected Mr. Obama, now say he does not have a clear plan to solve the nation's problems or create jobs. Democrats remain highly vulnerable on the economy.

A case for Democrats: They are seen as having better ideas for solving the country's problems. The public steadfastly supports the president's proposal to let tax cuts expire for the wealthiest Americans. And far more people still blame Wall Street and the Bush administration than blame Mr. Obama for the country's economic problems.

Voters have a darker view of Congressional Republicans than of Democrats, with 63 percent disapproving of Democrats and 73 percent disapproving of Republicans. But with less than two months remaining until Election Day, there are few signs that Democrats have made gains persuading Americans that they should keep control of Congress.

"I really think we need to get some new blood in there," said Kathy Beckman, 44, an optometrist from Lodi,

Calif., who spoke in an interview after participating in the poll. “Get them all out.”

The mood of the country is similar in many respects to the fall of 1994, when Republicans swept control of Congress. There is an overall low Congressional approval, large numbers of Americans who believe the country is on the wrong track and soaring discontent among voters with their own representative.

It is that particular finding in the poll that underscores the true depths of the disgruntlement among the public and is an ominous sign for Democrats, who have a 39-seat majority in the House and a 10-seat majority in the Senate.

In many election cycles, voters readily acknowledge that they are dissatisfied with government or Congress in general, but they tend to have a stronger connection toward their own representative. That is not the case this year, with 55 percent of voters saying it is time for new leadership and only 34 percent saying their lawmaker deserves re-election. It is a historic high for a question asked in each midterm election year since 1990.

The economic climate is also worse this year, with 8 in 10 Americans rating the economy negatively and 4 in 10

saying that their family’s financial situation is worse than it was two years ago. In September 1994, two months before Democrats lost their majorities in the House and Senate, more than half of people said the condition of the national economy was good.

The economy and jobs are increasingly and overwhelmingly cited by Americans as the most important problems facing the country, while the federal budget deficit barely registers as a topic of concern when survey respondents were asked to volunteer their worries.

The national telephone poll was conducted Friday through Tuesday, the day that primary contests unfolded in seven states. The survey included 990 adults, of whom 881 were registered voters. The poll had a margin of sampling error of plus or minus three percentage points.

Voters do not perceive Republicans as having better ideas and disagree with them on the biggest economic issue of the campaign – whether to extend the Bush-era tax cuts for the wealthy – a sign the party has no real advantage on key pieces of their agenda, which makes it more necessary to run as a generic alternative to the party in power.

The Tea Party movement, which showed its strength in Republican primaries in Delaware and New York, has yet to be fully defined for many Americans. Nearly half of voters say they are undecided or have not heard enough about the Tea Party to form an opinion, a sign that offers an opportunity for the movement to define itself to many voters and help shape their views of it before Election Day.

Nearly half of all Republican voters say they have a favorable opinion of the Tea Party. But the view of the movement among independent voters grew more negative since a Times/CBS poll was conducted in April. Now, 30 percent of independent voters have an unfavorable view of the Tea Party, with 18 percent holding a favorable view and more than half offering no opinion.

The president's overall job approval rating is 45 percent, with 47 percent disapproving. On the economy, his rating is worse, with 41 percent approving and 51 percent disapproving. When asked whether Mr. Obama has a clear plan for solving the nation's problems, 57 percent responded that he did not, yet twice as many give him more credit than Republicans for having a plan.

"He had a lot of plans and he's not really sticking to them like he said he would," Tammy Danley, 38, an independent voter from Louisburg, Kan., said in an interview after participating in the poll. "It seems like a lot of talk and not a lot of action."

With the Democratic majority on the line, and the outcome of the election seen as a referendum on the president, 45 percent of voters said Mr. Obama would not be a factor in their vote in November, while 23 percent said their vote would be for Mr. Obama and 25 percent said it would be against him.

The poll found that the public has an increasingly negative opinion of Sarah Palin, the former Alaska governor and 2008 Republican vice-presidential nominee, with nearly half now holding an unfavorable view of her. Her favorable rating is down nine percentage points since April.

Since then, she has increased her presence in the midterm election campaign, endorsing dozens of Republican candidates across the country, most of whom were also backed by Tea Party activists. Two-thirds of Americans think that Ms. Palin's primary motivation is staying in the public eye, rather than helping conservative candidates get elected.

“I think she is trying to be more in the public eye for her own benefit,” said Kathy Allen, 51, an unemployed worker from Idaho Falls, Idaho, who spoke in an interview after participating in the poll, “whether it be or financial purposes or in order to run for something again.”

19 G.O.P. Leaders Say Delaware Upset Hurts Senate Hopes

THE Tea Party movement scored another victory on Tuesday, helping to propel a dissident Republican, Christine O'Donnell, to an upset win over Representative Michael N. Castle in the race for the United States Senate nomination in Delaware.

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Mr. Castle, a moderate who served two terms as governor and had been reliably winning elections for the last four decades, became the latest establishment Republican casualty. Republican leaders, who had actively opposed Ms. O'Donnell, said the outcome complicated the party's chances of winning control of the Senate.

With all precincts reporting, Ms. O'Donnell won 53 percent of the vote to Mr. Castle's 47 percent. The primary drew 57,000 voters, a small slice of the overall electorate.

Ms. O'Donnell, a former abstinence counselor who had failed in previous attempts to win office in Delaware, won the endorsement of Sarah Palin, Senator Jim

DeMint of South Carolina and other leaders of the party's conservative wing.

"A lot of people said we can't win the general election; yes we can!" Ms. O'Donnell said. "It will be hard work, but we can win if those same people who fought against me work just as hard for me."

The results on the last big night of primaries highlighted the extent to which the Tea Party movement has upended the Republican Party and underscored the volatility of the electorate seven weeks from Election Day.

In New Hampshire, another candidate with strong backing from grass-roots conservatives, Ovide Lamontagne, was narrowly behind his main opponent, Kelly Ayotte, in the Republican primary for Senate Wednesday morning.

"In the interest of making sure all the votes are counted," Mr. Lamontagne told supporters at a rally after midnight, "we're going to continue to wait this out." In Delaware, Ms. O'Donnell's victory touched off a new round of recriminations among Republicans over the direction of their party, raising the question of whether there was still room for moderates and whether the

drive for ideological purity would cost the party victories in November. The state and national Republican Party had mounted an aggressive campaign to defeat Ms. O'Donnell, but it fell short, with Mr. Castle unable to rely on independent voters who have long formed his base of support.

"The voters in the Republican primary have spoken, and I respect that decision," Mr. Castle said, addressing crestfallen supporters who gathered in Wilmington. "I had a very nice speech prepared here, hoping I would win this race."

In Maryland, former Gov. Robert L. Ehrlich Jr. won the Republican nomination for governor, positioning him for a rematch with Gov. Martin O'Malley, a Democrat who defeated him four years ago. Mr. Ehrlich defeated Brian Murphy, an investment executive, who was endorsed by Ms. Palin.

In Wisconsin, Scott Walker, the Milwaukee County executive, won the Republican nomination for governor. He defeated Mark Neumann, a former congressman, and will face Mayor Tom Barrett of Milwaukee, a Democrat, in November.

The contests on Tuesday night were the last big cluster in a seven-month string of primaries that will come to an end when Hawaii votes on Saturday and Louisiana holds a runoff early next month. Seven members of Congress had already been defeated in their bids for re-election.

In Delaware, O'Donnell supporters who gathered at an Elks lodge in Dover began chanting "Christine! Christine!" as returns began to trickle in and her lead steadily climbed. A little more than an hour after the polls closed, the race was called for Ms. O'Donnell.

In an interview, Ms. O'Donnell said she felt confident that she would have the support of Democrats and independents (neither group could vote in Delaware's closed Republican primary). If elected in November, she said, she would "work to repeal the health care bill."

Throughout the campaign, Ms. O'Donnell was dogged by reports – many of them generated by members of her own party – that she had trouble with personal finances, had fudged her educational history and was not fit for office. But Ms. O'Donnell continued to rebut, repudiate and push on, with a hefty dose of help from the Tea Party infrastructure and rank-and-file voters who were furious at Washington

"I think she's going to make it," said Marie Bush, a supporter of Ms. O'Donnell who went to her victory rally to cheer her on. "Too many people have been slinging mud at her, and she's a survivor."

Asked what the candidate might do to attract independents or even Democrats, Ms. Bush said, "I think people are smart enough now to know the world we are living in is going wrong and we need people like her to make it right."

Republicans had been counting the Delaware seat, which was vacated by Vice President Joseph R. Biden Jr., as among those they believed they could use to reach a majority in the Senate. Party strategists said on Tuesday evening that they would assess the race this week, but that they would likely direct their money elsewhere – a sign that they believed that Ms. O'Donnell could not prevail in a general election. The Democratic nominee for the seat is Chris Coons, the county executive in New Castle County.

"There's just a lot of nutty things she's been saying that just simply don't add up," Karl Rove, the Republican strategist, said in a television interview on Fox News. "I'm for the Republican, but I've got to tell you, we were

looking at eight to nine seats in the Senate. We're now looking at seven to eight. In my opinion, this is not a race we're going to be able to win."

In New Hampshire, voters trickled into polling places for much of the day, with many precincts reporting average or lighter-than-expected turnout. Slow returns delayed the outcome, and the returns by Wednesday morning suggested the race was too close to call.

Mr. Lamontagne, 52, is a lawyer in Manchester who has French-Canadian roots and is deeply involved with the Catholic Church. He is a fiscal and social conservative who opposes same-sex marriage and abortion; Democrats have consistently labeled him as "too extreme" for New Hampshire. Over the course of the campaign, Mr. Lamontagne won straw polls at Tea Party events by large margins.

He ran for governor in 1996, defeating the more moderate party favorite in the Republican primary but losing to Jeanne Shaheen, a Democrat who was then a state senator, in the general election. Before that, Mr. Lamontagne served as chairman of the New Hampshire Board of Education for three years.

While Ms. Ayotte won Ms. Palin's seal of approval, Mr. Lamontagne secured two other valuable endorsements: that of The Union Leader, a newspaper in Manchester, in late August, and that of Mr. DeMint days before the primary.

20 Eagles' Handling of Head Injury Draws Spotlight

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ON Sunday afternoon, more than 28 million people were watching Fox's national broadcast when the Philadelphia Eagles' Stewart Bradley rose woozily, stumbled and then collapsed onto the turf. The Fox announcers Joe Buck and Troy Aikman expressed concern and even horror. Players waved frantically for medical assistance.

Less than four minutes later, Bradley, a linebacker, was sent back into the game.

Only at halftime was his injury diagnosed as a concussion.

The Eagles said afterward that they did not permanently remove Bradley at the time of his injury – per new N.F.L. rules – because their sideline exam revealed no concussion and also because no medical person saw either the hit Bradley took or his collapse to the turf.

Considering that doctors and trainers are well represented on N.F.L. sidelines and that the league has made

concussion awareness an issue this season, the Eagles' handling of Bradley's injury raises a stark question: If a concussion this glaring can be missed, how many go unnoticed every fall weekend on high school and youth fields, where the consequences can be more serious, even fatal?

According to the National Athletic Trainers' Association, only 42 percent of high schools in the United States have access to a certified athletic trainer, let alone a physician, during games or practices. In some poorer rural communities, concussed players are taken to doctors with no experience with head injuries. Youth leagues with players as young as 8 and 9 rarely, if ever, have any medical personnel on hand; when a child is hurt, a parent, assuming one is present, walks out on the field, scoops up the child and carries him or her off.

The cost of hidden head trauma among children was driven home Monday, also in Philadelphia, as a University of Pennsylvania lineman who hanged himself in April, Owen Thomas, was found to have died with the same progressive brain disease found in more than 20 N.F.L. players. Playing since age 9, Thomas never had a reported concussion; his disease silently developed ei-

ther through injuries he did not report or by thousands of subconcussive blows that accumulated over time.

Research suggests that 10 percent to 50 percent of high school football players will sustain a concussion each season, with as many as 75 percent of those injuries going unreported and unnoticed.

“Here in Rhode Island we have a state law that an athletic trainer must be at contests, but most schools are in violation,” Dr. John P. Sullivan, the University of Rhode Island’s sports psychologist, wrote in an e-mail Tuesday. “The risk is real.”

Dawn Comstock of Nationwide Children’s Hospital in Columbus, Ohio, is the nation’s principal researcher of injuries among all high school athletes, having overseen the collecting of data that suggest about 70,000 concussions occur each year in high school football. Those that are reported, that is.

“We have very little about what happens to high school brains during these hits,” Comstock said. “We have no idea at all what’s happening in kids’ brains while they’re on the youth field or community rec field.”

There have been improvements in the three years that concussions have received national attention. More than a dozen states have passed laws requiring education for coaches and requiring clearance from an appropriate medical professional before a child is allowed to return to his or her sport. (The laws often cover only public schools, however.) At Norman High School in Oklahoma last month, when a sophomore walked into the coach’s office and asked if he could try out for the team, within 15 seconds he was handed a two-page information sheet regarding concussions that he and his parents had to sign before he could play.

“That’s new this year,” the coach, Greg Nation, said. “It’s really changed.”

Acknowledging the league’s impact on young athletes, the N.F.L. asked a skeptical Congress and public to view its protocol changes last year as proof of its commitment to lead concussion awareness efforts.

N.F.L. players now must be removed for the rest of the day after a concussion is diagnosed; an independent doctor must clear the player before he can return; and a new poster warns players of head injuries with stunningly strong language. That placard even concludes, “Young Athletes Are Watching.”

Yet, when the entire football world saw the Eagles put Bradley at significant safety risk by not properly diagnosing his concussion, it only emphasized the crisis that exists in high school and youth football, where almost no one is watching at all.

Last year, the N.F.L. requested and received praise for producing the first public-service announcement geared toward educating young players about the dangers of concussions. This week it has delivered a different, less scripted, message.

21 Deutsche Telekom Is Focus of Corruption Investigation

GERMAN prosecutors on Wednesday confirmed that they had opened an investigation to determine whether executives at Deutsche Telekom, including the current chief executive, pressured government officials in Macedonia to keep competitors out of the market.



Jan van Rossum, the assistant prosecutor in Bonn, said his office took up its investigation at the request of the U.S. Justice Department and the U.S. Securities and Exchange Commission. American officials have been investigating Deutsche Telekom's dealings in the former Yugoslavia since 2006, and provided documents to prosecutors in Bonn this summer, he said. Deutsche Telekom shares were listed in the United States during the period under investigation and therefore subject to the country's anti-corruption laws.

In August, German investigators searched the homes and offices of the chief executive of Deutsche Telekom, René Obermann, and of several former board members, Mr. van Rossum said, declining to identify the other

people. The investigators took files and other documents from the offices, he said.

“This is a probe to determine if there is a basis for further investigation and charges,” Mr. van Rossum said during an interview. “We are required by law to check out whether these allegations are true or whether they can be dismissed.”

Deutsche Telekom said Mr. Obermann denied wrongdoing and was cooperating fully with the U.S. authorities.

The inquiry covers the period from 2000 to 2005, when units of the Hungarian telecommunications company, Magyar Telekom, made € 31 million, or about \$40 million at current exchange rates, in improper payments to consulting companies and lobbying firms in Macedonia and Montenegro, according to Deutsche Telekom’s own investigation. Magyar Telekom owns 51 percent of Makedonski Telekom in Macedonia as well as 77 percent of Telekom Montenegro.

Deutsche Telekom owns 59.8 percent of Magyar Telekom.

At the time, both Macedonia and Montenegro were considering opening their telecommunications markets to more competition, which would have increased the number of rivals faced by Deutsche Telekom in the Balkans.

Mr. Obermann became chief executive of Deutsche Telekom, in which the German government owns a 31.7 percent stake, in November 2006. At the time covered by the investigation, he was chief executive of T-Mobile International, the company’s mobile unit.

In a statement, Deutsche Telekom said German prosecutors were investigating whether Mr. Obermann in 2005 had threatened to withhold dividend payments at Makedonski Telekom unless government officials stopped plans to open the market to more competitors.

“The chief executive of Deutsche Telekom rejects these allegations as false,” the company said. “Deutsche Telekom does not tolerate corruption in any part of its of its business.”

The company, which is based in Bonn, said Mr. Obermann had testified several times in the continuing proceedings. Deutsche Telekom said Mr. Obermann had

been asked to appear before U.S. investigators as a witness, not as a suspect, in the case. “D.T. has fully cooperated with the U.S. investigation,” it said. “Mr. Obermann has never been a subject or target of the investigation.”

A person close to Deutsche Telekom, who refused to be identified, said that U.S. officials, after four years of studying the case, were getting ready to close their investigation. But Mr. van Rossum said that his office had not received any such indication from U.S. investigators.

An internal review of the situation made by the law firm White & Case on behalf of Deutsche Telekom concluded last December that employees at Magyar Telekom and its Macedonian and Montenegrin subsidiaries had made € 31 million in improper payments to 20 local lobbying and consulting companies, including some incorporated in Cyprus.

The report found that unidentified employees at the companies had destroyed documentation regarding the payments in 2006. But it did not uncover any direct payments to Macedonian government officials or involvement by senior executives at Deutsche Telekom.

22 Twitter Revamps Its Web Site

TWITTER unveiled a new Web site on Tuesday that it hopes will be user friendly.

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The redesigned site, which will be available to all users in the next few weeks, makes it simpler to see information about the authors of Twitter posts, conversations among Twitter users, and the photos and videos that posts link to.

“It’s going to increase the value that people are getting out of Twitter, so in less time you can get more information and value,” Evan Williams, Twitter’s co-founder and chief executive, said in an interview. He had the idea for the redesign and has spent much of his time in the last few months working with Twitter engineers on the site. He has said he was surprised that so many people use the service – 160 million – given how difficult its Web site is to navigate.

That large audience is appealing to advertisers, but the unappealing Web site has not been a welcoming place for them. Twitter, which has raised \$160 million in

venture capital, has slowly started to run ads called Promoted Tweets that people see when they search the site. Mr. Williams said the new site would improve ads “because there’s going to be more real estate and more engagement.”

Twitter’s new Web site could threaten the many start-ups that build apps, like TweetDeck, Brizzly and Seesmic, to make Twitter easier to use and to provide users with more sophisticated tools.

Even though 78 percent of Twitter’s unique users gain access to the service through its Web site, the site has had some major flaws. Twitter has not been able to funnel resources into redesigning the site until now, Mr. Williams said, because the company has had trouble keeping up with its growth, even struggling to keep its Web site from crashing.

If people want to learn more about the author of a post, for instance, they must go to a new page. It has been almost impossible to follow a conversation between two Twitter users. And while a quarter of the posts contain links, if people post a link to a photo, readers have not been able to see the picture without going to a new site.

On the new Twitter Web site, people see two panes instead of a single timeline of posts. The timeline stays in the left pane. In the right pane, they can see more information about posts – like biographies of authors, photos and videos to which posts link – and conversations that spring from a particular post. This eliminates the need to click back and forth.

Mr. Williams said the new site was not designed for the sake of advertisers, but the experience of viewing ads would improve. For example, when a movie studio puts out a “sponsored tweet” for a film with a link to the trailer, users will be able to see the trailer without leaving the Twitter site.

Borrowing an idea from image searching on Google and Bing, Twitter now shows a continuous stream of posts so people do not need to click “more” to view additional posts.

Twitter, which was founded in 2006, has grown so quickly in part because it opened its technology to thousands of software developers outside the company who have built Twitter tools.

But as Twitter has matured, it has angered many of those developers by building similar tools itself or acquiring

the start-ups that built the tools, limiting opportunities for competing app developers. Last spring, for example, it bought Atebits, which made a Twitter iPhone app called Tweetie, and turned it into the official Twitter for iPhone app.

Other start-ups worry that if Twitter builds its own tools, they will go out of business. Indeed, mobile Twitter users now reach Twitter through the company's own iPhone and BlackBerry apps more than through any others, according to the company.

"We've made it pretty clear that we are going to create the best experiences we can with all our clients," Mr. Williams said. "We made it clear to developers that it's great for everyone if we make it as good as possible, because that will create more successful Twitter users."

23 Russians Embrace Yoga, if They Have the Money

ONE hallmark of the yuppie lifestyle adopted by Russians lucky or talented enough to afford it is a fondness for yoga and many things Indian. For this crowd, Goa is a popular vacation spot, and Indian clothes, furniture and food are necessary accoutrements.

This week, which has been designated Yoga Week in the country, Russians also got a guru: Sri Sri Ravi Shankar, who went on a whirlwind tour visiting St. Petersburg; Moscow; Kazan; Irkutsk; Sochi and the site of a new ashram in nearby Tuapse.

The confluence of Mr. Shankar's philosophy and Russian society turned up some incongruities. At a seminar called "Ethics in Business" at the Ritz-Carlton, among Moscow's most expensive hotels, Mr. Shankar told a ballroom full of well-dressed people, who paid 5,000 rubles, or close to \$200, a ticket, about Vedic philosophy and the spiritual subtext of corruption.

"Corruption begins outside the purview of belongingness," he said, in response to a question about how to

battle corruption, so endemic in Russia that President Dmitri Medvedev and Patriarch Kirill of the Russian Orthodox Church regularly inveigh against it.

The only way to overcome corruption, he said, was “to reorient people, educate them,” adding “the governments, religious bodies, NGO’s, business, all of them have to work together.”

Yoga, which was officially taboo in Soviet times but retained an underground following, has been embraced by Russia’s elite. In 2007, shortly before he became president, Mr. Medvedev told *Itogi* magazine that he was “mastering yoga,” as one activity that helps him deal with the stress of political obligations.

That immediately led to speculation that yoga would become a national pastime, as judo has under Vladimir Putin, a black belt in the sport who is regularly photographed displaying his mastery.

Mr. Medvedev has not been photographed in the lotus position. But, in Moscow at least, yoga studios have become almost as ubiquitous as coffee shops and sushi bars, and yoga is an essential part of elite health clubs.

Mr. Shankar’s Art of Living Foundation, which was started with the vision of creating a stress-free society, has its Russian headquarters in a Moscow business center. The organization, saying it sought to help to alleviate stress, sent instructors to North Ossetia to work with victims of the school hostage-taking in Beslan in 2002, and to Tskhinvali in South Ossetia after Russia’s war with Georgia in 2008, and it has also worked with the Russian military.

On Sunday, Mr. Shankar drew about 1,000 people to Luzhniki Stadium for a meditation session. It did not compare to the tens of thousands who came to see Bono and U2 recently at the same venue, but the attendance was sizable for a rainy September morning, with tickets ranging from 1,500 to 3,000 rubles.

Retirees and students got a 50 percent discount, but there were also Louis Vuitton bags and Burberry blankets among the yoga mats. Followers were offered the opportunity to join Mr. Shankar for a river cruise in the evening, at 5,000 rubles for a full-price ticket.

Some forms of yoga are regarded as dangerous sects by the Russian Orthodox church, which also warns that sects hide behind good deeds, but there were no

widely publicized protests over Mr. Shankar's tour from either the church or Muslim leaders in Kazan, capital of Tatarstan in central Russia. Vissarion, a Siberian cult leader who was once a traffic policeman but now calls himself Jesus Christ, was welcomed by Mr. Shankar at his ashram near Bangalore, India in 2008, which was noted with concern by cult watchers in Russia.

At Luzhniki Stadium, Lena Savina, a 27-year-old hairdresser, said she had changed for the better since she took up yoga 18 months ago, following her mother's example.

"Those around me really feel and see this," she said. "It helps at work, in the family, in relations with friends. It teaches such discipline, to control emotions. We are very subject to emotions."

Ms. Savina said it helped people avoid misunderstandings at work. "You need to breathe, calm down, and move on, so this doesn't happen."

Of Mr. Shankar, she said: "It is rare for such an enlightened person to visit Russia."

Margarita Zakarina, 47, from the city of Ufa in Bashkortostan, said the Art of Living movement saved her after

a fire destroyed her apartment and killed her husband. "I didn't want to live," she said. "After the course, I understood that life is given once."

Stanislav Vintslav, 49, a lawyer, took up yoga a year ago and credited it for being able to quit smoking. He bought a discounted ticket to the Luzhniki event at the recommendation of his instructor, but was angry that Mr. Shankar made only a 45-minute appearance, and doubts that yoga or deep breathing could cure Russia's larger ills. "I don't have illusions," he said.

Mr. Shankar also cut short his visit to Y Club, a new yoga and lifestyle center opened by his followers in a basement in one of central Moscow's most fashionable areas. He raced through the grunge-chic basement, with exposed brick walls, dim lighting, Indian music and scattered rose petals, cringing visibly when asked by Tatiana Gevorkian, a former Russian MTV host who was the emcee for the event, about being rated as one of the five most influential people in India, by Forbes magazine. (Russians are obsessed with the Forbes billionaire rankings, which are filled with Russian oligarchs.) "Love is the greatest wealth," Mr. Shankar said, before leaving because of an allergic reaction to construction dust as final touches are added to the new center, according to

Natalia Sukhomlinova, who handles public relations for the Y Club.

24 Once Wary, Obama Relies on Petraeus

WHEN President Obama descended into the White House Situation Room on Monday for his monthly update on Afghanistan and Pakistan, the new top American military commander, Gen. David H. Petraeus, ticked off signs of progress.

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Come December, when the president intends to assess his Afghan strategy, he will be able to claim tangible successes, General Petraeus predicted by secure video hookup from Kabul, according to administration officials.

The general said that the American military would have substantially enlarged the “oil spot” – military jargon for secure area – around Kabul. It will have expanded American control farther outside of Kandahar, the Taliban heartland. And, the aides recalled, the general said the military would have reintegrated a significant number of former Taliban fighters in the south.

“He essentially promised the president very bankable results,” one administration official said. (Others in the

room characterized the commander's list more as objectives than promises.) Mr. Obama largely listened, asking a few questions, and two hours later, the White House sent an e-mail to reporters using language that echoed the general's.

But even inside an administration that is pinning its hopes, both military and political, on the accuracy of the general's report, there are doubters. Assessments from intelligence officials are far more pessimistic, and Mr. Obama regularly reviews maps that show how the Taliban have spread into areas where they had no major presence before.

And some military officers, who support General Petraeus's counterinsurgency strategy and say he readily acknowledges the difficulties ahead, caution that the security and governance crisis in Afghanistan remains so volatile that any successes may not be sustainable.

How that tension plays out in coming months – the guarded optimism of a popular general leading an increasingly unpopular war, and the caution of a White House that prides itself on a realism that it says President George W. Bush and his staff lacked – will probably define the relationship between Mr. Obama and his field

commander. General Petraeus, who led the Iraq surge and was a favorite of Mr. Bush, has slowly worked himself into the good graces of a president who was once wary of him.

So far, the two men appear to be meshing well, advisers say. The men “are actually somewhat similar in temperament and style,” said Benjamin Rhodes, the National Security Council's director of strategic communications. Both are meticulous, even-keeled and matter of fact, and both like to do their homework, studying detailed reports.

Since General Petraeus took on the commander's job in June, several aides said, the president has struck a more deferential tone toward him than he used with Gen. Stanley A. McChrystal, General Petraeus's predecessor. Often during pauses in meetings, one White House official said, Mr. Obama will stop and say, “Dave, what do you think?”

Like no other figure today, General Petraeus has stepped into Gen. Colin L. Powell's shoes as the face of the military to ordinary Americans, particularly as the White House extols the end of the combat mission in

Iraq, which was largely made possible by the troop surge that General Petraeus orchestrated.

For Mr. Obama, that may be a blessing and a curse. General Petraeus has made clear that he opposes a rapid pullout of troops from Afghanistan beginning next July, as many of the president's Democratic allies would like. Some in the White House, with an eye on the 2012 presidential election, fear that the general may already be laying the foundation for keeping a large force in Afghanistan for a long while.

Defense Secretary Robert M. Gates said Thursday that the unresolved question was whether the "campaign plan" for Afghanistan was working.

"The evidence that General Petraeus is seeing so far suggests to him that it is, and both on the civilian and the military side, not just the military side," Mr. Gates told reporters. "But he is cautious, and I will be cautious."

The new alliance between Mr. Obama and General Petraeus holds risks for the general as well as the president. In taking on Afghanistan, he is risking his reputation as perhaps the greatest general of his generation on a war that many people think will end in a stalemate. Even

if General Petraeus's strategy is a solid one, few believe Mr. Obama will commit the time and resources – many years and hundreds of billions of dollars – needed to test the Petraeus thesis.

General Petraeus has a history of early optimistic assessments that proved largely correct; one dates back to the Iraq surge, over which he and Mr. Obama first butted heads. Military officials say that during the early days of the surge, General Petraeus cited what his staff termed "leading indicators" of progress, even when much of the private and public discussion of the war effort was still negative. (During one Senate hearing with General Petraeus, then-Senator Obama accused the Bush administration of setting "the bar so low that modest improvement in what was a completely chaotic situation" was considered success.)

While General Petraeus's track record in Iraq may give added weight to his analysis on Afghanistan, the two wars are radically different in Mr. Obama's mind, his aides said. During meetings at the White House, the general "always brings up Iraq," one senior administration official said.

While Mr. Obama asked General Petraeus last fall to assemble the lessons learned in the Iraq surge that could

be applied in Afghanistan, the president, by and large, “remains focused on Afghanistan,” the official said.

Some officials would speak only on background about interactions they had witnessed in confidential meetings.

In preparation for this fall’s review of the strategy in Afghanistan, Mr. Obama’s first request of General Petraeus was for new and better ways to measure success or setbacks; the general presented them on Monday.

He started with familiar measures: how many Afghan troops have been trained and how many operations have focused on Taliban strongholds in places like Kandahar and Helmand.

Then General Petraeus added three others: one looking at local security initiatives enacted by the Afghan police, another at the pace of “reintegration” of former members of the Taliban and a third looking at the successes of attacks by American Special Operations forces.

“These are more specific,” said one adviser to the president. “With McChrystal, it was ‘You’ll know victory when you see it.’ The president has asked for a lot more visibility into what’s happening.”

Mr. Obama gets a wider view from intelligence reports, chiefly from the C.I.A. and the Defense Intelligence Agency, that land on his desk weekly. They assess whether President Hamid Karzai’s government is preparing to survive on its own, or whether the Taliban can successfully retreat to their safe haven in Pakistan to prepare new attacks. Those longer-range assessments have been significantly more pessimistic than General Petraeus’s measures of battlefield progress.

Some national security experts say that the fate of General McChrystal – now on the lecture circuit making \$60,000 a speech – and the fired general before him, Gen. David D. McKiernan, means Mr. Obama must make things work with General Petraeus, lest he appear unable to get along with his commanders.

“If they have a falling out, it’s not at all clear that the public would necessarily side with the president the way they did in the McChrystal incident,” said David Rothkopf, a former Clinton administration official.

Added Leslie H. Gelb, president emeritus of the Council on Foreign Relations: “They are joined at the hip, but the leverage lies with Petraeus. And Petraeus has made plain, publicly, that after July 2011, he doesn’t think there should be a rapid pullout.”

25 Roma, on Move, Test Europe's 'Open Borders'

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THIS city is full of stark, Soviet-era housing blocks, and the grimmest among them – gray towers of one-room apartments with communal bathrooms and no hot water – are given over to the Roma population.

Roma like Maria Murariu, 62, who tends to her dying husband in a foul-smelling room no bigger than a jail cell. She has not found work in five years.

“There is not much for us in Romania,” she said recently, watching her husband sleep. “And now that we are in the European Union, we have the right to go to other countries. It is better there.”

Thousands of Romania's Roma, also known as Gypsies, have come to a similar conclusion in recent years, heading for the relative wealth of Western Europe, and setting off a clash within the European Union over just how open its “open borders” are.

A summit meeting of European leaders on Thursday degenerated into open discord over how to handle the unwanted immigrants. President Nicolas Sarkozy of France

vowed to keep dismantling immigrant camps and angrily rejected complaints from European Commission officials that the French authorities were illegally singling out Roma for deportation.

Migration within the 27 nations of the European Union has become a combustible issue during the economic downturn. The union's latest expansion, which brought in the relatively poor nations of Romania and Bulgaria in 2007, has renewed concern that the poor, traveling far from home in search of work, will become a burden on wealthier countries. The migration of the Roma is also raising questions about the obligations of Romania and Bulgaria to fulfill promises they made when they joined the union. Romania, for instance, mapped out a strategy for helping the Roma, but financed little of it. Mr. Sarkozy has demanded that the Romanian government do more to aid the Roma at home.

Much of Western Europe has reacted with hostility to itinerant Roma, who often have little education or practical skills. Some Roma have found marginal jobs collecting scrap iron or painting houses. But others have signed up for welfare or drifted into begging and petty thievery, living in unsightly camp sites.

In recent weeks, Mr. Sarkozy has tried to revive his support on the political right by deporting thousands of them, offering 300 euros, about \$392, to those who go home voluntarily, and bulldozing their encampments.

The European Commission has threatened legal action against Paris over the deportation, calling it disgraceful and illegal.

The dispute peaked at lunch Thursday between Mr. Sarkozy and José Manuel Barroso, the president of the commission, the European Union's executive body.

"There was a big argument – I could also say a scandal – between the president of the European Commission and the French president," said the Bulgarian prime minister, Boyko Borisov, according to the Bulgarian daily Dnevnik.

Mr. Sarkozy denied a major rift, and remained unswayed. "We will continue to dismantle the illegal camps, whoever is there," he said at a news conference. "Europe cannot close its eyes to illegal camps."

Expulsions seem unlikely to offer a long-term solution. Many of the deported Roma are already planning their return.

Privately, some Romanian officials snicker over the French action. "They are just giving the Roma a paid vacation," one official said.

Still, advocates for the Roma hope that the latest conflict will force the European Union to get serious about helping the Roma, who are openly reviled in most Eastern and Central European countries where they have lived in large numbers for centuries, most often under appalling conditions.

"There is nothing to focus the minds of policy makers like an army of poor people heading your way," said Bernard Rorke, the director of Roma Initiatives for the nonprofit Open Society Foundation.

There is little reliable data on the Roma population. Originally from India, the Roma were virtual slaves until the 19th century, working for aristocrats and in monasteries.

When democracy took hold, they were freed. But they were landless, uneducated and dark-skinned, and they had few prospects.

Human rights activists say that Roma women are often sent to separate maternity wards. Their children, when they attend school, are frequently steered into classes for the mentally handicapped.

In Romania, one census counted 500,000 Roma. But some advocates say the number is closer to two million.

Those who make it out of abject poverty rarely admit their ancestry – a factor that makes it harder for Roma to combat the discrimination they face, advocates say.

In the years that Romania was negotiating to get into the European Union, it promised programs to help the Roma integrate into Romanian society.

But government officials concede that few materialized. “I think you will see the current administration do better,” said Ilie Dinca, the director of the Romanian National Agency for Roma.

Budget cutbacks have hurt the few successful efforts that exist. Hundreds of mediators hired to help the Roma

get their children into school and receive health benefits have been fired recently.

“What you see here these days is terrible conditions,” said Nicolae Stoica, who runs Roma Access, an advocacy group. “They have no hope of getting jobs. If they get 20 euros a month from collecting scrap metal, that’s a lot. How can we tell them not to go to France and beg on the streets?”

Flortina Ghita, 21, said her family once lived in a building in the center of Constanta, Romania’s second largest city. But city officials evicted them, saying the buildings had structural damage. The family now lives in shacks made of carpets, scraps of corrugated tin and plastic sheeting set up not far from railroad tracks. The only source of water is a train station more than a mile away.

Mrs. Ghita said her family had been told to fill out forms to get housing, but no one can read. Her son, Sorim, 5, is not in school, she said, because she cannot afford the clothing, notebooks and class fees.

Still, the Ghita family was savvy enough about Europe. Mrs. Ghita had paperwork showing that her mother had

been to Belgium for medical care. “Her sister lives there and she helped us,” Mrs. Ghita said.

Experts say the Roma population has been battered by a combination of factors. Crafts that once sustained them, such as making brass pots and shoeing horses, are now obsolete. Recent European regulations standardizing the sale of livestock pushed them out of one of their few remaining businesses because they could not handle the required paperwork.

Some aspects of Gypsy culture have not helped matters, experts say. It is a clannish, strongly patriarchal society where youngsters are pushed into early marriage and education has not been much valued.

Not all Roma are poor, however. In the village of Barbulesti, about 40 miles northeast of Bucharest, there are signs of success. The village is a bright cluster of mustard- and ketchup-colored houses, with gaudy turrets and ornate gutters, many still under construction.

The village has a Roma mayor, Ion Cutitaru, 59, the only one in the country, he says. He estimates that a third of the village’s 7,000 residents have moved to Western

Europe. They look for work there, he says, but beg when they can find nothing else.

“They make do,” he said, “and then they come back and build their houses.”

Twenty-eight Roma residents from Barbulesti were recently expelled from France. Among them was Ionel Costache, 30, who said he would return to France in a week or two.

“My son, who had eye problems, he got a 7,000-euro operation there that he would never have gotten here. And when you don’t have work, you can still eat with their social assistance,” he said. “France is a much better place than Romania.”

26 In Britain, Pope Criticizes Response to Abuse Crisis

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POPE Benedict XVI arrived Thursday in Scotland, offering his strongest criticism yet of the Roman Catholic Church's handling of the sexual abuse crisis. He said that church leaders had not been "sufficiently vigilant" or "sufficiently swift and decisive" in cracking down on abusers.

While Benedict was received graciously by Queen Elizabeth II in Edinburgh and thousands turned out for an open-air Mass in Glasgow, the visit was taking place under the dark shadow of the sexual abuse scandals, which have shaken even the faithful in nearby Ireland, in his native Germany and elsewhere in Europe.

Protests were planned by atheists and gay and human rights activists incensed by the pope's handling of the scandals and by others opposed to the church's stance on social issues. Centuries after the Church of England split from Rome, some Anglicans are wary of the Vatican's recent efforts to draw traditionalists to Roman Catholicism. That the occasion for the visit is the beatification of

Cardinal John Henry Newman, England's most famous Catholic convert, has only added to their suspicions.

Ahead of the pope's four-day visit, one of Britain's most prominent Catholic leaders spoke about the wounds left by the church's failures in the abuse cases.

"The church has made a mess of its response to incidences of child abuse," said Archbishop Vincent Nichols, the head of the Roman Catholic Church in England and Wales. "There is nothing to be said to excuse the crimes committed by members of the clergy against children. The damage that is done strikes at the core of the person: in the capacity to trust another, in their capacity to love another and – especially in the context of the church – in their capacity to believe in God."

Perhaps mindful of such criticism, Benedict told reporters on his flight from Rome that the church's "first interest is the victims" of abuse, and that the church needed to ask, "How can we repair, what can we do to help them to overcome the trauma, to refind their lives?"

Responding in Italian to reporters' questions submitted in advance and relayed to him by Vatican officials, the

pope's words marked an evolution in the Vatican's response. In the heat of the crisis last spring, top Vatican officials at first blamed the news media for stirring it up.

Critics quickly pounced on the statement, calling it evasive and out of touch. In a statement, the United States-based group Bishopaccountability.org, which tracks abuse cases, said the pontiff's words "ring hollow," adding that he had said similar things for years with little action.

"In researching this crisis for seven years, we have not found one documented instance before 2002 of a top church official contacting civil authorities to report an allegation of sexual abuse," the group said.

Benedict's visit to Britain comes as part of his sustained effort to counter a perceived loss of religious belief in Europe and to urge a new struggle against secularism.

Benedict's is the first state visit to Britain by a pope in which he is meeting the queen and political establishment as a fellow head of state. In 1982, John Paul II paid a pastoral visit to Britain, but did not meet Prime Minister Margaret Thatcher, and was received by the queen privately.

The pope's first appointment on Thursday was with Elizabeth and Prince Philip at the Palace of Holyroodhouse, a medieval castle in Edinburgh that is the queen's official residence in Scotland and a place that figures large in the history of the schisms within Christianity that marked Britain's evolution as a nation.

It was at Holyroodhouse that Mary Queen of Scots lived during her brief reign as the Catholic queen of Scotland, only to be executed in 1587 by Henry VIII's daughter Queen Elizabeth I of England. Henry had broken with Rome earlier in the 16th century, provoking centuries of anti-Catholic passions that linger still in parts of Britain.

Benedict said he was eager to visit a society often critical of the church. "Naturally, Great Britain has had a history of anti-Catholicism as we all know, but also a history of great tolerance," he told reporters.

In Scotland, crowds were not as tumultuous as those that had greeted John Paul – British news reports said many tickets for papal events during Benedict's visit remained unclaimed – but the mood for the pope's arrival was upbeat.

People lined the streets in Edinburgh as the papal motorcade passed, many of them waving the Scottish flag

and cheering. Inside his vehicle, with a blue-and-green Scottish tartan scarf draped over his white papal robes, the pope smiled broadly as he made the sign of the cross.

Benedict used his visit with the queen – the formal head of the Church of England, a church whose relationship with Roman Catholicism remains uneasy – to evoke what he depicted as Britain’s drift from Christianity, saying the country should “not obscure the Christian foundation that underpins its freedoms.”

“Even in our own lifetime, we can recall how Britain and her leaders stood against a Nazi regime that wished to eradicate God from society and denied our common humanity to many, especially the Jews, who were thought unfit to live,” the pope said in English, speaking as Britons mark the 70th anniversary of the Battle of Britain, a turning point of World War II.

He also cited the “Nazi tyranny” as an example of “the sobering lessons of atheist extremism in the 20th century,” prompting an angry response from the British Humanist Association, one of the country’s leading atheist organizations. “The notion that it was the atheism of the Nazis that led to their extremist and hateful views, or that it somehow fuels intolerance in Britain today, is

a terrible libel against those who do not believe in God,” the group said in a statement.

Last year, the Vatican upset many Anglicans when it announced a fast-track conversion to Catholicism aimed at Anglican traditionalists uncomfortable with that church’s acceptance of female priests and openly gay bishops. (So far, it seems, few Anglicans have accepted the offer.)

On Friday, Benedict is expected to meet with the archbishop of Canterbury, Rowan Williams, and the two are to participate in a rare ecumenical service in Westminster Abbey, where the pope is expected to deliver the central speech of his visit.

27 Senate Panel Approves Arms Treaty With Russia

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PRESIDENT Obama's arms control treaty with Russia advanced to the Senate floor with bipartisan support on Thursday, giving it a major boost toward ratification despite the election-year polarization that has divided the parties over so many other issues.

The Senate Foreign Relations Committee voted 14 to 4 to approve the treaty known as New Start, with three Republicans joining Democrats after negotiating an accompanying resolution addressing conservative concerns about missile defense and modernization of the nuclear arsenal.

The vote was a rare instance in which Mr. Obama has won more than token Republican support for a signature initiative. But he still faces a battle to secure final approval on the Senate floor, where under the Constitution the treaty needs a two-thirds vote, meaning at least eight Republicans. With many Republicans still opposed, Democrats are likely to delay a floor vote until a lame-duck session after the election on Nov. 2.

Mr. Obama considers the treaty one of his most tangible foreign policy achievements and the centerpiece of his effort to rebuild relations with Russia after years of tension.

Signed by Mr. Obama and President Dmitri A. Medvedev in Prague in April, the treaty would bar each side from deploying more than 1,550 strategic nuclear warheads or 700 launchers starting seven years after final ratification.

Perhaps just as significantly, it would establish a new inspection and monitoring regime to replace the long-standing program that lapsed last year with the expiration of the first Strategic Arms Reduction Treaty of 1991, or Start. The nine months since the end of that treaty have been the only period since the cold war when the two nuclear powers did not have a system for exchanging information and allowing inspectors on the ground.

"This is an historic vote that renews the bipartisan tradition that's vital in tackling the grave threat posed by nuclear weapons," said Senator John Kerry, Democrat of Massachusetts and the committee chairman. "This bipartisan vote sends an important signal that even in the most partisan, polarized season, ratifying this treaty

is not a matter of politics. It's a national security imperative."

In an interview afterward, Mr. Kerry expressed confidence that enough Republicans would join to pass the agreement on the floor, but acknowledged that it was unlikely to receive the overwhelming vote that past arms control treaties had received. "I hope that we can ratify it by the end of the year," he said. "In today's world, if we get about 70 or 70-plus, it would be a very big victory."

Mr. Kerry worked closely with the White House and his Republican counterpart, Senator Richard G. Lugar of Indiana, to shape a resolution of ratification that would bring over several Republicans. Mr. Lugar offered a final draft dealing with concerns of his fellow Republicans, winning the support of Senators Bob Corker of Tennessee and Johnny Isakson of Georgia.

"Rejecting this treaty would inhibit our knowledge of Russian military capabilities, weaken our nonproliferation diplomacy worldwide and potentially reignite expensive arms competition that would further strain our national budget," Mr. Lugar said.

But dissenting Republicans contended that the treaty would undercut national security by giving Russia a

tool to fight against American plans to build a missile defense system in Europe. They argued that Russia has skirted the requirements of other treaties in the past and could not be trusted, and they contended that the treaty would potentially limit new conventional missile programs.

"Under this treaty, the U.S. allows limits on missile defense and conventional prompt global strike, while accepting weakened verification measures," Senator Jim Risch of Idaho said. "It is unclear what concessions were made by Russia."

The resolution of ratification offered by Mr. Lugar with Mr. Kerry's support would not alter the treaty itself, but would set out the Senate's understanding of what the pact means, a common way for lawmakers to put their stamp on a treaty without reopening negotiations.

Among other things, it reaffirmed that the treaty imposes no limitations on missile defense beyond a clause barring the United States from using old intercontinental missile silos or submarine launchers for antimissile interceptors.

It likewise made clear that the treaty would not prevent the United States from developing systems to use long-range missiles with conventional rather than nuclear warheads.

During a break in the panel's deliberations on Thursday, Mr. Kerry, Mr. Lugar and administration officials huddled in a back room with one of the treaty's most outspoken Republican critics, Senator Jim DeMint of South Carolina. They agreed to add additional language he wanted expressing the desire to move beyond mutually assured destruction as a nuclear strategy.

In the end, Mr. DeMint missed the final committee vote, and his office did not respond to a request for comment. His fellow Republicans – Mr. Risch and Senators John Barrasso of Wyoming, Roger Wicker of Mississippi and James M. Inhofe of Oklahoma – voted against the treaty.

Mr. Lugar's resolution also laid out a commitment to modernize the nation's nuclear weapons complex, a top Republican priority, although it is not binding. The Obama administration has proposed a 10-year plan to upgrade the nuclear complex, but Republicans led by Senator Jon Kyl of Arizona have been pushing to lock in the commitment as much as possible and make sure enough money will be available.

Mr. Kyl, the Senate's second-ranking Republican, had no comment on Thursday. Mr. Corker made clear this week that while he was voting yes in committee, he still wanted

a firmer commitment on modernization money before supporting the treaty on the floor. That suggests several more weeks of negotiations to find an accommodation.

28 U.S. Steps Up Criticism of China's Practices

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THE Obama administration increased its criticism of China's economic policies on Thursday, as Treasury Secretary Timothy F. Geithner told Congress that China had substantially undervalued its currency to gain an unfair trade advantage, tolerated theft of foreign technology and created unreasonable barriers to American imports.

But the election year anger from lawmakers seemed to surpass even Mr. Geithner's tougher posture. Lawmakers expressed impatience with the administration's familiar reliance on persuasion and negotiation, saying such tactics had yielded little.

In Beijing, a spokeswoman for the Foreign Ministry said that China would not respond to pressure and that a revaluation of the currency, the renminbi, would do little to affect the United States trade deficit with China. But the renminbi strengthened by 0.27 percent to end trading at 6.72 per dollar Thursday as the government appeared to belatedly permit the greater currency flexibility it had promised in June.

Dismay over China's currency interventions – it buys about \$1 billion a day to maintain the renminbi's peg to the dollar – has been a recurring theme for years. The election-season rhetoric, the carefully calibrated strengthening of the Chinese currency on the eve of Mr. Geithner's appearance, and the administration's struggle to negotiate a diplomatic line set the stage for predictable political theater.

But now, with the United States in a stalled economic recovery and lawmakers facing a restive electorate, the administration is clearly looking for alternative ways to bring pressure on the Chinese.

Mr. Geithner urged China to allow “significant, sustained appreciation” of its undervalued currency and even suggested that anything less would strain the relations of the world's two largest economies. He made it clear that President Obama would press the issue with China's leaders, giving rise to a potentially pivotal moment in November when leaders of the Group of 20 economic powers meet in South Korea.

Still, Mr. Geithner's plan did not appear to mollify lawmakers.

“There is no question that the economic and trade policies of China represent clear roadblocks to our recovery,” Senator Christopher J. Dodd, Democrat of Connecticut and the chairman of the Banking Committee, told Mr. Geithner at a hearing. “I’ve listened to every administration, Democrats and Republicans, from Ronald Reagan to the current administration, say virtually the same thing, producing the same results. China does basically whatever it wants, while we grow weaker and they grow stronger.”

Mr. Dodd, who is not seeking re-election, added: “It’s clearly time for a change in strategy.”

Successive administrations have declined to formally designate China a currency manipulator – a finding that could initiate American retaliatory measures – something that has frustrated lawmakers.

“There is no question that China manipulates its currency in order to subsidize Chinese exports,” said the top Republican on the committee, Senator Richard C. Shelby of Alabama. “The only question is, Why is the administration protecting China by refusing to designate it as a currency manipulator?”

Pointing to Mr. Geithner, Charles E. Schumer, Democrat of New York, said: “I’m increasingly coming to the view that the only person in this room who believes China is not manipulating its currency is you.”

Mr. Geithner avoided using any version of the word “manipulation,” making it clear that he thought such a finding would only antagonize the Chinese without having much practical effect beyond requiring American officials to engage in talks – something the administration has already been doing.

Partly in response to American pressure, China permitted the renminbi to rise about 20 to 25 percent from 2005 to 2008, but then stopped the currency from strengthening as the financial crisis threatened the strength of its export-oriented economy.

C. Randall Henning, a political scientist in the School of International Service at American University in Washington and an authority on exchange-rate policy, said it was in China’s interest to allow the renminbi to rise in value. The currency interventions have raised the threat of inflation and asset bubbles, hurt the poorer sectors of the country’s economy and depressed domestic consumption.

But export interests dominate policy-making within the Chinese government, and consumers have little voice within the communist regime, so “we are likely to see policy shift toward appreciation only when price stability, financial stability or exports are threatened,” Mr. Henning said.

Business interests in the United States are sharply divided on the currency issue. Domestic manufacturers and labor unions say that China’s currency policies have eviscerated industrial employment. But large multinational companies, particularly those with extensive production facilities in China, benefit from a weak renminbi just as Chinese manufacturers do.

Those companies, along with Wall Street firms, are fearful – as Mr. Geithner acknowledged – that excessive pressure could lead China to retaliate against their operations in China. In the worst case, they are worried that the two countries could get mired in a trade war.

A House bill with more than 140 sponsors would virtually compel the administration to find China to be a manipulator and impose duties or other trade barriers in retaliation. Mr. Geithner does not support the proposal, which the administration says would violate

United States obligations as a member of the World Trade Organization.

Mr. Geithner said the Treasury would “take China’s actions into account” in preparing the administration’s next foreign exchange report, which is due to Congress on Oct. 15 but will probably be delayed, as previous reports have been, as officials continue to talk to the Chinese.

The secretary also laid out other concerns about China’s policies, including “indigenous innovation,” a set of practices that American officials say result in discrimination against foreign products and technology.

The secretary attacked what he called “rampant” violations of intellectual property rights and an “unacceptable” level of theft of technology.

He also criticized a proposal by China to require that certain products be accredited before being sold to its government. The United States says that such requirements might violate standards of the W.T.O., which China joined in 2001.

Mr. Geithner pledged that the administration would be “aggressively using the full set of trade remedies available

to us,” including filing new cases with the W.T.O. The United States trade representative’s office filed two such cases on Wednesday.

He said the administration was “reviewing carefully” a complaint by the United Steelworkers union over Chinese practices in the renewable energy sector.

29 Teaching Doctors About Nutrition and Diet

WITHIN days of being accepted into medical school, I started getting asked for medical advice. Even my closest friends, who should have known better, got in on the action.

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“Should I take vitamins?”

“What do you think of this diet?”

“Is yogurt good for me or not?”

Each and every time someone posed such a query, I became immediately cognizant of one thing: the big blank space in my brain. After all, even with medical school acceptance in hand, I was no more a doctor than they were.

But I also soon realized that many of their questions had nothing to do with medications or operations, or even diseases. With all the newspaper and television reports

about newly discovered carcinogens and the latest diets and miracle nutrients, what my friends and acquaintances really wanted to know was just what they should or should not eat.

Years later, as a newly minted doctor on the wards seeing real patients, I found myself in the same position. I was still getting a lot of questions about food and diet. And I was still hesitating when answering. I wasn't sure I knew that much more after medical school than I did before.

One day I mentioned this uncomfortable situation to another young doctor. "Just consult the dietitians if you have a problem," she said after listening to my confession. "They'll take care of it." She paused for a moment, looked suspiciously around the nursing station, then leaned over and whispered, "I know we're supposed to know about nutrition and diet, but none of us really does."

She was right. And nearly 20 years later, she may still be.

Research has increasingly pointed to a link between the nutritional status of Americans and the chronic diseases that plague them. Between the growing list of diet-related diseases and a burgeoning obesity epidemic,

the most important public health measure for any of us to take may well be watching what we eat.

But few doctors are prepared to effectively spearhead or even help in those efforts. In the mid-1980s, the National Academy of Sciences published a landmark report highlighting the lack of adequate nutrition education in medical schools; the writers recommended a minimum of 25 hours of nutrition instruction. Now, in a study published this month, it appears that even two and a half decades later a vast majority of medical schools still fail to meet the minimum recommended 25 hours of instruction.

Researchers from the University of North Carolina at Chapel Hill asked nutrition educators from more than 100 medical schools to describe the nutrition instruction offered to their students. While the researchers learned that almost all schools require exposure to nutrition, only about a quarter offered the recommended 25 hours of instruction, a decrease from six years earlier, when almost 40 percent of schools met the minimum recommendations. In addition, four schools offered nutrition optionally, and one school offered nothing at all. And while a majority of medical schools tended to intersperse lectures on nutrition in standard, required courses, like

biochemistry or physiology, only a quarter of the schools managed to have a single course dedicated to the topic.

“Nutrition is really a core component of modern medical practice,” said Kelly M. Adams, the lead author and a registered dietitian who is a research associate in the department of nutrition at the university. “There may be some pathologists or other kinds of doctors who don’t encounter these issues later, but many will, and they aren’t getting enough instruction while in medical school.”

For the last 15 years, to help schools with their nutrition curriculum, the University of North Carolina has offered a series of instruction modules free of charge. Initially delivered by CD-ROM and now online, the program, Nutrition in Medicine, is an interactive multimedia series of courses covering topics like the molecular mechanism of cancer nutrition, pediatric obesity, dietary supplements and nutrition in the elderly.

“Physicians have enough barriers trying to provide their patients with nutritional counseling,” Ms. Adams said. “Inadequate nutritional education does not need to be one of them.”

Ms. Adams and her colleagues believe that the fully developed online curriculum helps address two issues that frequently arise: the relative dearth of faculty in a medical school with appropriate expertise and the lack of time in an already packed course of study.

The flexibility of the online program has already helped students at the Texas Tech School of Medicine in Lubbock. Medical school teachers at Texas Tech, which has one of the best nutrition education programs in the country, were finding that they had difficulty maintaining the intensity and quality of instruction once more senior medical students began working in hospitals scattered across the school’s widely dispersed campuses. Students at a hospital that had the luxury of a trained faculty member, for example, would be immersed in a diabetes workshop that involved “becoming diabetic” for a week and regularly checking blood sugar readings and self-administering “insulin” through a needle and syringe, while students at another hospital would be left with no instruction at all. The online Nutrition in Medicine course allowed all the students to continue learning about diet and counseling patients despite their disparate locations and resources.

“We didn’t have to reinvent the wheel at other campuses

when we already had these online courses that are so well done,” said Katherine Chauncey, a registered dietitian and a professor of clinical family medicine at Texas Tech.

More recently, Ms. Adams and her colleagues have begun working on online nutrition education programs geared toward practicing physicians. “Many of them are realizing that their training wasn’t adequate enough to make them feel comfortable counseling patients,” Ms. Adams said. Short, focused and relatively easy to navigate, these courses are meant to help fill in those gaps in knowledge for older doctors. Eventually, practicing physicians may even be able to earn continuing medical education credits, a requirement of many hospitals, state licensing boards and specialty boards.

“It’s extremely difficult to get people to change their diets and their habits around food,” Ms. Adams said. “Anything that improves a doctor’s confidence and skill set will go a long way in helping patients.”

Added Dr. Chauncey: “You can’t just keep writing out script after script after script of new medications when diet is just as important as drugs or any other treatment a patient may be using.”

30 F.D.A. Panel Urges Denial of Diet Drug

A federal advisory panel on Thursday recommended against approval of a new diet pill, the latest setback in efforts to develop treatments for the nation’s obesity epidemic.



The advisers to the Food and Drug Administration voted 9 to 5 that the potential benefits of the drug, called lorcaserin and developed by Arena Pharmaceuticals, did not outweigh the risks.

The vote indicated how tough it might be to win approval for obesity drugs. Some committee members said lorcaserin was not clearly unsafe. But even a mere suggestion of possible risks seemed unacceptable to some panel advisers because the drug did not help people lose much weight.

“I really didn’t have a lot of issues with the risk,” said one panel member, Dr. Eric I. Felner, a diabetes expert at Emory University. Still, he voted no. “I just didn’t see it as being that efficacious.”

The negative vote is the second setback this year in attempts to win approval for what would be the first new prescription weight-loss drug in more than a decade.

Citing safety concerns, the same committee voted 10 to 6 in July against approval for the drug Qnexa from Vivus, a drug that produced a much greater weight loss among trial participants than lorcaserin.

The F.D.A., which usually takes the advice of its committees, is expected to decide next month whether to approve lorcaserin or Qnexa.

On Wednesday, the advisory panel split 8 to 8 on whether the diet drug Meridia, sold by Abbott Laboratories, should be removed from the market. A study showed that it increased the risk of heart attacks and strokes in patients with cardiovascular risk. The drug has already been removed from the market in Europe.

Some doctors who treat obesity testified in favor of the drug at Thursday's meeting, which was held in Adelphi, Md. They said there was an urgent need for new diet drugs, given that a third of American adults are obese and another third overweight. There is hope that drugs that help people lose weight would also mitigate some

of the health problems linked to obesity, like diabetes, heart disease and cancer.

Yet the F.D.A. has become safety-conscious in this area since the drugs could potentially be taken for years by millions of people, and because of highly publicized health concerns associated with some previously popular diet prescriptions, like Meridia and the so-called fen-phen combination that damaged heart valves.

Lorcaserin mimics the effect of the brain chemical serotonin and has an effect on suppressing appetite. Its mechanism of action is similar to that of fenfluramine, the part of the fen-phen regimen that was pulled from the market.

Arena, which is based in San Diego, said its drug was developed to work in the brain and not the heart. In its clinical trials, those who took the drug did not have a significantly higher rate of valve problems than those who got a placebo. The F.D.A. said, however, that statistically the company could not totally rule out an increased risk of up to 50 percent.

The biggest safety issue for the committee seemed to be the finding of tumors in rats that had received high doses

of the drug. Arena argued that those findings would not apply to people. In the clinical trials, there was no increase in cancer rates among people who took the drug.

For the committee, even though the safety issues were not considered so bad, they were measured against an efficacy that was not too good. The drug met only one of the two F.D.A. standards for weight loss drugs, and it did so only by what the F.D.A. termed a “slim margin.”

Those taking the drug lost 5.8 percent of their weight after a year, compared to 2.5 percent for those getting a placebo. The difference, 3.3 percentage points, is below the 5 percentage point criterion set by the F.D.A.

However, 47 percent of those taking lorcaserin lost at least 5 percent of their weight, compared to 22 percent of those getting a placebo. That just exceeded the F.D.A. standard that twice as many people on the drug as on the placebo lose 5 percent of their weight.

Those who took the drug in the trial had modest improvements in risk measures like blood pressure, cholesterol and blood sugar compared with those who got the placebo, but the significance seemed unclear to the committee.

“The argument that there is an urgent need I don’t think really mitigates the concern of putting a drug that doesn’t do much and may do harm on the market,” said Dr. Pamela S. Douglas, professor of research in cardiovascular diseases at Duke and a committee member.

No patients who used the drug in clinical trials testified to the committee for its approval. And some advocacy groups for women or overweight people said the drug was not ready for approval.

Jack Lief, the chief executive of Arena, said in a statement after the meeting that the company believed that lorcaserin “has a positive benefit-risk profile.” If approved, lorcaserin would be Arena’s first product, and it would be marketed by part of the Japanese drug company Eisai.

Trading in Arena’s stock was halted on Thursday. But after hours, the stock price fell about 40 percent.

But shares of Orexigen Therapeutics, which has a diet pill that will be discussed by the committee in December, rose 38 percent. Investors apparently believe that Orexigen now has the best shot of approval. Of course, after Vivus’s drug was rejected by the advisory committee in July, it was Arena’s shares that rose sharply as investors bet that it had the best shot.

31 In Search of the Grizzly (if Any Are Left)

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PAST the asters and aspen and subalpine fir, past the quick, cold creeks and the huckleberry hillsides, the bear hunter stopped and cocked his tweezers.

“Here,” said Bill Gaines, a wildlife biologist for the Okanogan-Wenatchee National Forest, “is the mother lode.”

Caught on a prong of barbed wire that he had strung weeks earlier in these remote mountains was a tantalizing clue: strands of light brown bear hair.

“Oh, look at that, look at that root right there,” he said. “That’s really good.”

It will be months before DNA tests tell the full story: did those hairs belong to a black bear, a relatively common resident here, or were they snagged from the far more elusive grizzly? The last confirmed sighting of a grizzly in the North Cascades was in 1996.

Now Mr. Gaines is leading the most ambitious effort ever to document whether grizzlies still exist here – a century after fur trappers and ranchers killed them off by the hundreds – at a time when tension is high in the West over the fate of wild predators like gray wolves. While many people want the grizzlies, an endangered species, to make a comeback here, others worry that more bears will mean more conflict.

“Grizzlies are a threat to livestock and to humans,” said John Stuhlmiller, the director of government relations at the Washington State Farm Bureau. “People might think they’re neat and they might want to go see them in the zoo, but in the wild they’re not a friendly, cuddly creature.”

People whose livelihoods are not threatened by predators do not get it, Mr. Stuhlmiller said. “If my 401(k) was being raided by grizzly bears, I would think differently,” he said.

For nearly 30 years the federal government has had a program to help restore the grizzly bear population in Idaho, Montana, Washington and Wyoming. It has made a difference in places like Yellowstone National Park and the Continental Divide region of Montana, but not in the

North Cascades, one of six designated recovery zones. Instead, this area has been locked in a virtual standstill as political winds shift over the preservation of large predators.

Grizzlies were named a protected species in 1975. Under protection, their population tripled in parts of the Rockies and by 2007, they were removed from the list. But last September, a federal judge in Montana ordered grizzlies back on, citing threats that included changes to their habitat caused by climate change.

In the North Cascades, wildlife officials agreed 13 years ago to conduct a formal environmental review to determine the best way to ensure recovery, including augmenting the population with bears from elsewhere. But the money needed for the review, \$1 million to \$2 million, has never been allocated by the perpetually strapped agency that oversees the effort, the United States Fish and Wildlife Service.

Now experts say only a handful of grizzlies may remain in the North Cascades, likely crossing back and forth over the border with Canada.

“If these bears are to have a future,” said Joe Scott, the international program director for Conservation Northwest, “the United States and British Columbia governments must do their job – boost Cascades bears with a small number of young animals from areas where grizzly bears are more numerous.”

Federal wildlife officials say politics and budget limitations force difficult questions.

Chris Servheen, the grizzly bear recovery coordinator for the Fish and Wildlife Service, who has worked on the program since its inception in 1981, said the anger among ranchers and some state governments over wolf reintroduction, and the issue’s constant churn through federal courts, had bred mistrust in wildlife agencies that has hurt the prospects for bear recovery in some areas, at least in the near term.

“We don’t really have people jumping up and down to put grizzlies anywhere at this point, people in the Congress that is,” said Mr. Servheen, who is based in Montana.

There is even disagreement over whether it matters if grizzlies roam these mountains, given the species’ relative health elsewhere and the plight of more endangered species.

“Is it so critical to the future of grizzly bears as a world species if the North Cascades fades away?” said Doug Zimmer, a spokesman for the Fish and Wildlife Service. “Just asking that makes my teeth hurt.”

Yet small steps are being taken. If the study in the North Cascades proves that grizzlies still live in the area, advocates for recovery will probably face less political opposition. This is because they would be augmenting the historic population, not trying to rebuild the population from scratch when there were no bears at all.

Either way, Mr. Gaines, who wrote his doctoral thesis on black bears, wants to know that he has tried as hard as he can to learn what is out here, he said.

This summer and early fall, with money from a \$90,000 federal grant, Mr. Gaines has hired horse teams and a temporary six-member research crew to trek deep in the wilderness, far from where most people hike. The crew has set up about 90 corrals, surrounding pungent bear bait of fish guts and road kill with barbed wire designed to snare bear hair as animals make their way to and from the stew. Every two weeks the crews collect bear hair and memory cards from digital infrared cameras mounted at the corrals.

Asked whether the search so far has yielded firm evidence, he noted that black bears and grizzlies can be surprisingly easy to confuse. He said that he would not draw conclusions until the DNA tests come back but that the crews were searching in areas considered to be ideal grizzly habitat.

“We’re looking in the right places,” he said.

32 Charges in Manila Hostage Crisis

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At least 10 people, including police officers, government officials and journalists, should face charges in the deaths of eight Hong Kong residents who were held hostage on a bus in downtown Manila last month, the Philippine justice secretary said Thursday.

Speaking at a news conference in Manila, Justice Secretary Leila M. de Lima said she would recommend criminal and administrative charges but declined to elaborate on the accusations or identify who would be charged. Ms. de Lima, who is overseeing a panel investigating the Aug. 23 hostage standoff, said a report would be submitted to President Benigno S. Aquino III on Friday.

The standoff has stirred widespread anger in Hong Kong and led to a rift between the governments of the Philippines and China. Leaders in Hong Kong openly criticized the police's handling of the crisis, and Mr. Aquino himself has come under criticism by Donald Tsang, the chief executive of Hong Kong, over his management of the standoff.

Here in the Philippines, hearings on the case conducted by the Senate have brought a number of mistakes by the Manila police to light, including miscommunication among various units.

On Thursday, Ms. de Lima said the hostages were killed by the hostage-taker, not by police officers, citing the accounts of three survivors. She said they had corroborated the testimony of the bus driver that the hostage-taker shot the victims.

Last week, Ms. de Lima had said there was “a big possibility” that some of the hostages could have been hit by “friendly fire,” noting that ballistic experts indicated that the hostage-taker could not have killed all the victims.

Seven tourists from Hong Kong and their tour guide were killed after their bus was commandeered by a former Manila police officer, Rolando Mendoza. The bus remained parked at Rizal Park throughout the day and into the evening as the police tried to negotiate with Mr. Mendoza. Mr. Mendoza, who had been dismissed by the Manila police over extortion charges, demanded his reinstatement.

As negotiations collapsed, gunfire was heard within the bus, and Mr. Mendoza was killed by a police sniper.

China has pushed for a thorough, speedy investigation into the case. Tens of thousands of Hong Kong residents marched at the end of August, protesting the Philippine government's handling of the standoff.

Mr. Aquino, in turn, has criticized news coverage of the standoff. Television networks beamed images of the crisis and its violent end around the world. The president has said that TV images showing Manila police officers taking Mr. Mendoza's brother from the scene earlier in the day, seen on a screen inside the tourist bus, agitated the hostage taker.

The National Union of Journalists of the Philippines cautioned the government against filing criminal charges against journalists who covered the standoff.

"While we do not deny that the lapses of certain journalists contributed to the tragic end, filing criminal charges against reporters because of ethical or professional lapses – in effect, criminalizing the weaknesses of the media – sets a dangerous precedent," Nestor Burgos, the group's chairman, said in a telephone interview.

A spokesman for the Hong Kong Journalists Association said on Thursday that the group was following the investigation and possible charges. Last month, the group

sent a letter to Mr. Aquino, urging him not to blame the news media over the episode.

"We're deeply concerned over the case," said the spokesman, Hiu-yeung Chong.

Mr. Aquino said last week that he would wait until he received the panel's report before deciding on which actions to take. On Thursday, Ms. de Lima, asked how high up the police chain of command the possible charges might rise, said, "High enough."

"Did the president not say heads will roll?" Ms. de Lima was quoted on the ABS-CBN Web site as saying. "So we expect the president to act on the basis of our recommendations."

33 Bonding With Fans Who Can't Get Enough

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THE Pittsburgh Penguins, who had a major draw in their young center Sidney Crosby, were looking for an innovative marketing approach to spring back from recent National Hockey League troubles.

Fan morale by 2008 had been dampened by the team's loss in the Stanley Cup finals to the Detroit Red Wings that year and by the 2004-5 N.H.L. lockout when the season was canceled after management and the players union could not agree on a contract.

The Penguins decided to help rebuild ties with fans via cellphone, a campaign that the team says has resulted in a fivefold increase in sign-ups for its mobile fan club. That response prompted the team to offer more mobile options for its coming season in its new arena.

"We did a lot of research, including focus groups, online surveys and arena surveys to see how we could best reach fans season round," said Jeremy Zimmer, the team's director of new media. The research helped

the team focus on its fans who agreed to be contacted by cellphone, about one-fifth of its 1.5 million person fan base; the team defines its base as those who have watched, attended or listened by radio to at least one Penguins game in the last year, Mr. Zimmer said.

The Penguins hired Vibes Media, a Chicago mobile marketing company, to help it create the Pens Mobile Club, where fans could receive news, recaps and commercial offers – including free tickets from Chevrolet to the Pittsburgh auto show and discounts on Coors Light beer at local bars – on their mobile phones.

The result has been an increase in club members to 72,440, up from 14,000 in the 2008-9 season, the team announced last month.

Like the Penguins, more sports teams and leagues are communicating with fans intensively by mobile devices, largely because they are "incredibly passionate and identify with their teams so they are accepting of receiving a lot of information," said Ben Davis, a founder of San Francisco-based Phizzle, which works with clients like the National Basketball Association's Cleveland Cavaliers, which sends 1.5 million text messages each month

– including scores, statistics, news and other updates – to its mobile subscribers.

The Cavaliers’ mobile alert program also delivers fan-requested content, like game schedules and team statistics, Mr. Davis said. The team partners with companies like the roast beef sandwich chain Arby’s for enter-to-win-via-text contests where winners – of a free meal or a coupon – are chosen randomly.

Phizzle also works on mobile marketing with the National Hockey League’s San Jose Sharks and the Nashville Predators, the N.B.A.’s Philadelphia 76ers, and with Madison Square Garden – where the New York Knicks and the Rangers play – this fall.

In the 2009-10 season, N.B.A. Mobile, which has 100 mobile applications, had more than 1.7 million downloads, according to figures from N.B.A. Digital. The N.H.L. has started a mobile site, m.nhl.com, which displays live game scores, and summaries and recaps of the scoring for completed games.

Teams also are mindful that some two billion tickets – for sports and other events – are projected to be purchased via mobile devices this year, and rise to 15 billion

by 2014, according to Juniper Research, which tracks mobile commerce and marketing.

“Mobile has a lot of tentacles, from building a database of fans, reaching commercial sponsors, selling tickets and merchandising,” said Michael Falato, vice president of sales for Txtstation, an Austin, Tex., mobile marketing company that works with sports teams like the Miami Dolphins of the National Football League.

Over the last two seasons, the Dolphins’ text club more than quadrupled its initial 8,000 membership, he said. Fans can text – but not call – in questions and comments to the team’s daily afternoon radio show, or, for example, text in a choice for most valuable player during the football season. And texts are tied to prizes like free tickets and other awards like upgraded stadium seating, said Wayne Partello, the Dolphins’ senior director of content and creative.

Mobile marketing raises a team’s public profile and is especially valuable for collecting data on fans, sports marketing experts say. That data can later be tied to commercial deals that benefit the team, like signing up subscribers to cellular carriers like Verizon or AT&T – which

several teams, including the Penguins and the Dolphins, do.

“It’s all about selling eyeballs, and mobile brings it down to the individual level, “ said Stephen R. McDaniel, associate professor of sports marketing and consumer psychology at the University of Maryland. This is a win for sports organizations, he said, “because the team is building and maintaining fans, and, at the same time, it is enhancing its second revenue stream that comes from sponsorships and promotions.”

No team “has the silver bullet,” said Jack Philbin, president of Vibes Media, which also helped the Stanley Cup champion Chicago Blackhawks last season add 30,000 fans to their mobile database. But, “this is the most intimate device we can use.”

Last season, the Penguins increased its number of mobile fans by teaming up with Delta Air Lines in a text contest in which fans could enter a random drawing to win two plane tickets from Pittsburgh to Paris. The campaign was promoted online and in radio spots as well as at games, and in two weeks, the team attracted 34,000 entries. Of those, more than 3,000 joined the Pens Mobile Club.

The Penguins also have iPhone and Android applications, and a BlackBerry app is in the works. The apps offer news, archived video, game schedules, statistics and standings and the ability to follow Twitter conversations about the team. Other teams, including the Dolphins, Baltimore Orioles, the Chicago White Sox and the Washington Capitals, also use Twitter to give fans the latest news.

When the Penguins play this fall, those seated in the new 18,000-seat Consol Energy Center will be able to connect, via cellphone, with the Yinzcam Mobile video system, a pilot project with nearby Carnegie Mellon University. The system allows those in the arena to simultaneously watch the game from six angles. They also will be able to see game statistics, roster and other information, and view instant replay, accompanied by in-phone ads from the sponsor, Verizon – but only in the arena.

During intermissions while the ice is being resurfaced, ticket holders will be able to send text messages that will appear on the scoreboard, vote for the best player and receive real-time game statistics, Mr. Zimmer said. The Penguins system will also allow tracking of which seating section has the highest amount of texting, and fans sit-

ting in postgame traffic will be able to text in comments and questions to the Penguins call-in radio show, he said.

In the Pittsburgh area, the Penguins mobile effort is focusing on more than 100,000 fans ages 21 to 24. Students often stood in line for hours to buy discounted tickets and were turned away when the game was sold out, Mr. Zimmer said.

So the team worked with the apparel company American Eagle Outfitters to set up the American Eagle Student Rush Club, whose 15,500 members can be notified by cellphone texts about ticket availability – or absence of tickets when a home game is sold out. Each alert, which carries “AE Student Rush” across the top, also includes a promotional offer like the one recently that said the 4,023rd student to reply would win four free tickets.

The Penguins are having some fun as well. Recently the team notified, by cellphone, its Rush Club members about a “student flush” day. The Penguins promised the first 400 students a T-shirt and an early look at the new arena if they showed up to help test the Consol Energy Center’s sanitation system.

One day in early June, the students converged and simultaneously flushed all the arena’s toilets “so we could see if everything worked,” Mr. Zimmer said with a laugh.

34 Bookseller Has Setback in Struggle Over Board

BARNES & NOBLE sustained a setback on Monday when a powerful proxy advisory company endorsed directors proposed by the billionaire investor Ronald W. Burkle over the company’s own slate, which included its chairman, Leonard S. Riggio.

The endorsement by Institutional Shareholder Services could be crucial, coming just a week before the annual shareholder meeting on Sept. 28. Some large institutional investors are required to vote their shares in accordance with I.S.S.’s recommendations.

Barnes & Noble has been battling Mr. Burkle for nearly a year since his investment firm, Yucaipa, began rapidly accumulating the company’s shares. Barnes & Noble instituted a poison-pill plan intended to limit the size of Mr. Burkle’s holding; the plan was upheld by a Delaware Court of Chancery judge last month.

But Mr. Burkle appears to have won the latest round. In its 25-page report, Institutional Shareholder Services

supported Mr. Burkle's contention that Barnes & Noble's corporate governance needed to be improved.

Yucaipa raised questions about the company's executive pay practices and some of its deal-making, including the purchase of a college bookstore business owned by Mr. Riggio. Investor lawsuits about that deal are pending.

"We believe the dissidents have demonstrated a compelling case that change in the BKS board is warranted," I.S.S. analysts wrote, referring to the company by its stock symbol.

The report also pointed to the slide in Barnes & Noble's stock price as another reason for change. Shares in the company have tumbled 28.9 percent in the last year.

An analyst at Bank of America Merrill Lynch downgraded Barnes & Noble to underperform last week, arguing that its digital strategy faced major challenges from wealthier rivals like Amazon.com and Apple.

Support from Institutional Shareholder Services for the dissident slate, which includes Mr. Burkle and the former chief executives of Hilton Hotels and Earthlink,

provides a big boost. Mr. Burkle has argued that independent directors would serve as a counterweight to Mr. Riggio influence on the Barnes & Noble board.

"We are gratified that I.S.S. agrees with us that the challenges facing Barnes & Noble require the independent leadership and experience Yucaipa's three highly qualified nominees will bring to the board," a Yucaipa representative said in a statement.

Barnes & Noble said in a statement that it was disappointed by the I.S.S. recommendation, but said that it had won the support of three smaller proxy advisers, Glass Lewis & Company, the Egan-Jones Ratings Company and Proxy Governance.

"While I.S.S. has a track record of supporting dissidents, we believe its analysis is flawed and not in the best interest of our shareholders," the company said.

Mr. Riggio, who fashioned his empire starting with a single Manhattan bookstore 39 years ago, argues that the company has a promising future running bookstores while expanding in a digital marketplace anchored by devices like its Nook e-reader. But Mr. Burkle says the

company's strategy needs change, though he has declined to elaborate.

The recommendations of proxy advisers do not always hold sway over these investors. A majority of Airgas shareholders, for example, voted in favor of a proposal from the company's rival, Air Products and Chemicals, to move forward the next Airgas shareholder meeting to January. Both I.S.S. and Glass Lewis had sided with Airgas in urging shareholders to reject that measure.

35 Panel Leans in Favor of Engineered Salmon

MEMBERS of a federal advisory committee on Monday seemed to conclude that genetically engineered super-salmon would be safe to eat and for the environment, but they also found gaps in the studies used to support that conclusion.

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The committee met here to advise the Food and Drug Administration on whether to approve what would be the first genetically engineered animal to enter the American food supply.

The Atlantic salmon, which would be raised on farms, contain an extra growth hormone gene that allows them to grow to marketable size about twice as fast as conventional fish.

Committee members, who were not asked to vote on whether the fish should be approved, did not point out anything about the fish that would seem dangerous, despite one study suggesting a possible increase in the potential to cause allergic reactions. They said the chance the fish would escape into the wild was low.

“They didn’t see any glaring holes” in the data, Gregory A. Jaffe of the Center for Science in the Public Interest, who was the consumer representative on the committee, said after the meeting ended.

Still some panel members did say the studies the F.D.A. relied on to reach its own conclusion that the salmon would be safe were flawed, often using only a few dozen fish or even fewer.

“I do get heartburn when we’re going to allow post-market surveillance to finalize our safety evaluation,” said one committee member, Michael D. Apley, a pharmacology expert at Kansas State University.

The criticisms could add to the time needed to approve the salmon. It could also provide grist for consumer and environmental groups, many of which testified on Monday that the salmon should not be approved.

Approval of the salmon could pave the way for other such biotech animals to enter the food supply, like a pig developed in Canada that has more environmentally friendly manure.

The results could also influence other countries. Eric Hallerman, a fisheries expert at Virginia Tech, told the

committee that fast-growing versions had already been developed for 18 different types of fish in various countries.

The salmon contain a growth hormone gene from the Chinook salmon and a genetic switch from the ocean pout that turns on an antifreeze gene. That allows the salmon to make growth hormone in cold weather, whereas salmon usually produce it only in warm weather.

Ronald L. Stotish, the chief executive of AquaBounty Technologies, the company that developed the salmon, told the committee that its AquAdvantage salmon would help the world meet rising demand for seafood without further devastating natural fisheries. He said it would be economical to grow the fish in inland tanks in the United States, saving the cost of flying in the fish from Chile or Norway, from which the United States now gets most of its Atlantic salmon, he said.

For now, though, the company’s eggs are being hatched at a company facility in Prince Edward Island, Canada. And the fish would be grown to size in only limited quantities at a company facility in Panama.

The company said that fish would not escape because they are grown inland in facilities with containment mechanisms. If any did escape, it said, the rivers outside the Canadian and Panama facilities would be too salty or warm for the fish to survive. And the fish would all be female and almost all would be sterile, so they would not interbreed with wild salmon.

But some committee members, as well as some environmental groups, said the government's environmental assessment should evaluate what would happen if the salmon were grown widely in many facilities.

"The F.D.A. must consider issues related to realistic production scenarios," said Anna Zivian, a senior manager at the group Ocean Conservancy.

One test showed a possible increase in the potential to cause allergic reactions that was almost statistically significant even though only six fish were used in each group in the study.

But several committee members said the meaning of that test's results were open to question since it was not clear what amount of increase was meaningful.

Kevin Wells, an assistant professor at the University of Missouri and a committee member, said he doubted the fish would cause extra allergies.

"The salmon contains nothing that isn't in the human diet," he said.

The fish are being regulated under the process used to approve veterinary drugs. The F.D.A. held a half-day session on Sunday to give the committee, made up mostly of veterinarians, a primer on genetic engineering.

Approval, if it comes, is likely to take at least several months. The F.D.A. said it would prepare an environmental assessment that would be open to comment for 30 days. If the agency decides that there could be a significant environmental impact – something that does not appear likely – it will have to do a full environmental impact statement, which could take months or years.

The F.D.A. will have a public hearing on Tuesday on whether the salmon, if approved, should be labeled.

36 SAIC of China Is Considering a Stake in General Motors

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A Chinese automaker has expressed interest in buying a stake in General Motors when it holds a public stock offering later this year, a move that could raise concerns about foreign influence over the largest American automaker.

The Shanghai-based company, the SAIC Motor Corporation, has had a longtime partnership with G.M. in China.

An SAIC spokeswoman, Zhu Xiangjun, said Monday that comments about a possible G.M. stake were made last month by SAIC's chairman, Hu Maoyuan. She said his comments remained the company's position but declined further comment.

"G.M. is our important strategic partner," Mr. Hu said in August. "We are not clear about the details of its I.P.O. We will make the right decision when we know the details."

G.M. is planning to hold its public stock offering in November. The offering will give the Treasury Department its first opportunity to begin selling off the 61 percent stake in G.M. owned by American taxpayers.

Details of the stock sale were still being worked on by G.M. and its underwriters, including the size of the offering and the price of the shares.

Treasury officials are closely involved in determining both the size of G.M.'s offering and the share price. The government is most interested in maximizing the value of the shares it sells initially, and establishing a strong market for future sales of taxpayer-owned shares.

There was no comment Monday from the Treasury about the possibility of a foreign company buying a big stake in G.M. "We expect that potential investors will be sought across multiple geographies with a focus on North American investors," the Treasury said in a filing last week.

Moreover, the government expects "broad distribution" of the stock. "We expect that a large and diverse group of institutional investors will be offered an opportunity to participate, with no single investor or group of investors

receiving a disproportionate share or unusual treatment,” the Treasury said.

G.M. plans to begin discussing the offering in an international stock presentation, or road show, to potential investors, scheduled to begin in early November.

SAIC is one of China’s largest automakers and recently bought half of G.M.’s India division, turning that into a joint venture. SAIC is controlled by the Chinese government.

37 Code That Tracks Users’ Browsing Prompts Lawsuits

SANDRA Person Burns used to love browsing and shopping online. Until she realized she was being tracked by software on her computer that she thought she had erased.



Ms. Person Burns, 67, a retired health care executive who lives in Jackson, Miss., said she is wary of online shopping: “Instead of going to Amazon, I’m going to the local bookstore.”

Ms. Person Burns is one of a growing number of consumers who are taking legal action against companies that track computer users’ activity on the Internet. At issue is a little-known piece of computer code placed on hard drives by the Flash program from Adobe when users watch videos on popular Web sites like YouTube and Hulu.

The technology, so-called Flash cookies, is bringing an increasing number of federal lawsuits against media and technology companies and growing criticism from some

privacy advocates who say the software may also allow the companies to create detailed profiles of consumers without their knowledge.

Unlike other so-called HTML cookies, which store Web site preferences and can be managed by changing privacy settings in a Web browser, Flash cookies are stored in a separate directory that many users are unaware of and may not know how to control.

Ms. Person Burns, a claimant who is to be represented by KamberLaw, said she knew cookies existed but did not know about Flash cookies.

“I thought that in all the instructions that I followed to purge my system of cookies, I thought I had done that, and I discovered I had not,” she said. “My information is now being bartered like a product without my knowledge or understanding.”

Since July, at least five class-action lawsuits filed in California have accused media companies like the Fox Entertainment Group and NBC Universal, and technology companies like Specific Media and Quantcast of surreptitiously using Flash cookies. More filings are expected as early as this week.

The suits contend that the companies collected information on the Web sites that users visited and from the videos they watched, even though the users had set their Web browser privacy settings to reject cookies that could track them.

“What these cases are about is the right of a computer user to dictate the terms by which their personal information is harvested and shared. This is all about user control,” said Scott A. Kamber, 44, a privacy and technology lawyer with KamberLaw who is involved with some of the cases. The suits have been filed by firms including Parisi & Havens and the law office of Joseph H. Malley.

One lawsuit contends that Clearspring Technologies and media companies including the Walt Disney Internet Group “knowingly authorized” the use of online tracking devices that would “allow access to and disclosure of Internet users’ online activities as well as personal information.” Others say that the information was gathered to sell to online advertisers.

In August, Clearspring and Quantcast issued statements on their company blogs addressing the suits. Clearspring clarified its use of Flash cookies and said the legal filings

were “factually inaccurate.” The company said it used Flash cookies, also known as Flash local storage, “to deliver standard Web analytics to publishers.” The post also stated that data was collected at the aggregate level including unique users and interaction time, but did not include personally identifiable information.

Quantcast’s blog post said that the company “uses Flash cookies for measurement purposes only and not for any form of targeted content delivery.”

Specific Media did not respond to requests for comment. Counsel for the media companies in the cases declined to comment; representatives of companies that had not yet been served with the suits also declined to comment.

Some privacy advocates said that despite the companies’ claims, if enough data is collected over time, advertisers can create detailed profiles of users including personally identifiable data like race and age in addition to data about what Web sites a user visits. They also take issue with the fact that Flash cookies can be used to restore HTML cookies that have been deleted from a user’s computer, circumventing a user’s privacy settings.

“The core function of the cookie is to link what you do on Web site A to what you do on Web site B,” said Peter

Eckersley, a technologist at the Electronic Frontier Foundation. “The Flash cookie makes it harder for people to stop that from happening.”

According to Adobe, more than 75 percent of online videos are delivered using Flash technology, with media companies also using it to serve games and animation to users. The company says that Flash cookies are intended to be used for basic Web functions like saving a user’s volume and language preferences or remembering where a user left off on a video game.

In a public letter to the Federal Trade Commission in January, Adobe condemned the practice of restoring cookies after they had been deleted by a user. The company provides an online tool on its Web site to erase Flash cookies and manage Flash player settings. At least one suit, however, claims that the controls are not easy to reach and are not obvious to most Web users.

Chris Jay Hoofnagle, 36, one of the authors of a University of California, Berkeley, study about Internet privacy and Flash cookies that has been used in several of the legal filings, said the recent spate of suits pointed to a weakness in federal rules governing online privacy.

“Consumer privacy actions have largely failed,” Mr. Hoofnagle said. The lawsuits, he added, “actually are moving the policy ball forward in the ways that activists are not.”

Complaints about online privacy are now migrating to mobile technology. Last week, a lawsuit was filed by three California residents against a technology company called Ringleader Digital saying that the company used a product called Media Stamp that “acquired information from plaintiff’s phone and assigned a unique ID to their mobile device.”

The suit says that the information collected by the unique ID, using a technology called HTML 5, allowed Web site operators “to track the mobile devices’ Internet activities over multiple Web sites.”

In a statement, Bob Walczak Jr., Ringleader’s chief executive, said, “Our intent since the inception of the company has been to build a mobile advertising platform that users can control.” He added that Ringleader was working on “new ways for consumers to be able to verify for themselves that their opt-outs have taken effect.”

John Verdi, senior counsel at the Electronic Privacy Information Center, faulted the Federal Trade Commission for not being more aggressive on privacy issues, focusing largely, instead, on self-regulation.

“The F.T.C. has been inactive on this front and has failed to present meaningful regulation on this,” he said. “There’s wide evidence that online tracking is not being controlled by self-regulation.”

Christopher Olsen, an assistant director in the division of privacy and identity protection at the agency, said it had hosted a series of roundtable discussions about online and offline privacy challenges from December to March and planned to issue a report in the next few months to address those issues.

The agency is investigating several companies, but Mr. Olson declined to comment on the specifics.

Other efforts to address online privacy are taking place at the Congressional level. In July, Representative Bobby L. Rush, Democrat of Illinois, introduced an online privacy bill that would, among other things, require companies to disclose how they collect, use and maintain the personal information on users and to make those disclosures easy for users to understand.

38 Disappointed Supporters Question Obama

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IT was billed as “Investing in America,” a live televised conversation on the state of the economy between President Obama and American workers, students, business people and retirees, a kind of Wall Street to Main Street reality check.

But it sounded like a therapy session for disillusioned Obama supporters.

In question after question during a one-hour session, which took place on Monday at the Newseum here and was televised on CNBC, Mr. Obama was confronted by people who sounded frustrated and anxious – even as some said they supported his agenda and proclaimed themselves honored to be in his presence.

People from Main Street wanted to know if the American dream still lived for them. People on Wall Street complained that he was treating them like a piñata, “whacking us with a stick,” in the words of Anthony Scaramucci, a former law school classmate of Mr. Obama’s who now

runs a hedge fund and was one of the president’s questioners.

“I’m exhausted of defending you, defending your administration, defending the mantle of change that I voted for,” said the first questioner, an African-American woman who identified herself as a chief financial officer, a mother and a military veteran. “I’ve been told that I voted for a man who was going to change things in a meaningful way for the middle class and I’m waiting sir, I’m waiting. I still don’t feel it yet.”

A 30-year-old law school graduate told Mr. Obama that he had hoped to pursue a career in public service – like the president – but complained that he could barely pay the interest on his student loans, let alone think of getting married or starting a family.

“I was really inspired by you and your campaign and the message you brought, and that inspiration is dying away,” he said, adding, “And I really want to know, is the American dream dead for me?”

The extraordinarily personal tone of the session, coupled with more substantive policy questions from the host,

John Harwood of CNBC and The New York Times, reflects the erosion of support for Mr. Obama among the constituencies that sent him to the White House two years ago.

It was all the more compelling coming from such a friendly audience; one questioner, a small-business owner in Pennsylvania, began by praising the president for turning around the auto industry, then lamented: “You’re losing the war of sound bites. You’re losing the media cycles.”

As he leads his party into what many analysts expect to be a devastating midterm election for Democrats, the president faces overwhelming skepticism from Americans on his handling of the economy. A recent New York Times poll found 57 percent of respondents believed the president did not have a clear plan for fixing the nation’s broken economy.

Mr. Obama sought on Monday to address those concerns, telling his business critics that he was not antibusiness and his middle class questioners that “there are a whole host of things we’ve put in place to make your

life better.” He cited his health care bill, a financial regulatory overhaul measure that imposed tough requirements on credit card companies; an education bill that increased the availability of student loans.

The president also laid down a challenge to the Tea Party movement, whose candidates have swept aside mainstream Republicans in recent primaries in Alaska and Delaware. He said it was not enough for Tea Party candidates to campaign on a theme of smaller government; he tried to put them in an uncomfortable box by prodding them to offer specifics about the programs they would cut.

“The challenge for the Tea Party movement is to identify specifically: What would you do?” the president said. “It’s not enough to say get control of spending. I think it’s important for you to say, ‘I’m willing to cut veterans benefits, or I’m willing to cut Medicare or Social Security, or I’m willing to see taxes go up.’ ”

Mr. Obama hinted that he was open to considering a payroll tax holiday to spur job growth, saying he would be willing to “look at any idea that’s out there,” although he went on to say that some ideas that “look good on paper” are more complicated than they appear.

And he ducked a question from Mr. Harwood about whether he would be willing to debate the House Republican leader, John Boehner of Ohio, the way former President Bill Clinton had a debate 15 years ago with Newt Gingrich, who was then the House speaker.

“I think it’s premature to say that John Boehner’s going to be the speaker of the House,” Mr. Obama said.

Mr. Obama is stepping up his efforts to mobilize Democratic voters and find ways to improve the political climate for his party heading toward Election Day. He will begin trying to build enthusiasm among some of the voters who propelled him to victory in 2008, like college students, while Democratic strategists are considering ways to turn the increased prominence of the Tea Party movement to their advantage by characterizing positions taken by some Tea Party-backed Republican candidates as extreme.

The White House denied an article in The New York Times on Monday saying that Mr. Obama’s political advisers were considering national advertising to cast the Republican Party as having been all but taken over by the Tea Party movement.

“The story that led The New York Times yesterday was flat out wrong,” Dan Pfeiffer, the White House communications director, said in an e-mail message. “The White House has never discussed, contemplated or weighed such an ad campaign.”

Mr. Pfeiffer said the article “was based on the thinnest of reeds,” an anonymous source.

The Times stood by the report.

After his appearance on CNBC, the president flew to Philadelphia, where he appeared at two fund-raisers for Representative Joe Sestak, the Democratic Senate candidate in Pennsylvania, and raised \$1 million for the Democratic National Committee.

If the televised session on Monday seemed to put Mr. Obama on the spot, he did not appear ruffled. Rather, he seemed resigned to the frustration of his questioners.

“My goal here is not to convince you that everything is where it needs to be,” the president said, “but what I am saying is that we are moving in the right direction.”

39 Chinese Investors Flock to London to Buy Real Estate

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NAOMI Minegishi, 21, a Japanese woman who lived in China for 10 years, recently took a job with the London property broker Felicity J Lord.

Ms. Minegishi was hired not for her experience in real estate sales – she is studying management at a London university – but for her language ability. She is fluent in Mandarin, an increasingly valuable skill in London’s residential real estate market.

With her help, the agency recently sold four three-bedroom apartments in a new development for £320,000, about \$500,000, each to a different Chinese buyer and solely on the basis of photos and floor plans. The new construction is close to the Olympic stadium, and the investors are betting that real estate prices will rise before the Games in 2012.

Chinese clients are a dream, Ms. Minegishi said. “They are wealthy, they pay in cash, and they’re looking for good value.”

Chinese citizens require approval from their local authorities to invest more than the equivalent of \$50,000 a year overseas. But many wealthy Chinese elude the restrictions with help from trust funds and foreign bank accounts, real estate brokers say.

The London property market might have shown signs of cooling recently, but investors from mainland China and Hong Kong are busier than ever – bidding, for example, on luxury apartments in the fashionable Knightsbridge district down the road from Harrods department store and on new homes near the Canary Wharf financial district.

In some parts of London, mainland Chinese investors have already replaced those from Russia and the Middle East as the busiest real estate buyers with deep pockets, looking for trophy assets and pushing up prices, some brokers say.

Buyers from mainland China are a tiny portion of purchasers of high-end real estate in London, accounting for 5 percent of all purchases by foreigners of London properties valued from £500,000 to £1 million this year. But they are a growing presence. They accounted for less

than 1 percent of purchases in that price range last year, according to Savills, a real estate agency.

Europeans still make up the largest portion, Savills says, although it does not break down buyers by country.

Unlike clients from Russia and the Middle East, however, few Chinese buyers are looking for London apartments to live in themselves. A majority of them are seeking investments in a real estate market they perceive as more stable than their own and are planning to receive steady rental income for years, Ms. Minegishi said.

For wealthy Asians, fears that governments may impose more constraints on red-hot local property markets back home have made investments abroad more attractive.

Rapid economic growth and easy credit caused real estate prices in many parts of Asia to rise sharply late last year. In Hong Kong, for example, prices for luxury homes have jumped 45 percent since 2009, according to Savills.

Last month, to prevent prices from overheating, Singapore raised the down payment required for many home

purchases. The step followed similar measures in mainland China and Hong Kong this year.

Prices of high-end London real estate rose 8.75 percent in 2009, compared with a drop of 2.25 percent in the southwest of Britain, Savills said.

Not surprisingly, the property industry in Britain is adapting to meet the Chinese demand. Brokers are hiring Mandarin speakers like Ms. Minegishi, as well as Cantonese speakers to cater to people from Hong Kong.

Savills organized a seminar in Shanghai in July to teach 100 clients how to buy real estate in London. A rival agency, Hamptons International, opened an office in Hong Kong with four employees about two months ago.

Some London developers, meanwhile, are omitting the number four in new buildings because it is considered unlucky in Chinese culture.

“Most developers in London are including China in their marketing efforts,” said Matthew Tack, a director at Hamptons in London. “They’d be silly not to.”

The increase in transactions highlights a gradual shift in wealth to Asia, including mainland China. Free of the debt levels that still haunt Western households and governments, much of Asia began to recover rapidly from the global economic downturn last year.

And although a large majority of Asians still struggle to make ends meet, the booming growth has catapulted many into the ranks of the wealthy and superwealthy.

In mainland China alone, the number of people with assets worth more than 10 million renminbi, or \$1.5 million, rose 6.1 percent, to 875,000, in a year, according to the Hurun Research Institute in Shanghai.

Then there are the fabulously wealthy, like Joseph Lau, a Hong Kong real estate billionaire who recently spent £33 million on a six-floor mansion in Eaton Square in London, an address he shares with the Russian oligarch Roman A. Abramovich. Mr. Lau's son, Lau Ming-wai, studied at the London School of Economics and then worked for Goldman Sachs in London.

More typical, though, are Asian buyers spending £1 million or less. Because of China's restrictions on overseas investments, most of the Chinese buyers pay cash to

minimize the paper trail. None of the London brokers interviewed for this article were willing to disclose the identities of buyers or introduce them to a reporter.

Although Chinese are becoming more active in many overseas real estate markets, including the United States and Continental Europe, London remains highly popular for a variety of reasons, brokers say. Britain has almost no restrictions on whether foreigners can own real estate, and a fairly fluid rental market, which is attractive to buyers seeking income from their properties.

Cultural issues, especially the Chinese emphasis on education, also favor the acquisition of London addresses.

Education is generally the largest budget item in a Chinese household, and many families hope to send their children to elite universities in Britain, which tend to admit more foreign students than top universities in the United States, said Jeff Cao, head of the China sector for Think London, a government-supported agency that helps attract foreign investment to the city.

The number of Chinese students at London universities rose 9 percent, to 948, last year from 867 a year earlier,

according to the Universities and Colleges Admissions Service.

For some Chinese buyers in London, Mr. Cao said, the idea is to find apartments big enough to provide the children with more comfortable accommodations than student dormitories and that have spare rooms that can be rented out. Once the children graduate, their parents aim to rent out the whole apartment.

One mainland Chinese investor who owns real estate in London and elsewhere said his London investments were his most lucrative.

“I bought a flat for my daughter’s use when she was studying in London and other flats I have rented out or sold,” Mr. Lai, the owner, who declined to give his first name to protect his privacy, wrote by e-mail.

“The U.K. traditionally has a very good legal structure with good law and order,” Mr. Lai wrote. “That, together with the city’s financial institutions and the British people’s love for owning their own homes, makes the property market extremely attractive.”

Real estate brokers who cater to Chinese customers say it is unclear whether and when the appetite from China

will start to ebb. But there is no indication of a pullback yet.

40 Sizing Up Consciousness by Its Bits

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ONE day in 2007, Dr. Giulio Tononi lay on a hospital stretcher as an anesthesiologist prepared him for surgery. For Dr. Tononi, it was a moment of intellectual exhilaration. He is a distinguished chair in consciousness science at the University of Wisconsin, and for much of his life he has been developing a theory of consciousness. Lying in the hospital, Dr. Tononi finally had a chance to become his own experiment.

The anesthesiologist was preparing to give Dr. Tononi one drug to render him unconscious, and another one to block muscle movements. Dr. Tononi suggested the anesthesiologist first tie a band around his arm to keep out the muscle-blocking drug. The anesthesiologist could then ask Dr. Tononi to lift his finger from time to time, so they could mark the moment he lost awareness.

The anesthesiologist did not share Dr. Tononi's excitement. "He could not have been less interested," Dr. Tononi recalled. "He just said, 'Yes, yes, yes,' and put me to sleep. He was thinking, 'This guy must be out of his mind.' "

Dr. Tononi was not offended. Consciousness has long been the province of philosophers, and most doctors steer clear of their abstract speculations. After all, debating the finer points of what it is like to be a brain floating in a vat does not tell you how much anesthetic to give a patient.

But Dr. Tononi's theory is, potentially, very different. He and his colleagues are translating the poetry of our conscious experiences into the precise language of mathematics. To do so, they are adapting information theory, a branch of science originally applied to computers and telecommunications. If Dr. Tononi is right, he and his colleagues may be able to build a "consciousness meter" that doctors can use to measure consciousness as easily as they measure blood pressure and body temperature. Perhaps then his anesthesiologist will become interested.

"I love his ideas," said Christof Koch, an expert on consciousness at Caltech. "It's the only really promising fundamental theory of consciousness."

Dr. Tononi's obsession with consciousness started in his teens. He was initially interested in ethics, but he decided that questions of personal responsibility depended on our consciousness of our own actions. So he would

have to figure out consciousness first. “I’ve been stuck with this thing for most of my life,” he said.

Eventually he decided to study consciousness by becoming a psychiatrist. An early encounter with a patient in a vegetative state convinced Dr. Tononi that understanding consciousness was not just a matter of philosophy.

“There are very practical things involved,” Dr. Tononi said. “Are these patients feeling pain or not? You look at science, and basically science is telling you nothing.”

Dr. Tononi began developing models of the brain and became an expert on one form of altered consciousness we all experience: sleep. In 2000, he and his colleagues found that *Drosophila* flies go through cycles of sleeping and waking. By studying mutant flies, Dr. Tononi and other researchers have discovered genes that may be important in sleep disorders.

For Dr. Tononi, sleep is a daily reminder of how mysterious consciousness is. Each night we lose it, and each morning it comes back. In recent decades, neuroscientists have built models that describe how consciousness emerges from the brain. Some researchers have proposed that consciousness is caused by the synchronization of

neurons across the brain. That harmony allows the brain to bring together different perceptions into a single conscious experience.

Dr. Tononi sees serious problems in these models. When people lose consciousness from epileptic seizures, for instance, their brain waves become more synchronized. If synchronization were the key to consciousness, you would expect the seizures to make people hyperconscious instead of unconscious, he said.

While in medical school, Dr. Tononi began to think of consciousness in a different way, as a particularly rich form of information. He took his inspiration from the American engineer Claude Shannon, who built a scientific theory of information in the mid-1900s. Mr. Shannon measured information in a signal by how much uncertainty it reduced. There is very little information in a photodiode that switches on when it detects light, because it reduces only a little uncertainty. It can distinguish between light and dark, but it cannot distinguish between different kinds of light. It cannot tell the differences between a television screen showing a Charlie Chaplin movie or an ad for potato chips. The question that the photodiode can answer, in other words, is about as simple as a question can get.

Our neurons are basically fancy photodiodes, producing electric bursts in response to incoming signals. But the conscious experiences they produce contain far more information than in a single diode. In other words, they reduce much more uncertainty. While a photodiode can be in one of two states, our brains can be in one of trillions of states. Not only can we tell the difference between a Chaplin movie and a potato chip, but our brains can go into a different state from one frame of the movie to the next.

“One out of two isn’t a lot of information, but if it’s one out of trillions, then there’s a lot,” Dr. Tononi said.

Consciousness is not simply about quantity of information, he says. Simply combining a lot of photodiodes is not enough to create human consciousness. In our brains, neurons talk to one another, merging information into a unified whole. A grid made up of a million photodiodes in a camera can take a picture, but the information in each diode is independent from all the others. You could cut the grid into two pieces and they would still take the same picture.

Consciousness, Dr. Tononi says, is nothing more than integrated information. Information theorists measure

the amount of information in a computer file or a cell-phone call in bits, and Dr. Tononi argues that we could, in theory, measure consciousness in bits as well. When we are wide awake, our consciousness contains more bits than when we are asleep.

For the past decade, Dr. Tononi and his colleagues have been expanding traditional information theory in order to analyze integrated information. It is possible, they have shown, to calculate how much integrated information there is in a network. Dr. Tononi has dubbed this quantity ϕ , and he has studied it in simple networks made up of just a few interconnected parts. How the parts of a network are wired together has a big effect on ϕ . If a network is made up of isolated parts, ϕ is low, because the parts cannot share information.

But simply linking all the parts in every possible way does not raise ϕ much. “It’s either all on, or all off,” Dr. Tononi said. In effect, the network becomes one giant photodiode.

Networks gain the highest ϕ possible if their parts are organized into separate clusters, which are then joined. “What you need are specialists who talk to each other, so they can behave as a whole,” Dr. Tononi said. He does

not think it is a coincidence that the brain's organization obeys this phi-raising principle.

Dr. Tononi argues that his Integrated Information Theory sidesteps a lot of the problems that previous models of consciousness have faced. It neatly explains, for example, why epileptic seizures cause unconsciousness. A seizure forces many neurons to turn on and off together. Their synchrony reduces the number of possible states the brain can be in, lowering its phi.

Dr. Koch considers Dr. Tononi's theory to be still in its infancy. It is impossible, for example, to calculate phi for the human brain because its billions of neurons and trillions of connections can be arranged in so many ways. Dr. Koch and Dr. Tononi recently started a collaboration to determine phi for a much more modest nervous system, that of a worm known as *Caenorhabditis elegans*. Despite the fact that it has only 302 neurons in its entire body, Dr. Koch and Dr. Tononi will be able make only a rough approximation of phi, rather than a precise calculation.

"The lifetime of the universe isn't long enough for that," Dr. Koch said. "There are immense practical problems

with the theory, but that was also true for the theory of general relativity early on."

Dr. Tononi is also testing his theory in other ways. In a study published this year, he and his colleagues placed a small magnetic coil on the heads of volunteers. The coil delivered a pulse of magnetism lasting a tenth of a second. The burst causes neurons in a small patch of the brain to fire, and they in turn send signals to other neurons, making them fire as well.

To track these reverberations, Dr. Tononi and his colleagues recorded brain activity with a mesh of scalp electrodes. They found that the brain reverberated like a ringing bell, with neurons firing in a complex pattern across large areas of the brain for 295 milliseconds.

Then the scientists gave the subjects a sedative called midazolam and delivered another pulse. In the anesthetized brain, the reverberations produced a much simpler response in a much smaller region, lasting just 110 milliseconds. As the midazolam started to wear off, the pulses began to produce richer, longer echoes.

These are the kinds of results Dr. Tononi expected. According to his theory, a fragmented brain loses some

of its integrated information and thus some of its consciousness. Dr. Tononi has gotten similar results when he has delivered pulses to sleeping people – or at least people in dream-free stages of sleep.

In this month's issue of the journal *Cognitive Neuroscience*, he and his colleagues reported that dreaming brains respond more like wakeful ones. Dr. Tononi is now collaborating with Dr. Steven Laureys of the University of Liège in Belgium to test his theory on people in persistent vegetative states. Although he and his colleagues have tested only a small group of subjects, the results are so far falling in line with previous experiments.

If Dr. Tononi and his colleagues can get reliable results from such experiments, it will mean more than just support for his theory. It could also lead to a new way to measure consciousness. "That would give us a consciousness index," Dr. Laureys said.

Traditionally, doctors have measured consciousness simply by getting responses from patients. In many cases, it comes down to questions like, "Can you hear me?" This approach fails with people who are conscious but unable to respond. In recent years scientists have been developing ways of detecting consciousness directly from the activity of the brain.

In one series of experiments, researchers put people in vegetative or minimally conscious states into fMRI scanners and asked them to think about playing tennis. In some patients, regions of the brain became active in a pattern that was a lot like that in healthy subjects.

Dr. Tononi thinks these experiments identify consciousness in some patients, but they have serious limitations. "It's complicated to put someone in a scanner," he said. He also notes that thinking about tennis for 30 seconds can demand a lot from people with brain injuries. "If you get a response I think it's proof that's someone's there, but if you don't get it, it's not proof of anything," Dr. Tononi said.

Measuring the integrated information in people's brains could potentially be both easier and more reliable. An anesthesiologist, for example, could apply magnetic pulses to a patient's brain every few seconds and instantly see whether it responded with the rich complexity of consciousness or the meager patterns of unconsciousness.

Other researchers view Dr. Tononi's theory with a respectful skepticism.

“It’s the sort of proposal that I think people should be generating at this point: a simple and powerful hypothesis about the relationship between brain processing and conscious experience,” said David Chalmers, a philosopher at Australian National University. “As with most simple and powerful hypotheses, reality will probably turn out to be more complicated, but we’ll learn something from the attempt. I’d say that it doesn’t solve the problem of consciousness, but it’s a useful starting point.”

Dr. Tononi acknowledged, “The theory has to be developed a bit more before I worry about what’s the best consciousness meter you could develop.” But once he has one, he would not limit himself to humans. As long as people have puzzled over consciousness, they have wondered whether animals are conscious as well. Dr. Tononi suspects that it is not a simple yes-or-no answer. Rather, animals will prove to have different levels of consciousness, depending on their integrated information. Even *C. elegans* might have a little consciousness.

“Unless one has a theory of what consciousness is, one will never be able to address these difficult cases and say anything meaningful,” Dr. Tononi said.

41 Just Me and My Pessimism in the ‘Race of Truth’

My husband found the bike race, but then he refused to train seriously for it. He was ambivalent, not sure he wanted to compete. But I signed us up anyway. I like having goals, and we had never raced on our bikes before. I wanted to see how we’d do.

It was not what we expected – in fact, that race was quite a shock. But it certainly taught us some lessons. Our experience turned out to be a perfect illustration of the power of one sort of mental strategy in racing and a perfect example of what motivates some people to stay with a sport.

The 36-kilometer (22-mile) race was a time trial: racers go off one by one at 30-second intervals and are ranked according to their speeds. I’m used to running races where everyone starts at once and you can be energized by the crowd and pace yourself by watching other runners. There are markers at every mile, and often there are clocks or race volunteers calling out times so you can gauge your effort.

Here you are all alone. No mile markers. No crowds. Just you and the lonely road. Bill, my husband, says that is why time trials are called the “race of truth.”

Then there were the other riders. Women, it seems, do not do this race. There were only eight of us, compared with 73 men. But every racer, man or woman, looked like a serious athlete. Almost everyone had aero bars – special handlebars that look like horns and allow you to crouch into an aerodynamic position. Many had aero helmets, which are designed to decrease air resistance, as well as aero wheels, which reduce the drag on your bike. Almost everyone was a member of a cycling team or club.

We had none of this special equipment. We were not on a team. My heart sank – what had we signed up for?

We lined up according to our race numbers and set off, one by one. I was so nervous I forgot to set my bike computer, so I had no idea how far I had gone or how far I had to go. Nor did I know my average speed. It was like nothing I had ever done before, and I was not having fun. I kept telling myself just to keep going. I had told my friends I was riding, and I knew they would want to know how I did. I did not want to embarrass myself with a ridiculously slow time.

Finally, the race was over.

“I’m never doing that again,” I said to Bill. “I was the slowest woman.” Well, he told me, he felt sure he was the slowest man. We drove home, chastened. So much for thinking we were the fastest cyclists on the road. I was glad running is my real passion. It is not fun to feel like such a failure.

The next day the race organizers posted the results.

What a surprise. I came in sixth out of the eight women. And I beat two men and tied with one. Bill beat six men and six women.

Of course, we were still at the bottom of the heap, but instantly our moods changed. We should do this again, Bill said. Only we should train, get aero bars and race again in the spring. Yes, I agreed. I’d love to see what we could do.

How weird. From despair to hope, just because we did better than we thought we did.

But actually, that’s no surprise, sports psychologists say.

The way we started thinking when we saw the other cyclists is a strategy called defensive pessimism, said John S. Raglin, a sports psychologist at Indiana University. He explained that it consisted of “downplaying your ability and expectations.” That way, if you do poorly you are not crushed, and if you do better than you expected, “you get this payoff,” Dr. Raglin said.

He has done studies of track-and-field college athletes who employ the defensive pessimism strategy, comparing them with optimists who think they’ll do well. The pessimists performed just as well as the optimists.

On the other hand, the type of anxiety we felt when we saw the other riders is also a reason many people steer clear of competitive sports altogether – even a reason many avoid walking into gyms, said Ralph A. Vernacchia, director of the Center for Performance Excellence at Western Washington University.

“What you are looking at is a social comparison,” he said. “In sports, it is very visible. There are times, they are posted on Web sites, everybody sees them.”

And many people “never get started because they are so fearful of what can go wrong,” Dr. Vernacchia said. The

trick is to take the first step, he added. If you are the slowest in the race, you can train and do better next time. It helps to have a coach or a team or a support group, though, as Dr. Vernacchia learned for himself.

He ran his first race in 1960, when he was a freshman in high school. It was a one-mile race, on a cinder track, and he came in dead last.

“I was so far behind that when I came off the last turn to put on my blazing kick, they had already put up the high hurdles” for the next event, he recalled.

But his coach and his friends encouraged him to stay with the sport, and he did. He trained hard, became a track athlete in high school and college, and ended up as a track coach. “It became my career,” Dr. Vernacchia said.

Not everyone wants to compete, of course. Recreational athletes, says David B. Coppel, a sports psychologist at the University of Washington, take pleasure in a sport for its own sake and often feel no need to train and see how well they can do.

“They don’t care about their times,” he said. “It’s not a mastery issue. They are not trying to conquer a hill, but just trying to climb it.”

Then there are the goal-oriented people whose motivation is somewhat different. And I guess the time trial showed where Bill and I stand.

“We have potential,” Bill said to me.

42 Bill Clinton, in Demand, Stumps for Obama

HE was against him before he was for him.

During the 2008 presidential campaign, Bill Clinton was often at angry odds with the man who ultimately defeated his wife.

Now, in the final weeks of the 2010 midterm campaign, Mr. Clinton is stumping hard to help his onetime foe – and has emerged as one of the most important defenders of President Obama’s Congressional majorities. Some candidates are asking for his help on the campaign trail, rather than the president’s. Even though Mr. Clinton insisted on Monday that he was only “peripherally and fleetingly” back in politics, he has been headlining rallies and fund-raisers across the country to buck up the depressed party faithful.

“They shouldn’t take this lying down,” Mr. Clinton said during a meeting with reporters and editors of The New York Times on Monday.



Blaming Republican policies for digging the deep hole the economy is in, he said the Democrats needed to plead with voters for more time to turn things around.

“I think we ought to say, ‘Look, don’t go back to the shovel brigade – give us two more years; if you don’t feel better you can throw us all out.’ ”

Mr. Clinton professes more interest in pressing humanitarian problems like clearing rubble in earthquake-ravaged Port-au-Prince – the stuff of his day job at his Clinton Global Initiative charitable organization – than monitoring turnout projections in Portsmouth, N.H.

In an interview that lasted roughly 90 minutes, Mr. Clinton talked passionately about his plans for the annual meeting this week of his nonprofit organization and about the need to more aggressively develop green industries and improve educational opportunities for women around the world.

But Mr. Clinton has not lost his fluency, and grasp of granular detail, in politics. For instance, he readily recalled the number of voters in a recent election for county executive in Westchester County, where he lives.

Mr. Clinton at times spoke in the apocalyptic terms of his party’s more dejected activists.

“I hope they can avoid a calamity,” Mr. Clinton said at one point, hastening to add, “And I think they can.”

“If the election is about anger and apathy colored by amnesia, we’re in deep trouble,” he said. “If the election is about what are we going to do now and who’s more likely to do that, the president and the Congress have a real chance to come out of this fine.”

He called this year only “partly” a replay of 1994, the first midterm election of his presidential tenure, when Democrats lost their majorities in Congress. “The Republicans are not led as adroitly as they were when Newt Gingrich had a whole plan,” he said.

On the other hand, he said, Mr. Gingrich, who took over as speaker of the House in 1994, was willing to work with the White House post-election. He accused this year’s Republicans of promising gridlock.

Whatever his feelings about Mr. Obama in 2008, Mr. Clinton is clearly feeling the president’s strain.

“Most of the things they’re saying about him they said about me, so I’m much more sympathetic to him than most people,” he said. “And when you get in there, if you’re an earnest policy wonk like he is and I was, it’s hard to believe there are people who really don’t want you to do your job.”

In the last two weeks Mr. Clinton has campaigned for candidates in Georgia, Nevada, Ohio and Pennsylvania, with plans to appear in California and Massachusetts in the days ahead. He has been a guest on “The Daily Show With Jon Stewart,” “Meet the Press” and even “On the Record with Greta Van Susteren” on the Fox News Channel on Monday night.

“He’s welcome anywhere in the country,” said Gov. Edward G. Rendell, Democrat of Pennsylvania, who spent a day campaigning with Mr. Clinton around Philadelphia last week. “He’s all upside and no downside.”

The Big Dog, as he is known among those in the tight world of Clinton associates, is actually a more diminutive dog these days – so slimmed down that the “Meet the Press” moderator, David Gregory, asked him on Sunday, “Are you O.K.?” (The once voracious consumer of junk food says he lost weight at the insistence of his daughter,

Chelsea, before her wedding in July, and credited a new heart-healthy diet.)

Mr. Obama, of course, is also the boss of Mr. Clinton’s wife, Secretary of State Hillary Rodham Clinton. And there is something in it for Mr. Clinton, too. Any microphone or tape recorder is a two-fer for him, giving him a chance to talk up his global works, as well as discuss politics. On Monday, for example, he urged donors to give more so he can hire more staff for the daunting rebuilding efforts in Haiti.

Mr. Clinton said he began making appearances only because Mrs. Clinton, in her current position, is forbidden from politicking. “So there was nobody besides me to honor the people that supported her,” he said.

It “became something more,” he added, when he realized how angry the electorate was, and how people did not appreciate what he described as the Democrats’ accomplishments on student loans, jobs, health care and the economy.

On the trail, he tweaks his remarks depending on which Democrat he is speaking for – a different speech for a

candidate who supported health care than for one who did not.

He does not find it awkward that candidates want him at their side, rather than the current occupant of the White House.

“In ’94,” he said, “some of them didn’t want me.”

43 As Rules Shift, Donor Names Stay Secret

CROSSROADS Grassroots Policy Strategies would certainly seem to the casual observer to be a political organization: Karl Rove, a political adviser to President George W. Bush, helped raise money for it; the group is run by a cadre of experienced political hands; it has spent millions of dollars on television commercials attacking Democrats in key Senate races across the country.

Yet the Republican operatives who created the group earlier this year set it up as a 501(c)(4) nonprofit corporation, so its primary purpose, by law, is not supposed to be political.

The rule of thumb, in fact, is that more than 50 percent of a 501(c)(4)’s activities cannot be political. But that has not stopped Crossroads and a raft of other nonprofit advocacy groups like it – mostly on the Republican side, so far – from becoming some of the biggest players in this year’s midterm elections, in part because of the anonymity they afford donors, prompting outcries from campaign finance watchdogs.

The chances, however, that the flotilla of groups will draw much legal scrutiny for their campaign activities seem slim, because the organizations, which have been growing in popularity as conduits for large, unrestricted donations among both Republicans and Democrats since the 2006 election, fall into something of a regulatory netherworld.

Neither the Internal Revenue Service, which has jurisdiction over nonprofits, nor the Federal Election Commission, which regulates the financing of federal races, appears likely to examine them closely, according to campaign finance watchdogs, lawyers who specialize in the field and current and former federal officials.

A revamped regulatory landscape this year has elevated the attractiveness to political operatives of groups like Crossroads and others, organized under the auspices of Section 501(c) of the tax code. Unlike so-called 527 political organizations, which can also accept donations of unlimited size, 501(c) groups have the advantage of usually not having to disclose their donors' identity.

This is arguably more important than ever after the Supreme Court decision in the Citizens United case

earlier this year that eased restrictions on corporate spending on campaigns.

Interviews with a half-dozen campaign finance lawyers yielded an anecdotal portrait of corporate political spending since the Citizens United decision. They agreed that most prominent, publicly traded companies are staying on the sidelines.

But other companies, mostly privately held, and often small to medium size, are jumping in, mainly on the Republican side. Almost all of them are doing so through 501(c) organizations, as opposed to directly sponsoring advertisements themselves, the lawyers said.

"I can tell you from personal experience, the money's flowing," said Michael E. Toner, a former Republican F.E.C. commissioner, now in private practice at the firm Bryan Cave.

The surging popularity of the groups is making the gaps in oversight of them increasingly worrisome among those mindful of the influence of money on politics.

"The Supreme Court has completely lifted restrictions on corporate spending on elections," said Taylor Lincoln, research director of Public Citizen's Congress

Watch, a watchdog group. “And 501(c) serves as a haven for these front groups to run electioneering ads and keep their donors completely secret.”

Almost all of the biggest players among third-party groups, in terms of buying television time in House and Senate races since August, have been 501(c) organizations, and their purchases have heavily favored Republicans, according to data from Campaign Media Analysis Group, which tracks political advertising.

They include 501(c)(4) “social welfare” organizations, like Crossroads, which has been the top spender on Senate races, and Americans for Prosperity, another pro-Republican group that has been the leader on the House side; 501(c)(5) labor unions, which have been supporting Democrats; and 501(c)(6) trade associations, like the United States Chamber of Commerce, which has been spending heavily in support of Republicans.

Charities organized under Section 501(c)(3) are largely prohibited from political activity because they offer their donors tax deductibility.

Campaign finance watchdogs have raised the most questions about the political activities of the “social

welfare” organizations. The burden of monitoring such groups falls in large part on the I.R.S. But lawyers, campaign finance watchdogs and former I.R.S. officials say the agency has had little incentive to police the groups because the revenue-collecting potential is small, and because its main function is not to oversee the integrity of elections.

The I.R.S. division with oversight of tax-exempt organizations “is understaffed, underfunded and operating under a tax system designed to collect taxes, not as a regulatory mechanism,” said Marcus S. Owens, a lawyer who once led that unit and now works for Caplin & Drysdale, a law firm popular with liberals seeking to set up nonprofit groups.

In fact, the I.R.S. is unlikely to know that some of these groups exist until well after the election because they are not required to seek the agency’s approval until they file their first tax forms – more than a year after they begin activity.

“These groups are popping up like mushrooms after a rain right now, and many of them will be out of business by late November,” Mr. Owens said. “Technically,

they would have until January 2012 at the earliest to file anything with the I.R.S. It's a farce."

A report by the Treasury Department's inspector general for tax administration this year revealed that the I.R.S. was not even reviewing the required filings of 527 groups, which have increasingly been supplanted by 501(c)(4) organizations.

Social welfare nonprofits are permitted to do an unlimited amount of lobbying on issues related to their primary purpose, but there are limits on campaigning for or against specific candidates.

I.R.S. officials cautioned that what may seem like political activity to the average lay person might not be considered as such under the agency's legal criteria.

"Federal tax law specifically distinguishes among activities to influence legislation through lobbying, to support or oppose a specific candidate for election and to do general advocacy to influence public opinion on issues," said Sarah Hall Ingram, commissioner of the I.R.S. division that oversees nonprofits. As a result, rarely do advertisements by 501(c)(4) groups explicitly call for the election

or defeat of candidates. Instead, they typically attack their positions on issues.

Steven Law, president of Crossroads GPS, said what distinguished the group from its sister organization, American Crossroads, which is registered with the F.E.C. as a political committee, was that Crossroads GPS was focused over the longer term on advocating on "a suite of issues that are likely to see some sort of legislative response." American Crossroads' efforts are geared toward results in this year's elections, Mr. Law said.

Since August, however, Crossroads GPS has spent far more on television advertising on Senate races than American Crossroads, which must disclose its donors.

The elections commission could, theoretically, step in and rule that groups like Crossroads GPS should register as political committees, which would force them to disclose their donors. But that is unlikely because of the current make-up of the commission and the regulatory environment, campaign finance lawyers and watchdog groups said. Four out of six commissioners are needed to order an investigation of a group. But the three Republican commissioners are inclined to give these groups leeway.

Donald F. McGahn, a Republican commissioner, said the current commission and the way the Republican members, in particular, read the case law, gave such groups “quite a bit of latitude.”

44 Short of Repeal, G.O.P. Will Chip at Health Law

REPUBLICANS are serious. Hopeful of picking up substantial numbers of seats in the Congressional elections, they are developing plans to try to repeal or roll back President Obama’s new health care law.

This goal, though not fleshed out in a detailed legislative proposal, is much more than a campaign slogan. That conclusion emerged from interviews with a wide range of Republican lawmakers, who said they were determined to chip away at the law if they could not dismantle it.

House Republicans are expected to include some specifics in an election agenda they intend to issue Thursday. Although they face tremendous political and practical hurdles to undoing a law whose provisions are rapidly going into effect, they are already laying the groundwork for trying.

For starters, Republicans say they will try to withhold money that federal officials need to administer and enforce the law. They know that even if they managed to pass a wholesale repeal, Mr. Obama would veto it.

“They’ll get not one dime from us,” the House Republican leader, John A. Boehner of Ohio, told The Cincinnati Enquirer recently. “Not a dime. There is no fixing this.”

Republicans also intend to go after specific provisions. Senator Orrin G. Hatch of Utah, a senior Republican on the Finance Committee, has introduced a bill that would eliminate a linchpin of the new law: a requirement for many employers to offer insurance to employees or pay a tax penalty. Many Republicans also want to repeal the law’s requirement for most Americans to obtain health insurance.

Alternatively, Republicans say, they will try to prevent aggressive enforcement of the requirements by limiting money available to the Internal Revenue Service, which would collect the tax penalties.

Republicans say they will also try to scale back the expansion of Medicaid if states continue to object to the costs of adding millions of people to the rolls of the program for low-income people.

In addition, Republican lawmakers may try to undo some cuts in Medicare, the program for older Americans. Many want to restore money to Medicare’s

managed-care program and clip the wings of a new agency empowered to recommend cuts in Medicare. Recommendations from the agency, the Independent Payment Advisory Board, could go into effect automatically unless blocked by subsequent legislative action.

Representative Michael C. Burgess, Republican of Texas and a physician, acknowledged that repealing the law became more difficult with each passing week, as various provisions took effect and were woven into “the fabric of American life.”

Michael A. Needham, chief executive of Heritage Action for America, who is leading a campaign for repeal, said, “There will be technical challenges in unwinding the legislation.”

Many Republican candidates for Congress have emphasized their desire to repeal the health care law. Their vow is an election issue, and more – a commitment they mean to pursue, regardless of the election results.

Efforts at repeal face several hurdles:

¶ Not even the most optimistic Republicans expect to gain the two-thirds majorities that would be needed to overcome a veto.

¶ The law responds to a genuine need. The Census Bureau reported last week that 50.7 million people were uninsured in 2009, an increase of 4.3 million or nearly 10 percent over the previous year.

¶ The health care law saves money, by the reckoning of the Congressional Budget Office, so Republicans would need to find ways to achieve equivalent savings if they repealed the law. (The budget office affirmed last month that the law would “produce \$143 billion in net budgetary savings” over 10 years.)

¶ While trying to repeal the health care law, Republicans do not agree on what to replace it with.

¶ Popular and unpopular provisions of the law are intertwined and difficult to separate. People like the idea of being able to buy insurance regardless of any pre-existing condition. They dislike the idea of being compelled to do so. But without such a requirement, people could wait until they got sick and then buy coverage – a situation that has proved unworkable in states that have tried it.

Administration officials, frustrated at not getting more of a political benefit from the law, plan to highlight consumer protections that take effect this week, six months after Mr. Obama signed it.

In general, insurers will be required to offer coverage to children with pre-existing conditions; will have to allow many young adults to stay on their parents’ policies up to age 26; cannot impose lifetime limits on coverage of “essential health benefits”; and cannot charge co-payments for recommended preventive services.

Kathleen Sebelius, the secretary of health and human services, said that repeal would mean “taking those benefits away.”

Moreover, she said, if Congress repeals the law, small businesses will lose tax credits that help pay for health benefits, and officials will lose tools needed to root out fraud in Medicare and Medicaid.

House Republicans said their agenda for the next Congress would focus on jobs, spending, national security and adjustments in House rules and procedures, as well as health care.

Senator Lamar Alexander of Tennessee, the No. 3 Republican in the Senate, said: “If there was a straight bill to repeal the health care law, I would vote for it because I think it’s such a historic mistake. If that doesn’t succeed, I think we’ll go step by step. We can try to delay funding of some provisions and remove some of the taxes.”

However, Mr. Alexander added: “The bill included several items that Republicans are for, such as dealing with pre-existing conditions. So we would be careful to include those in any final legislation.”

Senator Olympia J. Snowe, Republican of Maine, said she supported efforts to make major changes in the law because she doubted that it would work. The law, she said, could inadvertently create an incentive for employers to discontinue coverage because the financial penalties for not offering insurance are far less than the cost of providing it.

Mr. Hatch is working on alternatives that would give states more discretion about how to expand coverage. “I would prefer to have 50 state laboratories doing it rather than the almighty federal government,” he said.

Without changing a word of the law, Republicans, especially if they gain control of the House or Senate, can put

Democrats on the defensive with Congressional hearings and investigations intended to expose problems.

Republicans said they would also try to override or rewrite some of the regulations issued by the Obama administration without a full opportunity for public comment. They could do so by attaching provisions to spending bills for the relevant regulatory agencies, among other methods.

“Wholesale repeal is highly unlikely,” said Gail R. Wilensky, who ran Medicare and Medicaid from 1990 to 1992. “But if there is a significant shift in the makeup of Congress, which appears likely, Republicans could definitely impact the regulations.”

Senator Michael B. Enzi, Republican of Wyoming, said he was particularly concerned about rules that could make it difficult for employers to keep their current health plans intact. Many Republicans also want to repeal provisions that restrict the use of health savings accounts and flexible spending arrangements for medical expenses.

How far Republicans go will depend on how many votes they have. “The more Republicans we have here, the more changes we can make,” Mr. Alexander said.

45 Students Spell Out Messages on Immigration

Sept 10
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DOZENS of college students lay down on South Beach on Sunday afternoon, but not to sunbathe. Most were immigrants in this country illegally, and their bodies, fully clothed, formed giant letters that spelled out a message for Floridians and one of their senators, complete with a human exclamation point: Call LeMieux!

The students staged the surfside demonstration after Senator Harry Reid, the Democratic majority leader, announced last week that he would add to a military spending bill an amendment that would open a path to legal status for hundreds of thousands of illegal immigrant students. Senator George LeMieux, a Republican, has not declared his position, and the students hoped to secure his support for the measure, which will be put to a first test on Tuesday with a procedural vote.

Illegal immigrant students across the country have not been deterred by reports from Washington that the measure, known to its supporters as the Dream

Act, has slim chances of passing. Republicans have denounced Mr. Reid's move to even bring it up just six weeks before midterm elections as a ploy to attract Latino voters during his own hard-fought re-election campaign in Nevada, and they say a proposal on an issue as contentious as immigration should not be attached to the military reauthorization bill.

But in Phoenix and Boston, immigrant students who want to enlist in the military under the terms of the student bill performed drills over the weekend and on Monday in front of the offices of Senator John McCain, Republican of Arizona, and Senator Scott P. Brown, Republican of Massachusetts.

In Utah, students started a call-in campaign and held a sit-down vigil to draw the attention of Senator Orrin G. Hatch, a Republican who was one of the first sponsors of the student bill nearly a decade ago, but has not made clear how he will vote this time. In California, immigrants wearing caps and gowns started public fasts, scheduled rallies and unfurled banners over highways. Actions were also reported in nine other states.

"We are literally asking people to stop their lives to support the bill," said Carlos Saavedra, president of

the United We Dream coalition, a national immigrant student organization.

Miguel Sanchez, 19, a Miami Dade College student who has been in the United States illegally since he was 10, was one side of an “A” in the human billboard message on Miami Beach, which was filmed by television cameras. Mr. Sanchez, who is from Honduras, said he hung back for years, worried that public protest could lead immigration agents to locate and deport him. But he said that if he continued much longer without legal status, he would not be able to transfer to a larger university to complete college.

“All of a sudden I’ve lost that fear,” Mr. Sanchez said.

The urgency for change among illegal immigrant students has made them the most outspoken flank of the movement pushing for legislation to open a path to legal status for millions of immigrants here illegally. Immigrants who were brought to this country unlawfully as children can generally complete public high school without problems, but they hit a wall when they try to go to college. They cannot receive public financial aid and in many states must pay high out-of-state tuition rates.

They cannot obtain driver’s licenses, or in many cases licenses to practice a skill or profession even if they manage to graduate.

“We just found a wall, an obstacle that we couldn’t overcome,” said Guillermo Reyes, 26, a student at Florida Atlantic University who participated in the South Beach protest. Immigration authorities detained Mr. Reyes last year but deferred his deportation, so for now he is authorized to work and attend school. But for the long term, he said, “that is really the only hope that we have, for the Dream Act to pass.”

While Mr. Reid’s decision to bring up the student legislation took many Republicans by surprise, it was the result of recent discussions by Democratic leaders and White House officials with immigrant advocates and student leaders, several participants in those talks said.

The advocates argued that after President Obama did not deliver on repeated promises to pass a larger immigration overhaul early in his term, the Democrats had to show some action on immigration before midterm elections that seem likely to bring gains for Republicans.

Mr. Reid was persuaded by impatient student leaders who said they did not want the measure to wait for a

larger immigration law overhaul, Congressional aides said.

Mr. LeMieux's offices received many phone calls in recent days, from callers both for and against the immigration bill, said his spokesman, Ken Lundberg.

The news of the vote on the student bill brought an outpouring from academic leaders, after many college presidents have declared their support in recent years. Michael M. Crow, the president of Arizona State University, and David J. Skorton, the president of Cornell, sent a letter in June to 2,200 university and college presidents asking them to urge lawmakers to pass the bill.

The focus in Arizona this year has been on curbing illegal immigration, with a crackdown bill enacted in April. (Important sections of that law were stayed by a federal court.) But in an interview Monday, Mr. Crow said his university, with 70,100 students, was supporting hundreds of immigrants each year who lack legal status by raising private money.

"There are thousands and thousands of students who were successful in public school, who did everything

right and didn't do anything wrong on their own," Mr. Crow said. "The bill is their pathway to innocence."

The student bill would open a path to eventual legal residency for illegal immigrants who arrived in the country before they were 16 years old, have been here for at least five years and have graduated from high school. It would require them to finish two years of college or military service before gaining legal status.

About 726,000 illegal immigrants would become immediately eligible for legal status under the bill, according to the Migration Policy Institute, a research group in Washington.

The Defense Department has listed passage of the student bill among the goals in its formal strategic plan for the next two years. But many Republicans argued that the student measure was not directly related to military reauthorization. In an interview on Fox News last week, Mr. McCain, who has supported the student bill in the past, said that in this instance Mr. Reid and other Democratic leaders "have put their political agenda ahead of the welfare of the men and women who are serving in the military today."

On South Beach, the students' emotions ran high on Sunday, as many laughed and some cried when they spoke of their frustrations over trying to stay in college, and being left behind by peers who are American citizens. But Mr. Reyes said they were not considering defeat. "None of us have the idea of the Dream Act not passing even being conceived in our minds," he said.

46 Code That Tracks Users' Browsing Prompts Lawsuits

SANDRA Person Burns used to love browsing and shopping online. Until she realized she was being tracked by software on her computer that she thought she had erased.



Ms. Person Burns, 67, a retired health care executive who lives in Jackson, Miss., said she is wary of online shopping: "Instead of going to Amazon, I'm going to the local bookstore."

Ms. Person Burns is one of a growing number of consumers who are taking legal action against companies that track computer users' activity on the Internet. At issue is a little-known piece of computer code placed on hard drives by the Flash program from Adobe when users watch videos on popular Web sites like YouTube and Hulu.

The technology, so-called Flash cookies, is bringing an increasing number of federal lawsuits against media and technology companies and growing criticism from some

privacy advocates who say the software may also allow the companies to create detailed profiles of consumers without their knowledge.

Unlike other so-called HTML cookies, which store Web site preferences and can be managed by changing privacy settings in a Web browser, Flash cookies are stored in a separate directory that many users are unaware of and may not know how to control.

Ms. Person Burns, a claimant who is to be represented by KamberLaw, said she knew cookies existed but did not know about Flash cookies.

“I thought that in all the instructions that I followed to purge my system of cookies, I thought I had done that, and I discovered I had not,” she said. “My information is now being bartered like a product without my knowledge or understanding.”

Since July, at least five class-action lawsuits filed in California have accused media companies like the Fox Entertainment Group and NBC Universal, and technology companies like Specific Media and Quantcast of surreptitiously using Flash cookies. More filings are expected as early as this week.

The suits contend that the companies collected information on the Web sites that users visited and from the videos they watched, even though the users had set their Web browser privacy settings to reject cookies that could track them.

“What these cases are about is the right of a computer user to dictate the terms by which their personal information is harvested and shared. This is all about user control,” said Scott A. Kamber, 44, a privacy and technology lawyer with KamberLaw who is involved with some of the cases. The suits have been filed by firms including Parisi & Havens and the law office of Joseph H. Malley.

One lawsuit contends that Clearspring Technologies and media companies including the Walt Disney Internet Group “knowingly authorized” the use of online tracking devices that would “allow access to and disclosure of Internet users’ online activities as well as personal information.” Others say that the information was gathered to sell to online advertisers.

In August, Clearspring and Quantcast issued statements on their company blogs addressing the suits. Clearspring clarified its use of Flash cookies and said the legal filings

were “factually inaccurate.” The company said it used Flash cookies, also known as Flash local storage, “to deliver standard Web analytics to publishers.” The post also stated that data was collected at the aggregate level including unique users and interaction time, but did not include personally identifiable information.

Quantcast’s blog post said that the company “uses Flash cookies for measurement purposes only and not for any form of targeted content delivery.”

Specific Media did not respond to requests for comment. Counsel for the media companies in the cases declined to comment; representatives of companies that had not yet been served with the suits also declined to comment.

Some privacy advocates said that despite the companies’ claims, if enough data is collected over time, advertisers can create detailed profiles of users including personally identifiable data like race and age in addition to data about what Web sites a user visits. They also take issue with the fact that Flash cookies can be used to restore HTML cookies that have been deleted from a user’s computer, circumventing a user’s privacy settings.

“The core function of the cookie is to link what you do on Web site A to what you do on Web site B,” said Peter

Eckersley, a technologist at the Electronic Frontier Foundation. “The Flash cookie makes it harder for people to stop that from happening.”

According to Adobe, more than 75 percent of online videos are delivered using Flash technology, with media companies also using it to serve games and animation to users. The company says that Flash cookies are intended to be used for basic Web functions like saving a user’s volume and language preferences or remembering where a user left off on a video game.

In a public letter to the Federal Trade Commission in January, Adobe condemned the practice of restoring cookies after they had been deleted by a user. The company provides an online tool on its Web site to erase Flash cookies and manage Flash player settings. At least one suit, however, claims that the controls are not easy to reach and are not obvious to most Web users.

Chris Jay Hoofnagle, 36, one of the authors of a University of California, Berkeley, study about Internet privacy and Flash cookies that has been used in several of the legal filings, said the recent spate of suits pointed to a weakness in federal rules governing online privacy.

“Consumer privacy actions have largely failed,” Mr. Hoofnagle said. The lawsuits, he added, “actually are moving the policy ball forward in the ways that activists are not.”

Complaints about online privacy are now migrating to mobile technology. Last week, a lawsuit was filed by three California residents against a technology company called Ringleader Digital saying that the company used a product called Media Stamp that “acquired information from plaintiff’s phone and assigned a unique ID to their mobile device.”

The suit says that the information collected by the unique ID, using a technology called HTML 5, allowed Web site operators “to track the mobile devices’ Internet activities over multiple Web sites.”

In a statement, Bob Walczak Jr., Ringleader’s chief executive, said, “Our intent since the inception of the company has been to build a mobile advertising platform that users can control.” He added that Ringleader was working on “new ways for consumers to be able to verify for themselves that their opt-outs have taken effect.”

John Verdi, senior counsel at the Electronic Privacy Information Center, faulted the Federal Trade Commission for not being more aggressive on privacy issues, focusing largely, instead, on self-regulation.

“The F.T.C. has been inactive on this front and has failed to present meaningful regulation on this,” he said. “There’s wide evidence that online tracking is not being controlled by self-regulation.”

Christopher Olsen, an assistant director in the division of privacy and identity protection at the agency, said it had hosted a series of roundtable discussions about online and offline privacy challenges from December to March and planned to issue a report in the next few months to address those issues.

The agency is investigating several companies, but Mr. Olson declined to comment on the specifics.

Other efforts to address online privacy are taking place at the Congressional level. In July, Representative Bobby L. Rush, Democrat of Illinois, introduced an online privacy bill that would, among other things, require companies to disclose how they collect, use and maintain the personal information on users and to make those disclosures easy for users to understand.

47 Recession May Be Over, but Joblessness Remains

Sept 10
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THE United States economy has lost more jobs than it has added since the recovery began over a year ago.

Yes, you read that correctly.

The downturn officially ended, and the recovery officially began, in June 2009, according to an announcement Monday by the official arbiter of economic turning points. Since that point, total output – the amount of goods and services produced by the United States – has increased, as have many other measures of economic activity.

But nonfarm payrolls are still down 329,000 from their level at the recession's official end 15 months ago, and the slow growth in recent months means that the unemployed still have a long slog ahead.

"We started from a deep hole," said James Poterba, an economics professor at M.I.T. and a member of the

National Bureau of Economic Research's Business Cycle Dating Committee, which declared the recession's end. "And clearly the bounce-back has not been immediate after hitting this trough."

The declaration of the recession's end confirms what many suspected: The 2007-9 recession was not only the longest post-World War II recession, but also the deepest, in terms of both job losses and at least one measure of output declines.

The announcement also implies that any contraction that might lie ahead would be a separate and distinct recession, and one that the Obama administration could not claim to have inherited. While economists generally say such a double-dip recession seems unlikely, new monthly estimates of gross domestic product, released by two committee members, show that output shrank in May and June, the most recent months for which data are available. Output and other factors would have to shrink for a longer period of time before another contraction might be declared.

Even without a full-blown double dip in the economy, the recovery thus far has been so anemic that the job

picture seems likely to stagnate, and perhaps even get worse, in the near future.

Many forecasters estimate that output needs to grow over the long run by about 2.5 percent to keep the unemployment rate, now at 9.6 percent, constant. The economy grew at an annual rate of just 1.6 percent in the second quarter of this year, and private forecasts indicate growth will not be much better in the third quarter. (The Business Cycle Dating Committee itself does not engage in forecasting.)

“The amount of unemployment we’ve already got and the slowness of recovery lead to predictions that we could have 9-plus percent unemployment even through the next presidential election,” said Robert J. Gordon, an economics professor at Northwestern University and a committee member.

“What’s really unique about this recession is the amount of unemployment in combination with the slowness of the recovery,” he said. “That’s just not happened before. We had a sharp recession followed by a sharp recovery in the 1980s. And in ’91 and ’01 we had slow recoveries, but those recessions were shallow recessions, so the slowness didn’t matter much.”

All three of these most recent recoveries have been known as jobless recoveries, as employment growth has significantly lagged output growth. In this recovery, the job market bottomed six months after economic output bottomed. That is still not nearly as much of a lag as experienced after the 2001 recession, when it took the job market 19 months to turn around after output improved.

This new pattern of jobless recoveries has led to some complaints that employment should play a more prominent role in dating business cycles and to criticism that a jobless recovery is not truly a recovery at all. Business Cycle Dating Committee members have been reluctant to change their criteria too drastically, though, because they want to maintain consistency in the official chronology of contractions and expansions.

While all three recent recoveries have been weak for employment, the job market has to cover the most ground from the latest recession.

From December 2007 to June 2009, the American economy lost more than 5 percent of its nonfarm payroll jobs, the largest decline since World War II. And through December 2009, the month that employment hit bottom, the nation had lost more than 6 percent of its jobs.

The unemployment rate, which comes from a different survey, peaked last October at 10.1 percent. The post-war high was in 1982, at 10.8 percent. But the composition of the work force was very different in the 1980s – it was younger, and younger people tend to have higher unemployment rates – and so if adjusted for age, unemployment this time around actually looks much worse.

The broadest measure of unemployment, including people who are reluctantly working part time when they wish to be working full time and those who have given up looking for work altogether, also was at its highest level since World War II.

There is some debate, though, about whether this recession was the worst in terms of output.

Adjusted for inflation, output contracted more than in any other postwar period, according to Robert E. Hall, a Stanford economics professor and committee chairman.

But some economists say that a better measure would be the gap between where output is and where it could have been if growth had been uninterrupted.

“It’s definitely not as deep as 1981-82 when measured relative to the economy’s potential growth rate,” Mr. Gordon said.

Besides employment, nearly every indicator that the committee considers simultaneously reached a low point in June 2009, which made that month a relatively easy selection as the official turning point, Mr. Gordon said. The committee previously met in April but had decided that the data were inconclusive.

In its statement on Monday affirming the recession’s end, the bureau took care to note that the recession, by definition, meant only the period until the economy reached its low point – not a return to its previous vigor.

“In declaring the recession over, we’re not at all saying the unemployment rate, or anything else, has returned to normal,” said James H. Stock, an economics professor at Harvard and a member of the business cycle committee.

“We clearly still have a long ways to go.”

48 H.P. Settles Lawsuit Against Hurd

Sept-10
21

A fierce and public feud between Oracle and Hewlett-Packard, two of the world's largest technology companies, has ended after all of two weeks.

On Monday, the companies announced a settlement to a dispute that centered on Oracle's hiring of Mark V. Hurd, the former chief executive of H.P., as a president. H.P. sued Mr. Hurd this month, claiming he would violate agreements to protect H.P.'s secrets by taking on such a high-level role at Oracle. The parties declined to reveal details about the settlement but said Mr. Hurd would protect H.P.'s confidential information.

However, in a filing with the Securities and Exchange Commission on Monday, H.P. said it had modified its separation agreement with Mr. Hurd. He effectively waived about half the compensation owed him. Mr. Hurd agreed to give up his rights to the 330,177 performance-based restricted stock units granted to him on Jan. 17, 2008, and to the 15,853 time-based restricted stock units granted on Dec. 11, 2009.

Although most legal analysts said H.P. had had little chance of winning its case, the lawsuit immediately strained the business relationship between the two companies. Oracle and H.P. have a long history of selling technology together. About 40 percent of Oracle's business software runs on computing systems sold by H.P., and the companies have 140,000 customers in common. After the lawsuit was filed – 19 hours after Oracle hired Mr. Hurd – Lawrence J. Ellison, Oracle's chief executive, warned that H.P.'s actions threatened to derail the companies' longstanding partnership.

The companies took pains on Monday to say that the business relationship was again on firm footing. "H.P. and Oracle have been important partners for more than 20 years and are committed to working together to provide exceptional products and service to our customers," Cathie A. Lesjak, the chief financial officer and interim chief executive at H.P., said in a statement. "We look forward to collaborating with Oracle in the future."

Mr. Ellison said in his statement, "Oracle and H.P. will continue to build and expand a partnership that has already lasted for over 25 years."

"The partnership is clearly very important here," said David M. Hilal, senior managing director at FBR

Capital Markets. “It’s undoubtedly an effort to kiss and make up.”

Mr. Hilal said Mr. Hurd would probably be prohibited from making decisions at Oracle that would allow him to use confidential information from H.P., like its acquisition plans. The relationship between the two companies began to fray after Mr. Hurd resigned from H.P. last month.

In an e-mail to The New York Times, Mr. Ellison, a close friend of Mr. Hurd’s, lambasted H.P.’s board for the way it had handled the departure. Mr. Hurd left H.P. after the board investigated his relationship with a marketing contractor and found that her name had been left off expense report items and that Mr. Hurd had violated the company’s code of conduct.

“In losing Mark Hurd, the H.P. board failed to act in the best interest of H.P.’s employees, shareholders, customers and partners,” Mr. Ellison wrote.

This month, Oracle hired Mr. Hurd to succeed Charles E. Phillips Jr. as a president at the company. While the legal matter has been resolved, Oracle and H.P. will continue to have a more tense business relationship than in the past.

Oracle’s acquisition this year of Sun Microsystems thrust it into the computer hardware business, one of H.P.’s strong suits.

At the Oracle Open World customer event here this week, Oracle executives talked at length about their plans to conquer the hardware market. Mr. Ellison, in particular, made an impassioned pitch on Sunday evening, just minutes after Ann M. Livermore, an H.P. executive vice president in charge of enterprise computing, delivered a similar message to the audience.

Oracle executives have voiced their interest in acquiring more hardware companies, and H.P. remains on the prowl, making some recent big-ticket purchases. H.P. has made three major acquisitions since Mr. Hurd left the company: 3Par, a computer storage company, for \$2.35 billion; ArcSight, a computer security company, for \$1.5 billion; and Stratavia, a privately held database and application automation company, for an undisclosed amount.

H.P. also remains in the hunt for a new chief executive.

49 NKorea to Hold Key Party Convention Next Week

Sept 10
21

NORTH Korea will hold its biggest political meeting in 30 years next week, state media said Tuesday, as observers watch for signs that the secretive regime's aging leader will appoint his son to succeed him.

Now 68, and reportedly in poor health two years after suffering a stroke, Kim Jong Il is believed to be setting in motion a plan to tap a son to take the Kim dynasty into a third generation by appointing his heir to top party posts at the Workers' Party convention.

Delegates will meet Sept. 28 to elect new party leaders, the official Korean Central News Agency said in a dispatch from Pyongyang.

The report did not explain why the meeting, initially set for "early September," had been postponed. North Korea has been struggling to cope with devastating flooding and a typhoon that killed dozens of people and destroyed roads, railways and homes earlier this month, according to state media.

Delegates across the country were appointed "against the background of a high-pitched drive for effecting a new great revolutionary surge now under way on all fronts for building a thriving nation with the historic conference," the KCNA report said.

State media have been building up the rhetoric ahead of the conference, the first major Workers' Party gathering since the landmark 1980 congress where Kim Jong Il, then 38, made his political debut, in an appearance seen as confirmation that he would eventually succeed his father, North Korea founder Kim Il Sung.

Kim Jong Il took over in 1994 when his father died of heart failure in what was communism's first hereditary transfer of power.

Now, he seems to be prepping his son for a similar transition. Little is known about the son widely believed to be his father's favorite. Kim Jong Un, said to be in his late 20s and schooled in Switzerland, has never been mentioned in state media, and there are no confirmed photos of him as an adult.

South Korean intelligence officers believe Pyongyang has launched a propaganda campaign promoting the

son, including songs and poems praising the junior Kim. North Korean soldiers and workers reportedly pledged allegiance to the son on his birthday in January.

North Korea's state propaganda machine has also been churning out commentaries calling for loyalty to the Kim family, an apparent effort to set to the stage for a smooth power transition.

Delegates are expected to elect new party leaders to fill spots left vacant for years. It's not known what party position Kim Jong Un might be granted in what would be his first official job.

Keen attention is also focused on Kim Jong Il's only sister, Kim Kyong Hui, who in the past two years has been a frequent companion to the leader on field trips to army bases and factories. She currently serves as the political party's department chief for light industry.

Her husband, Jang Song Thaek, has also been rising in stature. Jang was promoted in June to a vice chairman of the powerful National Defense Commission, making him the No. 2 official to Kim Jong Il on the regime's top state organ.

The conference is being held amid preparations for the milestone 65th anniversary of the founding of the Workers' Party on Oct. 10, improving relations with Seoul, and attempts by diplomats from neighboring nations to revive dormant six-nation disarmament negotiations on North Korea's nuclear weapons program.

North Korea walked away from the talks last year in protest over U.N. Security Council condemnation for launching a long-range rocket, widely seen as a test of its missile technology. Pyongyang followed that act of defiance by testing a nuclear bomb weeks later.

In March, a South Korean warship went down in the waters near the Koreas' western maritime border, and an international team of investigators blamed a North Korean torpedo for ripping apart the Cheonan and killing 46 sailors.

But after months of tensions, there have been signs of a thaw in relations recently, with Seoul announcing a shipment of emergency flooding aid to North Korea and the two Koreas agreeing to hold military talks.

50 Jade From China's West Surpasses Gold in Value

Sept 10
21

As long as anyone here can remember, the muddy river that flows through this oasis city in southern Xinjiang has yielded creamy white stones, their rough edges polished smooth by the waters that tumble down the mountains from Tibet.

And as long as anyone can remember, those stones – a type of semitranslucent jade – were about as valued as, well, a pile of river rocks.

Lohman Tohti, 30, can recall as a child heaving melon-size hunks into the sandbags that were used to thwart rising floodwaters of the aptly named White Jade River. When Chinese buyers began arriving here in the early 1990s and the locals got wind of the stones' potential value, his uncle made an enviable deal: he traded a rock the girth of a well-fed hog for a skinny cow. "Today, my uncle would be a millionaire," Mr. Tohti, now a jade dealer, said with a wince.

These days, Khotan is mad about jade, or at least the riches it has brought to a city whose previous bout of

prosperity occurred a few thousand years ago, when traders from ancient Rome and Constantinople were making their way toward Xi'an, then the capital of the Chinese empire and the eastern terminus of the Silk Road.

Ounce for ounce, the finest jade has become more valuable than gold, with the most prized nuggets of "mutton fat" jade – so-named for its marbled white consistency – fetching \$3,000 an ounce, a tenfold increase from a decade ago.

The jade boom, which appears to have reached a frenzy in the past year or two, has been fueled by the Chinese, whose new wealth and a 5,000-year affinity for the stone has turned Khotan cotton farmers into jade tycoons.

"The love of jade is in our blood, and now that people have money, everyone wants a piece around their neck or in their home," Zhang Xiankuo, a Chinese salesman, said as he opened a safe to show off his company's most expensive carved items, among them a pair of kissing swans that retails for \$150,000 and a contemporary rendition of a Tang dynasty beauty, her breasts impertinently exposed, that can be purchased for \$80,000.

In a region convulsed by ethnic strife, it is notable that the manna appears to have enriched both Khotan's native Uighurs, Turkic-speaking adherents of Islam, and the more recently arrived Han Chinese, who are often viewed unlovingly as rapacious colonizers.

The Uighurs have largely made their fortune harvesting jade from the river and selling it to Chinese middlemen. Because devout Muslims are proscribed from dealing in certain representational images, the Han have come to monopolize the carving and sale of Buddhist figurines, stalking tigers and the miniature cabbages that are popular among Chinese consumers.

"Jade has no meaning for our culture, but we are thankful to Allah that the Chinese go crazy for it," said Yacen Ahmat, a Uighur who spends seven days a week working the crowds at Khotan's jade bazaar, a frenetic marketplace dominated by prospectors trying to unload their catch on savvy wholesalers – or hapless tourists who often return home with overpriced rocks.

Hu Xianli, a self-professed jade fanatic from eastern Zhejiang Province, said he had been duped countless times over the years. At best, he has grossly overpaid

for mediocre specimens. At worst, he has mistaken chemically treated rocks for mutton-fat beauties.

A retired railway engineer, he likened his relationship with jade to an overpriced college education. "In the early years I paid a lot of tuition, but now that I've finally graduated, I'm not so easily fooled," said Mr. Hu, 59, as a throng of overeager sellers, hands full of egg-size stones, thrust their wares into his face.

Although archaeologists have unearthed Neolithic jade tools along the Yellow River, the Chinese affection for the stone received a lift around 1600 B.C., when Shang dynasty royals took to sleeping on jade pillows, signing edicts with jade chops and interring their loved ones in jade-tile frocks. Legend suggests that only emperors were allowed to possess carved jade and that the pursuit of an especially cherished specimen might be worth the deaths of 10,000 soldiers. It is no coincidence that the Chinese character for king has the same root as the character for jade.

Contemporary Chinese is flecked with references to jade – the word is used to describe beautiful and pure women – and many people say they believe it has medicinal and even magical powers. A chip of jade worn around the

wrist can soothe a frightened child, improve circulation or absorb bad energy, the Chinese say. According to an age-old belief, jade provides a link between the physical and spiritual worlds.

Some of those beliefs are bolstered by the jade's tendency to change color when worn on the body.

"Perhaps it's psychological, but as jade rubs against the skin it becomes smoother and softer, and the wearer becomes happier, which probably improves their immunity," said Wang Shiqi, a Peking University geologist who specializes in jade.

Another reason behind the spike in Khotan jade prices, at least according to traders, is that the jade is becoming increasingly scarce. Over the past decade, bulldozers and excavators have torn apart the banks of the White Jade River several times over. Until the practice was banned three years ago, mining companies, some owned by local government officials, would divert the river in their quest to find new quarry.

Even if river jade is increasingly hard to find, the promise of instant riches brings entire families to the river, where they can be seen, heads bowed, pacing the banks. The

lucky ones head straight to the bazaar, where crowds of Uighur men in embroidered skullcaps ogle and haggle over the latest finds.

Skeptics, however, say the rising prices have more to do with hype than scarcity. Wang Chunyun, a jade expert at the Guangzhou Institute of Geochemistry, says a thick lode of unexploited white jade runs through the Kunlun Mountains that skirt Xinjiang and Tibet. It can also be found across the world, from Australia to Korea to Poland, where a lack of demand keeps it unmined. "The rarity of jade is a myth," Mr. Wang said in a telephone interview. "I've never said this to Chinese businessmen because it would be too much of a psychological blow."

Back at the market, Ai Shan Zhang, a well-to-do Uighur salesman, shook his head and smiled when it was suggested that Khotan jade might not be as precious as diamonds. The Chinese zeal for it is so great, he said, that he has stopped wearing it, especially when meeting with government officials whose favor is sometimes required in the course of doing business. "If they notice a nice piece hanging around my neck, they ask to borrow it," he said. "And once they take it, they never give it back."

51 Migrants' Plight Touches a Point of Swedish Pride

Sept 10
21

THIS land of tall fir trees and spacious lakes is famed for its wild berries: cloudbberries, blueberries, lingonberries, gooseberries, raspberries, strawberries and more.

The problem is, no Swede wants to pick them, except, perhaps, for a couple of handfuls for dessert.

So a few decades ago, the big companies in Sweden that are among the world's largest berry processors began importing workers for the laborious task of sweeping the rock-strewn woods and climbing the mountains to find and harvest the berries. The practice of bringing in migrants – Chinese, Thais, Vietnamese, Bangladeshis – for the summer berry season seemed to work well, until recent years.

When a cold snap this spring decimated the berry crop, it punished the industry and its workers with a second straight poor harvest.

After last year's disaster, which sent many of the pickers home weighed down with debt rather than profit, the Swedish authorities required the berry companies to guarantee a minimum wage of about \$2,320 for the season. To skirt the law, however, the fruit companies in Sweden hired Asian pickers through recruiting companies in their home countries. Since these companies were not Swedish, they were not bound by Swedish law, and they refused to pay their workers the minimum after the crop failed.

For Sweden, which prides itself on worker-friendly labor legislation – and which sent 20 members of a far-right, anti-immigrant party to Parliament in elections last weekend – the berry pickers quickly became the source of acute national embarrassment, with attention focused particularly on 190 Bangladeshi pickers who arrived in this modest town of pastel wooden homes earlier this year.

They had been hired in their native land by a company called Bangladesh Work Force, with the promise of a small fortune – the sums seemed to vary, depending on who did the promising – if they went to Sweden to pick berries for the summer. Many Bangladeshis put up as much as 150,000 taka, about \$2,100, to middlemen at

Bangladesh Work Force in a country where a well-paying job as a garment worker brings in about \$42 a month, said Mahmudur Rahman, 31, a biotechnology student at Uppsala University whose brother and brother-in-law were among workers who arrived last spring.

Mr. Rahman said the workers were told they could earn nearly \$10,000 in two months, with even lazy pickers pulling in more than \$5,000.

To earn the full amount, he said they were told, pickers would have to harvest 60 kilograms, about 130 pounds, of berries a day. Given the meager harvest, most of the pickers ended up bringing in as little as 10 pounds, some only a pound or so, meaning they earned little or no money.

Some took out loans or sold property before coming to Sweden, Mr. Rahman said. "It was a summer job that went wrong," he said bitterly.

Iqbal Akhtar, 43, left behind a wife and three children, and was told he could be a cook rather than a berry picker, preparing meals for about 35 men. He was paid the average of what the berry pickers received, which was virtually nothing. "All in all, it's been very negative," he

said. To fill their days the men seek odd jobs in town, painting, mowing lawns or working on farms, though little such work is available.

As summer waned, most of the pickers returned home, helped by local church groups and the Swedish Red Cross. But several dozen remain, housed in four unfurnished homes where they sleep on mattresses on the floor.

Arifur Rahaman, 32, left a wife and son behind in Bangladesh to seek his fortune. On a recent afternoon, he sat drinking a Coke with three friends behind the town's train station. "No lingonberries, no money," he said, lifting empty palms skyward.

The Nordic Food Group is among Scandinavia's biggest berry processors. Bertil Qvist, an executive there, said the requirement that companies pay a minimum wage to the berry pickers forced reliance on middlemen in Asia, and he blamed those companies for overstating the money to be made.

"People are invited here on false grounds," he said. "They think they are going to pick cultivated berries, and people are not used to the work."

In good years, he said, berry pickers can take home a small fortune. “Some years,” he added, “there’s a bad crop; this year was a bad year.”

Local people, while agreeing it was a bad year, said the workers were not warned adequately of the possibility. “It’s like gold in the forest, they’re told, quick money,” said Lars Riberth, pastor of the town church, which has collected the equivalent of \$9,000 to help the men.

“It’s really slavery,” he said. It was unacceptable, he added, to push the risk onto the pickers’ shoulders.

Mr. Rahman, the student at Uppsala, said: “Some people made a lot of money, but it’s not the workers.”

The town’s mayor, Sven-Ake Draxten, 57, a man who likes his Swedish meatballs with a side of lingonberries, noted that local companies that charge the workers for lodging, food and transportation are thriving, while “the pickers are the losers all the time.”

“The government must make new regulations,” he said. “We don’t want this situation next year.”

Thongkam Persson, 57, came to Sweden from her native Thailand 30 years ago, following a Swedish husband.

While she now runs a Thai restaurant in town, when she was younger she worked five seasons picking berries. “It strains your back, and the berries grow on the mountains, so you’re climbing,” she said.

“The Swedes have money, so it’s just Thais, Chinese and Vietnamese who pick the berries,” she said. “The Swedes go hiking in the forest.”

52 Political Earthquake Shakes Up Sweden

Sept 10
21

WORTHY, high-minded and often utterly predictable, Swedish politics has rarely offered much by way of excitement. Now an electoral earthquake seems to have changed all that.

Elections on Sunday gave an anti-immigration party its first parliamentary seats and deprived the governing coalition of its majority, plunging the country into rare political instability.

Meanwhile the Social Democrats, architects of the modern Swedish state and one of Europe's most successful political parties, recorded their worst performance since World War I.

Behind the upheaval lie structural changes in Swedish politics and a battle over how to preserve the cradle-to-grave welfare system.

Though the success of the center-right suggests a long-term shift in politics, analysts say Swedes remain deeply

attached to their welfare system and want change to be gradual, not radical.

Despite failing to secure a majority, the prime minister, Fredrik Reinfeldt, is likely to become the first center-right leader to win two consecutive terms.

He pleaded Monday for time to let the election result "sink in" and promised to have a government, which could well be a minority one, in place by Oct. 4. He appeared to be courting the Greens, who campaigned against him, and their initial response proved negative.

Mr. Reinfeldt's options are limited, because he pledged not to work with the anti-immigration party, Sweden Democrats, whose leader, Jimmie Akesson, described Muslim population growth as the biggest external threat to his country since World War II.

Doing a deal with Mr. Akesson would, in any event, not be logical for Mr. Reinfeldt, whose success has been built on moving to the center ground. Only in that way has he managed to tame the Social Democrats, who for most of the last century had one of the most effective vote-winning political machines in Western Europe. Their

political philosophy forged a nation with high taxes and a generous social safety net.

“There used to be a maxim in Swedish politics that you never won elections by offering to lower taxes,” said Martin Adahl, director of Fores, a center-right research institute. “That was because people would suspect that you were going to cut the welfare state. There has been a change, but people still believe in the welfare system.”

This much was evident during a campaign in which even rightist populists presented themselves as defenders of the welfare system, albeit in their case for white Swedes rather than immigrants. A television advertisement, initially banned by one broadcaster on the ground of racism, portrayed a stampede of Muslim women in burqas defeating a white retiree in a race for welfare payments.

The mainstream center-right parties, including Mr. Reinfeldt’s, the Moderates, acknowledged the importance of welfare, too. The Moderate Party, which once modeled itself after Ronald Reagan and Margaret Thatcher, is now careful to stress its centrist credentials.

Though Mr. Reinfeldt’s government curbed some benefits, most notably for those claiming to be too sick to

work, he was careful not to present himself as a radical reformer. During the campaign, Mona Sahlin, leader of the Social Democrats, was at her most effective when health care became a central issue.

Ursula Berge, political director of a white-collar Swedish trade union, Akademikerförbundet SSR, said that the message from the Moderates to the electorate has been that they “want to keep the welfare state the way it is, just to change some small things like cheating by people who claim they are sick but are able to work.”

While Mr. Reinfeldt moved to the center, he was also helped by a weakening of traditional allegiances among Swedish voters.

“There used to be a middle class that voted very solidly for the Social Democrats but there is now a rather large part of the middle class that is outward oriented, mainly employed in the services sector, that is not prepared to take for granted that the Social Democrats represent them anymore,” Mr. Adahl said.

But other factors aided the center-right, too. During testing times for the Swedish economy, Mr. Reinfeldt’s government coped well. That allowed it to steal the

clothes of the Social Democrats, who were once regarded as the safest guardians of the economy.

For their part, the Social Democrats failed to react partly because, throughout much of the past four years, they were ahead in opinion polls – something that reduced their incentive to change.

“The Social Democratic Party has not renewed their politics,” Ms. Berge said. “They were comfortable with their level of support and they didn’t have the courage to change policy.”

With the two main parties battling on similar terrain and with ideological dividing lines blurred, that left an opening for the Sweden Democrats, who have capitalized on tensions raised by the loss of industrial jobs and the rise in immigration.

“If you are an angry young man, you had to choose between a cuddly conservative and an urbane, politically correct woman,” Mr. Adahl said. It was, he added, little surprise that some opted instead for Mr. Akesson.

But the mainstream politicians remain committed to the traditional social model, albeit a slightly less generous

one. Here in Sweden, when people come to vote, welfare remains more important than their wealth.

Assuming he can form a government, Mr. Reinfeldt will limit himself to reforms that underline that there is a “greater moral and economic difference between being on welfare and being in work,” Mr. Adahl said. “It’s not a revolution; it’s definitely an evolution.”

53 Widespread Fraud Seen in Latest Afghan Elections

Sept. 10
25

EVIDENCE is mounting that fraud in last weekend's parliamentary election was so widespread that it could affect the results in a third of provinces, calling into question the credibility of a vote that was an important test of the American and Afghan effort to build a stable and legitimate government.

The complaints to provincial election commissions have so far included video clips showing ballot stuffing; the strong-arming of election officials by candidates' agents; and even the handcuffing and detention of election workers.

In some places, election officials themselves are alleged to have carried out the fraud; in others, government employees did, witnesses said. One video showed election officials and a candidate's representatives haggling over the price of votes.

Many of the complaints have come from candidates and election officials, but were supported by Afghan and international election observers and diplomats. The fraud

appeared to cut both for and against the government of President Hamid Karzai, much of it benefiting sometimes unsavory local power brokers.

But in the important southern province of Kandahar, where election officials threw out 76 percent of the ballots in last year's badly tainted presidential election, candidates accused the president's influential half brother, Ahmed Wali Karzai, of drawing up a list of winners even before the Sept. 18 election for Parliament was carried out.

"From an overall democracy-building perspective it does not look rosy," said one diplomat who asked not to be identified because he was not authorized to speak to the news media.

The widespread tampering and bare-knuckle tactics of some candidates raised serious questions about the effort to build a credible government that can draw the support of Afghans and the Obama administration and its NATO partners as they re-evaluate their commitment to the war.

American and international diplomats kept their distance from the tide of candidate complaints this week,

and NATO and American Embassy officials said little other than that the election was an Afghan process and that it was the Afghans who were responsible for its outcome.

But a less than credible parliamentary election, following last year's tarnished presidential vote, would place international forces in the increasingly awkward position of defending a government of waning legitimacy, and diplomats acknowledged that it could undermine efforts to persuade countries to maintain their financing and troop levels.

The Election Complaints Commission said Thursday that it had received more than 3,000 complaints since last Saturday's election. So far they have registered case files on nearly 1,800 of those complaints – 58 percent of which were considered serious enough to affect the outcome of the balloting. That may change in the course of investigations but that preliminary figure is high, election monitors said.

The complaints are not evenly distributed and were markedly worse in 13 of Afghanistan's 34 provinces. In those 13, at least half the complaints were deemed

to be high priority – forecasting bitter fights over the outcome.

In addition, complaints in four provinces – Kandahar, Nuristan, Zabul and Paktika – have yet to be categorized, but fraud is expected to be extensive and has already been widely reported.

“That preliminary figure is bad,” said a knowledgeable international observer.

Many analysts predicted there would be serious fraud in the unstable Pashtun belt, in the south of the country, an important base for both the Taliban insurgents and President Karzai. But serious complaints were also coming from provinces in the north and west.

Interviews by The New York Times in 10 provinces and discussions with election monitors elsewhere found a resurgence of local strongmen with armed backers who coerced and threatened voters, and the involvement of local government employees in ballot stuffing.

“In general the election has been a free-for-all, in that different power blocs were putting forward their candidates

in different places,” said an international official who has been following the elections.

“It’s not necessarily the pro-Karzai bloc that has done so well, it’s that the Parliament will be more dependent on big power brokers,” the official said, adding that they would be more likely to make deals with Mr. Karzai that did not necessarily serve the Afghan people.

Lawmakers and opposition candidates openly accused the Karzais, and in particular Ahmed Wali Karzai, the most powerful official in Kandahar, of fixing the election for a list of favored candidates.

“Of the list of 50, it is already decided who will come” to Parliament, said Izzatullah Wasefi, an opposition candidate from Kandahar.

Nur ul-Haq Uloomi, a member of Parliament who won the largest vote from Kandahar in 2005, and has since become an outspoken critic of the corruption and inefficiency of the Karzai government, accused Ahmed Wali Karzai of manipulating the vote to deny him another term.

He said he had sent one of his campaign managers to the chairman of the Independent Election Commission,

Fazal Ahmad Manawi, in Kabul to warn of potential fraud before the election, but he was rebuffed.

“Mr. Manawi said: ‘We can do nothing about Kandahar because he is the brother of Karzai,’ ” Mr. Uloomi recounted. “It is a kind of preparation for fraud.”

Mr. Manawi was too busy to take individual calls last week, his spokesman said.

In one Kandahar border district, Abdul Karim Achakzai, an independent candidate from Spinboldak, said three groups of election workers were handcuffed and detained for the entire day of the election by border police officers and prevented from conducting the vote in the Maruf district.

In the evening the polling papers with the results were brought to them to sign, but they refused. They were freed the next day after promising not to complain, he said.

Mr. Achakzai accused the provincial head of the border guards, Abdul Razziq, an ally of Ahmed Wali Karzai, of

orchestrating the detention. Mr. Razziq, who has influence in several border districts, was also accused of ballot-stuffing and intimidation in favor of President Karzai in the 2009 election, according to election observers.

A cellphone video from an adjoining district showed men ticking dozens of ballots in favor of certain candidates. The video, which was recorded surreptitiously by a candidate's agent, also captured a candidate's representatives and election officials inside a polling station haggling over the price of votes.

"You will get as many votes as you asked, just pay 72,000 Afghanis (\$1,500)," said the election official, who identified himself as the head of the polling center.

In the northern province of Takhar, several witnesses described gunmen threatening election workers and dragging voters to polling stations to vote for their candidate, Adbul Baqi. The abuse happened in Farkhar district, according to one witness, Hassibullah, 35.

"Mr. Baqi and his gunmen were slapping and pulling people to the ballot boxes to vote for him," he said. "He is a very cruel man." After that, he added, they went to the women's section of the polling station and forced the

female employees of the Independent Election Commission to put more than 200 votes in their ballot box.

Abdul Haq, 50, another voter in Farkhar district, said that when he asked the security guards to stop beating people, one of them attacked him with a knife. "The candidate himself is a good man and people do like him, but his dogs around him are not good," he said.

Mr. Baqi could not be reach by phone for comment. The Independent Election Commission official for the district, Engineer Kebir, said that the supporters of the candidate "did make some disturbances and violent acts and were threatening each other." But, he insisted, "They did not disrupt the election process."

54 Games Official Angers India With Hygiene Comment

Sept 10
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HAD the statement come from a non-Indian, especially a Westerner, it probably would have been angrily repudiated as an affront to Indian dignity. But the offending words came from a top Indian official trying to deflect criticism for the bureaucratic failings and lax preparations threatening the coming Commonwealth Games.

The issue was reports of unsanitary conditions inside the athletes' village, a facility promoted by Indian organizers as world class. Officials of the New Zealand team, arriving early, had been horrified at dirt-caked bathrooms and soiled rooms. The explanation offered by Lalit Bhanot, the second-ranking official on the organizing committee? Indians and Westerners have different standards of hygiene.

"These rooms are clean to both you and us," Mr. Bhanot told Indian reporters this week. Foreigners "want certain standards in hygiene and cleanliness which may differ from our perception," he said.

India had hoped the Commonwealth Games, a quadrennial athletic competition among nations of the former British Empire, would serve as a public relations vehicle to show off the economic progress that has made the country a rising power. Instead, the world is witnessing an ugly spectacle of bureaucratic dysfunction that only confirms the image of governmental ineffectiveness that Indian leaders hoped to dispel.

Indians acknowledge that sanitation is woefully lacking in many parts of the country. But Mr. Bhanot's suggestion that their government cannot, even under the glare of a global spotlight, deliver a high standard of hygiene in an expensive new facility fueled broad public indignation that rippled through television talk shows and Internet message boards.

"It is unbelievable that a person holding such a responsible position can make such a statement," said J. Anand, vice president of a New Delhi travel agency. "Hygiene is hygiene, whether it is in India or anywhere else. I feel embarrassed by that statement."

The dirty bathroom controversy is just the latest problem to plague the games. New Delhi has experienced record monsoon rains, causing periodic flooding in low-lying

areas and amplifying the seasonal outbreak of mosquito-borne dengue fever. Missed deadlines have officials racing to finish work, and a pedestrian bridge under construction collapsed this week, injuring 27 people. Already, as many as nine athletes have dropped out of the Games.

Now the photographic leitmotif of the games is filthy bathrooms. Snapshots taken of an apartment in the athletes' village with dirt-caked bathrooms and toilets, a mattress stained with dog paw prints and a sink smeared with the spittle of chewing tobacco have ricocheted across the Internet. On Friday, two leading Indian newspapers ran some of the photos on their front pages.

The dirty conditions have prompted several teams to delay their arrival into New Delhi, with only eight days before the Oct. 3 opening ceremony. If the situation has been embarrassing, it mostly reflected the abysmal management that has plagued the Games; some laborers had used the rooms during construction, and housekeepers had failed to clean up on time.

Anyone living in India is inevitably confronted by squalor, whether the slums and shantytowns that exist in most cities or the beggars, often children, who tap on

car windows for change. Few Indians would argue that poverty is not a paramount national concern, and many domestic critics of the games argued that the country was still too poor to spend so much money on what is effectively a government prestige event.

Mr. Bhanot's comments hit a raw nerve because many middle class Indians make a distinction between public and private standards. If public bathrooms in government buildings are usually dirty, private homes are usually immaculate. Most people pay close attention to their appearance and cleanliness, even as public roads are usually potholed and public buildings are often not well maintained.

"It's not that somehow people don't recognize the truth that there is a problem about public standards of hygiene in India," said Pratap Bhanu Mehta, president of the Center for Policy Research in New Delhi. "But usually we have dealt with it by confining it to the public space. We think private standards are very high. And he seemed to be questioning that."

Foreigners visiting India invariably run into the chaotic, often dirty public sphere throbbing outside their hotels, coloring their impressions of the country. Keshav

R. Murugesh, chief executive of WNS Global Services, a Mumbai outsourcing company, said Indian companies needed to work hard to persuade international customers that Indians could do complicated work in a timely and exacting manner.

Mr. Murugesh worried that clients, having seen the controversy over the athletes' village, would now wonder: "Is that how I'm being served?" He jokingly added: "I just wish they had outsourced it to us."

The irony of the cleanliness controversy is that the bathrooms in the athletes' village represent the sort of luxury most Indians never experience. The walls are made with marble, and the sinks and toilets appear equipped with expensive fixtures. For much of India, the lack of access to a toilet and the absence of adequate sanitation are widespread problems blamed for the spread of disease as well as the contamination of the country's rivers and other water sources.

Bindeshwar Pathak, founder of the Sulabh International Social Service Organization, has spent 40 years promoting the need to expand sanitation in India. His group has placed more than 1.2 million household toilets around

the country and operates a toilet museum in New Delhi to promote awareness about sanitation.

Meanwhile, the effort to scrub the athletes' village moved into extra high gear on Friday. Prime Minister Manmohan Singh ordered organizers to intensify cleaning efforts at the village immediately, while the Indian news media reported that the government had asked several of the country's elite private hotels to complement the cleaning effort.

Athletes trickling into the city were reportedly being put up temporarily in hotels, though international sports officials, who have blasted the lack of preparations, sounded more optimistic on Friday.

"Conditions at the Commonwealth Games Village are acceptable," said Perry Crosswhite, head of Australia's delegation, according to The Associated Press. "Things are getting better every time."

For his part, Mr. Bhanot has backpedaled, trying to argue that his comments were taken out of context. But he is not the only local official who has offended the public.

When the hurriedly built pedestrian bridge near the main stadium collapsed during construction this week, a

senior official, Jaipal Reddy, tried to dismiss the accident as a “minor matter,” even though many people thought it symbolized the risks of delaying preparations until the last minute. Sheila Dikshit, chief minister of New Delhi, also initially described the collapse as “minor.”

The Times of India ran photographs of the dirty bathrooms on Friday and denounced the “criminal unconcern” of games officials.

“They must be made to pay,” it blared, “so that India’s name is not dragged so willfully into the mud ever again.”

55 Cuba Details New Policies on Budding Entrepreneurs

CUBANS learned on Friday the details of what they would soon be able to do as budding entrepreneurs, including renting spaces for their businesses, hanging out a shingle, and if things go well, hiring a few employees.



The Communist Party newspaper Granma published details of Cuba’s new regulations on self-employment, clearing a thicket of restrictions that had virtually choked off the country’s minuscule private sector.

“It’s going to be a different kind of socialism,” said Ted Henken, an expert on the Cuban private sector at Baruch College of the City University of New York. The new policies could “let out all of these natural impulses to network, to contract out, to be efficient and productive.”

The Granma article was the latest step in a rollout of changes that Cuba plans to shake the nation’s economy out of its torpor.

In recent months, President Raúl Castro has said that Cuba's bloated state payroll needs to be trimmed by as many as one million people. He warned that Cubans should no longer expect to get paid if they do not work.

Last week, in the clearest sign that the government intended to act, the country's labor federation announced that a half-million state workers would lose their jobs by next March and should seek work in the private sector.

Friday's article outlined how many of them could go about doing that, listing 178 activities for which the government will grant licenses starting in October.

Cubans will be allowed to work privately as carpenters or party clowns; they will be allowed to repair computers or give music lessons. They can repair jewelry and carry passengers on their own boats. Under the new rules, they can also begin to set up their own food businesses or workshops to make shoes.

They may even be able to get loans to do it. The article highlighted that the Central Bank of Cuba was studying how to make small-business loans available.

Many of these activities were first allowed during a brief window in the 1990s, but they never flourished. The

government stopped issuing licenses years ago, and only 144,000 Cubans are officially self-employed.

Cuba's government has been "zigging and zagging since 1990," looking for ways to revamp its economic development strategy, Mr. Henken said, but "they have only been able to put out fires."

Since taking over the presidency in 2008, Mr. Castro has moved slowly to make changes. "Raúl, in economic terms, is much more of a pragmatist and much less of an ideologue" than his brother and predecessor as Cuba's president, Fidel Castro, Mr. Henken said.

The Granma article said that the new policy, which also represents a sharp break because it will allow entrepreneurs to hire employees who are not relatives, was intended "to move away from those conceptions which condemned self-employment almost to extinction and stigmatized" those who began working for themselves in the 1990s.

At the same time, new entrepreneurs will have to pay sales, employment and income taxes. In a sign of the problems Cuba faces, Granma quoted Economy Minister Marino Murillo Jorge as saying that it would be

several years before the country could create a wholesale market to supply the new businesses.

The government is expected to announce more changes soon, including regulations governing private cooperatives.

“It looks as though Cuba’s days of having a small, stagnant self-employment sector is over,” Philip Peters, who follows Cuba for the Lexington Institute, a research group that promotes free market policies, wrote on his blog about the country.

He added that “if you take entrepreneurs and their employees, and add the yet-to-be-defined new cooperatives,” then “it appears that a small and medium-sized business sector is on the horizon.”

56 A Thai Region Where Husbands Are Imported

THE most dazzling creatures Nui Davis saw when she was a child were the village girls who had found foreign husbands, visiting in their Western finery and handing out candies to the children.

“For me, they were like a princess,” she said. “And I kept those pictures in my mind, and I made a wish that one day I would like to be one of those ladies.”

Today, at the age of 30, she lives with her husband, Joseph Davis of Fresno, California, in an air-conditioned, three-bedroom house with a driveway and basketball hoop, surrounded by flower beds and a well-kept lawn.

“My family keeps saying, ‘You got it. You got your dream now,’” she said.

But unlike many other foreign husbands, Mr. Davis, 54, did not take his wife home with him, choosing instead to settle down in northeastern Thailand, a region known as Isaan.

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He is part of an expanding population of nearly 11,000 foreign husbands in the region, drawn by the low cost of living, slow pace of life and the exotic reputation of Thai women – something like a brand name for Western men seeking Asian partners. “Thai women are a lot like women in America were 50 years ago,” said Mr. Davis, before they discovered their rights and became “strong-headed and opinionated.”

“The women now know they are equal,” said Mr. Davis, a retired Naval officer who has been divorced twice, “so the situation is not as relaxed and peaceful as it is between an American and a Thai lady.”

It is easy to spot the foreigners’ homes, with their sturdy walls and red-tiled roofs, an archipelago of affluence among the smaller, poorer houses of their new neighbors and in-laws.

Mixed couples are common on the streets and in the markets of Udon Thani. One street where Western men gather to eat and drink is popularly known as “Foreign Son-in-Law Street.”

“There are villages in Isaan that are almost entirely comprising foreign houses, where the whole village is almost

entirely houses purchased by foreigners for their Thai ladies,” said Phil Nicks, author of “Love Entrepreneurs: Cross-Culture Relationship Deals in Thailand.”

Isaan is one of the poorest parts of the country, the source of most low-wage workers in Bangkok and the home of many of the women who work in the entertainment industry in the capital.

Some of the earliest Thai-American marriages were in Udon Thani, the site of a U.S. air base in the 1960s during the Vietnam War. In the following years, most Americans left, sometimes taking a Thai wife with them. Now the presence of American and European men is growing again. “In the northeast where this phenomenon is strongest, a huge majority of the women there are looking for a foreign boyfriend or husband, and I think some of them can be quite assertive, and aggressive in their pursuing of a foreign man,” said Mr. Nicks.

A clash of expectations strains many marriages, and more than half end in divorce, said Prayoon Thavon, manager of international services at Panyavejinter Hospital in Udon Thani.

While the men – many of them retired and living on pensions, many disappointed in their lives and marriages at home – may be seeking an emotional connection, the women are generally motivated by economics, said Mr. Prayoon, who provides counseling for mixed couples.

“For some ladies it is just money, money, money,” he said. “Getting married has become a business more than love. People want to improve their social status. Sometimes these ladies spend the husband’s money, use it all, then he’s cut out. There are many cases like that.”

Even though many men are retired and living on a fixed income, they are expected to help support their wives’ extended families, beginning with a dowry of several thousand dollars.

“When you get married in Thailand you are marrying the whole family, the whole village,” Mr. Prayoon said. “Often the lady expects that, but the man doesn’t understand.”

There seems to be less concern about differences in age, with many bridegrooms in their 50s or 60s or even 70s.

“Age is not a factor here,” said Mr. Davis. “In America if I marry a girl who is 24 years younger than me, all you’re going to get is eyes and bad talk, bad gossip. Here it’s not an issue. It happens every day.”

At the age of 63, Dennis Sorensen, a retired mathematics teacher, is 32 years older than his wife, Pennapa, whom he met eight years ago on a beach. He spends much of his time watching U.S. television through a satellite hookup and cooks his own hamburgers, but he said he has done his best to keep his wife and her family happy. He helps raise her teenage daughter from an earlier relationship as well as their 2-year-old son.

“There’s some adjustment there,” said Mr. Sorensen, for whom this is the first marriage, “and we’ve had issues where I run out of money and I cannot take care of everybody, and that has caused some crises, but we’ve overcome everything the best that we can.”

One barrier is language, as few foreigners learn Thai. “I can’t speak English so well, but I can live with him many years,” Ms. Sorensen said, speaking in Thai. “Sometimes when he is very upset I don’t understand what he is talking about but I understand the tone and I just walk away.”

But she added in English: “I think Dennis is good – good for take care of my family, take care of my daughter, take care of everything for me. Before, I don’t have anything. But right now I have a home, I have car, I not work and I only stay home and take care of my baby.”

Foreign marriage has become so common that it has lost much of its stigma here in Udon Thani, and many girls share Ms. Davis’s dream of becoming a princess. “It looks pretty good and they look pretty happy,” said Rojana Udomsri, 30, who is married to a Thai man and has a 2-year-old son. “They have money to spend and they can go anywhere they want.”

But she said she had her doubts.

“I don’t know if they are really happy,” she said. “There were times I wanted to have a good life like them, but I can’t live with a person I don’t love. With someone I love I can go through all the hardships of life together.”

57 Obama Presses for Peace in Likely Sudan Partition

AFTER months of leaving Sudan policy on a back burner, President Obama put the weight of his administration and his own personal esteem in Africa on the line Friday, demanding that north and south Sudan ensure that their likely split into two nations early next year proceed peacefully.

At a high-level Sudan meeting on the sidelines of the United Nations General Assembly, Mr. Obama said Washington would normalize relations should the Jan. 9 referendum for the independence of southern Sudan be carried off calmly and the Darfur conflict be settled. Failing in either would bring further isolation, he warned.

If Khartoum fulfills its obligations in settling the conflicts, then the United States will support agricultural development, expand trade and investment, exchange ambassadors and eventually lift sanctions, Mr. Obama said.

“What happens in Sudan in the days ahead may decide whether a people who have endured too much war

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move forward towards peace or slip backwards into bloodshed,” Mr. Obama said, establishing the warning tone taken by all speakers at the session.

With the southern Sudan independence vote a little more than 100 days away, preparations are greatly lagging. Voter registration that was to have been done by the end of August remains incomplete, and many technical issues are unsettled. Almost nothing has been done to prepare for a secondary referendum to decide the fate of Abyei, a contested area of important oil deposits.

The two sides are dragging their feet on details of the eventual divorce, given that the roughly 4.8 million eligible voters in the south, the only side voting, are likely to choose independence. With independence scheduled six months after the vote, major issues like citizenship, borders and the division of oil revenue have not been negotiated. At least 1.5 million southerners are believed to be living in Khartoum, the capital, and an unknown number of northerners in the south.

United Nations officials had intended the meeting to be a small gathering of foreign ministers to stress in the presence of senior representatives of both sides that the referendum not be delayed.

But it ballooned into something much larger after President Obama decided to attend. About 40 foreign leaders or senior officials signed up to speak. Ultimately the meeting became a highly visible means to serve notice that the onus is on the Sudanese to carry out the last, hardest stages of the Comprehensive Peace Agreement they signed in 2005.

All the governments participating, including major Security Council members like Russia and China, as well as major pan-African organizations, endorsed a final communiqué vowing that the referendum would be held on time and peace respected no matter what the outcome. It also stressed the need to support peacekeeping efforts in Darfur, the embattled western Sudanese region where violence flared anew in recent months.

The Comprehensive Peace Agreement ended decades of war pitting the north, dominated by Arab Muslims, against the Christian and animist south. The civil war left two million people dead and millions more homeless.

Sudan borders on nine other African states, and many speakers worried aloud that any instability “will not stop at its borders,” said Sheik Hamad bin Khalifa al-Thani,

the leader of Qatar, which is trying to negotiate a peace among the Darfur militias.

The Sudanese had sought a closed meeting, but ultimately it was open, leaving Sudan's vice president, Ali Osman Taha, and Salva Kiir, the president of the south and a vice president in the north, to sketch their differences in diplomatic terms.

Mr. Taha assured the gathering that the referendum would be held on time, but he criticized the international community for supporting peace on one hand while continuing the "demonization" of the north on the other. The International Criminal Court's indictment of Sudan's president, Omar Hassan al-Bashir, on war crimes charges, economic sanctions, the lack of debt relief and Sudan's presence on the United States list of state sponsors of terrorism were all intended to weaken the country, he said.

Mr. Kiir said that the Jan. 9 referendum date was sacred and that any technical delays had to be overcome. "Any delays risk the return to instability and violence," he said.

Numerous aid organizations, concerned that a lack of attention might encourage opponents of the referendum

to delay it, hailed the meeting. But some were outraged that the final communiqué welcomed a commitment by Sudan to pursue war criminals, given that Mr. Bashir has mocked his own indictment.

The final communiqué could not really attack Mr. Bashir while encouraging him to respect the referendum deadline, said two senior officials involved with the negotiations, who said the reference to Sudan's commitment to pursue war criminals was to ensure that the issue of impunity would not be ignored.

58 Japan Retreats With Release of Chinese Boat Captain

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A diplomatic showdown between Japan and China that began two weeks ago with the arrest of the captain of a Chinese trawler near disputed islands ended Friday when Tokyo accepted Beijing's demands for his immediate release, a concession that appeared to mark a humiliating retreat in a Pacific test of wills.

Japan freed the captain, Zhan Qixiong, 41, who left Saturday on a chartered flight sent by the Chinese government to take him home. Mr. Zhan had been held by the Japanese authorities since his boat collided with Japanese patrol vessels on Sept. 7 near uninhabited islands in the East China Sea, and Japan had insisted that he would be prosecuted.

His release handed a significant victory to Chinese leaders, who have ratcheted up the pressure on Japan with verbal threats and economic sanctions.

"It certainly appears that Japan gave in," said Hiroshi Nakanishi, a professor of international relations at Kyoto

University. "This is going to raise questions about why Japan pushed the issue in the first place, if it couldn't follow through with meeting China's challenges."

The climb down was the latest indicator of the shifting balance of power in Asia. China this year surpassed Japan as the world's second largest economy and had already become Japan's biggest export market. Japan, mired in extended political uncertainty and economic malaise, has had a succession of weak prime ministers who have struggled to assert its interests in a region focused mainly on a resurgent China.

China on Saturday restated its claims to the disputed islands and in a statement demanded an apology and compensation. "Such an act seriously infringed upon China's territorial sovereignty and violated the human rights of Chinese citizens," the statement said.

At the outset, Japan had made an uncharacteristic display of political backbone by detaining the captain, when in the past it had simply chased away Chinese vessels that approached too close to the islands, which are claimed by both countries but administered by Japan. Apparently angered by a rising number of incursions by Chinese

fishing boats in recent years, Tokyo initially appeared determined to demonstrate to Beijing its control of the islands, analysts and diplomats said.

Instead, the move unleashed a furious diplomatic assault from China. Beijing cut off ministerial-level talks on issues like joint energy development, and curtailed visits to Japan by Chinese tourists. The fact that the detention took place on Sept. 8, the anniversary of Japan's 1931 invasion of northeast China, spurred scattered street protests and calls by nationalistic Chinese bloggers to take a firm stand against Tokyo.

In recent days, China stepped up its intimidation. Chinese customs officials appeared to block crucial exports to Japan of rare earths, which are metals vital to Japan's auto and electronics industries. Then on Thursday, four Japanese construction company employees were detained in the Chinese province of Hebei.

In the end, diplomats and analysts said Japan was forced to recognize that taking the next step of charging the captain and putting him on trial would result in a serious deterioration of ties with China, Japan's biggest trading partner.

"At this point, Japan had only one choice," said a Western diplomat in Beijing, who spoke on the usual diplomatic condition of anonymity. "It had to charge the captain, or it would have to climb down."

It chose the latter. On Friday, prosecutors on the island of Ishigaki, where the captain was held, cited diplomatic considerations in their decision to let him go, and suspended their investigation into charges of obstructing officials on duty.

"Considering the effect on the people of our nation and on China-Japan relations, we decided that it was not appropriate to continue the investigation," the prosecutors said in a statement.

Until Japan's sudden reversal on Friday, the tussle had grown to dominate both nations' diplomatic agendas, including during the United Nations development summit meeting this week in New York.

Prime Minister Wen Jiabao of China had refused to meet on the sidelines of the meeting with Japan's prime minister, Naoto Kan, and instead threatened additional actions if Japan did not release the captain.

The Japanese used the summit meeting to seek American support for its position. They seemed to get it when Secretary of State Hillary Rodham Clinton told Japan's new foreign minister, Seiji Maehara, that America's treaty obligations to defend Japan from foreign attack would include any moves against the islands where the Chinese captain had been arrested.

The islands, known as Senkaku in Japanese or Diaoyu in Chinese, are also claimed by Taiwan.

The fact that Japan seemed to back down after escalating the situation brought an outpouring of criticism of Mr. Kan, who was re-elected prime minister just two weeks ago. On Friday, members of his own governing Democratic Party joined opposition lawmakers in condemning the decision to release the captain.

"I'm flabbergasted that this was resolved with such a clear diplomatic defeat for Japan," said Yoshimi Watanabe, leader of the opposition Your Party.

The setback appears likely to raise new concerns about the leadership of the Democrats, who took power in a landslide election victory last year with promises to improve ties within Asia and reduce Japan's dependence on the United States.

However, the standoff underscored how sentiment in Japan had hardened against China, even in recent months. Ever more frequent movements by Chinese warships into Japanese waters have stirred fears here that fast-growing China will become more aggressive in pushing its territorial claims.

However, there were also growing calls in Japan for a quick resolution to the standoff, particularly by the business community, which has become increasingly reliant on China for trade and investment. On Friday, the president of the Tokyo Stock Exchange, Atsushi Saito, told reporters he welcomed the release.

"As a Japanese, I have mixed feelings about appearing so weak-kneed," Mr. Saito said, "but realistically speaking, we had to put this problem behind us."

In China, the captain's release appeared to be a victory for the leadership, and particularly the prime minister, Mr. Wen. The Communist Party is keen to show itself as defending China's territorial claims, which enjoy strong emotional support from the Chinese people. China also views itself as geopolitically hemmed in by Japan and other cold war-era American allies as it tries to take its place as a regional power.

Chinese analysts agreed that Japan had appeared to fold, but said Tokyo had no choice if it wanted to avoid a continued escalation with China.

“This was a move that Japan had to make or China would have taken further steps,” said Wang Xiangsui, a foreign policy analyst at the Beijing University of Aeronautics and Astronautics. “Now the two sides can discuss this more calmly.”

Mr. Zhan, the trawler captain, arrived in the Chinese coastal city of Fuzhou at 4 a.m. local time, according to the official Xinhua news agency. He was met at the airport by senior officials from the Foreign Ministry and the Agriculture Ministry, which had chartered a plane to pick him up after his release in Japan.

When the door of the plane opened, Mr. Zhan was carrying flowers and immediately was greeted with hugs by relatives waiting for him, Xinhua reported.

“Being able to return safely this time, I thank the party and government for their care,” Mr. Zhan said. “I also thank the Chinese people for their concern.”

59 Afghan Equality and Law, but With Strings Attached

IT was an engaging idea.

Hundreds of children would gather on the iconic Nader Khan Hill in the capital, Kabul, on a gorgeous Friday in September and fly kites emblazoned with slogans lauding the rule of law and equality for women. The kites, along with copies of the Afghan Constitution and justice-themed comic books, would be gifts of the United States, part of a \$35 million effort “to promote the use of Afghanistan’s formal justice system.”

“The mere portrait of 500 kites soaring in the winds, against a backdrop of beautiful mountain ranges, is enough to instill hope in even the most disheartened observer of the war-torn country,” said a promotional release for the festival, organized by an American contractor for the United States Agency for International Development.

What could possibly go wrong?

Almost everything but the wind.

For starters, Afghan policemen hijacked the event, stealing dozens of kites for themselves and beating children with sticks when they crowded too close to the kite distribution tent. To be fair, the children were a little unruly, but they were also small.

Sometimes the officers just threatened them with sticks, and other times slapped them in the face or whacked them with water bottles. “I told them to stop the policemen from taking the kites,” said Shakila Faqueeri, a communications adviser for the contractor, DPK Consulting.

But the policemen appeared to ignore her. Asked why one of his officers was loading his truck with kites, Maj. Farouk Wardak, head of the criminal investigation division of the 16th Police District, said, “It’s okay, he’s not just a policeman, he’s my bodyguard.”

The District 16 police chief, Col. Haji Ahmad Fazli, insisted on taking over from the American contractors the job of passing out the kites. He denied that his men were kite thieves. “We are not taking them,” he said. “We are flying them ourselves.”

At least he had not lost sight of the event’s goal. “It is so people can understand the rule of law, and it lets the

kids get together instead of wandering on the streets,” he said.

It was not clear that the children had a much better grasp of the concept, but some did manage to get kites and were flying them, irregularly shaped patches of color soaring to impressive heights.

Most bore messages about the importance of gender equality, but there was hardly a girl with a kite, although plenty of girls were around. One DPK staff member pushed through the crowd to give 10-year-old Shaqila Nabi a kite; her sister Farzana, 8, had wanted one, too, but a policeman had just swung at her with a stick and she had darted out of harm’s way, and out of sight.

Shaqila raced back to her father, Gul Nabi, a horse wrangler peddling rides. He promptly took the kite and gave it to a boy.

“He is my son and he should get the kite,” he said.

The law and justice comic books were also a big hit. Some of the boys snatched them up and hid them under their shirts so they could come back for more. At one

point, fed-up policemen, most of whom cannot read, just tossed piles of them in the dirt.

Mike Sheppard, the DPK project head, pronounced the event a success. “We just gave out a thousand kites in 20 minutes,” he said.

But another DPK staff member, Abdul Manem Danish, stood watching the kite thievery and casual police brutality with disdain. His job was to administer a “kite event effectiveness survey” at the end to see if the festival had affected anyone’s attitudes about justice.

“That’s not a very good example of rule of law,” he said. “Maybe it is the nature of these people that needs to be changed.”

60 China Is Said to Halt Trade in Rare-Earth Minerals With Japan

AKIHIRO Ohata, the Japanese trade minister, said Friday that his ministry was aware that Japanese traders were complaining of a halt from China of a crucial category of minerals and that the government was investigating the matter.

The Chinese Commerce Ministry has denied that it has halted exports of the minerals, known as rare earths and used in products like wind turbines and hybrid cars. And Mr. Ohata said the Chinese Commerce Ministry had also informed Japan that it had not issued a ban on exporting the minerals.

But industry executives said that factories in China were still not shipping to Japan after Chinese customs agents blocked shipments earlier this week.

Eight executives, analysts and traders in the Chinese, Japanese and North American rare earths industries said

that China had suspended the shipments Tuesday in response to a diplomatic dispute over Japan's detention of a Chinese fishing trawler captain.

Some theorized that the action might have been taken by Chinese customs agents, rather than as a formal trade embargo imposed by Commerce Ministry regulations, to give Beijing more negotiating room with Japan.

On Friday, the Japanese authorities said they would release the captain, but it was unclear when the rare earth exports would resume.

Gary L. Billingsley, executive chairman of Great Western Minerals Group, a Canadian company with rare earth processing factories in Michigan and Britain, said China appeared to have stopped shipping rare earths to Japan on Tuesday.

Japanese traders "confirm that there has been a disruption in the supply of rare earths," Mr. Billingsley said. Shipments loaded before Tuesday have continued to arrive at Japanese ports, he said, adding that Great Western had not experienced any disruption because it bought supplies directly from China.

China mines 93 percent of the world's rare earth minerals and more than 99 percent of the world's supply of some of the most prized rare earths, which sell for several hundred dollars a pound.

A supplier for Toyota in Japan, who deals in machinery parts that require magnets containing rare earths, said that the automaker had alerted his company Monday of a possible halt in rare earth shipments. "Toyota is already seeing shipments being stopped," said the supplier, who spoke on condition of anonymity.

A Toyota spokesman, Paul Nolasco, had no immediate comment.

China has export quotas for rare earths, but even factories with ample quotas for further exports had been dissuaded from making shipments, according to industry executives, analysts and two Japanese traders.

"People are mystified why the Chinese don't acknowledge it," said Dudley Kingsnorth, the executive director of Industrial Minerals Co. of Australia, a rare earth consulting company.

An official at one of Japan's top traders in rare earths, who spoke on condition of anonymity, said that because

government offices in Beijing, including the customs headquarters, were closed Wednesday through Friday for the Chinese autumn equinox holiday, industry players were still unsure whether the halt in exports was the start of a longer embargo.

Trucking, ports and local customs offices continue to operate during weekends and holidays. But Chinese rare earths operations have halted shipments to Japan for the last three days anyway in response to strong warnings Tuesday from Beijing officials against selling to Japan, industry executives said.

A person answering the phones at the customs headquarters in Beijing said no one would be available for comment until Saturday.

If China continued to halt shipments, it would be extremely difficult to switch to other sources, the Japanese trader said.

Rare earths are used in a wide variety of industrial applications, including the manufacture of glass, batteries, catalytic converters, compact fluorescent bulbs and computer display screens. Demand has risen in the last decade for their use in clean energy applications, like

generators for large wind turbines and lightweight electric motors for cars.

Japanese automakers in particular have been turning to rare earths for the electric motors used in power steering in gasoline-powered cars, as well as the more powerful electric motors that help propel gasoline-electric hybrids like the Toyota Prius.

Others in the industry said that having the customs agency halt exports of rare earths, without calling it an export ban, carried political and legal advantages. Imposing an unannounced embargo, they said, would have allowed China to ratchet up the pressure gradually on Japan to release the detained boat captain.

And a halt in exports carried out through administrative measures, rather than as an act of official policy, would be much harder for Japan to challenge at the World Trade Organization, which bans most unilateral export restrictions. Under the trade agency's rules, countries may formally suspend exports of natural resources only for environmental conservation.

Further confusing the rare earths issue in the past week has been uncertainty over Chinese export quotas for rare

earths, with some in the United States suggesting that shipment data showed that exporters in China might be running out of their quotas for this year.

But experts on the Chinese export quota process said that there tended to be about a one-month lag from the exercise of quotas until they showed up in shipment data. So large shipments last January reflected the last-minute exercise of 2009 quotas in December and were not counted against 2010 quotas.

The 2010 quotas were not issued until Dec. 31, and exporters then typically needed several weeks to arrange shipping.

Exports from the start of February through the end of August totaled about 23,000 tons, compared with export quotas this year of 30,300 tons. So some experts predict that exporters in China could run out of quotas as soon as the end of October, although that had nothing to do with suspension of exports in the past week.

But some industry officials have suggested that China might be willing to issue the quotas for 2011 early, possibly in November, so as to allow shipments to resume quickly early in January.

61 From Young Mogul, a Gift on the Scale of Philanthropy's Elders

MARK Zuckerberg, America's youngest billionaire at 26, has not spent much money on himself. Forbes estimates his fortune at \$6.9 billion, but Mr. Zuckerberg, chief executive of Facebook, has yet to sell any sizable portion of his holdings in the company.

He rents an unremarkable house within walking distance of Facebook's headquarters here. He favors jeans and T-shirts, drives an Acura and, unlike many other technology moguls, does not own a private plane.

On Friday, Mr. Zuckerberg announced his biggest expenditure to date: a \$100 million grant aimed at improving public education in Newark, in partnership with Cory A. Booker, the city's mayor, and Chris Christie, New Jersey's governor.

Mr. Zuckerberg's gift, which he announced during an appearance with Mr. Booker and Mr. Christie on "The Oprah Winfrey Show," instantly propelled him to the

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top echelons of American philanthropy and made him something of a hero.

But there is a competing version of Mr. Zuckerberg's public persona, one that is on display in the film "The Social Network," a fictionalized story of Facebook's founding that paints him as a backstabbing college student who betrayed friends and partners to assert control over Facebook.

The movie had its premiere on Friday at the New York Film Festival, just hours after Mr. Zuckerberg announced his philanthropic endeavor. And the timing of the gift raised questions as to whether Mr. Zuckerberg was simply trying to burnish his image at a difficult time.

"I don't think anybody gives \$100 million to anything if they are not thinking to some degree how it sheds light on their beneficence," said David Kirkpatrick, the author of a recent book about the company called "The Facebook Effect." "Otherwise they give anonymously."

Mr. Zuckerberg says he was hoping to do just that. On the Oprah show and in a later press conference, Mr. Zuckerberg and Mr. Booker both said that the

Facebook co-founder wanted to make his gift anonymous. But Mr. Booker persuaded him that the grant, which challenges New Jersey officials to raise matching funds, would be more effective if his name was attached to it. And they said that the timing was driven by factors out of their control.

"The movie became a complication," Mr. Booker said, because of the risk that the public would view the gift as "an elaborate publicity stunt."

Indeed, the announcement on the Oprah show, which showed clips of Mr. Zuckerberg and his longtime girlfriend Priscilla Chan in their home, was linked to a different movie, a documentary about public education called "Waiting for Superman" that opened Friday and that Ms. Winfrey has promoted for much of the last week.

Mr. Zuckerberg said that the \$100 million would be used to start a new foundation called Startup: Education. The entire gift is earmarked for Newark and comes with no strings attached, giving "flexibility to try out new things," he said.

Mr. Zuckerberg's gift was praised in the philanthropy world.

“It is truly exceptional for any age group,” said Patrick M. Rooney, executive director of the Center on Philanthropy at Indiana University, which tracks giving. “Clearly when you look at most philanthropists, significant gifts like these are made late in life or after death. For someone to do this in their 20s is mind-boggling.”

Mr. Rooney said Mr. Zuckerberg’s is only the third gift of \$100 million or more made this year in the United States. Last year, there were only six donations of that size or larger, he said.

Philanthropic giving in Silicon Valley and among technology moguls is not new. A number of legendary entrepreneurs, including Bill Hewlett and David Packard of Hewlett-Packard, Gordon Moore of Intel and Bill Gates of Microsoft have established large charitable foundations. But their giving typically came much later in life, after their companies and personal fortunes were well established.

A younger generation of Internet billionaires like Pierre Omidyar and Jeff Skoll, who made their fortunes with eBay, established foundations earlier.

“We have been seeing a very interesting phenomenon of dot-com billionaires making very generous gifts, in many

cases with a different attitude than was in the past,” said Lester M. Salamon, director of the Center for Civil Society Studies at Johns Hopkins University. “People are striking it rich at an ever-earlier age.”

But even in those situations, those individuals established their philanthropies well after their companies went public. Mr. Zuckerberg’s gift is unusual, in part, because Facebook is still privately held, and there is no public market for its shares. Mr. Zuckerberg is giving shares to the foundation that will be sold to other private investors, a relatively new development in Silicon Valley.

Mr. Zuckerberg began discussing his plans to give away money with Ms. Chan, a former teacher who is now training to become a pediatrician, more than a year ago. The pair turned to Facebook’s No. 2 executive, Sheryl Sandberg, for advice. Ms. Sandberg, a veteran of the World Bank and the Treasury Department, had helped to establish Google.org, Google’s philanthropic arm.

Ms. Sandberg said she immediately arranged for Mr. Zuckerberg to meet prominent people in her network of contacts who helped him shape his plans. They included Michael R. Bloomberg, New York’s mayor; Joel Klein, the schools chief of New York; Wendy Kopp,

the founder and president of Teach for America; and the philanthropist Eli Broad.

Mr. Zuckerberg also consulted with others including Mr. Gates and Arne Duncan, the education secretary. He firmed up the details this summer with Mr. Booker, whom he met at a conference of business moguls, and Mr. Christie.

“Growing up, I was really fortunate to go to some great schools,” Mr. Zuckerberg said during the press conference. He said he wanted to ensure that all children have similar opportunities.

“I really wanted to get started giving back at a young age,” he said.

Ms. Sandberg and Ms. Chan, along with Mr. Zuckerberg, will sit on the board of Startup: Education.

62 Six Technology Firms Agree to More Hiring Competition

THE American job market is tough for many workers, but things are looking even better than usual for highly paid engineers and scientists in Silicon Valley.

Six leading technology companies, including Apple, Google and Intel, reached an antitrust settlement on Friday with the Justice Department that promises to increase the competition for sought-after technology workers. The government had conducted a yearlong investigation into agreements among companies not to poach employees from each other.

The investigation focused on five agreements by the companies not to make cold calls to employees that each company had placed on a do-not-call list. Each of the pacts, according to the Justice Department filing, involved a pair of companies: Apple and Google, Apple and Adobe, Apple and Pixar, Google and Intel, and Google and Intuit.

The agreements to curb cold-calling of each others' workers, the Justice Department complaint said, “diminished competition to the detriment of the affected

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employees who were likely deprived of competitively important information and access to better job opportunities.”

Silicon Valley is among the most flexible and fast-moving labor markets in the world, and job-hopping is commonplace. The movement of workers from company to company facilitates the flow of ideas and generation of products. Agreements that inhibit that movement, antitrust officials said, restrains not only labor but also the pace of innovation.

Laws that prohibit restraints on workers go back to the origins of antitrust law, centuries ago, in England, when the “restraint of trade” literally meant “unreasonable restraint” on people practicing their trades – like bakers and blacksmiths.

“This shows that the oldest ideas in antitrust still apply to today’s high-tech industries,” said Andrew I. Gavil, a professor of law at Howard University. “These people may be well paid, but this is not an insignificant matter.”

Yet Silicon Valley companies both compete and cooperate with each other, to jointly develop new products and services. And a company, analysts say, may be less likely

to collaborate on a project if it fears the partner company is intent on hiring away its best employees, thus undermining innovation.

In a statement, Google portrayed its agreements against cold-calling employees at other high-technology companies as a temporary program to maintain good relations with other companies at a time it was hiring aggressively.

“Google grew by more than 16,000 people between 2005 and 2009 – a fivefold increase in the size of our company,” Google said.

Hiring reached a peak of 40 new recruits a day in 2007, it added, when it was also building ties with other technology companies to jointly develop services.

“While there’s no evidence that our policy hindered hiring or affected wages, we abandoned our ‘no cold calling’ policy in late 2009 once the Justice Department raised concerns, and we are happy to continue with this approach as part of this settlement,” the company said.

Intuit, in a statement, said it had “agreed to disagree” with the Justice Department on the issue of wrongdoing in the case. But Intuit will not “enter into the types of

broad nonsolicit agreements that are prohibited by the settlement,” said Laura Fennell, Intuit’s senior vice president and general counsel.

Intuit, she said, shared the Justice Department’s desire “to maintain an open, fair, competitive market for talent.”

63 Told to Eat Its Vegetables, America Orders Fries

IT’s been a busy week for vegetables.

The baby-carrot industry tried to reposition its product as junk food, starting a \$25 million advertising campaign whose defining characteristics include heavy metal music, a phone app and a young man in a grocery cart dodging baby-carrot bullets fired by a woman in tight jeans.

On the East Side of Manhattan, crates of heirloom vegetables with names like Lady Godiva squash were auctioned for \$1,000 each at Sotheby’s, where the wealthy are more accustomed to bidding on Warhols and Picassos than turnips and tomatoes.

Both efforts, high and low, are aimed at the same thing: getting America to eat its vegetables.

Good luck. Despite two decades of public health initiatives, stricter government dietary guidelines, record growth of farmers’ markets and the ease of products like salad in a bag, Americans still aren’t eating enough vegetables.

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This month, the Centers for Disease Control and Prevention issued a comprehensive nationwide behavioral study of fruit and vegetable consumption. Only 26 percent of the nation's adults eat vegetables three or more times a day, it concluded. (And no, that does not include French fries.)

These results fell far short of health objectives set by the federal government a decade ago. The amount of vegetables Americans eat is less than half of what public health officials had hoped. Worse, it has barely budged since 2000.

"It is disappointing," said Dr. Jennifer Foltz, a pediatrician who helped compile the report. She, like other public health officials dedicated to improving the American diet, concedes that perhaps simply telling people to eat more vegetables isn't working.

"There is nothing you can say that will get people to eat more veggies," said Harry Balzer, the chief industry analyst for the NPD Group, a market research company.

This week, the company released the 25th edition of its annual report, "Eating Patterns in America." The news there wasn't good, either. For example, only 23 percent

of meals include a vegetable, Mr. Balzer said. (Again, fries don't count, but lettuce on a hamburger does.) The number of dinners prepared at home that included a salad was 17 percent; in 1994, it was 22 percent.

At restaurants, salads ordered as a main course at either lunch or dinner dropped by half since 1989, to a mere 5 percent, he said.

The nation has long had a complicated relationship with vegetables. People know that vegetables can improve health. But they're a lot of work. In refrigerators all over the country, produce often dies a slow, limp death because life becomes too busy.

"The moment you have something fresh you have to schedule your life around using it," Mr. Balzer said.

In the wrong hands, vegetables can taste terrible. And compared with a lot of food at the supermarket, they're a relatively expensive way to fill a belly.

"Before we want health, we want taste, we want convenience and we want low cost," Mr. Balzer said.

Melissa MacBride, a busy Manhattan resident who works for a pharmaceuticals company, would eat more vegetables if they weren't, in her words, "a pain."

"An apple you can just grab," she said. "But what am I going to do, put a piece of kale in my purse?"

No one really wants to admit that they don't eat vegetables. A nurse who works at the Hospital for Special Surgery on the Upper East Side openly acknowledges that vegetables make her gag. Still, she begged to not be publicly identified because she is in the health care field and knows that she should set a better example.

David Bernstein, who lives in Greenpoint, Brooklyn, is sheepish about the lack of vegetables in his diet. He waits tables at the hip M. Wells restaurant in Long Island City, Queens, and knows his way around the Union Square Greenmarket. But his diet consists largely of bacon, yogurt and frozen stuffed chicken breasts.

"It's just like any other bad habit," he said. "Part of it is just that vegetables are a little intimidating. I'm not afraid of zucchinis, but I just don't know how to cook them."

The food industry has tried to make eating vegetables easier. Sales of convenience vegetables, like packages of cut broccoli designed to go right into the microwave, are growing. Washed, ready-to-eat bagged salads are a \$3-billion-a-year business.

But that doesn't necessarily mean people are eating more vegetables. It just means they are shifting their vegetable budget from one place to another, Mr. Balzer said. An organic cucumber might replace a conventionally grown one. A bag of lettuce replaces a head.

To be sure, vegetables are making strides in certain circles. Women, as well as people who are older and more educated and have higher incomes, tend to eat more vegetables, said Dr. Foltz, the pediatrician who worked on the C.D.C. report.

The vegetable, especially when grown from heirloom seeds on small farms, is held in such high esteem that knowing the farmer who grows the food is a form of valuable social currency. Vegetables are becoming high art. At Sotheby's on Thursday night, the vegetable auction was part of a daylong event called "The Art of Farming," raising nearly \$250,000 to help hunger

organizations, immigrant farmers and children without access to vegetables.

But vegetables are also becoming important on the other end of the economic equation. An increasing number of the nation's 6,000 farmers' markets allow shoppers to buy produce with food stamps. Urban gardens are springing up in vacant lots and on rooftops. Nearly every state now has programs that send fresh vegetables into poorer neighborhoods and school cafeterias.

The vegetable even has the first lady, Michelle Obama, on its side. She planted an organic garden on the White House lawn and talks up vegetables as part of her "Let's Move" campaign against childhood obesity.

The government keeps trying, too, to get its message across. It now recommends four and a half cups of fruits and vegetables (that's nine servings) for people who eat 2,000 calories a day. Some public health advocates have argued that when the guidelines are updated later this year, they should be made even clearer. One proposal is to make Americans think about it visually, filling half the plate or bowl with vegetables.

But clear guidance probably isn't enough. Health officials now concede that convincing a nation that shuns

vegetables means making vegetables more affordable and more available.

"We have to make the healthy choice the easy choice," Dr. Foltz said. And the choices need to become ingrained.

For another study whose results were announced this week, researchers at the University of California, Berkeley, spent three years examining the difference between children who participated in the Berkeley Unified School District's "edible schoolyard" program, in which gardening and cooking are woven into the school day, and children who didn't.

The students who gardened ate one and half servings more of vegetables a day than those who weren't in the program.

For students who don't have access to a school garden, perhaps the full-court press by the baby-carrot producers will have some effect. The iPhone application, for example, is a video game called Xtreme Xrunch Kart that starts when a player crunches a carrot (or makes a crunchlike sound) into the phone's microphone.

But as in past attempts to revive the vegetable, none of this will necessarily be enough to change a clear aversion to eating vegetables.

“Eating vegetables is a lot less fun than eating flavor-blasted Doritos,” said Marcia Mogelonsky, a senior analyst for Mintel, a global marketing firm. “You will always have to fight that.”

64 New F.D.A.: Transparency and Flexibility

DURING the Bush administration, the Food and Drug Administration was mostly a place of black-and-white decisions. Drugs were approved for sale or they were not, and the agency’s staff was expected to publicly support those decisions.

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But as Thursday’s landmark decision on the controversial diabetes medicine Avandia makes clear, things have changed under the Obama administration. Certainty, staff unanimity and even the approval status of big-selling medicines are no longer so black and white.

Presented with what seemed to be a choice between keeping Avandia on the market or withdrawing it, the Obama administration decided on an unusual middle path – allowing sales, but with tight restrictions. Even more unusually, the agency admitted that many of its top scientists disagreed, some passionately. Competing memorandums were posted immediately on the agency’s Web site.

And the agency's three top officials co-wrote a highly unusual explanation of their action in *The New England Journal of Medicine*.

Some of these changes have been in the works for years, but they have accelerated under the Obama administration, driven by increasingly sophisticated measures of drug safety and growing skepticism about whether the F.D.A. is making the right decisions and making them appropriately.

"I think that F.D.A.'s credibility really depends on being able to explain its decisions well," said Dr. Joshua Sharfstein, F.D.A.'s principal deputy commissioner. "We can't expect people to think that F.D.A. has decided, therefore it's the right answer."

Some of the changes have been driven by people like Dr. Steven Nissen, a cardiologist at the Cleveland Clinic whose 2007 analysis of Avandia's heart risks stunned doctors, patients and legislators, who asked why the F.D.A. had not done anything similar. When the agency revealed it had done an almost identical analysis a year earlier and found the same result, the controversy intensified.

"You have these third-party analysts setting the agenda for the agency in ways that never happened before," said Daniel Carpenter, an F.D.A. historian at Harvard.

For the F.D.A., the Nissen analysis presented major challenges. It demonstrated that the agency no longer had a monopoly on the information needed to make drug and device safety decisions. Data from crucial clinical trials are increasingly being posted on public Web sites. And academics are using sophisticated techniques to test whether popular medicines are safe.

In March, for instance, a team of academics found that a children's diarrhea vaccine contained harmless but apparently extraneous pieces of pig virus. Blindsided, the F.D.A. had no idea what effect the particles would have. While the agency studied the problem, the commissioner, Dr. Margaret Hamburg, asked its maker to stop selling – a request she had little power to enforce.

Two months later, the agency allowed sales to continue.

Like the vaccine finding, the Nissen analysis flummoxed the agency because the science behind it was controversial. Dr. Nissen combined the results of many clinical trials to suggest that Avandia substantially increased heart

risks. Other studies suggested that there were higher risks.

None of these studies met the rigorous standards that the F.D.A. demands when approving new medicines, but they were among the only information available to explore whether popular medicines contribute to common problems like heart attacks.

The agency was torn about how to interpret the studies, a problem it rarely faced until recently. “In the past, we would approve the drug after a couple of efficacy trials and that was it,” Dr. Janet Woodcock, chief of the F.D.A.’s drug center, said in an interview. “We didn’t know too much more about the drug. It was simpler.”

Now, sophisticated analyses present the F.D.A. with a complex picture. “It’s good for public health that we’re learning more, but it creates a more complex environment in which to regulate,” Dr. Woodcock said.

It is an environment in which top agency officials are in some ways at sea. The agency has no systems or standards to follow in deciding which studies deserve their attention or should lead to changes in a drug’s status.

And since new tests are being created constantly, creating such a standard would be an ever-evolving process.

Dr. Lynn Goldman, dean of the School of Public Health and Health Services at George Washington University, said the F.D.A. was being forced to become more comfortable with studies done in academic rather than regulatory settings. “They have to get used to a less controlled environment,” Dr. Goldman said.

And the agency’s decision to create a unique distribution program for Avandia is not one it can repeat often or doctors and pharmacists – who must learn a new system for each program – will give up.

“We have to get some standardization,” Dr. Woodcock said, “or we’ll burn out the system.”

65 Chinese Attitudes on Generosity Are Tested

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LIKE most everything else in China's economy, philanthropy here is in a boom period, fueled by phalanxes of newly minted billionaires and foundations, encouraged by an army of professional advisers on charity and, increasingly, sanctioned by the government.

Which makes the case of Warren Buffett and Bill Gates, who will come to Beijing next week to share their thoughts on philanthropy with some of China's wealthiest people, all the more curious.

Mr. Buffett and Mr. Gates, the Rockefeller and Carnegie of this age, announced plans last month to invite about 50 of China's superrich to discuss their concept of philanthropy, which includes enlisting the world's wealthiest people to give away at least half their fortunes.

Things appeared to be going swimmingly until early September, when the Chinese news media quoted a Beijing official of the Bill and Melinda Gates Foundation as saying that "a small number of people" had declined

to come, and that others had asked whether they would be pushed for donations.

Last week, Mr. Gates and Mr. Buffett issued a letter stating that they were not coming to China "to pressure people to give," but to listen. "China's circumstances are unique, and so its approach to philanthropy will be as well," they wrote.

Except for denying a report from Xinhua, the state-run news agency, that only two tycoons had accepted the invitation, the organizers of the event have largely fallen silent.

But the Chinese are unlikely to stop talking soon. In a nation where explosive growth has opened a yawning gap between rich and poor, reports that Chinese billionaires might stiff-arm the invitation have spawned a sort of national Rorschach test of Chinese generosity, not to mention attitudes toward the rich.

"Are Chinese rich scared to be charitable?" asked The Global Times, the Communist Party's English-language newspaper. Not at all; "This is the Americans' conspiracy," wrote one of 2,000 people who posted comments

on the controversy on Sina.com, a major Internet portal. Academics grumbled about efforts to impose Western philanthropic values on Chinese tradition.

Actually, however, Chinese philanthropic tradition was being upended well before the Gates-Buffett dinner was even conceived. In barely a decade, the Chinese economy has created at least 117 billionaires, according to a Forbes magazine ranking, and hundreds of thousands of millionaires by the estimate of Hurun Report, a magazine based in Shanghai whose target audience is the rich. Only the United States has more billionaires.

While China's reported philanthropic donations are now comparatively tiny – about \$8 billion last year, the government says, compared with \$308 billion in the United States in 2008 – changes in China's economic structure and in government policies make that figure almost destined to rise quickly. And, in contrast to the past, riches are starting to flow to social and charitable causes.

“The Chinese have been very generous for a long period of time,” Rupert Hoogewerf, who publishes Hurun Report, said by telephone. “The difference has been that they do it between families, and don't publicize it. What we're seeing now is a new era of transparency.”

Translucency might be a better term. More than a few fortunes have been built on corruption, and their owners stay in the shadows. The China Reform Foundation, an economic research group based in Beijing, estimated last month that about \$870 billion in corrupt “gray money” was being hidden by the wealthiest 10 percent of China's population.

Huang Guangyu, who built an appliance shop into a fortune valued at \$2.7 billion to \$6.3 billion, was singled out by Hurun Report in 2007 as especially miserly. Today he is in prison, convicted of stock fraud and insider trading.

A Global Times article this month stated that in the last decade, 17 members of an annual list of China's 50 richest people had been convicted of economic crimes.

Ordinary Chinese, steeped in petty government corruption, are often bitterly cynical toward the rich.

“Of course they'll decline the invitation,” one wrote of the invited billionaires on the Sina.com postings board. “None of their money is clean!”

Yet a growing number of China's corporate titans are open both about their wealth and about giving it away.

The leading example is Yu Pengnian, an 88-year-old real estate baron who gave the last of his \$1.3 billion fortune in April to a foundation he created to fund scholarships for poor Chinese students. The latest is Chen Guangbiao, 42, a Jiangsu Province recycling-company owner who has taken the Gates-Buffett pledge to give away his \$440 million fortune when he dies.

“Wealth is not something that comes to you when you are born,” he said in an interview last week. “It’s like water. If you have only a cup, you keep it to yourself. If you have a barrel, you share it with your family. And if you have a river, you share it with everyone.”

This is a new phenomenon, and not only because the money is new. China’s Communist Party claims to represent the downtrodden, and has been reluctant to turn to the private sector to address problems of poverty and disease.

But since the outpouring of support for victims of the Sichuan earthquake in 2008, the government now seems to be edging toward a more accommodating attitude about private philanthropy. It offers corporations a tax break of up to 12 percent for charitable gifts, rising to 30 percent for individuals.

This year, a reregistration drive has certified more than 1,000 nonprofit groups as able to accept tax-deductible donations. Government officials have also said that they plan to enact the nation’s first charity law, with rules that clearly define what a charity is and how it must operate, by late 2011.

But whether revised rules on charities and nonprofit groups generally will broaden or restrict philanthropic work is unclear, said Jia Xijin, who directs the Nongovernmental Organization Research Center at Tsinghua University in Beijing. While the government has slowly given new leeway to some charitable groups, especially those that provide social services, it keeps a tighter rein on groups that advocate policy changes or raise money on their own.

The government’s concern is that “most public fundraising organizations need some social cause, and if you organize people,” she said, “that means the organization represents some social force.”

For Mr. Chen, the recycling magnate, the best way to encourage philanthropy by the group invited to dine with Mr. Buffett and Mr. Gates is to publicize the names of people who decline to attend.

“I’ll help you bash them in the media,” he said. “We can’t be misers.”

66 China Takes a Sharper Tone in Dispute With Japan

CHINESE Premier Wen Jiabao “strongly urged” Japan to immediately and unconditionally release from custody the captain of a Chinese trawler, threatening further action if Japan refuses.

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Mr. Wen’s comments were the first by a senior Chinese official in what is rapidly becoming the most serious territorial dispute China has faced in a decade. The captain and crew were seized earlier this month by Japanese naval vessels, which claimed that the fishing boat rammed them near several uninhabited islands controlled by Japan. The boat and crew were quickly released, but the captain faces charges of obstructing officials from performing their duty and remains in Japanese custody.

China is incensed that Japan would apply its laws to Chinese nationals and argues that the issue is one for diplomacy, not the legal system. Known as Senkaku in Japanese or Diaoyu in Chinese, the islands have been in dispute for decades, but Japan has mostly turned back Chinese vessels that approach too closely.

Mr. Wen made his comments Tuesday night to members of the Chinese-American community in New York, where he is attending a United Nations meeting. The comments were carried Wednesday on the Web site of the Chinese Foreign Ministry.

“This is totally illegal, unreasonable and has already caused much suffering to the family of the captain,” Mr. Wen was quoted as saying. “If Japan clings to its course, China will take further action.”

Mr. Wen’s comments come as China as continued to ratchet up the pressure on Japan. On Tuesday, it announced that Mr. Wen would probably not meet his Japanese counterpart, Naoto Kan, who is also in New York for the United Nations development conference. On Sunday, China suspended many government contacts and other exchanges with Japan.

“Japan holds the key to solving this problem,” the Foreign Ministry spokeswoman, Jiang Yu, said. “The Japanese side should correctly understand the situation and return the captain immediately and unconditionally.”

Some analysts say the issue might blow over next Wednesday when Japan must decide whether to formally charge the captain or release him. If he is charged, the emotional issue could boil over in China, where protests have already taken place and Internet forums are full of anti-Japanese rhetoric.

“Japan will have to release the captain with a warning or something similar,” said a Western diplomat based in Beijing who spoke on condition of anonymity because of the delicacy of the conflict. “It’s hard to imagine them actually charging and trying him.”

Sentiment in Japan, however, has hardened against China in recent years, with some calling for the country to resist a diplomatic solution and enforce its claims by applying Japanese law.

Japan controls the islands although China draws on historical records to buttress its claim to them. The islands have been the scene of protests for several decades, with Chinese from the mainland, Hong Kong and Taiwan claiming that Japan seized them in the 19th century and should have returned them after the end of World War II. Japan says the islands were not effectively controlled by anyone and were not part of agreements at the end

of the war to strip Japan of territory acquired during its period of expansionism.

The most recent flare-up comes as China faces disputes with its neighbors to the south over control of islands in the South China Sea. It has also objected to American military exercises in the region and arms sales to Taiwan, which it also views as part of its territory.

67 China's Disputes in Asia But-tress Influence of U.S.

FOR the last several years, one big theme has dominated talk of the future of Asia: As China rises, its neighbors are being inevitably drawn into its orbit, currying favor with the region's new hegemonic power.

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The presumed loser, of course, is the United States, whose wealth and influence are being spent on the wars in Iraq and Afghanistan and whose economic troubles have eroded its standing in a more dynamic Asia.

But rising frictions between China and its neighbors in recent weeks over security issues have handed the United States an opportunity to reassert itself – one the Obama administration has been keen to take advantage of.

Washington is leaping into the middle of heated territorial disputes between China and Southeast Asian nations despite stern Chinese warnings that it mind its own business. The United States is carrying out naval exercises with South Korea in order to help Seoul rebuff threats from North Korea even though China is denouncing

those exercises, saying that they intrude on areas where the Chinese military operates.

Meanwhile, China's increasingly tense standoff with Japan over a Chinese fishing trawler captured by Japanese ships in disputed waters is pushing Japan back under the American security umbrella.

The arena for these struggles is shifting this week to a summit meeting of world leaders at the United Nations. Wen Jiabao, the Chinese prime minister, has refused to meet with his Japanese counterpart, Naoto Kan, and on Tuesday he threatened Japan with "further action" if it did not unconditionally release the fishing captain.

On Friday, President Obama is expected to meet with Southeast Asian leaders and promise that the United States is willing to help them peacefully settle South China Sea territorial disputes with China.

"The U.S. has been smart," said Carlyle A. Thayer, a professor at the Australian Defense Force Academy who studies security issues in Asia. "It has done well by coming to the assistance of countries in the region."

"All across the board, China is seeing the atmospheric change tremendously," he added. "The idea of the China threat, thanks to its own efforts, is being revived."

Asserting Chinese sovereignty over borderlands in contention – everywhere from Tibet to Taiwan to the South China Sea – has long been the top priority for Chinese nationalists, an obsession that overrides all other concerns. But this complicates China's attempts to present the country's rise as a boon for the whole region and creates wedges between China and its neighbors.

Nothing underscores that better than the escalating diplomatic conflict between China and Japan over the detention of the Chinese fishing captain, Zhan Qixiong, by the Japanese authorities, who say the captain rammed two Japanese vessels around the Senkaku or Diaoyu Islands in the East China Sea. The islands are administered by Japan but claimed by both Japan and China.

The current dispute may strengthen the military alliance between the United States and Japan, as did an incident last April when a Chinese helicopter buzzed a Japanese destroyer. Such confrontations tend to remind Japanese officials, who have suggested that they need

to refocus their foreign policy on China instead of America, that they rely on the United States to balance an unpredictable China, analysts say.

“Japan will have no choice but to further go into America’s arms, to further beef up the U.S.-Japan alliance and its military power,” said Huang Jing, a scholar of the Chinese military at the National University of Singapore.

In July, Southeast Asian nations, particularly Vietnam, applauded when Secretary of State Hillary Rodham Clinton said that the United States was willing to help mediate a solution to disputes that those nations had with China over the South China Sea, which is rich in oil, natural gas and fish. China insists on dealing with Southeast Asian nations one on one, but Mrs. Clinton said the United States supported multilateral talks. Freedom of navigation in the sea is an American national interest, she said.

President Obama meets on Friday with leaders from the 10-member Association of Southeast Asian Nations, or Asean. The Associated Press reported that the participants would issue a joint statement opposing the “use or threat of force by any claimant attempting to enforce disputed claims in the South China Sea.” The statement

is clearly aimed at China, which has seized Vietnamese fishing vessels in recent years and detained their crews.

On Tuesday, a Chinese Foreign Ministry spokeswoman, Jiang Yu, criticized any attempt at mediation by the United States. “We firmly oppose any country having nothing to do with the South China Sea issue getting involved in the dispute,” she said at a news conference in Beijing.

China has also been objecting to American plans to hold military exercises with South Korea in the Yellow Sea, which China claims as its exclusive military operations zone. The United States and South Korea want to send a stern message to North Korea over what Seoul says was the torpedoing last March of a South Korean warship by a North Korean submarine. China’s belligerence serves only to reinforce South Korea’s dependence on the American military.

American officials are increasingly concerned about the modernization of China’s navy and its long-range abilities, as well as China’s growing assertiveness in the surrounding waters. In March, a Chinese official told White House officials that the South China Sea was part of China’s “core interest” of sovereignty, similar to Tibet

and Taiwan, an American official said in an interview at the time. American officials also object to China's telling foreign oil companies not to work with Vietnam on developing oil fields in the South China Sea.

Some Chinese military leaders and analysts see an American effort to contain China. Feng Zhaokui, a Japan scholar at the Chinese Academy of Social Sciences, said in an article on Tuesday in *The Global Times*, a populist newspaper, that the United States was trying to "nurture a coalition against China."

In August, Rear Adm. Yang Yi wrote an editorial for *The PLA Daily*, published by the Chinese Army, in which he said that on one hand, Washington "wants China to play a role in regional security issues."

"On the other hand," he continued, "it is engaging in an increasingly tight encirclement of China and is constantly challenging China's core interests."

Asian countries suspicious of Chinese intentions see Washington as a natural ally. In April, the incident involving the Chinese helicopter and Japanese destroyer spooked many in Japan, making them feel vulnerable at a time when Yukio Hatoyama, then the prime minister,

had angered Washington with his pledges to relocate a Marine Corps air base away from Okinawa.

His successor, Mr. Kan, has sought to smooth out ties with Washington and has emphasized that the alliance is the cornerstone of Japanese foreign policy.

"Insecurity about China's presence has served as a wake-up call on the importance of the alliance," said Fumiaki Kubo, a professor of public policy at the University of Tokyo.

68 Chinese Leader Fields Executives' Questions

Sept 10
25

WHEN Bill Gates confronts the prime minister of China on the need to honor software copyrights, it helps to have a referee – say, a Henry Kissinger – to moderate the debate.

That, in fact, is what happened at the Waldorf-Astoria Hotel on Wednesday morning in Midtown Manhattan.

In a remarkable 90-minute meeting, with Mr. Kissinger playing M.C., Mr. Gates and other heavyweight executives and economists from the West engaged Prime Minister Wen Jiabao. He listened patiently, and often volleyed back, on topics including currency and trade policies, foreign investment and whether China needed to improve its social safety net.

Others in the circle – literally a large ring of a few dozen chairs – included Jamie Dimon, the head of JPMorgan Chase; Lloyd C. Blankfein, the Goldman Sachs chief; Joseph Stiglitz, winner of the Nobel in economics; Kenneth I. Chenault, chairman and chief of American Express; and PepsiCo's chief executive, Indra K. Nooyi.

China's top leaders rarely meet Western executives. But Mr. Wen, in New York for a session of the United Nations General Assembly, agreed to sit down with the group, possibly in the hope of helping ease growing tensions between the United States and China over various issues.

The session, which Chinese officials called a dialogue with “economic celebrities,” was civil and respectful. But there were some pointed words for the Chinese leader, who listened and spoke through an interpreter.

Mr. Chenault told Mr. Wen that the most important asset American companies have is their brand. Seeming to hint that Chinese companies were competing unfairly, Mr. Chenault asked the prime minister for his views on brand value.

Mr. Wen responded, “We will never usurp others' brands.”

Ms. Nooyi of PepsiCo told Mr. Wen that China should create incentives for companies to build factories to high environmental standards. She also said that her company had invested billions of dollars in China and was already his country's biggest private potato grower, and she asked

whether American companies would get equal treatment to Chinese companies there.

The prime minister replied, “You put forward two good proposals, and the Chinese government will accept these.”

Robert E. Rubin, the former Treasury secretary, contended that China’s huge trade surpluses with the United States could have disastrous consequences.

“The trade imbalances are unsustainable,” Mr. Rubin told Mr. Wen, urging China to restructure its economy away from exports and toward domestic consumption. “And this trade imbalance is creating political problems” in the United States.

Mr. Wen acknowledged that global imbalances were a problem, and said Beijing was working to make changes. But he took issue with the widely held idea that China takes the largest share of trade benefits.

“An iPod is sold at \$299, and China in the manufacturing link will only get \$6 for it,” he said. The implication was clear: The bulk of the profits in producing the item accrue to Apple and others in the supply chain.

On one of the most contentious issues – China’s currency policy – Mr. Wen had little to say. But Wednesday evening, in a separate speech to a group of dignitaries involved in United States-China relations, Mr. Wen said more sharply that China’s exchange rate was not the problem, and indicated that China would continue to resist pressure from Washington.

“There is no basis for a drastic appreciation of the renminbi,” he said. “You don’t know how many Chinese companies would go bankrupt. There would be major disturbances. Only the Chinese premier has such pressure on his shoulders. This is the reality.”

It is a topic likely to come up when he and President Obama meet in New York on Thursday on the sidelines of the United Nations. China has repeatedly signaled that it would like to move toward a more flexible currency, and Mr. Wen said Wednesday that China did not “intentionally” seek a huge trade surplus – something that critics say Beijing does by keeping its currency, the renminbi, artificially cheap.

But while China has allowed the renminbi to appreciate slightly against the dollar this year, China’s trade is booming again.

Several of the Americans at the Waldorf on Wednesday warned that the United States' sluggish economy and high unemployment rate were inflaming protectionist sentiment in this country and could lead Congress to impose tough trade sanctions or other measures.

Stephen Roach, a Morgan Stanley economist and a teacher at Yale, warning that American politicians were threatening to take the "low road," urged Mr. Wen to ignore calls for China to fix its currency and instead focus on pushing for "pro-consumption" policies at home. That, Mr. Roach said, would allow the Chinese to consume more – and also buy more American goods.

As for Mr. Gates, he said that he was preparing to travel to China for the Gates Foundation, his philanthropy, but that he also wanted to press a long-running concern about counterfeiting of American software and other intellectual property in China.

After saying that Microsoft's research lab was progressing well in China, Mr. Gates said: "I'll mention one thing that is not going well, and that's related to the enforcement of intellectual property, such as copyright. If you look at the numbers, over the last five years there hasn't been much progress."

Mr. Wen took the question in stride. "Mr. Gates," he said. "You are a business person I hold in high regard. You also have morality running in your veins. I fully support the Gates Foundation."

Then, Mr. Wen – who is called Grandpa Wen in China because of his populist approach and habit of racing to the scene of natural disasters to comfort victims – applied his charms on Mr. Gates.

"I do admit these problems exist," Mr. Wen said. "We have to put in administrative measures. I think we should have higher moral and ethical standards in this matter."

69 Hopes Fade for Success of Commonwealth Games in India

Sept 10
25

SKEPTICISM about India's preparedness for the Commonwealth Games deepened Tuesday after a partly constructed footbridge collapsed outside the main arena for competition, injuring dozens.

The collapse coincided with angry words from visiting officials who described the accommodations for athletes as uninhabitable. One visitor, the head of the New Zealand delegation, even raised the possibility that the games might be delayed or canceled.

India's failure to complete the work for the games, which are to begin Oct. 3 and last for two weeks, has become a major embarrassment for the country instead of a showcase for its rising economic might. The unspoken comparison to India's rival China, which won widespread acclaim from its preparations for the 2008 Summer Olympics, are a further source of humiliation.

Representatives of the dozens of countries participating in the Commonwealth Games, a quadrennial competition among the nations of the former British Empire, started arriving here in recent days to inspect facilities and conduct security checks. The athletes' village, built for the games, is not ready, they say, and questions linger about security after an attack on tourists in Delhi on Sunday.

On Tuesday afternoon, a bridge next to Jawaharlal Nehru Stadium, the main venue, fell apart. The footbridge collapsed into three pieces, taking several workers with it and uprooting one side of the arch that supported it.

A police officer at the scene said that 27 people had been injured, 4 seriously.

"This will not affect the games," said Raj Kumar Chauhan, a Delhi minister for development, who spoke at the scene. "We can put the bridge up again, or make a new one."

The accident occurred when workers were trying to pour concrete into a clip at the base of the bridge, he said, and the clip was loosened.

Games officials had lodged formal complaints about the preparations with India's government even before the accident. "The condition of the residential zone has shocked the majority," the Commonwealth Games Federation president, Michael Fennel, said in a statement Monday evening. Mr. Fennel said he had sent a letter to India's union cabinet secretary. The athletes' village is "seriously compromised," he said.

"The problems are arising because deadlines for the completion of the village have been consistently pushed out," Mr. Fennell said.

The village is "uninhabitable," the Commonwealth Games Federation chief executive, Mike Hooper, told the local television channel CNN-IBN on Tuesday. "There is dust everywhere," he said. "The flats are dirty and filthy. Toilets are unclean."

Construction of the village, built alongside the Yamuna River on Delhi's eastern border, is severely behind schedule. Delhi built a series of apartment towers to house about 7,000 athletes and their families, a 2,300-seat cafeteria, and practice areas on land that was originally an empty plain.

Officials from the Ministry of Sports promised last year that the village would be ready in March 2010, but finishing touches were still being done outside buildings during a media tour last week. And the interiors of the buildings are still not completed, some say.

Dave Currie, the head of New Zealand's Commonwealth Games team, said Tuesday in an interview with Newstalk ZB, a New Zealand radio station, that the condition of the athletes' village was "pretty grim."

Showers and toilets in the accommodations the New Zealand team was given are not working, and post-construction cleanup has not been done, he said. "It is certainly disappointing considering the amount of time they have had," he said.

Athletes are scheduled to start arriving in Delhi on Thursday, but that date may need to be pushed back, Mr. Currie said, which could ultimately result in the competition being canceled. "If the village is not ready, the athletes cannot arrive," he said.

"There is a real mountain to climb" before the village can be completed, Mr. Currie said. It will be a "real challenge at this point to make it happen," he said.

Security at the games has also become a major concern after two tourists were shot outside the Jama Masjid, a mosque that is one of Delhi's major attractions, on Sunday. Neither tourist was fatally injured, and the mosque is far from the venues or the athletes' village, but the attack prompted new fears about Delhi's ability to keep athletes and visitors safe during the games.

An e-mail sent to news outlets soon after the attack said the Indian Mujahedeen, a group the Indian government considers a terrorist organization, would single out the games.

"Had it not happened against the almost complete disarray of the Commonwealth Games preparations, it would not have raised much excitement," said Ajai Sahni, the executive director of the Institute for Conflict Management, a group that studies terrorist activity. Athletes are worried that if construction and planning are in disarray, security may be too, he said.

Most venues were supposed to be completed in 2007, but workers were still putting finishing touches on many of them as well.

70 Buyers Send iPhones on a Long Relay to China

THEY show up in the early-morning hours: Chinese men and women, waiting silently and somewhat nervously outside of Apple stores in New York. On some days the lines they form can be a block long.

These are not typical Apple fans. Instead they are participants in a complex and curious trade driven by China's demand for Apple's fashionable gadgets – products that are made in China in the first place and exported, only to make the long trip back.

Participants in New York and Shanghai say the process works like this: People wait in line at an Apple store to buy the newest iPhone for \$600, paying a premium to skip the AT&T contract. They then sell the phones to middlemen, usually at electronics stores in Chinatown, for about \$750.

The phones are shipped off to China, where the iPhone 4 is not yet on sale, and are distributed to local shops and e-commerce sites, where they sell for as much as \$1,000.



Once the phones have been “unlocked” to break their ties to AT&T, they can be used with local carriers.

But a change to this practice is coming. On Saturday, the iPhone 4 will go on sale in China, priced at about \$750 for the 16-gigabyte version.

Most people in China can only dream of being able to afford an expensive phone. But millions of Chinese are developing a taste for luxury goods, and Apple products have joined Louis Vuitton bags as totems of wealth, said Shang-Jin Wei, director of the Jerome A. Chazen Institute of International Business at Columbia Business School.

“These trading networks have been around for a long time,” Professor Wei said. “They have recently become a lot more pervasive due to rising incomes in China – partially as a result of exports to the U.S.”

An Apple spokesman would not discuss the systematic iPhone purchases at Apple stores, but the company has tried to put a stop to them – and has found it difficult to do so.

In June, the company came under fire in New York State for refusing to sell the iPhone 4 to some Asian

customers. Andrew M. Cuomo, the New York attorney general, opened an investigation into the matter, and Apple apparently backed off.

Those waiting in line in New York were not eager to talk about their mission or to identify themselves. When asked what they are doing, the stock answer was always the same: “I’m buying the iPhone for a friend.” Some buy a phone, conceal it in a bag and go back into the store to buy another. A man who was asked what the second phone was for explained: “I have two friends.”

Apple limits purchases to two iPhones a person, and to discourage repeat visits it keeps a record of credit cards used, though cash purchases are not tracked. Apple says the limit “helps us ensure that there are enough iPhones for people who are shopping for themselves or buying a gift.”

The iPhone 4 went on sale in the United States in June, but it is still in such demand that many stores quickly sell out of new shipments.

The buy-and-export scheme is not limited to New York. There have been anecdotal reports of similar efforts elsewhere. Kate Peters of Durham, N.C., said she was visiting an Apple store in a mall there last month when

she saw “an Asian woman with a group of college-age Chinese men,” perhaps eight of them. They all bought iPhones and iPads, paying with \$100 bills, though they seemed unfamiliar with the currency, Ms. Peters said.

The iPhone trade appears to be widely known in New York’s Chinese community. An older Chinese man sitting on a stoop in the Sunset Park neighborhood of Brooklyn, who said he worked seven days a week as a cook, said the opportunity was too enticing for low-income immigrants to pass up.

“Many workers make a few dollars an hour working in restaurants or factories,” he said. “If they wait in line for an hour at the Apple store to buy and sell phones, they can make \$300 in a single morning.” For many, he said, this is equivalent to an average week’s pay.

iPhone sellers in China say the phones are often brought into the country by people who hide them in their bags or even tape them to their bodies. More organized smugglers will bring in 100 or more iPhones a day, and some will put phones into a shipping container with other goods.

“It’s all about connections and channels,” said one seller at the Sleepless Mall, a big electronics market in Shanghai where wholesalers distribute phones to sellers in small stalls. “Once you have good relationships with customs and airline companies, you can ship whatever products you like. We smuggle it both by air and by boat.”

The buyers are willing to admit that the phone’s allure has a lot to do with the status it conveys. A 26-year-old woman in Shanghai who works for a media company said she had waited several weeks to get the iPhone 4, explaining that “Apple is a sign of coolness.”

A college freshman at the Sleepless Mall said he had tried to order an iPhone from Hong Kong, then bought one at the mall. “Since there are very few people using it, it’s so cool to have one,” he said.

But on Saturday, when the iPhone goes on sale in China, it will have ripple effects abroad. This is already pushing down prices of smuggled phones.

Professor Wei said the legitimate sales would cut into the smugglers’ profits but would not wipe them out. He said every aspect of the pricing and availability of the iPhone

in China had been calculated to make it a highly sought product.

“Apple knows exactly how much these products are selling for on the black market in China, and the company will price its products accordingly,” Professor Wei said. “Limiting the sale of the iPhone until now in China is likely part of a bigger corporate strategy to make it a luxury product that people will pay higher prices for.”

If that is Apple’s strategy, it has had some unexpected side effects. The scrutiny that Apple store employees have given to Asian customers in New York has led some to complain of discrimination.

Grace Meng, a New York State assemblywoman whose district in Queens includes the Flushing neighborhood, said some of her constituents had approached her office after being told they could not buy the iPhone 4.

“I don’t deny that there is a serious concern that Apple has,” Ms. Meng said. “We just want to make sure that no one is singled out because of their ethnicity or because they don’t speak perfect English.”

Ms. Meng forwarded the complaints to the attorney general’s office, where a spokesman, John Milgrim, said the inquiry “remains an ongoing investigation.”