

LEADING THE NEWS

In Japan, policy fight rises

Struggle starts within ruling party as premier quits

BY YUKA HAYASHI AND HIROKO TABUCHI

TOKYO—A day after Prime Minister Yasuo Fukuda's move to resign, a tug of war is emerging between two camps within the ruling party over who should be its next leader.

The two groups' policies differ on a key question: how to get Japan's economy to keep growing despite its mature consumer market and rapidly aging population. One group prefers the return of traditional pork-barrel politics, while the other wants to deregulate the economy further to generate growth.

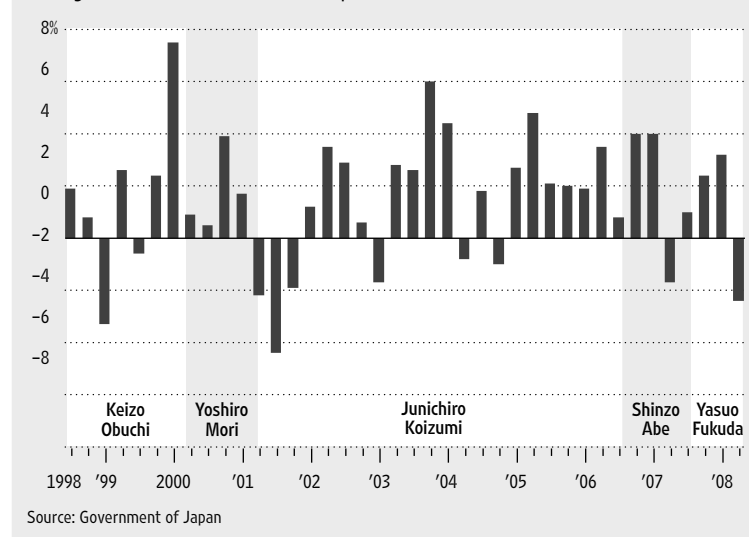
The traditionalists, who want to regain voter support with fiscal spending, are rallying around Taro Aso, a veteran politician and self-professed comic-book fan who is seen as the top candidate to succeed Mr. Fukuda.

Analysts say Mr. Aso, who stressed economic growth over spending cuts or more taxation in a policy statement last year, could allow backsliding from a drive for smaller government started by former Prime Minister Junichiro Koizumi. This could mean more regulation to protect faltering industries and more public spending.

Younger politicians, who constitute the smaller of the two groups, want to continue with policies of Mr. Koizumi, the leader credited for spurring growth through industry deregulation and administrative overhaul. They have lost influence within the ruling Liberal Democratic Party over the past year, since deregulation fatigue among voters caused the party to lose an important election last year. But they see Mr. Fukuda's resignation and a coming party election as an opportunity

Economic legacies

Annualized change in Japan's gross domestic product from the previous quarter during the tenures of the last five prime ministers



Source: Government of Japan

for a comeback.

On Wednesday, Yuriko Koike, a protegee of Mr. Koizumi and former cabinet minister, emerged as a possible contender against Mr. Aso. She hasn't confirmed her intention to run, but made a remark interpreted by the Japanese media as indicating she was interested. "This is sheer crisis for Japan," said the 56-year-old politician. "I'd like to share this sense of crisis with everyone else."

Ms. Koike's resume includes a stint as an Arabic-speaking newscaster who interviewed such leaders as Yasser Arafat and Col. Moammar Gadhafi. As defense minister last year, she drew criticism for skipping parliamentary deliberations for a highly publicized trip to visit U.S. Secretary of State Condoleezza Rice in Washington.

Meanwhile, some analysts argue that Mr. Aso's time has come. If he gets the top job, it would be fourth time lucky for the sharp-tongued political fighter who lost three runs for the post to Mr. Koizumi, Shinzo Abe and Mr. Fukuda and is now the LDP's secretary-general. "The party is looking for strong leadership, and there's a view that he's the only one left who can provide that," says Eiken Itagi, a political analyst.

While it is too early to say who may win the top job as LDP president—and the names of other candidates are being bandied about—whoever is elected LDP party chief in the coming election in late September will likely face a tough job of fighting a general election once confirmed as prime minister.

Pressure is growing from the opposition Democratic Party of Japan and some within the LDP's coalition government to dissolve the parliament, deadlocked by dissent between the two parties. Mr. Fukuda cited the stalemate as well as his low approval ratings when he said Monday that he would resign, less than a year into his tenure.

While his resignation is unlikely to affect the short-term outlook for Japan's economy, financial markets reacted to the news Tuesday with slight disappointment. The Nikkei Stock Average declined 1.8%, while the yen lost a bit of ground against the dollar. The dollar traded around 108.99 yen in late Asian trading Tuesday, up from around 107.70 yen a day earlier. Late Monday in New York, the dollar was at 108.18 yen.

—Miho Inada contributed to this article.



Yuriko Koike

Cheney trip to Caucasus targets Russia's oil grip

BY GUY CHAZAN AND JOHN MCKINNON

U.S. Vice President Dick Cheney will use his trip to the Caucasus this week to try to loosen Russia's grip on Caspian and Central Asian oil and gas exports. But he may be too late.

Mr. Cheney's objective is to express U.S. backing for an export route that crosses the Caucasus, bypassing Russia. But his visit comes on the heels of a Russian-Georgian war that raised fresh doubts about the viability of that corridor and appeared to enhance Russia's domination of the region's energy flows.

The impression was reinforced Tuesday as Moscow signed a deal to build a new pipeline that will increase the export of natural gas from the Central Asian states of Turkmenistan and Uzbekistan to Russia and onward to Europe. Russian Prime Minister Vladimir Putin also agreed to pay European, market-based prices for Uzbek gas, a move that could lock in supplies that might have fed alternative European pipelines.

In Azerbaijan, Mr. Cheney will seek to secure Azeri natural gas for two high-profile, Western-backed pipelines that, once completed, will flow to the heart of Europe—one called Nabucco, named for a Verdi opera, and a smaller project, Turkey-Greece-Italy.

The White House said the Kremlin's actions in Georgia have only underscored the need for export routes like Nabucco that dodge Russia. The European Union currently relies on Russia for a quarter of its natural-gas imports, yet fears that Moscow could use its energy exports as a political weapon have prompted calls for the EU to reduce that dependence.

A senior U.S. administration official, briefing reporters on Mr. Cheney's trip, said the war in Georgia had undermined Russia's reputation as a reliable energy supplier and should accelerate Europe's efforts to diversify its sources of oil and gas.

"I don't think anything about this, these recent events, has done anything but reinforce the sense that that basic strategy is important and critical, and one that has to be pursued, if anything with greater energy by us and by our European partners," the official said.

But there are fears that last month's war could harm that strategy by undermining the credibility of transit routes that pass through Georgia. Russia's military blew up Georgia's main railroad during the war, obliging Azerbaijan to suspend oil shipments to Georgia's Black Sea terminals. Oil major BP PLC was also forced to close a pipeline that transports Azeri crude from Baku to the Georgian port of Supsa. And Russian aircraft dropped bombs close to the crucial Baku-Tbilisi-Ceyhan pipeline that pumps 850,000 barrels of oil a day from Azerbaijan via Georgia to Turkey's Mediterranean coast.

"The Russians have demonstrated they can close that corridor through Georgia any time they want," said John Bolton, President Bush's former U.N. ambassador.

U.S. officials reject that. "The Georgian energy corridor is safe," Deputy Assistant Under Secretary of State Matthew J. Bryza, one of Nabucco's major supporters, told an audience in Brussels Monday. He stressed that Baku-Tbilisi-Ceyhan and the South Caucasus Gas Pipeline, which transports Azeri gas to Turkey, were unaffected by the fighting.

Mr. Bryza also said European energy companies behind Nabucco and the Turkey-Greece-Italy pipeline have told him they are determined to proceed with the two projects. "They haven't slowed down at all," he said. "They are anxious to line up gas supply contracts with Azerbaijan as soon as possible."

But some analysts said the Georgian war could scare off investors, making it hard for the consortium to raise the €7.9 billion (\$11.5 billion) needed to build Nabucco—a task already complicated by the global credit crunch. Plans to expand Baku-Tbilisi-Ceyhan's capacity may also be in jeopardy.

"This increases the risk profile enormously," said Jonathan Simpson, head of European projects at international law firm Paul Hastings. "Without the EU and the U.S. stepping in and subsidizing them, they won't get built. And so far they've shown no inclination to do that."

Russia gave no dates in Tuesday's announcement regarding construction or completion of the new Russian pipeline. Construction of Nabucco is scheduled to start in 2010. While the Turkey-Greece section of the Turkey-Greece-Italy pipeline was completed and inaugurated in 2007, construction of the Greece-Italy section is to begin in 2009, with the section scheduled to become operational in 2012.

Prof. Jonathan Stern, director of gas research at the Oxford Institute for Energy Studies, said Nabucco's weakness has always been not the security of the Georgian corridor but the fact there won't be enough gas available in the Caspian region to fill it. "Before the war in Georgia, people were unrealistically optimistic about Nabucco," he said. "Now, they're unrealistically pessimistic."

The Kremlin, meanwhile, has denied that the Central Asian pipeline announced Tuesday is an attempt to undermine Nabucco, which it has dismissed as a political project. "If [pipelines] are created politically, they are not economically feasible," said Dmitry Peskov, a spokesman for Mr. Putin.

—Marc Champion contributed to this article.



Dick Cheney

MARKETPLACE

Stents suffer a setback

Heart study finds bypass works better in sickest patients

BY KEITH J. WINSTEIN

A study aimed at boosting the scientific case for coronary stents in the sickest heart patients failed, finding bypass surgery to be a better choice in complicated cases.

The results, unveiled at a cardiology meeting in Munich, are a setback for the progress of stenting, in which a tiny scaffold is expanded inside a clogged artery to restore blood flow to the heart. Analysts had predicted that a failure in the study would mean lost sales for stent makers.

Doctors estimate that among the kinds of seriously ill patients in the study—those with three clogged arteries, or a single clog in the heart's "left main" artery—about 100,000 a year have been getting stents. The study's results may mean that these types of patients will be steered away from stents and toward bypass surgery.

The study, sponsored by leading stent maker Boston Scientific Corp., is the first head-to-head comparison between, drug-coated heart stents and improved bypass-surgery techniques. The roughly \$50 million study included 3,000 patients in 85 hospitals in the U.S. and Europe. Stenting has been regarded as an easier alternative to open-heart bypass surgery, which usually requires stopping the



Stenting has been regarded as an easier alternative to open-heart bypass surgery.

heart, splitting open the breastbone and a few months of recovery.

Over the past decade, improvements in stent designs and the procedure's less-invasive nature led it to displace bypass surgery as the treatment for most heart patients. Today, a patient with one or two clogged arteries would most likely get a stent, not surgery. Improvements have also come to bypass surgery, including the ability to keep the heart beating during the operation in some cases.

The new study was an attempt to dethrone bypass surgery as the sicker patients' treatment of choice, by showing that Boston Scientific's Taxus

stent could work just as well as the best bypass surgery. Taxus is coated with drugs that reduce reclogging and is the top-selling model world-wide, with \$1.8 billion in sales last year.

A success could have allowed Boston Scientific to win approval to market Taxus for use in patients with multiple clogged arteries. But the study failed in its main goal, known as its "primary end-point": After one year, 17.8% of stent patients had died, suffered a stroke or heart attack, or had to return for another operation. That figure compared with 12.1% of bypass patients, and means stenting was statistically inferior to bypass surgery.

The finding showed that arteries propped open with a stent are more likely to reclog and require another operation than those surgically bypassed with a replacement artery or vein.

Once full results from the study, known as Syntax, are released, Boston Scientific promised it would publish a "weighted Syntax score"—a statistical tool for deciding, based on a patient's individual blockages, which procedure may be best. Results will also be released concerning patients' health after three and five years.

Monday, stent proponents played down the study's failure to show stents work as well as bypass surgery. "The primary endpoint's irrelevant," said Gregg Stone, a prominent cardiologist at Columbia University, who questioned the purpose of lumping repeat procedures in with deaths and strokes and said stenting is a "much less painful procedure to go through."

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Losing it: Snippy Fukuda riles Japanese

BY HIROKO TABUCHI

TOKYO—Yasuo Fukuda's snippy tone as he threw in the towel as prime minister Monday has appalled many Japanese who had seen him as a bastion of traditional values: humility, patience and a strong sense of responsibility.

Now, some say the 72-year-old, who is quitting less than a year into his term, is acting more like the bratty youngsters the country loves to complain about: selfish, short-tempered and all too ready to give up.

At issue is his handling of his resignation speech Monday. In scenes played countless times on national television, Mr. Fukuda snapped irritably at the press on several occasions instead of displaying remorse when asked why he was re-

signing so soon. Asked about the political vacuum he was creating, he retorted to a reporter: "You say I'm irresponsible, but do I really have to take care of everything?"

"Give us a break," ran a headline in one national newspaper. "Prime Minister finally snaps," read another. Opposition parties collectively condemned Mr. Fukuda as irresponsible.

"I just laughed. It's not the kind of comment you'd expect to hear from the prime minister," said Yuichi Iwasaki, 29, a law-firm employee.

Some of Mr. Fukuda's allies have leapt to his defense.

"I respect his decision," said Hiroya Masuda, minister of internal affairs under Mr. Fukuda. "He's retreating in an attempt to resolve the deadlock." The Japanese have a word to describe the outburst of emotion: "gy-

aku-gire," a term that translates to something like "losing it," specifically when someone who should apologize instead blows his top. The term was coined some years ago and has often been used to describe what many Japanese see as increasingly self-centered younger generations. Now, books abound that purport to explain youngsters who resort to "gyaku-gire" instead of apologizing, and how to handle them.

Yukiko Takita, a labor consultant and author who has written on "gyaku-gire," says she thinks Mr. Fukuda is acting the same way many spoiled teenagers act and worries that the leader has become a bad role model for the nation. "To protect his pride, he belittles others," Ms. Takita says. "It's a shame. Now, Japan's young will say: If the prime minister acts like that, so can we."

—Miho Inada contributed to this article.



Yasuo Fukuda

Property Report

Decline of the West

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