



THE WALL STREET JOURNAL.

DOW JONES A NEWS CORPORATION COMPANY ***** FRIDAY, JANUARY 7, 2011 - VOL. CCLVII NO. 5 ***** \$2.00
DJIA 11697.31 ▼ 25.58 -0.2% NASDAQ 2709.89 ▲ 0.3% NIKKEI 10529.76 ▲ 1.4% STOXX 600 281.49 ▲ 0.4% 10-YR TREAS ▲ 17/32, yield 3.418% OIL \$88.38 ▼ \$1.92 GOLD \$1,371.40 ▼ \$2.00 EURO \$1.3015 YEN 83.31

What's News—

Business & Finance World-Wide

The holiday shopping season finished weaker than it started for store chains ranging from Target to Gap, thwarting hopes that leading retailers would raise profit forecasts from strong sales. Still, the season concluded with the strongest retail revenue growth since 2006. **B1**

■ **Facebook gave** the clearest signal yet that it is preparing for an IPO sometime next year, through details in a document sent to potential investors. **A1**

■ **The cost of insuring** some European government debt against default hit a record after regulators issued proposed rules on bank bailouts. **C1**

■ **China's leaders** are stepping up their coalition of cash-strapped European nations, but observers caution that Beijing won't save the euro zone. **A8**

■ **The Dow industrials** lost 25.58 points, or 0.2%, to 11697.31 as retail and telecom shares sagged and euro-zone debt worries resurfaced. **C5**

■ **Three Renault managers** at the center of a spying probe are accused of disclosing secrets about the car maker's electric-vehicle technology. **B1**

■ **J.P. Morgan** and Morgan Stanley have won approval from China for joint ventures in the mainland's fast-growing securities market. **C1**

■ **The Obama administration** launched a bid to resolve a festering trade dispute with Mexico over allowing foreign truckers onto U.S. roads. **A7**

■ **Borders Group** has been in discussions with Wall Street restructuring advisers about ways to rework its debt-heavy balance sheet. **B1**

■ **Muni-bond investors** are sizing up how to wager amid Illinois's woes as lawmakers try to find ways to plug the state's \$13 billion deficit. **C1**

■ **Apple launched** an app store for its Macintosh computers, seeking to extend the popularity of the concept beyond its mobile devices. **B10**

■ **AIG's board approved** issuing warrants to private shareholders, a sign the insurer is getting close to implementing a plan to exit U.S. ownership. **C3**

■ **The NFL and ESPN** are pushing toward an extension of their Monday Night Football broadcasting deal that would include a big fee increase. **B9**

■ **Sara Lee is moving ahead** with plans to split its meats and coffee businesses into separate companies after rejecting JBS's takeover offer. **B3**

■ **Panasonic said** it is working with Japan's government to establish international rules to govern healthy approaches to displaying 3-D images. **B10**

■ **The Hermès clan** won approval to create a holding company to control the luxury fashion house, in a defensive move against LVMH. **B9**

■ **Obama picked William Daley** as his next chief of staff. The banking executive served as Clinton's Commerce secretary and ran Gore's 2000 presidential campaign. He has pressed the president to steer a more centrist course on the economy, and his appointment was seen in part as an effort to call a truce with American business. **A1, A7**

■ **Daley has never held elected office**, but both his father and brother served years as Chicago mayor.

■ **Gates outlined** a Pentagon budget that would cut \$78 billion over five years and force the first sizable reduction in troop levels in two decades. **A1**

■ **NATO and coalition officials** are considering a 30% increase in the manpower target for Afghanistan's security forces to around 400,000. **A10**

■ **The White House** and GOP lawmakers clashed over the debt ceiling. The administration wants the limit raised; Republicans demand spending cuts. **A7**

■ **GOP governors** are pressing the Obama administration to make it easier for states to cut enrollment in Medicaid, one of states' costliest programs. **A2**

■ **A former CIA official** was accused of leaking classified information to a reporter who wrote about Iran's suspected weapons program. **A3**

■ **Bacteria have devoured** tons of methane unleashed into the Gulf of Mexico from the oil spill, a study found. **A3**

■ **Two packages ignited** in the mailrooms of two Maryland state government buildings, forcing evacuations. **A3**

■ **Riots in Algeria** over food prices and unemployment spread, with youths torching government buildings.

■ **Iranian authorities** have arrested dozens of Christians in recent weeks, apparently targeting converts from Islam. **A9**

■ **U.K. officials told** doctors to use stockpiled flu vaccine to help cope with a shortage amid signs flu is spreading. **A10**

■ **The U.S. slapped** sanctions on Ivory Coast's president, who has refused cede power after an election loss. **A10**

■ **Washington protested** Vietnam's treatment of a U.S. diplomat detained while trying to visit a dissident priest. **A10**

■ **The annual death toll** from smoking in China could triple over the next two decades. **A10**

■ **Housing prices** in some hard-hit cities may not recover for decades, a study said. **A4**

■ **Two sisters who pledged** to share a kidney will be freed from a Mississippi prison.

■ **A chemical signal** from tears lowered men's testosterone levels, researchers found. **A4**

■ **Died: Donald Tyson**, 80, CEO of chicken producer. **A4**

Pentagon Faces the Knife

Savings Ordered Up, Spurring First Troop Cuts in Decades; Salvo in Budget War

BY NATHAN HODGE AND JULIAN E. BARNES

In an early salvo in Washington's battle over the deficit, the White House ordered the Pentagon to rein in its budget, a move that will force a sizable cut in overall troop numbers for the first time in two decades.

The surprise decision, which is designed to cut a total of \$78 billion from the military budget in the next five years, shows how even the military isn't immune from the political heat brought on by worsening U.S. fiscal woes. It also represents a setback for Defense Secretary Robert Gates, who had fought to stave off such an outcome.

"We are having to tighten our belts," Mr. Gates said Thursday. The projected five-year budget outlined by Mr. Gates doesn't include an actual decrease in the military budget. But it will stop growing by 2015. With salaries, health-care and fuel costs climbing every year, the Pentagon needs a 2% to 3% annual budget increase to avoid making cuts in programs.

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Tightening the Belt

The Pentagon's five-year plan includes a new set of cuts to the Pentagon's forecasted budget totaling \$78 billion, and about \$100 billion in already announced 'efficiency savings,' most of which will be reinvested in the military.

Long-term cuts:
\$78 billion

■ Save \$6 billion by reducing active-duty troop strength

■ Save \$4 billion in changes to the Joint Strike Fighter program

■ Reduce overhead costs, freeze civilian salaries, saving \$54 billion

Efficiency savings:

AIR FORCE

\$34 billion

■ Consolidate two operations centers in U.S., two in Europe

■ Save \$500 million by reducing fuel consumption

■ Reduce cost of communications infrastructure



NAVY

\$35 billion

■ Reduce manpower ashore and reassign 6,000 personnel to missions at sea

■ Save \$1.3 billion on the purchase of new airborne surveillance, jamming and fighter aircraft

■ Eliminate staffs for submarine, patrol aircraft and destroyer squadrons

ARMY

\$29 billion

■ Eliminate 1,000 civilian positions

■ Save \$1.4 billion in construction costs by sustaining existing facilities

■ Consolidate email infrastructure and data centers, saving \$500 million



Photos: Zuma Press

President Revs Up Campaign To Make Peace With Business

BY ELIZABETH WILLIAMSON

WASHINGTON—President Barack Obama put into overdrive Thursday his fledgling efforts to call a truce with American business.

In the latest in a series of conciliatory moves, Mr. Obama appointed Bill Daley, a Chicago political operative turned financier, as his chief of staff, and brooked a simmering trade dispute with Mexico.

The appointment of Mr. Daley begins a reshuffle of the senior White House staff that is expected to bring more business experience into the president's inner circle, administration officials say. Mr. Daley, who served as Commerce Secretary in the Clinton administration, was a harsh critic of new financial-market regulations, and he has publicly pressed Mr. Obama to steer a more centrist course on the economy.

"Few Americans can boast the breadth of experience that Bill brings to this job," Mr. Obama said Thursday. "He's led major corporations; he possesses a

deep understanding of how jobs are created."

Mr. Obama has compelling reasons to repair relations with corporate America. Unemployment remains stubbornly high. There's little likelihood of significant new stimulus spending from Congress or big new moves by the Federal Reserve to pump money into the economy.

That means the key to economic growth—and Mr. Obama's re-election prospects—could lie in corporate treasuries. U.S. non-financial businesses are sitting on nearly \$2 trillion in cash and liquid assets, the most since World War II, and Mr. Obama wants them to use it to create more U.S. jobs.

The president has been reaching out directly to U.S. companies, meeting with 20 chief executives last month to ask for ideas on policies that would inspire them to invest and hire. And on Feb. 7, Mr. Obama will cross Lafayette Park from the White House to the headquarters of the U.S. Chamber of Commerce, his longtime political

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Facebook Sets Stage For IPO Next Year

Facebook Inc., one of the world's hottest technology companies, gave the clearest sign yet that it is preparing to take itself public sometime next year, as it revealed new details in a 100-page document sent to a select group of potential investors.

By Anupreeta Das, Geoffrey A. Fowler and Liz Rappaport

Facebook, of Palo Alto, Calif., said it plans to increase its number of shareholders above 500 this year, according to the private-placement document, forcing the social-networking company to begin disclosing reams of financial information or go public by April 2012.

Facebook Chief Executive Mark Zuckerberg has said he is

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■ Tech trend: Gadget makers friending Facebook A4



Mr. Obama is now seeking the help of businesses to create jobs. Above, a California rally in August.

Ugandan Leader Won't Be Beat When It Comes to Musical Platform

BY SARAH CHILDRESS AND NICHOLAS BARIYO

KAMPALA—In a music video that's gone viral, Uganda's hottest new rapper whips up crowds with his chant: "You want another rap?" The crowd responds: "Ye Sebo!" or, Yes, sir!

Ginning, the rapper lays it down in a local Ugandan language: "I was given a knife/ I gave it to the people who harvested millet and they gave me the millet. I gave the millet to the cattle keepers, who in exchange gave me a cow."

Dressed in a suit and tie as he delivers his lines from a podium, this video sensation isn't exactly Jay-Z. But then most rappers

aren't seeking to woo voters—in this case, the combined farmer and youth vote in Uganda, an agrarian-based nation where nearly nine of 10 people are under 40 years old.

The rapper is Ugandan President Yoweri Museveni, up for re-election, who is trying to strike a chord with youth.

The popular leader has been in power for 24 years, during which the country has enjoyed prosperity and relative stability. That wasn't the case in the dictatorial regimes of Milton Obote and Idi Amin, the latter who famously declared himself the last king of Scotland, among other titles.

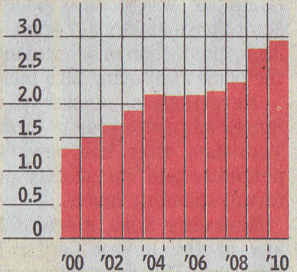
To reach the farmer-youth Please turn to page A10



Yoweri Museveni

Vital Signs

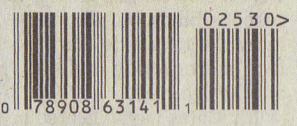
Disability insurance applications (in millions)



Source: Social Security Administration

■ **In a difficult job market**, more people have opted to go on long-term disability. There were 2.94 million applications to the Social Security Disability Insurance program last year, up from 2.82 million in 2009 and 2.32 million in 2008. About half of all applicants are eventually awarded benefits; disability-benefit recipients rarely re-enter the work force.

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