



WEEKEND JOURNAL.

The perfect clothes for a pajama party

PLUS: A CHRISTMAS TALE BY ALEXANDER McCALL SMITH



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Christmas arrives for a young window shopper



The wonder of Christmas is beautifully illustrated as a little girl looks at the glowing window display of a store in the center of Paris on Thursday.

Associated Press

WikiLeaks increased spending, data show

BY DAVID CRAWFORD AND JEANNE WHALEN

New data from the German foundation that processes WikiLeaks' bills show that the document-leaking website has sharply increased its spending as it seeks to professionalize its activities by paying salaries—primarily to founder **Julian Assange**—and as the organization faces potential legal issues.

At the same time, the Germany-based Wau Holland Foundation says it has collected about €1 million (\$1.3 million) in donations in 2010, the year in which WikiLeaks exploded into public prominence because of its release of thousands of classified U.S. documents. WikiLeaks said in August that it had raised about €765,000 until that point in the year. The data from the foundation, which is

Please turn to page 5

Package bombs explode at 2 embassies in Rome

BY NATHANIA ZEVI AND LIAM MOLONEY

ROME—Parcel bombs exploded at the Swiss and Chilean Embassies in Italy's capital on Thursday, injuring two people and raising concerns of possible terrorist attacks in the country's shopper-packed streets ahead of the Christmas holidays.

The police are investigating whether violent anarchist groups are behind the bombings, said Italian Interior Minister Roberto Maroni, following similar attacks in Greece last month.

"Various elements lead us to believe that this is the correct path," he was quoted as

saying by the ANSA news agency, according to the Associated Press. "These are very violent groups that are also present in Spain and Greece and are very well connected."

Nobody has claimed responsibility for the bombs. "We are carrying out investigations," said Col. Maurizio Mezzavilla of the carabinieri, Italy's military police.

A spokesman for Italy's police department said law enforcement officers were carrying out inspections at other embassies in Rome. There was a false alarm at the Ukrainian Embassy.

The attacks highlight concerns that the threat of terrorist attacks in Europe is es-

calating. On Tuesday, British police arrested 12 men in a counterterrorism operation. Earlier this month, a suicide bomber blew himself up in Stockholm near streets frequented by Christmas shoppers, the first serious attempt by Islamic extremists targeting civilians in Sweden.

The first package in Rome was opened at the Swiss Embassy around noon local time by a staff worker, Swiss Ambassador Bernardino Regazzoni said in a television interview. The staffer has been hospitalized with his hands "severely" wounded but his condition isn't life-threatening, Mr. Regazzoni said.

The Swiss consulate in Mi-

lan has been put under extra security after the attack.

The second parcel bomb exploded at the Chilean Embassy around 3 p.m.

Chile's Foreign Minister Alfredo Moreno named the injured embassy worker as Cesar Mella, adding that the injuries were minor. Mr. Moreno said security at other Chilean embassies in Europe was being beefed up. Chilean authorities don't know who sent the bomb, or why, he said.

The Rome prosecutor's office has launched a probe into the bombs, said a person close to the investigators.

The bombs follow other unrest in Italy. On Wednesday, students protesting a bill

aimed at overhauling the university system filled the country's main streets, and scuffles broke out in the southern city of Palermo, in Sicily. Last week, a similar protest turned violent in Rome.

On Tuesday, a fake bomb was found on an empty train carriage in Rome's subway, in what police said might also have been an effort to protest the university bill.

"I don't think these have the same source as the one found on the Rome metro," Rome Mayor Gianni Alemanno told reporters after speaking to the Swiss ambassador.

—Carolina Pica in Santiago, Chile, contributed to this article.

The Quirk



Bunnies in trouble when they 'go nuclear' amid radioactive tumbleweed. Page 29

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Notice to Readers

The Wall Street Journal Europe won't publish Monday or Tuesday in observance of the Christmas holiday. News and updates are available at europa.WSJ.com. We wish all our readers a Merry Christmas.

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PAGE TWO

Time for EU to finish the job and get permanent emergency lending facility

[Agenda]

By TERENCE ROTH



At last week's European Union summit, leaders agreed on a limited change in the EU's founding treaty that would allow for the creation of a permanent emergency lending facility in mid-2013. The volume and operation of the facility were left open, raising the usual doubts of whether Europe will ever take a full step toward anything.

How does this new euro-saver function? Who allocates and distributes funding, or administers over its rule-enforcement loan processes? How independent is the decision making? Who says debt needs debt restructuring? On what terms?

Germany's Chancellor Angela Merkel promised more details by March. That would be about the limit for investors are waiting for the next steps to be convinced that the European Union is putting structures into place that, if falling short of a fiscal transfer union, ensures that there will be a newly systematized response to fiscal crisis. The hair-raising, eleventh-hour agreements with Greece and Ireland have taken their toll. With Portugal and Spain now also seen at risk, financial markets are looking for more brick-and-mortar institutional commitment.

Lack of credible institutions is a prime reason why the EU has a debt crisis and the U.S. and Japan, with their bigger deficits and debt loads, don't. With a massive program of debt redemptions of new borrowing ahead next year, euro-zone member states may have only weeks, rather than months, to fill that credibility gap.

This week we've watched the euro continue to sink to record



Germany's Economy Minister Rainer Bruederle in Rome last month.

lows against the Swiss franc, sometimes fatuously referred to as Europe's new D-Mark but nonetheless the region's currency gold standard. Ratings agencies in the past two weeks have unleashed a torrent of year-ending downgrade warnings on certain euro-zone government debt.

Give it form and structure beyond frantic late-night phone calls from Berlin to Paris?

Expectations that Greece will lose its last fingerhold on investment-grade status by mid-January haven't been improved by new reports that Athens is thinking about a future debt restructuring plan. Clearly, it's time to begin drawing up blueprints for more buttressing, and preferably in time for the next meeting of EU finance ministers

on Jan. 17.

There are early glimpses. From France we hear more talk of European economic government, details to follow. German Economics Minister Rainer Bruederle said last week's agreement on a permanent bailout facility points to something like a European Monetary Fund. Naturally, this would be more about discipline and sanctions than transferring assets.

Then, after what might have been a calculated leak, the German finance ministry confirms a report in the country's Sueddeutsche Zeitung newspaper that a low-level ministry working group has worked up a proposal for a new, independent EU institution to oversee the fund and enforce its rules and loan conditions.

For many, that couldn't make more sense. How else to convincingly administer that facility than to give it form and structure beyond frantic late-night phone calls from Berlin to Paris? This agency, a streamlined version

of the International Monetary Fund, would be the institution that oversees fiscal compliance, processes loan requests and administers over conditions set on a possible sovereign debt restructuring. And all that conducted with the same political independence as the European Central Bank—to the extent that politics can ever be removed from such issues.

And who couldn't wish for this kind of sister institution more? The European Central Bank for years has wailed lament about fiscally wayward governments that don't listen because they don't have to.

The ECB's rapture would be complete if, as the Sueddeutsche story also reports, such an institution also would assume the ECB's program of supporting weak euro-zone sovereign debt markets with purchases of government bonds. Were that to happen, the ECB would be back in business of being a central bank and not Europe's bad bank, a depository for unwanted and decomposing government bonds.

The ECB now owns more than €72.5 billion (\$95 billion) of euro-zone government debt, chiefly from Greece, Ireland and Portugal, the three countries considered most likely to default, reporter Geoffrey T. Smith reports in his WSJ.Com blog. The central bank also has over €330 billion outstanding in loans to banks in the four problem countries, when adding Spain.

What has emerged in the past month is that the EU will want private-sector investors to take a hit in future debt deals for prostrated government treasuries. That makes erecting a credible and independent decision-making structure as important as the size and function of the bailout fund itself.

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What's News

■ **Ireland said** it plans to effectively nationalize Allied Irish Banks with a capital injection of \$4.85 billion, giving the government a stake of more than 90%, up from 18.6% now. The lender is the fourth Irish financial institution to be nationalized. 17

■ **Credit Suisse is selling** a \$2.8 billion portfolio of soured commercial property loans to Apollo Management for \$1.2 billion. 17

■ **Maersk Oil said** it will acquire the Brazilian oil interests of SK Energy of South Korea for \$2.4 billion. 19

■ **European officials** stepped up criticism of Hungary's restrictive media law, as frustration with Budapest turned into a public political fight on the eve of Hungary's takeover of the EU presidency. 4

■ **Rusal called for** the removal of Norilsk's board, firing another shot in the battle over control of the mining company. 19

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Speakeasy

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'It baffles me that some god fearers believe that without a god there is no reason to be good.'

Comedian **Ricky Gervais** responds to readers on his essay about atheism



House of the Week



See slideshows of four properties, then vote at wsj.com/lifeandstyle

Question of the day

Vote and discuss: How would you grade progress made by Congress during its lame-duck session?

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Previous results

Q: Do you plan to make a New Year's resolution for 2011? Tell us about it.

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46%

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54%

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NEWS

A holiday greeting card from Google

By KATHERINE ROSMAN

MOUNTAIN VIEW, Calif.—For Micheal Lopez, creating this year's holiday card came down to the wire. The design took five artists about 250 hours. It will be opened by hundreds of millions of people. You're on the list.

Mr. Lopez is in charge of what Google Inc. calls its "doodles," the illustrations that occasionally adorn the search engine's logo. They appear throughout the year to commemorate holidays, pop-culture touchstones, civic milestones and scientific achievements. The holiday doodle—its most ambitious yet—went up on its home page Thursday morning, where it will remain for 2½ days.

"We want to end the year with a bang," says Mr. Lopez, whose title is chief doodler.

For Google, the goal is to burnish its brand image and engage the legions of people who conduct more than a billion searches a day, without offending any of them. Google estimates it has created more than 900 doodles since 1998, with 270 of them running in 2010. Some appear globally, and others are tailored for local markets outside the U.S., such as Kenya Independence Day.

In the past, holiday doodles have used gift bows and snowmen to celebrate the season. But since becoming chief doodler 18 months ago, Mr. Lopez, 30 years old, has upped the ante creatively and technologically. This year marked the first video doodle, videogame doodle and hologram doodle.

On what would have been John Lennon's 70th birthday in October, the former Beatle's glasses were the "Os," and clicking on the logo launched a 30-second video with an "Imagine" soundtrack.

Mr. Lopez's concept for the doodle is a representation of Google's logo through 17 interactive portraits of holiday scenes from around the world. For months, Mr. Lopez envisioned unveiling it in stages over three days, ending on Christmas. But when executives and others at Google saw the nearly completed doodle last week, they made a change: the entire doodle needed to go online in one posting. Suddenly, after working for six months, Mr. Lopez and his team were racing to finish.

Discussions about the holiday doodle started back in July. Mr. Lopez met with his team of four artists, who include a recent Rhode Island School of Design graduate and children's book illustrator. They batted around a few ideas, then decided the illustrations of celebrations should focus on food, dance, architecture and textile.

Mr. Lopez divvied up the 17 scenes among his staff, personally taking responsibility for six. As the team met over the following months to discuss regular doodles, artists would give updates on the status of their holiday sketches. Jennifer Hom, who was assigned Italy, drew Venetian gondolas on the wipe board, with the curve of a bridge feeding into a "G."

In mid-December, the doodle team met one morning in a conference room on campus here to weigh in on the illustrations. Some were just being conceived; others were well in progress. A red drawing of three Indian women dancing, with henna accents framing the scene, was projected from a computer onto a wall. Mr. Lopez shared a concept



Google's 2010 holiday doodle, above, has 17 interactive images that approximate the logo's letters and colors.

Oodles of doodles

Google estimates it has created more than 900 doodles since 1998, with 270 of them appearing in 2010. Some highlights from over the years:



Burning Man ▲

In 1998, Google co-founders Larry Page and Sergey Brin inserted a drawing inspired by their time spent at the Burning Man festival in Nevada. The Google doodle was born.



The Flintstones ▲

"We felt like there was something very Googley about characters that made a clock out of a terradactyl," says Mr. Lopez of the doodle marking the 50th anniversary of the first episode of 'The Flintstones.'



H.G. Wells ▲

Users took to Twitter and the Internet to speculate on the meaning of this doodle. It commemorated the birthday of sci-fi author H.G. Wells.

Mother's Day

For Mother's Day in 2007, Micheal Lopez, now the company's chief doodler, drew inspiration from his son's artwork posted with magnets on the refrigerator. ▼



for southern Africa, imagining a solitary man in tribal dress and sandals. "I wanted to keep the shape of the actual body very geometric."

"It's odd for it to be a single person," another artist said.

"Maybe it should be a family. That's more holiday-like," Mr. Lopez agreed.

"If they're really a family, there needs to be a kid playing Game Boy," someone called out.

As the meeting ended, Mr. Lopez's team had about 100 more hours of work to devote to the project—not including the hours Google programmers would put into writing the code and building the interactive infrastructure. But he predicted they might wrap it up even a week before Christmas. "I think we're in good shape," he said.

But last week, some at Google raised concern about how much time people spend on their computer Christmas Day.

"I thought, 'Is my mom going to be available to play this on Christmas Day?'" says Mr. Lopez. "The answer is, no, she'll be making me food!" So the team worked past Wednesday afternoon to re-engineer the next day's doodle.

Toying with Google's logo, created by graphic designer Ruth Kedar in 1998, is part of the company's

culture. In August 1998, Google founders Larry Page and Sergey Brin decided to adorn the company logo with a symbol of Burning Man, a festival held annually in the Nevada desert that they were attending. Through the second "O," they inserted a figure with arms akimbo, like that associated with the festival.

In 2000, they asked Dennis Hwang, then an intern, to integrate other doodles into the logo from time to time. As with the Burning Man doodle, there's often an air of mystery as to what is being depicted. When users are stumped, they can click on the doodle to get more information.

Holidays are a mainstay of the operation, but they're tricky for a large company trying to appeal to a broad audience. Two years ago, Eman Hassaballa Aly, a 31-year-old social worker from Chicago, rallied for a doodle devoted to Eid, a Muslim holiday celebrated twice a year. She urged her Facebook friends to email Google—which was unaware of the efforts—yet eventually dropped the matter. "This was not a negative thing. No one is saying Google is anti-Muslim," Mrs. Aly says. "We still would love to have a doodle and to acknowledge the 1.5 billion Muslims in the world."

Mr. Lopez says while the team

endeavors to be as inclusive as possible, "The question is, 'How do we celebrate these holidays without religious symbolism,'" he says.

Though Google asks for user submissions, few unsolicited ideas make it to the home page. In the fall, supporters of the Girl Scouts of the USA took to Twitter and Facebook to urge others to email Google to ask for a doodle of founder Juliette Gordon Low to appear on what would have been her 150th birthday on Oct. 31.

Mr. Lopez, who says he was unaware of the campaign, notes that Halloween would be a tough day to highlight a Girl Scout. But he's not ruling out a related doodle at some point.

Doodles also like to serve up doses of nostalgia. In 2009, after a doodler read an article about the 25th anniversary of videogame Tetris, Google contacted Honolulu-based Blue Planet Software Inc., which controls the license to the game, asking permission to create a Tetris-themed doodle. "We cleared copyright in two hours, the fastest ever," says David Kwock, general manager of Blue Planet.

In 2003, Mr. Hwang celebrated the 50th anniversary of the discovery of DNA by James Watson and Francis Crick. On the double helix that comprised the Os in Google, a

small section crossed another at the wrong spot. After a torrent of emails from geneticists, an artist scrambled to fix the rendering and repost it.

For Thanksgiving this year, Google rolled out a doodle over three days. Day one showed the logo made from photographs of Thanksgiving groceries; the next day it was photographs of the process of baking a pie, and the third day, Thanksgiving, showed a complete turkey-and-stuffing feast.

Clicking the doodle on the first two days revealed recipes created by Ina Garten, author of the "Barefoot Contessa" cookbooks and star of the TV show. What a doodle can do for a brand, well "you can't possibly quantify it," says Ms. Garten says. "The cool factor alone is incalculable," she says.

Ms. Garten got an email from Google asking whether she was interested in collaborating on a Thanksgiving doodle. Two doodlers flew to East Hampton, N.Y., and met with Ms. Garten and her photographer, whom she called in to help.

"I thought, 'It's six letters, how hard can it be?'" Ms. Garten says. It took them from sunrise to dinner-time, she says. When the first day's doodle changed at midnight on the dot, she was captive in front of the computer to watch.

EUROPE NEWS

Hungarian law draws fire

By GORDON FAIRCLOUGH

European officials stepped up criticism of Hungary's restrictive new media law, saying it runs counter to the European Union's democratic values, as frustration with Budapest escalated into a public political fight on the eve of Hungary's takeover of the EU's rotating presidency.

On Thursday, Germany's deputy foreign minister, Werner Hoyer, said the media law, which allows the state to impose fines for "unbalanced" or "offensive" reporting, "does not represent the idea of a union that is built on unity in diversity." He added that "even if there's the slightest suspicion that press freedom in a member state of the EU is being controlled, it's a cause for great concern. As incoming EU president, Hungary bears a special responsibility to represent Europe's values."

Hungary's government has largely dismissed the criticism. "There's been a lot of talk about the interests of journalists, but we should also pay attention to the interest of the viewers and the public," Anna Nagy, a government spokeswoman, said Thursday.

Under the law, which Parliament approved Tuesday, a regulatory panel appointed by Parliament is empowered to monitor newspapers, television broadcasts and other media and to impose fines on journalists and news outlets if they deem coverage to be unbalanced. The law will also tighten government regula-



German Deputy Foreign Minister Werner Hoyer assailed the media law.

tion of the Internet.

Ms. Nagy called on detractors to "wait and see how the law is working in practice, whether it will justify the fears, or whether it will show those fears were unfounded."

Friction between Hungary and the EU has mounted since the summer, when the new prime minister, Viktor Orban, rejected pressure from Brussels and the International Monetary Fund for far-reaching cuts in government spending to shrink Hungary's budget deficit.

Instead, Mr. Orban, who won an election landslide after promising voters he wouldn't impose new austerity measures, has levied large, temporary taxes on banks and a handful of other large, mostly for-

eign businesses, while cutting taxes on personal income as well as on small and midsize enterprises.

International investors also have been skeptical of Hungary's economic policies. Fitch Ratings Thursday cut Hungary's credit rating, following a Moody's Investors Service downgrade earlier this month.

Hungary has appealed to markets for patience to show that its efforts to jump-start the economy will work.

"To break out of this crisis, we need measures that focus on growth and job creation," said Zoltan Kovacs, a state secretary in the Ministry of Public Administration and Justice. "People need to give us some time."

With Hungary preparing to take the reins of the EU's rotating presidency from January through June, however, issues such as the media law have underlined political divisions between a Brussels that seeks to knock down borders between nations and the new government in Budapest, which puts a high value on individual countries' freedom of action.

German Foreign Minister Guido Westerwelle called his Hungarian counterpart and discussed the possibility of Hungary's modifying the law, a ministry spokesman said. On Thursday, Mr. Hoyer said he expected the EU to investigate whether the legislation violated EU legal standards.

—Margit Feher
and Vanessa Fuhrmans
contributed to this article.

The audacity of the euro:
a look back at a tense 2010

[Brussels Beat]

By STEPHEN FIDLER



With every passing month in 2010, the audacity of the euro's creation has become more apparent. How could European governments believe they would be able to hold together a common currency with a single monetary policy—and each of them pursue widely different economic policies in every other respect?

This question is at the root of the inevitable tensions within the euro zone that weren't so evident in the currency's first easy decade. Here are ways in which some of those tensions have manifested themselves in 2010.

Discipline versus solidarity

This is the tension that has gripped the euro zone throughout the year. If Greece is left to fall victim to the depredations of the financial markets, then it could set off events that could bring down the euro. But if you step in and provide Greece with a financial cushion, how do you get it to correct its profligate ways?

Euro-zone countries have tried to resolve that dilemma by imposing tough conditions from the International Monetary Fund on countries being rescued. More broadly, they have sought to toughen up-to-now ineffective sanctions on countries that bust the budget and deficit rules and to broaden the scope of cooperation to include other economic variables.

Last resort versus pre-emption

This is related to the first dilemma. If Germany, Europe's paymaster, has been the champion for discipline over solidarity, it has also been the strongest proponent of financial rescues as a last resort.

Germany has shown itself as willing to act—but only when the victim is at the point of drowning. This sets up an unstable dynamic in the financial markets, which would be avoided if governments acted pre-emptively.

In the words of one senior European official: "This may have created a misunderstanding in the markets over whether [governments] would be able or willing to save countries. The markets...are not really sure whether or not we will act."

Bail-in versus bailout

Nobody who really believes in market forces would argue against the contention that, in principle, investors in the bonds of governments should suffer losses if the government can't pay its bills. Easing the burden on cash-strapped governments by reducing what they pay to bondholders is known in the EU jargon as the "private-sector contribution" to resolving debt crises. This is a "bail-in," as opposed to a bailout, in which bondholders get all their

money back courtesy of government interventions.

Trouble is, during a crisis of confidence, it is often a principle that is costly to pursue. Ireland decided against restructuring the senior bonds of its failing banks, in spite of the strong moral and financial case for doing so. It was encouraged in that decision by the European Central Bank, which feared such a move would have disastrous consequences on bank funding across the euro zone.

Germany's Angela Merkel, by contrast, pushed ahead with her plan to set in concrete the principle that government bondholders should be prepared post-2013 to suffer losses if a government can't pay its bills. She got her way and EU governments this month backed the principle as part of a future rescue regime.

By broad consent, Ms. Merkel's decision to be explicit about the possibility of future bondholder losses spooked the markets. There, a little more ambiguity might have been a good thing.

Precision versus ambiguity

Ambiguity isn't always good, though. For a while, there was huge uncertainty about the "bail-in" proposal. One big concern was whether private-sector losses would be imposed as a precondition of a post-2013 rescue, or not. European officials say that ECB President Jean-Claude Trichet argued that this rule would have given speculators a one-way bet. Better to make losses a possibility, rather than a certainty. In the end, European leaders agreed with Mr. Trichet.

Now, the EU is under some pressure to enlarge the current available bailout funds—which the headlines suggest amount to one trillion dollars, but which in reality are less—in order to provide certainty that future debt crises can be resolved.

A senior official says governments will probably resist pressure to put a new figure on an enlarged fund, but will instead repeat the mantra that they will "do whatever it takes to secure the stability of the euro area as a whole."

Why not announce a new figure? Because, then investors would calculate whether the enlarged fund is meant to capture just Spain and Portugal, or whether it would also encompass Italy and Belgium. That might look like a prediction of future crises. In other words, officials don't think more precision here would be helpful.

National sovereignty versus fiscal and financial union

This is of course the fundamental tension. Unite the finances and the government budgets of the euro zone and this crisis is over.

So far, the evidence suggests member states of the euro zone want to pool their resources and coordinate policy to the minimum level that is also compatible with the euro zone's survival. What that minimum level is, isn't clear. In a year, we'll know more.

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EUROPE

EUROPE NEWS

Europe looks to Azerbaijan for gas

BY ALESSANDRO TORELLO

BRUSSELS—Europe's efforts to diversify its supply of natural gas face a critical test early next year, when Azerbaijan and some of the world's largest energy companies are expected to choose a buyer to take the biggest share of gas from a giant field in the Caspian Sea.

Natural gas from Azerbaijan, and potentially other countries in its neighborhood, is critical to the European Union's strategy of breaking the near-monopoly Russia has over Central European gas supplies. But with Moscow pushing ahead with two pipelines of its own to Europe—one of which is under construction—questions remain about which of these pipelines will make economic sense.

All eyes will be on the \$20-billion development of the Shah Deniz II natural-gas field offshore Azerbaijan, which is expected to begin producing gas in 2017. Although there is no official timetable, several people involved in the discussions expect the consortium will select buyers in the first half of 2011.

Azerbaijan's gas is prized by the architects of the EU's long-discussed 3,300-kilometer-long Nabucco pipeline, which would carry the gas across Turkey to Austria. But the Azeri gas is also being sought by two much smaller pipeline projects.

These projects have until recently been seen as competing options, worrying some observers that European infighting for Azeri gas could damage Europe's energy-security efforts and lead Azerbaijan to sell the gas to the Russians.

But in recent weeks, EU policy makers and some company officials have begun speaking more seriously about cooperation. "Nabucco doesn't exclude being combined with other projects," Günther Oettinger, the EU energy commissioner, said at a recent debate. The International Energy Agency says a "hybrid option" among pipelines might "emerge as the favorite choice."

Cooperation isn't going to be easy, with the smaller projects each seeking to ultimately show off as the winners of the battle for the Azeri gas. The stakes are also high for Nabucco, on which many policy makers have spent much political

Gas for Europe | Azerbaijan is key in Europe's push to diversify its gas supplies



	Nabucco	Trans-Adriatic	IGI	South Stream	Nord Stream not shown
Route	Turkey to Austria crossing Bulgaria, Romania, Hungary	From Greece to Italy via Albania	From Greece to Italy, avoiding Albania	From Russia to Central Europe under the Black Sea	From Russia to Germany under the Baltic Sea
Backers	RWE, OMV, Botas, Bulgarian Energy, Transgaz, MOL	Statoil, E.ON, EGL	Edison, DEPA	Gazprom, ENI, EDF	Gazprom, BASF, E.ON, Gasunie, GDF Suez
Estimated cost	€7.9 billion	€1.5 billion	€1.2 billion	€15.5 billion	€7.4 billion offshore pipeline
Length	At least 3,300 kilometers	520 kilometers	800 kilometers	900 kilometers offshore pipeline	1,224 kilometers
Capacity per year	31 billion cubic meters	10-20 billion cubic meters	10 billion cubic meters	63 billion cubic meters	27.5-55 billion cubic meters

capital.

The commission has long backed the €7.9 billion (\$10.35 billion) Nabucco pipeline as the best way to open a "southern corridor" for Central Asian and Middle Eastern gas to supply Europe's most Moscow-dependent Central European countries.

The Nabucco consortium includes some of Europe's biggest energy companies, such as Germany's RWE AG and Austria's OMV AG.

The immensity of Nabucco means it could transport greater volumes. But to make economic sense, and to persuade the Shah Deniz consortium to sell the gas to them, the sponsors have to get another source of gas, because the Azeris would only fill about one third of the 31 billion cubic meters planned pipeline capacity. EU offi-

cialists have also targeted Turkmenistan and Iraq as potential sources.

Besides the Nabucco consortium, Shah Deniz II is holding talks with the backers of at least two other pipeline groups.

The Interconnector Greece-Italy, led by Edison SpA and Greek monopoly gas company DEPA, would carry gas to southern Italy, which could then be sold in the rest of Europe. But its capacity is lower than Nabucco's.

Norway's Statoil ASA, Swiss energy-trading company Elektrizitäts-Gesellschaft Laufenburg AG and Germany's E.ON AG are also working on a pipeline project, the Trans-Adriatic Pipeline, or TAP.

When Mr. Oettinger raised the possibility of cooperation between Nabucco and other lines, mainly IGI,

Edison Chief Executive Umberto Quadrino described IGI and Nabucco as "totally complementary." A TAP spokesman said it, too, is open to cooperation.

Shah Deniz II is expected to add roughly 16 billion cubic meters of annual production as early as 2017, 10 of which would be ready for export to the EU. BP and Statoil both own 25.5% stakes of Shah Deniz. The State Oil Co. of Azerbaijan, or Socar, OAO Lukoil Holdings of Russia, France's Total SA and National Iranian Oil Co. all own 10% each, while Turkey's TPAO owns 9%.

A Baku-based BP spokeswoman didn't specify any time frame for taking a final investment decision on Shah Deniz II, or for announcing buyers. Socar officials couldn't be reached for comment.

The Russians are also in contact with Socar regarding Shah Deniz II. "An official request has been filed to ... Socar as a member-company of the consortium to specify certain particulars of the possible deal, including volumes on offer," said a Gazprom Export official.

Gazprom is the main Russian natural gas exporter to Europe—over half of its gas sales came from Europe exports and is already building Nord Stream, a pipeline running offshore in the Baltic Sea that will supply gas to Germany. It is also proposing to build South Stream, a €15.5 billion pipeline that would bring Russian gas to Central Europe under the Black Sea, directly competing with Nabucco.

—Jacob Gronholt-Pedersen contributed to this article.

WikiLeaks boosted its spending, data show

Continued from first page
a major but not the sole conduit of funding for the website, suggest donations to WikiLeaks have tapered off some since the organization landed in the headlines.

The Wau Holland Foundation provides key back-office services for WikiLeaks' operations by collecting donations and paying its bills. Last summer, WikiLeaks said it operated on about €150,000 a year.

Now, however, the foundation says it has paid about €380,000 in WikiLeaks expenses, with some invoices for the year still unprocessed. Some of that total is for hardware, Internet access and travel, Wau Holland spokesman Hendrik Fulda said. But a big factor in the leap is a recent decision to begin paying salaries to staff.

The primary beneficiary of that decision—which has been hotly debated within WikiLeaks—is Mr. Assange, the controversial founder and

public face of WikiLeaks who is currently under house arrest in the U.K., where he faces possible extradition to Sweden to face allegations of sexual misconduct.

So far, the Wau Holland Foundation—founded in 2003 to honor the legacy of the late computer hacker Wau Holland—has paid more than €100,000 in salaries for 2010, including about €66,000 to Mr. Assange, Mr. Fulda said.

Mr. Fulda said the WikiLeaks decision to pay its staff—rather than rely on volunteers—ends nearly a year of internal debate. WikiLeaks will now pay key personnel based on a salary structure developed by the environmental-activist organization Greenpeace. Under the structure, Greenpeace department heads are paid about €5,500 in monthly salary, Mr. Fulda said.

The salaries will be paid retroactively to January 2010, Mr. Fulda said. So far, six WikiLeaks staff

members have filed invoices requesting compensation, including at least one invoice for just one month of work, Mr. Fulda said. Other former staff members are expected to file for compensation in the coming weeks, he said.

Another mounting cost for WikiLeaks relates to legal work. Lawyers acting on behalf of WikiLeaks have billed the document-leaking organization for about €30,000 in services. Going forward, that could become a much bigger cost for the organization, given that the U.S. has launched several broad investigations in the wake of WikiLeaks' release of classified documents, which has angered the U.S. government.

However, none of the funds collected by the Wau Holland Foundation are going to pay for legal expenses related to defense against possible criminal charges in Sweden, Mr. Fulda said.

WikiLeaks recently established the Julian Assange Defense Fund to collect donations for Mr. Assange's legal battles, including his effort to resist extradition to Sweden for questioning over sexual-assault allegations. WikiLeaks' Twitter account recently posted a link to the fund's term sheet, which says it can be used to cover expenses "concerned with extradition, release from arrest, dealing with bail or surety/security...the cost of obtaining legal advice and legal services for [Mr. Assange]" and to make "payments ordered by any court to be made to any opposing party."

Mr. Assange in August said WikiLeaks had raised about \$1 million (€763,000) since the beginning of 2010. He said the group got about half its money from modest donations via its website, and the rest from "personal contacts," including wealthy donors who give tens of thousands of dollars.

Much of this money was donated to the WikiLeaks account at the Wau Holland Foundation, Mr. Fulda said. eBay Inc.'s online-payment service PayPal previously processed many of these WikiLeaks donations via Wau Holland, but this month stopped doing so, saying WikiLeaks had violated PayPal policies. Mastercard Inc., Visa Inc. and Bank of America Corp. also recently stopped processing donations to WikiLeaks.

On its website, WikiLeaks says donors can still send money to a WikiLeaks-Wau Holland account at Commerzbank Kassel in Germany, or to an account at Landsbanki in Iceland that also accepts donations to WikiLeaks.

Wau Holland plans to publish an accounting of processing of donations on behalf of WikiLeaks, Mr. Fulda said. The report will include details of banking fees charged by PayPal for its handling of WikiLeaks donations, he said.

EUROPE NEWS



Tourists enjoy the sunshine in St. Andrews, Scotland, last July. The town's links to Prince William and Kate Middleton will be a key part of a tourism campaign. Reuters

U.K. expects royal wedding to boost tourism next year

By PAUL SONNE

LONDON—The U.K. tourist authority predicted Thursday that an extra 300,000 people would visit the U.K. in 2011, in part because of publicity surrounding the April nuptials of Prince William and Kate Middleton, but also because of economic recovery.

VisitBritain, the tourist authority, plans to roll out a global marketing campaign in April to publicize the U.K. through the royal wedding. It will target the U.S. in particular, one of the British tourist economy's most important markets.

Americans, the highest spenders of all the overseas visitors to the

U.K., are a key target audience for VisitBritain. A spokesman said the tourist authority had "lost ground" with American visitors in recent years and was hoping to regain it. About 2.9 million Americans visited the U.K. last year, spending almost £2.2 billion (\$3.4 billion).

The tourist authority intends to promote not just London, but other British destinations, using the royal couple's story. That means emphasizing places like St. Andrews, the picturesque Scottish town where the pair met, and Anglesey, the coastal area of North Wales, where Prince William is stationed as a Royal Air Force pilot, and where the couple are expected to spend the early days

of their marriage.

Even if the campaign doesn't encourage tourists to visit the U.K. during the nuptials, it may encourage them to vacation in Britain later in the year, particularly as the country gears up for another key tourist event, the 2012 Olympics, a spokesman for VisitBritain said.

He didn't provide figures for how much the marketing campaign would cost.

"Our aim is to get Britain on the radar of those who have never traveled here and also to reinvigorate our appeal in core markets such as the U.S.A. and near Europe," VisitBritain Chief Executive Sandie Dawe said Thursday.

Tourism is crucial for the U.K. It is the country's fifth-largest industry, according to VisitBritain. The tourist authority expects 30 million inbound travelers to come to the U.K. next year, an estimated 1% rise from 2010; it expects them to spend £17.2 billion, a 2% rise from 2010 spending in nominal terms.

Still, with the economic downturn pinching travel budgets, tourism to the U.K. hasn't recovered to prerecession levels. About three million more tourists came to the U.K. in 2006 than came this year. Tourists spent about £1.5 billion more in the U.K. in 2006 than they did in 2010, when adjusting for currency fluctuations.

Fitch lowers its rating on Portugal

By JOHN KELL

Fitch Ratings cut its rating on Portugal, citing concerns about a "deteriorating near-term economic outlook" and a "much more difficult financing environment" for the European nation's government and banks.

The ratings agency also kept its ratings outlook negative, meaning more downgrades are possible, as it warned that additional measures might be needed to realize the government's deficit-reduction targets. Ratings agencies and investors have voiced concern about Portugal's weak prospects for economic growth as the government has made little progress with any growth-enhancing moves to offset the fiscal drag from its austerity program.

Fitch cut its rating by one notch to A+, four notches under the highest rating of AAA. The move came after peers Standard & Poor's Ratings Services and Moody's Investors Service warned within the past month that they might trim the nation's ratings.

Earlier this month, the government said it plans to cut its budget deficit to 7.3% of gross domestic product in 2010 from 9.3% last year. Fitch said Portugal aims to cut the government's budget deficit to 3% of gross domestic product by 2012 and to 2% by 2013, and for government debt to peak at 86% of GDP in 2012.

Fitch said the country's structural-budget-adjustment target for next year—equivalent to almost 4% of GDP—will be "extremely challenging" especially if, as Fitch expects, the economy falls into recession next year.

Italy approves law to overhaul its universities

By NATHANIA ZEVI

ROME—The Italian parliament gave its final approval to an overhaul of the country's university system, a measure that is part of the government's wide-ranging austerity measures and that has sparked weeks of often-violent student protests.

The so-called Gelmini law, nicknamed after Italy's Education Minister Mariastella Gelmini, has been winding itself through Parliament for several months. Italy's Senate, or upper house, approved the measures by 161 votes to 98, with six abstentions. Italy's president now has to give his final approval to the law.

Italy's government already plans more than €1 billion (\$1.31 billion) in funding cuts for Italy's state-run universities next year. The Gelmini measures aim to make the country's higher-education system more meritocratic and improve its standing on the global scale.

Among the changes: Universities that perform better—both in terms of academic research and in terms of how fast they get their students into jobs—will get more funds. The measures also include shorter terms for university deans; time limits for aspiring professors to get tenure and incentives to lure private funds to help pay for the state-run institutions.

Mortgage lending slows in Britain

By ILONA BILLINGTON AND NICHOLAS WINNING

LONDON—Net mortgage lending by U.K. banks was at its weakest in over 10 years in November as demand for new homes slowed, as is typical for this time of the year, data from the **British Bankers Association** showed Thursday.

Seasonally adjusted net mortgage lending grew £1.5 billion (\$2.31 billion) in October. That was the smallest increase since a £1.3 billion gain in August 1999 and compares with gains of £1.7 billion in October and £2.8 billion a year earlier.

Strict lending criteria and concerns over taking on such a large debt ahead of an uncertain 2011 also likely weighed on the figures, ac-

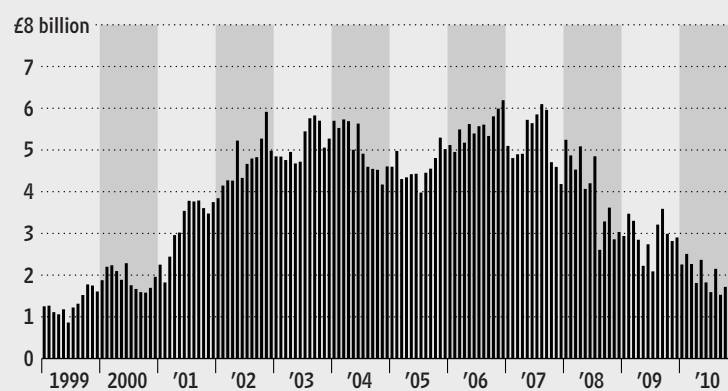
ording to economists. "The BBA data point to the housing market ending 2010 very much on the back foot, where we expect it will remain for much of 2011," said Howard Archer, chief U.K. and euro-zone economist at IHS Global Insight.

The survey showed that the outlook for the housing market remains subdued. Mortgage approvals—a good forward-looking indicator of price changes and activity levels—fell in November to 29,991, the lowest level since March 2009.

The survey also reported that gross mortgage lending—which includes all housing loans, including remortgages, but doesn't take into account repayments—rose a little from October. In November, gross mortgage lending grew £7.8 billion.

Housing slump | U.K. mortgage lending is weakening

Net growth in outstanding loan amounts*



*Seasonally adjusted

Source: British Bankers Association

U.S. NEWS

Ex-Obama aide cleared as candidate

BY DOUGLAS BELKIN

CHICAGO—Election commissioners voted unanimously Thursday that Rahm Emanuel qualifies as a city resident eligible to run for mayor next year.

"It wasn't a difficult decision because the law is clear," said commissioner Richard Cowan. "He never abandoned his residency."

The decision from the three-member Chicago Board of Election Commissioners follows an earlier recommendation from a city-election official who said Mr. Emanuel should be allowed to run.

Burt Odelson, an attorney for two objectors to Mr. Emanuel's candidacy said he expected the ruling and would file an appeal in circuit court Thursday. He anticipated the case would be in front of the Illinois Supreme Court in five weeks.

Mr. Odelson said similar cases had gone in the opposite direction in the past. "The difference this time is the candidate," he said.

The decision was greeted with hoots and howls from some of the 50 or so people at the meeting. As the commissioners made their ruling, one man shouted, "Clout!"

In the earlier 69-page report, Joseph Morris, a hearing officer for the board, wrote that because Mr. Emanuel never intended to terminate his residence in Chicago during the two years he lived in Washington, D.C., and served as President Barack Obama's chief of staff, he remains eligible to run for mayor.

"Once having established residence in Illinois the touchstone of continued residence is the intention of the resident and not the physical



Rahm Emanuel greets Chicago commuters Thursday. The elections board ruled that he qualifies as a city resident.

fact of having a place to sleep," Mr. Morris wrote.

Mr. Emanuel's residency status has become the central question during the first months of the race to succeed Mayor Richard M. Daley, who announced in September that he wouldn't be seeking a seventh term as mayor of the third-largest U.S. city.

There are more than a dozen candidates vying for the job Mr. Daley has held for more than two decades but a poll released Wednesday

by the Chicago Retail Merchants Association showed Mr. Emanuel holds a 32-point lead over his closest competitor. If no candidate receives a majority of the vote in February, a run-off between the top two finishers will be held in April.

But before Mr. Emanuel can compete on Election Day, he has to cinch a spot on the ballot. More than two dozen residents filed objections to his candidacy last month citing a state municipal code that says candidates must have resided in the

municipality they hope to represent for one year prior to the election.

Mr. Emanuel's campaign released a statement Thursday morning saying he was pleased with the recommendation.

"While the decision rests with the Commissioners, I am encouraged by this recommendation. It affirms what I have said all along—that the only reason I left town was to serve President Obama and that I always intended to return," the statement said. "Chicago voters should ulti-

mately have the right to decide the election—and to vote for me, or against me. And they deserve a swift conclusion to this process so that the campaign can focus on the challenges facing the city and the need for safe streets, strong schools, and stable city finances."

Mr. Emanuel was elected to the U.S. House from Chicago four times between 2002 and 2008, and says he maintained his Chicago residency when he moved to Washington, D.C., to work for Mr. Obama. He owns a home on this city's North Side, voted absentee from Chicago and his family stored their most valuable possessions there.

Last week, Mr. Morris presided over a three-day hearing in a windowless conference room in downtown Chicago. On the first day, Mr. Emanuel sat for 12 hours answering questions of objectors and their attorneys who argued he had forfeited his residency when he left the city and rented out his home.

On Thursday, Mr. Morris cited the fact that Mr. Emanuel had maintained his home in Chicago, told friends he was only going to serve as chief of staff for two years and kept his Chicago address on his checks, to support that he "never intended to terminate his residence in Chicago."

The Chicago Retail Merchants Association poll showed Mr. Emanuel is supported by 44% of the city's voters.

Mr. Emanuel leads in every section of the city and in every demographic. Gery Chico, a former chief of staff to Mayor Daley, is in second place with 12% followed by former U.S. Sen. Carol Moseley Braun with 8%; 16% of voters remain undecided.

Consumers buoy economy

BY JUSTIN LAHART

The U.S. economy gathered steam heading into the end of the year, with consumers lifting spending as businesses have become more willing to hire.

Consumer spending rose 0.4% in November from October, adjusting for inflation, the Commerce Department said Thursday. Separate reports showed job-market improvement, a pickup in business orders for new equipment and improved consumer sentiment.

"It looks like we've transitioned into a period of solid consumer spending," said Barclays Capital economist Dean Maki. "That makes it hard not to be optimistic about economic growth."

Consumer spending in October, earlier reported to have risen 0.5%, was revised to show a stronger 0.7% gain. As a result, even if spending does not increase at all in December, it is on track to grow at an inflation-adjusted 4% annual rate in the fourth quarter, which would mark its fastest pace since 2006.

Meanwhile, an index of consumer sentiment from the University of Michigan rose to 74.5 this month, from 71.6 in November.

Shoppers at Jones & Lang Sporting Goods in Columbia, Tenn., are still being more cautious with their money than they were before the downturn, said owner Daniel Pollard, often opting for cheaper baseball bats and gloves than they used to. But they are becoming more confident, he said. After slipping last

year, sales at the store are back to their 2008 levels.

"To be back on par with our 2008 numbers, we feel like we're in a good situation," Mr. Pollard said.

The strength in consumer spending, which represents about two-thirds of demand in the economy, should translate into stronger overall economic growth. Barclays Capital's Mr. Maki said recent data suggest that gross domestic product is growing at least at a 3.5% annual rate in the fourth quarter, stronger than his current forecast of 3%. Economists at **Morgan Stanley** boosted their GDP forecast to 4.5% from 4.3% on Thursday.

The Commerce Department also reported that manufacturers' orders for durable goods, long-lasting items running the gamut from wrenches to railcars, fell 1.3% in November from October. However, that drop was entirely due to a decline in often-volatile commercial aircraft orders. Outside the transportation sector, orders rose 2.4% after a 1.9% decrease in October.

The Labor Department reported initial unemployment claims fell by 3,000 to 420,000 in the week ended Dec. 18, continuing a downward drift that began in August. The drop in jobless claims, along with business surveys showing increased hiring demand, have convinced many economists that November's weak employment report was an anomaly.

The economy's recent strength is setting the stage for solid growth next year, when a two-percentage-point cut in employees' payroll taxes

may fuel further spending. If a stronger economy leads to a decline in unemployment, or inflationary pressures, it may hasten the day when the Federal Reserve raises its target for overnight interest rates from the current zero to 0.25%. Futures prices indicate investors expect the target rate to be between 0.25% and 0.5% by the end of 2011.

An inflation gauge closely watched by the Fed—the price index for personal consumption expenditures, excluding food and energy prices—increased by 0.1% in November from October, putting it just 0.8% above its year-earlier level.

Still, the economy faces major hurdles, including a depressed housing market. Even though sales of new homes increased to a seasonally adjusted annual pace of 290,000 in November, up from 275,000 in October, that's still just one-fifth of the peak level that sales hit in 2005. Economists worry additional home-price declines could further damage household finances, prompting people to cut back spending.

Strains on state and local government budgets are another potential sore spot, as is the recent rise in gasoline prices. But many economists have concluded that household spending and business hiring attitudes have improved to the point where the economic recovery has become self-sustaining.

"We're at the point where they start feeding on each other," said **MF Global** economist James O'Sullivan. "Spending leads to employment and vice versa."

California city puts its pot plan on hold

BY STU WOO

The Oakland, Calif., city council voted to suspend a plan to allow the creation of four large-scale marijuana-growing facilities, in the latest setback for California's burgeoning marijuana movement.

Tuesday night's vote follows warnings from the Obama administration and a local district attorney that the facilities, which would be built and operated as private ventures, could violate federal and state laws.

California law allows marijuana to be used for medicinal purposes. Federal law prohibits any use of pot, though the Obama administration has indicated it will largely allow states to enforce their own medical-marijuana laws.

City council members will ask city lawyers to recommend changes to the plan and will discuss potential amendments on Feb. 1, said the office of Oakland councilwoman Rebecca Kaplan.

"We want to make sure that the city and our medical cannabis facilities are in as strong of a position as possible," Ms. Kaplan said in a statement.

The Oakland vote follows the defeat in November of California's Proposition 19, which would have legalized marijuana in the nation's most-populous state.

It is also a turnabout for Oak-

land, which has become known for its marijuana-friendly attitudes. The city has licensed pot dispensaries, and its voters have approved marijuana-specific taxes.

It is also home to Oaksterdam University, a private venture that trains people to be cannabis entrepreneurs.

But the city's marijuana laws have come under more scrutiny from law-enforcement officials.

During the fall, federal officials from Washington and the San Francisco Bay area met with Oakland City Attorney John Russo and "expressed concerns that the path Oakland was taking was in violation with the law," said Alex Katz, a spokesman for the city attorney. Mr. Katz said he couldn't elaborate on the discussions.

Earlier this month, Alameda County District Attorney Nancy O'Malley wrote Oakland Mayor-elect Jean Quan—the city is in Alameda County—warning that the planned growing facilities could violate state law, which requires marijuana-cultivating facilities to be not-for-profit.

The letter said marijuana growers relying on the wording of the Oakland proposal could violate that part of the state law.

Ms. O'Malley also suggested that city-council members and other city workers could face criminal charges for moving ahead with the facilities.

U.S. NEWS

Obama ends year on high note

BY JONATHAN WEISMAN
AND JANET HOOK

WASHINGTON—After two years of frequent partisan confrontation, President Barack Obama closed out the 111th Congress Wednesday by projecting himself as a force for cooperation, winning late-session victories on some of his top foreign and domestic priorities.

Mr. Obama won Senate ratification of a hard-fought nuclear-weapons accord, secured legislation to help 9/11 first responders and signed a law allowing gays to serve openly in the military.

Afterward, at a news conference before taking off for a delayed Hawaiian vacation, the president said: "If there is any lesson to draw from these past few weeks, it is that we're not doomed to endless gridlock."

The president sought to cast himself as heeding the wishes of voters who had demanded bipartisanship when they delivered a setback to the Democratic Party in the midterm elections. "We've shown in the wake of the November elections that we have the capacity not only to make progress but to make progress together," Mr. Obama said.

Earlier in his term, Mr. Obama had left the details of signature issues such as health care and the stimulus package to congressional leaders. After what Mr. Obama called a "shellacking" in the midterms, he took charge of tax negotiations, risking the wrath of his liberal base to win a deal with Republicans quickly.

He pressed forward with a ratification vote on the New Strategic Arms Reduction Treaty with Russia with lukewarm support from Senate Majority Leader Harry Reid (D., Nev.). Even some members of his White House had misgivings over the timing, according to administration officials.

"He's finally figured out that it's important for him to lead and not sit back and let Nancy Pelosi and Harry Reid do the leading," Sen. Or-



President Barack Obama arrived Thursday at Hickam Air Force Base in Honolulu for his holiday vacation.

rin Hatch (R., Utah) said.

Republicans acknowledge that they were dealt some setbacks in the lame-duck session.

"From a political point of view, Democrats did an amazing job in the last week," said Sen. Lindsey Graham (R., S.C.), who opposed the treaty and the repeal of the "don't ask, don't tell" policy barring gays from serving openly in the military. "When people say President Obama had a good two weeks, they are absolutely right."

Still, Sen. Lamar Alexander (R., Tenn.), the only member of the GOP leadership who voted for New Start, said the final jamming through of a Democratic wish list had "poisoned the well for Republicans."

Republicans say they had their share of victories in the lame-duck session as well. Sen. Tom Coburn (R., Okla.) pointed to the party's successful scuttling of a year-long

spending bill to fund the government, which included billions of dollars in earmarked funds for lawmakers' favored projects. Mr. Coburn almost single-handedly scaled back the scope and cost of the 9/11 responders bill.

"We stopped \$28 billion worth of spending," he said.

But it was Mr. Obama who shifted his governing style in the closing weeks of this Congress. On some issues, he held firm to the Democratic Party's position. White House press secretary Robert Gibbs said Wednesday the president saw no reason to reach out to Republicans on the 9/11 bill, for instance, since Democrats were united. But on New Start and the tax package, the efforts to build bipartisan cooperation started at the beginning and lasted until final passage.

Some of that success came from hard work, some from lucky breaks.

On Nov. 16, when Sen. Jon Kyl (R., Ariz.), the go-to Republican on nuclear-arms issues, declared he couldn't support the nuclear treaty in the lame-duck session, senior members of the administration said the risk of a defeat was too high, and the president should fall back and try for passage next year.

Mr. Obama decided to press forward. By coincidence, Mr. Biden had arranged a meeting at the White House of Republican and Democratic foreign-policy notables two days later. The president dropped by the meeting and the group, which included Republican Henry Kissinger and Democrat Madeleine Albright, along with current military leaders.

All strongly backed ratification and agreed to argue for it publicly, giving life to the treaty and shifting the campaign for passage from private meetings on Capitol Hill to a public push.

U.S. probe of Gulf spill gets flak over a hire

BY SIOBHAN HUGHES

The U.S. government's investigation of undersea equipment involved in the Gulf of Mexico oil spill is itself coming under scrutiny, amid allegations that a supervisor for the doomed drilling rig has been working as a consultant in the federal probe.

The worker, Owen McWhorter, had responsibility for the blowout preventer owned by **Transocean Ltd.** in the weeks before the explosion, according to the U.S. Chemical Safety and Hazard Investigation Board.

He also apparently had a role in the investigation of the blowout preventer that is being handled jointly by the Interior Department's Bureau of Ocean Energy Management, Regulation, and Enforcement, and the U.S. Coast Guard.

Mr. McWhorter can be seen working on the blowout preventer, a giant stack of valves meant to seal off pipes in the event of a gas surge, in photographs posted on the website of U.S. Rep. Ed Markey (D., Mass.). The pictures were taken in the past month by Chemical Safety Board investigators who were on site during the probe.

The blowout preventer, owned and maintained by Transocean, didn't work as designed on April 20, when the rig exploded, causing the worst offshore oil spill in U.S. history.

"You cannot have the people that were the actors on the issue be the active members that participate in the testing of the essential equipment that is the focus of the investigation," said Rafael Moure-Eraso, chairman of the Chemical Safety Board, in an interview on Wednesday.

Mr. McWhorter, who couldn't be reached for comment, wasn't on the rig when it the blast occurred.

It isn't unusual for companies that could be implicated in a probe to provide technical advice in such investigations. A memorandum signed between the government and companies involved in the Gulf rig explosion allows them to have representatives present in the probe of the blowout preventer.

Transocean said Mr. McWhorter was requested by Det Norske Veritas, a Norwegian consulting firm with operations in the energy field that was hired by the Interior Department and the Coast Guard for help in their investigation. Det Norske Veritas declined to comment.

Mr. McWhorter did this work for Det Norske Veritas as an employee of Transocean, which said he wasn't paid separately by the Norwegian firm.

The matter was brought up by Mr. Moure-Eraso in a letter to the Interior Department dated Dec. 13.

Michael Farber, a senior adviser with an investigations unit of Interior's offshore drilling agency, responded in a Dec. 16 letter that based on its "very preliminary understanding of Mr. McWhorter's recent activities," the contracting officer has instructed Det Norske Veritas to immediately cease its relationship with Mr. McWhorter.

Congress blocks Guantanamo transfers

BY PETER LANDERS

Congress on Wednesday passed legislation that would effectively bar the transfer of Guantanamo detainees to the U.S. for trial, rejecting pleas from Obama administration officials who called the move unwise.

A defense authorization bill passed by the House and Senate included the language on the offshore prison, which President Barack Obama tried unsuccessfully to close in his first year in office.

The measure for fiscal year 2011 blocks the Department of Defense from using any money to move Guantanamo prisoners to the U.S. for any reason.

It also says the Pentagon can't spend money on any U.S. facility aimed at housing detainees moved from Guantanamo, in a slap at the administration's study of building such a facility in Illinois.

Recently, Attorney General Eric Holder sent a letter to congressional leaders calling the ban "an extreme and risky encroachment on the authority of the executive branch to determine when and where to prosecute terrorist suspects."



A watch tower overlooks the U.S. Detention Center in Guantanamo Bay, Cuba.

Republicans and some Democrats say the prison at Guantanamo Bay, Cuba, which the government has spent millions of dollars upgrading, is the most secure place to keep ter-

ror suspects.

By banning transfers to the U.S., Congress is blocking trials of detainees in U.S. civilian courts.

Proponents of the ban say mili-

tary tribunals, not civilian courts, are the proper forum for bringing to justice suspects accused of trying to attack the U.S.

Those contentions grew stronger last month when a New York federal jury acquitted a former detainee of all but one count in the 1998 bombings of U.S. embassies in Africa. The defendant, Ahmed Ghailani, still faces 20 years to life in prison.

Mr. Obama originally pledged to close the prison by January 2010. That goal has foundered amid congressional opposition, and some 174 detainees remain at Guantanamo.

At a news conference Wednesday, the president expressed renewed desire to close Guantanamo, saying it has "become a symbol" and a recruiting tool for "al Qaeda and jihadists." "That's what closing Guantanamo is about," he said, adding: "I think we can do just as good of a job housing [detainees] somewhere else."

Mr. Obama didn't discuss mention Congress's ban on transfers. He said that regardless of Guantanamo's fate, his administration is developing a legal framework for holding terror suspects indefinitely.

WORLD NEWS

North Korea launches a verbal salvo

BY EVAN RAMSTAD

SEOUL—Three days after backing off threats to attack South Korea, Pyongyang turned up the rhetoric late Thursday by promising a “sacred war” if the South or U.S. touched North Korean territory, while South Korean officials tried to address public perception of their handling of their neighbors.

The North’s renewed threats came after South Korean officials eased their own rhetoric after growing concerned that its military drills—coming after Monday’s artillery test that occurred in defiance of North Korean threats—was creating the impression that Seoul is spoiling for a fight.

The statement from North Korea—which suggested the country could use nuclear weapons, as it has in previous tirades against South Korea—shifted attention back to Pyongyang’s potential to keep northeast Asia on edge.

But it made little impact in South Korea, where people appeared to shrug off the latest salvo and instead were paying more attention to holiday shopping and travel jams.

In a tribute to North Korean dictator Kim Jong Il issued Thursday, the North’s official Korean Central News Agency threatened a “sacred war of justice” on the South, based on a “nuclear deterrent.” But the phrases—which came at the bottom of the statement—aren’t new.

North Korea has mentioned “nuclear deterrent” in at least three



No helmet for South Korean President Lee Myung-Bak as he visits soldiers in the Demilitarized Zone in Yanggu, Thursday.

other official statements since Nov. 1. Its ambassador to Cuba at the end of August described the North’s willingness to fight a “sacred war” with nuclear weapons. Two weeks earlier, the North’s news agency in two dispatches urged South Koreans to reunite under the North’s leadership to avoid “sacred war.”

U.S. State Department spokes-

man P.J. Crowley said Thursday, “We need constructive actions, not heated rhetoric” from Pyongyang.

North Korea’s state media earlier on Thursday criticized two military drills being conducted in South Korea. One involved artillery firing at the Pocheon practice range near the inter-Korean border north of Seoul. The other involved a handful of

South Korean naval ships off its southeast coast.

South Korean military officials had promoted the artillery exercise on Wednesday, saying it was the “largest in wintertime” and that it had been expanded because of heightened tensions with the North following its Nov. 23 attack on the South’s Yeonpyeong Island. But

Thursday, officials said they were surprised by the global media coverage the drill received, and they began to downplay it.

About 800 troops were involved in Thursday’s drill, up from the typical 500 to 600, said Maj. Lee Sung-jun, an army spokesman. “Because of the tense situation with the North, this drill received too much attention from the media,” he said.

Maj. Lee said South Korea’s army and air force practice at the range almost every week, and Thursday’s drill was the 48th this year.

Both of South Korea’s drills were scheduled long before the North’s attack and subsequent tension over the artillery test-firing on Yeonpyeong this week, Maj. Lee said. The South Korean military occasionally holds much bigger drills that involve tens of thousands of troops, stretch for several days and occur at multiple bases around the country.

North Korea had threatened another attack if South Korea tested weapons on Yeonpyeong, which is near the inter-Korean maritime border off the countries’ west coast. North Korea has disputed the border since the 1970s and, in explaining its attack on Yeonpyeong, claimed it controlled waters around the island that South Korea has long operated as its own.

South Korea’s military didn’t consider canceling this week’s other drills because they didn’t want to create the appearance that North Korea could influence their training, a senior government official said.

Philippines rethinks ‘holiday economics’

BY JAMES HOOKWAY

MANILA—With less than two weeks to go before Christmas this year, the Philippine government unveiled a gift to its people: Friday would be day off to mark Christmas Eve and a second public holiday, in honor of a national martyr, would be observed on Monday, Dec. 27.

The result was a windfall four-day weekend. But instead of invoking cheer, surprises of the sort are increasingly met with grumbles from Philippine business leaders, its president and even some of its heavily vacationed workers.

The Dec. 12 holiday shuffle was part of a distinctly Philippine way of handing out and scheduling days off—offering many official vacation days, and often rearranging them at the last minute to fall on the nearest Friday or Monday.

The country’s leaders have hoped the long weekends will encourage citizens to shop and travel. Former Philippine President Gloria Macapagal Arroyo embraced the strategy.

But ever since this former Spanish and American colony introduced so-called “holiday economics” a decade ago, businesses have struggled to adapt. Now a growing number of people here are pushing back.

One of the problems is the sheer number of public holidays here: 21 in 2010, compared with 11 in Singapore and nine in Vietnam.

The number of days off undercuts the Philippine government’s publicity campaigns about its economy being “open for business.” Current

President Benigno Aquino III is preparing to play Scrooge by cutting the number of holidays in 2011.

What’s more, few people seem to know when the holidays will be called until a few weeks or even days beforehand. This month’s announcements of the precise days off around Christmas in the Philippines, Asia’s only predominantly Christian country, threw many companies’ business plans into chaos.

“Because the banks are closed, I have to send off messengers to collect payment from clients,” says Roger Chua, president of online business services outfit **Web Philippines Inc.** “And as soon as a holiday is announced, the mindset of my staff changes immediately. They’re in a ‘no-work’ mode already.”

Even as other countries adopt versions of holiday economics—China has been doing something similar for years, and Thailand next year is rearranging some holidays in a similar bid perk up local spending—some economists contend the whole theory might not even work, at least not in the Philippines.

Damaris Yarcias, a consultant with the Asian Development Bank in Manila, says holiday economics encourages businesses, especially manufacturers, to stop production to avoid the overtime they would pay workers to come in on holidays. This leads to less employment and less cash circulating through the economy. “The loss in disposable income undermines any potential positive effect of longer holidays on the economy,” Ms. Yarcias says.

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WORLD NEWS

North Iraq seen as next trouble spot

BY SAM DAGHER

TUZ KHURMATU, Iraq—Now that Iraq's lawmakers have come together to form a government, ending a stalemate that left the country rudderless for months, U.S. diplomats are focusing on another divide—ethnic tensions in the north that threaten to rip the country asunder.

Parliament this week approved a partial cabinet headed by Prime Minister Nouri al-Maliki, filling a power vacuum that dates to inconclusive March polls. The breakthrough was the product of a U.S.-backed power-sharing deal, agreed to last month, that called for a unity government encompassing Iraq's main ethnic and sectarian factions.

But in Iraq's north, Arabs, Kurds and smaller ethnic groups continue to face off against each other over nearly a dozen patches of oil-rich territory that lie along a 480-kilometer arc just beyond Iraq's Kurdistan region.

Kurds, who already have a measure of autonomy, are pushing for more. Members of other groups—such as Arabs and the region's ethnic Turkmen—say Kurdish ambitions have gone too far.

Amid the standoff, about 9,600 American soldiers, accounting for about one-fifth of the total U.S. presence still in Iraq, are scrambling to keep the peace as the State Department and the United Nations try to forge a lasting political compromise before U.S. troops leave Iraq at the end of next year.

"No one knows what exactly is going to happen when we unplug completely from here," Col. Larry Swift, commander of U.S. Army forces in Kirkuk, an oil hub within the disputed area, said in an interview before his unit rotated out in early November.

The outcome of the American peace mission has ramifications across the country. Its success or failure could help determine whether Iraq splinters into several



A security patrol in September passes a checkpoint near Kirkuk, Iraq, an area where tensions remain high.

spheres of power: Kurdish, Sunni Arab and Shiite Arab. As Kurds have bolstered their power in the north, other groups, including Shiite leaders in Iraq's oil-rich south, have pushed for their own autonomy.

U.S. diplomats say Washington's No. 1 priority, following the formation of a new government, will be trying to broker a solution in the north. On Wednesday, U.S. Ambassador James F. Jeffrey said Washington is seeking authorization from the Iraqi government to maintain two temporary embassy offices in the cities of Kirkuk and Mosul. These, he said, would help "deal with the political issues up there in that very complicated area."

Underscoring the combustible atmosphere here, the region's security services are riven by competing factional loyalties. At the entrance to Tuz Khurmatu, this dusty town that

straddles Iraq's northern border and the semiautonomous Kurdish region, a barricaded compound houses an elite security team answering to Kurdish political leaders.

But the town's police chief, a Turkmen, takes his orders from the Arab-led provincial government seated in another town. The chief, Col. Hussein al-Bayati, doesn't interact with the Kurdish force, he says, accusing it of "staking claim" to the town.

The mistrust has bred violence, making the region still one of the most dangerous for American and Iraqi forces. Unlike any other place in Iraq, where the U.S. mission officially became noncombat at the end of August, Americans here still man the front lines.

Ethnic-based mistrust goes back decades here but intensified sharply after the 2003 U.S.-led invasion that

topped Saddam Hussein. For much of the past decade, Kurds, Arabs and Turkmen have battled on three fronts: over disputed boundaries across an area that is home to an array of ethnic and confessional allegiances; over control of Kirkuk; and over the fate of the region's oil and natural-gas wealth.

Kurds, pushed by their political leaders and backed up by Kurdish security forces, rushed to populate much of the disputed territories after 2003. They say they simply went back to places they were forced to flee when Mr. Hussein razed hundreds of Kurdish villages in the area in the 1970s and 1980s.

"We will not accept compromise over Kirkuk's [Kurdish] identity," Masoud Barzani, president of the semiautonomous Kurdish enclave's Kurdistan Regional Government said in a speech this month.

In Baghdad's recent power-sharing deal, Mr. Barzani emerged as a kingmaker, exacting a price from Mr. Maliki in return for Kurdish parliamentary backing for a second term. Mr. Barzani demanded the government carry out a long-delayed census and referendum on the status of contested territory claimed by both Arabs and Kurds. Mr. Maliki acquiesced.

Arabs and Turkmen say they will boycott a planned census—the first nationwide count in Iraq since 1987—citing fears that it will tighten the Kurdish political hold on the region.

All sides are watching and jockeying for position ahead of American forces' scheduled full departure next year. U.S. forces have agreed to train and equip units of the Peshmerga, a Kurdish military force, to the same level as the federal Iraqi army, which answers to Arab-dominated Baghdad.

U.S. commanders say the newly trained Kurdish forces will form a "regional guard" to patrol the disputed area and the northern borders with Syria, Iran and Turkey, alongside the Iraqi army. But ultimate control of the force remains up in the air.

American troops now man 22 joint checkpoints alongside Kurdish and Iraqi army forces. Iraqi, Kurdish and U.S. officials all applaud the measures as stabilizing, crediting the presence with reducing violence. But leaders on all sides say they're worried about the looming American withdrawal next year.

Brig. Gen. Turhan Abdul-Rahman, Kirkuk's deputy police chief, is a Turkmen and a steadfast ally of the U.S. He says the Americans' timetable in Iraq is out of synch with the patience required to tackle the conflict.

"They want to help us," he says, referring to American soldiers rotating into Iraq. "They need time to understand the matter, but unfortunately they leave by the time they understand."

Amid violence, Iraq Christians mark holiday quietly

BY SAM DAGHER

MOSUL, Iraq—The leader of Iraq's largest remaining Christian communities is preparing for a subdued Christmas, marked by a renewed exodus of Iraqi Christians from their historic Middle Eastern home.

Christmas festivities in Mosul, an ancient center for Christianity in Iraq's north, as well as in Baghdad are being shunned in favor of prayers and masses to protest the relentless targeting of Christians, especially in Mosul, one of the most volatile cities in Iraq. Chief on worshipers minds will be victims of a church siege in Baghdad at the end of October that killed nearly 60 people.

Iraqi extremists have targeted Christians and symbols of their faith repeatedly since the 2003 U.S. invasion of Iraq that toppled Saddam Hussein and sparked a near civil war between Sunni and Shiite Muslims. The country's relatively peaceful political transition and the approval of a new government this week haven't lessened the sense of persecution among Christians, according to Archbishop Amel Shamon Nona, who

leads the Chaldean Diocese of Mosul.

"These are the worst and most perilous times" for Christians, Archbishop Nona said during a recent interview.

Since the end of October, almost 1,000 Christian families have fled Baghdad and Mosul to the relative safety of the northern Kurdistan region and the adjacent Nineveh Plain, which is also under de facto Kurdish control, according to a statement issued last week by the office of the United Nations High Commissioner for Refugees. The UNHCR said that between the start of November and last Friday, 400 more Iraqi Christians had fled to neighboring Jordan and Syria.

Among the 500,000 Christians left in Iraq, the Chaldean archbishop is a towering figure. Chaldeans, an Eastern rite of the Catholic Church, not only account for two-thirds of Iraq's remaining Christian population, but Archbishop Nona filled a position left vacant when his predecessor in Mosul was kidnapped and killed.

Archbishop Nona was ordained at the start of 2010, almost two years after al Qaeda-linked militants kidnapped Paulos Faraj Rahho as he

celebrated mass at a Mosul church. Archbishop Paulos died in captivity in March 2008.

Christian families and businesses remain under threat. Hundreds of Christians have been killed or kidnapped for ransom over the past seven years in Mosul, and al-Qaeda linked militants are often accused as the perpetrators. Over the span of two weeks last month, five Christians were killed in the city.

Residents of one Christian village have surrounded the town with a trench and posted guards at entrances.

Ashwaq Edwar said masked gunmen stormed into her home in mid-November and shot and killed her husband, Nabil, and left after taking his ID and a cellular phone. Later that day a Christian neighbor, Nashwan Khoder, was killed in a similar manner. "They turned my life upside down," wept Mrs. Edwar, who now cares for her two children alone.

Attackers also recently targeted

Christian brothers Raad and Saad Hanna, shooting them at the foundry where they worked. One died instantly and the other bled to death on the factory floor because co-workers were too terrified to help, say several Christian community leaders with knowledge of the incident.

Sarmad Warda, 40, a TV producer and a Christian political activist, fled Baghdad in 2005 with his family to Karamles, one Christian village outside of Mosul, when Christians were being threatened and driven out of several neighborhoods by Sunni extremists. Now, he says nowhere in Iraq is safe.

Residents of Karamles have surrounded their town with a trench. Private guards armed with AK-47s watch all entrances to the village.

"Nothing encourages you to stay," Mr. Warda said as he packed his bags to leave for Canada with his family. "Christianity is nearly extinct in Mosul and the same is happening in Baghdad."

The Iraqi government has tried to calm Christian unease with assurances of protection. Over the last few weeks, security forces have paraded captured men they allege are

Al-Qaeda-linked militants responsible for the recent attacks against Christians both in Baghdad and in Mosul, and those supposedly planning new ones.

The U.S. military has called some of these arrests "valid." A U.S. commander said Christians remain a preferred target for attention-seeking militant groups in Iraq, the reasoning being that such attacks usually provoke an outcry from Western governments and media outlets.

Archbishop Nona says he is worried about the growing viciousness of the attacks against Christians. "The same scenario just keeps repeating itself, but the methods of killing and targeting are becoming more sophisticated," he said.

Despite the wave of recent arrests, mistrust remains high that the government has the ability to keep Christians safe. Hundreds of Christian students from towns and villages on the outskirts of Mosul have stopped attending the main university in Mosul despite offers by the Iraqi army to bus them in and out.

"We just do not trust them anymore," said student Anwar Matti, 26, a native of Qaraqosh, east of Mosul.