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BUSINESS AND FINANCE 19

# THE WALL STREET JOURNAL

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EUROPE

Tuesday, February 16, 2010

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**A deadly crash derails transportation services across borders**



The head-on collision of two commuter trains outside Brussels killed at least 18 and will disrupt international rail traffic into the capital for days. Article on page 5.

## EU wary of more Greece support

BY CHARLES FORELLE

BRUSSELS—Greece's finance minister said righting the country's unbalanced budget was a giant task, while euro-zone ministers meeting here gave little sign they would adopt more concrete measures to aid the troubled country.

Finance Minister George Papaconstantinou said efforts to repair Greece's precarious financial condition were akin to "changing the course of the Titanic".

Greece remains atop the agenda for both the euro-zone finance ministers, whose Monday meeting stretched late into the evening, and the wider group of all 27 European Union finance ministers, who meet Tuesday.

Last week, the EU's political leaders tried to mollify skittish markets by saying other members of the bloc would come to Greece's aid "if needed." But, not wanting to reduce pressure on Greek to push through tough budget measures like civil-service pay

Please turn to page 4

# Afghan offensive proceeds, in battle and broadcasts

BY MATTHEW ROSENBERG

NAD ALI DISTRICT, Afghanistan—Military commanders braced for stiffer Taliban resistance in the southern town of Marjah as their forces pushed ahead with the first major test of the new U.S. war strategy.

But they said efforts to win assistance from the local population were bearing fruit, despite the deaths of 12 civilians Sunday.

Coalition forces, which began the Marjah offensive to little resistance early Saturday, were engaged in several gun battles Monday in some sections of the sprawling town.

U.S. and Afghan commanders described the increased

skirmishes, typically involving Taliban snipers, as part of an attempt by the Taliban to make it seem as if coalition troops were getting bogged down despite their superior numbers.

The coalition advance also has been slowed by more mines and hidden bombs than expected, delaying plans to roll out a readymade civilian administration that will start pouring in millions of dollars in aid to the area.

"They're going to start poking back at us to prove it won't work," said U.S. Army Gen. Stanley McChrystal, the commander of foreign forces here, on a visit to an outpost manned by British and Afghan soldiers north of where the heaviest fighting is taking

### Slow advances

- Marines send reinforcements to a beleaguered outpost ... 9
- A lucky Marine survives a bullet to the head ..... 8

place.

How long the Taliban might be able to slow the offensive remained unclear. Intelligence reports indicated the few hundred insurgents who were still fighting the thousands of U.S., Afghan and British troops in and around Marjah were low on food and ammunition and holed up in increasingly small pockets in the north end of town and near the center.

Marines in the city also re-

ported that a mid-level Taliban commander had arrived in the past few days with orders from Taliban elders in Pakistan to evacuate fighters who could escape.

To evade the allied cordon around the town, some insurgents were donning the head-toe burkhas worn by Afghan women, the reports said.

Afghan Interior Minister Hanif Atmar said some insurgents had already fled the area in advance of the offensive, most likely south to Pakistan.

But coalition officials said they were also trying to confirm reports that 100 to 120 Taliban fighters had crossed over from havens in Pakistan in a bid to reinforce Marjah.

As the offensive—the larg-

est in Afghanistan since the invasion began in 2001—moved through its third day, coalition and Afghan officials redoubled their efforts to win over the town's population.

The offensive is, in many ways, a distillation of a counterinsurgency doctrine that Gen. McChrystal and his team have been shaping since arriving in Afghanistan last summer.

The strategy publicly puts protecting Afghans first and emphasizes the role of governance and effective civilian administration, while special forces work to pick off hard-core Taliban insurgents.

The strategy also plays up the role of Afghanistan's

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### The Quirk



Snakes alive. Mutant boas and pythons face a bear market. Page 29

### Editorial Opinion

Greece's debt crisis could drag the entire euro zone down with it. Page 13



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## PAGE TWO

# Time to remove the mask from debt

## [ Agenda ]

BY PATIENCE WHEATCROFT



Greek mythology gave Hades, the god of wealth, the useful addition of a helmet that could make him invisible. Modern Greece seems to have found a financial equivalent, a piece of equipment that can make debts disappear.

But while gods may be able to work miracles, most magic, as cynical 21st-century dwellers know, is down to sleight of hand and clever props.

So while Greece appeared to have been able to reduce the level of its borrowings by deploying some complicated derivatives trading, in actuality, it hadn't.

As is now all too apparent, the country's borrowings have taken it to crisis point, but the true level of debt was masked with some fancy transactions that kept the nasty truth from the nation's balance sheet.

No wonder that a majority of Germans, according to the latest opinion poll, want Greece to be expelled from the euro zone rather than receive any bailout involving their money. Why, they might rightly wonder, should they risk putting their cash into a country equivalent to Enron.

Enron took off balance sheet accounting to previously unimaginable extremes, with the result that, when it eventually collapsed, it had amassed total debts of \$40 billion. The story of its demise is now the subject of a rollicking play that has been a sell-out in London and opens on Broadway in April. The play is entitled "Enron" and ably conveys how clever those devising the financial engineering felt themselves to be.

They certainly managed to dupe investors for several years. Similarly, Greece has been misleading the rest of the world for quite a while.



Why should people risk putting their cash into a country equivalent to Enron?

The current government has acknowledged that the previous regime was unduly optimistic, with its forecast that the 2009 deficit would be 3.7% of gross domestic product. That the outcome is now put at 12.7% raises the question of when misplaced optimism becomes active misleading, an issue which is currently causing some embarrassment for Manolis

## The fact is that Greece isn't alone in indulging in off-balance sheet accounting.

Kontopirakis, the former head of the country's National Statistical Service. He suggests that the Finance Ministry had tried to exert undue political influence over the statistics office. If this were the case, Mr. Kontopirakis wouldn't be the first national statistician finding himself under pressure to flatter the figures. Not so long ago the U.K.'s Office of National Statistics was heavily criticized for its apparent tendency to bow to the views of the Treasury with the result that the numbers looked better than they might otherwise have.

Now Eurostat, the official statistical office for the European Union, says it will be taking a

close look at the derivatives deals done with investment banks which allowed Greece to borrow in the guise of currency trading. But the fact is that Greece isn't alone in indulging in off-balance sheet accounting.

As the U.K.'s Chancellor of the Exchequer, Gordon Brown was a master of Enron-style accounting, embarking on a massive spending spree which appeared to acquire assets for the country without denting the balance sheet. This was the wonder of the Public Finance Initiative, under which the country committed to heavy payments for many years to those who built the new schools, hospitals and roads that Mr. Brown required. The deals, often expensive, avoided a big hit on the balance sheet but left the country with a heavy burden for years to come.

Then there is the crippling commitment to paying public-sector pensions, a liability of an estimated £1 trillion that doesn't feature on Britain's balance sheet, but which is as obvious a debt as any borrowing from a bank could be.

The likelihood is that much of Europe has been practicing a bit of prestidigitation when it comes to producing accounts. Investment bankers may have been ready and willing to help, in return for a fat fee, but they needed willing clients. Politicians trying to con their electorates and the bond

markets would be wonderfully susceptible.

Whatever Eurostat finds as it delves a little more deeply into Greece's affairs, the pressure for more honesty and transparency in national accounts is now likely to mount.

## IPO market isn't dead, just very suspicious

Despite the fact that several planned company flotations have been abandoned recently, there are still some brave souls prepared to test the market. They take the view that investors have the available cash, they just want to be offered an attractive place to put it. That may not be one of the businesses that private-equity houses have loaded with debt and are now anxious to be rid of, at a profit if possible.

The saga of department-store group **Debenhams** weighs heavily on the minds of many U.K. investors. The shares currently stand at around a third of the price at which they were floated in May 2006. The private-equity vendors did very well out of the flotation but not the investors who backed it. The debt burden it had been loaded with as the private-equity firms took out their capital has proved overly onerous.

But its difficulties shouldn't mean investors have lost their appetite for retail in general, and one of the companies now planning an IPO is set to test that. **Super Group** is coming to market devoid of private-equity involvement or even debt. It is a niche business that has been built up on the strength of one brand: Superdry.

Its street fashions aren't noticeably radically different from very much else that is available on the high street but it has created a brand with high levels of devotion among its target market. Now, cleverly, it is marketing its share sale through its Web site, offering those who love the brand the chance to have a part of it. This will be a real test of brand loyalty.

## What's News

■ **The dollar's rebound** against the euro has thrown a monkey wrench into any trades hinged on dollar weakness, like bets on rising commodity prices. Negative positions on the euro have jumped, and UBS said its clients are selling the euro on a "massive" scale. 19, 23

■ **The IMF said it believes** Hungary can achieve its 2010 budget-deficit target but added that the nation must strictly control spending. 4

■ **Europe's top executives** received an average bonus roughly equal to their salary in the latest financial year, according to a survey. 6

■ **The pledges that nations** have made to reduce emissions fall short of what is needed to reach a key target, an IEA study found. 6

■ **L'Oréal's profit fell 8.2%** in 2009, a year when the cosmetics giant shifted focus to reach less-affluent consumers and lost market share. 22

## Inside



Coming out: City of London is a haven of gay tolerance. 27



On the edge: Military helps Olympic skaters stay sharp. 28

## ONLINE TODAY

### Most read in Europe



1. Luger Who Died Was Terrified of Track
2. Greek Tragedy Changed Europe
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4. Hearts Actually Can Break
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4. Opinion Europe: Only Supply-Side Reforms Can Save Greece
5. The Weekend Interview: 'A Churchillian Defense of Markets'

### Iain Martin on Politics

[blogs.wsj.com/iainmartin](http://blogs.wsj.com/iainmartin)

"How does one deal with the life story of Brown without some attempt to grapple with economics?"

Iain Martin on Piers Morgan's TV interview with Prime Minister Brown



### Continuing coverage



Get updates on the joint offensive in Afghanistan, including timelines and maps, at [wsj.com/world](http://wsj.com/world)

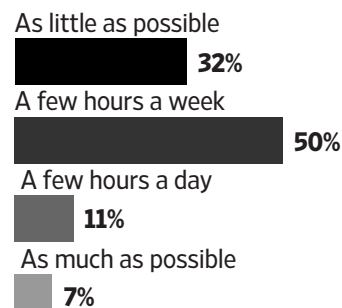
### Question of the day

**Vote and discuss: Should Olympic officials move to slow luge speeds?**

Vote online and discuss with other readers at [wsj.com/dailyquestion](http://wsj.com/dailyquestion)

### Previous results

**Q: How much of the Olympics will you watch?**



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NEWS

# Why 10000 still has that magic

Special relationship with round numbers

By CARL BIALIK

When the Dow Jones Industrial Average closed at more than 10000 for the first time, in March 1999, the chairman of the New York Stock Exchange and New York City's mayor gavelled the session to a close, then threw hats that read "Dow 10000" to traders on the exchange floor.

This past week, as the Dow again flirted with 10000—it finished Friday 99 points above the benchmark—the round number no longer inspires celebration, but still makes headlines. Why should investors care more about a rise from 9900 to 10000 than one from 9800 to 9900?

**THE NUMBERS GUY** Arbitrary milestones pervade economics, finance and everyday matters. Foreign-exchange markets can rattle national confidence when one country's paper money threatens to drop below parity with a rival's, which is a meaningful threshold because it is felt in the portfolios of those swapping currencies. It's less clear why double-digit inflation and unemployment should carry more political weight than rates just less than 10%, particularly given the controversies about how the numbers are calculated.

The milestones are the result of our brains' attempts to impose order and assign categories to numbers that vary continuously. "You have to be able to draw some emotion or feeling from information in order to understand it," says Paul Slovic, professor of psychology at the University of Oregon.

Some arbitrary cutoffs are needed in order to make business decisions. The worst BBB- rated bond is hardly better than the best BB+ rated one, yet the former is investment grade and the latter junk.

When unemployment hits 10%, it means one in 10 people who want to work can't find jobs, more or less, but when the Dow hits 10000, it isn't clear what it means.

Such milestones "are just round numbers that catch people's attention," says John Prestbo, editor and executive director of Dow Jones Indexes, which includes the industrials. "These are all just notches on the measuring stick." (The indexes are owned by News Corp., the publisher of The Wall Street Journal. News Corp. has agreed to sell the indexes to CME Group Inc.)

And yet there is evidence that round numbers in stock prices and indexes do matter, because such round numbers catch people's attention and influence trading decisions.

Professor Lukasz Pomorski, of the University of Toronto, found that a stock price passing a multiple of \$5 is a sign of better future returns than a similar percentage rise in a stock that didn't pass such a round-number threshold. He theorizes that certain portfolio managers categorize stocks based on multiples of \$5, and won't consider investing below such thresholds. "A \$5 or \$10 cutoff level is very arbitrary," he says.

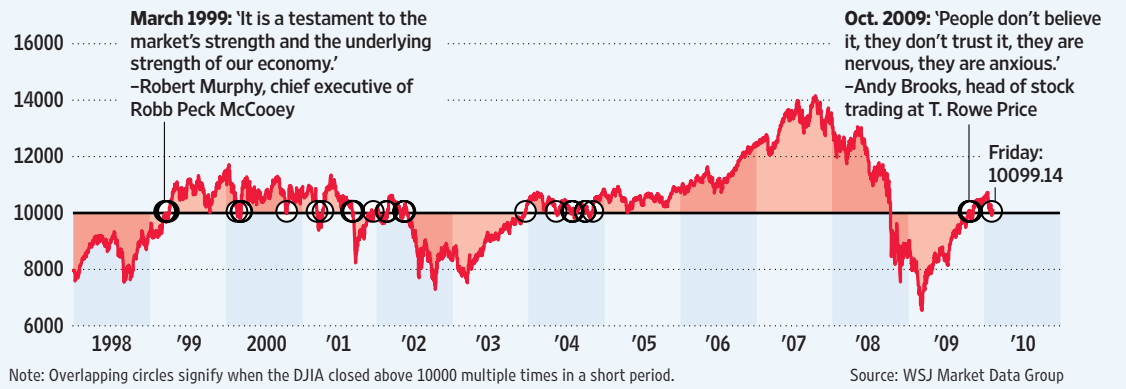
"Round numbers loom large in people's consciousness," says Carol Osler, of the Brandeis International Business School. She notes that this may extend back to when counting was manual and five and 10 fingers

were natural units. Mark Zandi, chief economist of Moody's Analytics, finds it helpful that such numbers can grab attention and galvanize reaction. "If we were perfectly rational beings, it shouldn't make a difference whether unemployment is 9.7% or 10% or 10.3% before we decide what to do. But we're not."

## Much ado about nothing

Many investors notice when the Dow Jones Industrial Average passes round-number thresholds, but their reactions aren't always consistent.

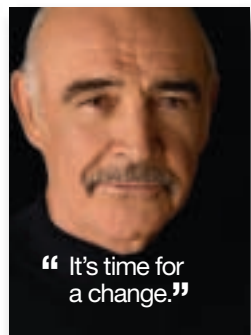
When the DJIA closed above the 10000 level:



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## EUROPE NEWS

# IMF says Hungary can meet target

Nation must strictly control spending and be careful with reserves to achieve budget-deficit goal of 3.8% of GDP

BY MARGIT FEHER  
AND VERONIKA GULYAS

BUDAPEST—The International Monetary Fund believes Hungary can achieve its 2010 budget-deficit target, but the country must strictly control its spending and use its budget reserves cautiously, the head of the fund's delegation to Hungary said.

The cautious endorsement came in a news conference in which Hungary, the first European Union country to secure IMF support during the financial crisis, said it won't tap any more of its loans with the fund.

James Morsink, head of the IMF's delegation to the country, said that thanks to fiscal measures carried out since it secured a €20 billion (\$27.2 billion) joint credit line from the IMF, the EU and the World Bank in October 2008, Hungary has built up credibility on financial markets, allowing it to better withstand market shocks.

The government believes its 2010 budget deficit target of 3.8% of gross domestic product is attainable as long as fiscal policy remains disciplined, Finance Minister Peter Oszko said. The IMF's review was the last before Hungary's elections, due in April.

Opposition party Fidesz, which has said that the consolidation of public transport companies' debt could push the 2010 budget shortfall to more than 7% of GDP, is widely expected to win. The IMF has said that it won't tolerate such a wide



Hungary will hold elections in April. At left, a man in Budapest walks in front of a billboard of the new Hungarian political centrum party that reads, 'Politics can be different!'

budget gap, which could raise the risks associated by investors with the country.

"We did meet Fidesz," the IMF's Mr. Morsink said. "Fidesz understood the importance of fiscal discipline to [financial] markets and intends to reduce the deficit over time. It also intends to cooperate

with the IMF and the EU," he said.

But he warned that Hungary will definitely need further fiscal measures to reduce its budget deficit below 3% of GDP in 2011.

Also Monday, Hungary said it won't draw on its remaining €6 billion credit line from the IMF, planning instead to continue to finance

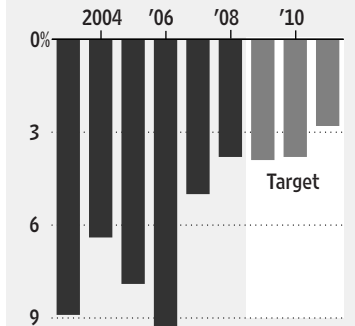
its public debt from the international debt markets.

At the same time, Hungary improved its forecast for this year's contraction in GDP.

It now expects the economy to shrink 0.2%, compared with a gloomier forecast of 0.3% previously.

## Gaining credibility

Hungary's standing in the markets hinges on the level of its budget deficit. Annual deficit as a percentage of GDP



Source: Hungarian Finance Ministry

The revision reflects a better outlook for demand for Hungarian exports, as opposed to a recovery in domestic demand, Mr. Oszko said.

The IMF review also found that Hungarian commercial banks have a strong capital position and their liquidity position is adequate in terms of forint and foreign-exchange liquidity, National Bank of Hungary Gov. Andras Simor said.

The review also concluded that Hungary's capital market authority has been strengthened and become more independent, meeting a requirement in the initial credit agreement, Mr. Simor said.

## Greece stays focus of EU finance chiefs' meeting

Continued from first page cuts, they gave few details and said nothing was imminent.

Elena Salgado, the Spanish finance minister, said Monday that there wouldn't be any announcement of a detailed bailout plan after Monday's meeting.

The comments of Mr. Papaconstantinou and his EU colleagues reflect the delicacy of the situation in Greece. Few in Europe are keen to bail the country out, and at minimum Greece's EU brethren want to make sure the government sweats through hard decisions before any aid is handed out.

There is wide dismay in Europe not just over Greece's profligacy but also over poor statistical methods that masked the true extent of its condition. The EU statistical office issued a stinging critique last month of Greek financial data, and an EU spokesman said Monday the office has demanded additional information on how Greece employed currency swaps to manage its debt. In recent days, newspaper reports have suggested that Greece used swaps and other instruments to effectively lower the amount of debt it reported on the government balance sheet.

Markets are paying close attention to the Brussels talks. European leaders have made clear that Greece's problems will be handled by Europe—indeed, by the euro-zone—and have brushed off talk that the International Monetary Fund could step in.

But a bailout for Greece is deeply unpopular among thrifty Germans.

As Europe's largest and most stable economy, Germany would bear a large share of the cost of any rescue. There is also fear that a rescue of Greece could be just the beginning. Public finances are also weak in Portugal, Spain and Italy.

At their meetings Monday and Tuesday, finance ministers are expected to discuss potential scenarios and what kind of aid could be extended. Options include loan guarantees, purchases of government debt or direct loans.

But ministers are also expected to lean hard on Greece to solve its own problems. Greece has outlined a plan to cut its budget deficit—last year around 13% of its gross-domestic product—by four percentage points of GDP this year. "We have to check if this is possible," said Luxembourg prime minister and finance minister Jean-Claude Juncker, who is the chairman of the euro-zone ministers' group.

If Greece's plan isn't enough, he said, extra steps may be needed.

Mr. Juncker's words largely mirror the generally vague statements made by EU leaders last week. The lack of precision has left markets rattled. Monday, investors continued to shun the euro, which is off about 5% against the dollar since the beginning of the year. Monday afternoon in Europe, it dipped below \$1.36 before rising slightly.

Also Monday, Berlin rejected the idea, advanced by some commentators, that a **European Monetary Fund** be set up to aid troubled euro-zone countries—as the IMF does the wider world. A spokesman for the



Luxembourg Prime Minister Jean-Claude Juncker, French Finance Minister Christine Lagarde, center, and Spanish finance chief Elena Salgado, right, at a meeting Monday in Brussels.

German finance ministry said such a fund wouldn't tackle the causes of Greece's problem.

Greece has, for years, run budget deficits in excess of euro-zone limits and stacked up government debt estimated to be equivalent to 113% of its gross-domestic product.

Monday, the EU's executive arm said its statistical agency has demanded more information from Athens about how it designed and accounted for currency swaps related to debt transactions.

An EU spokesman, Amadeu Altafaj Tardio, said currency swaps were "not forbidden as such" provided that "underlying exchange rates are

calculated from normal market" values. He said statistical authorities had not been informed about Greece's use of swaps.

The request for information follows articles in *Der Spiegel* and *The New York Times* that suggested Greece had used swaps to reduce the appearance of government debt on its books.

When a country borrows money in a foreign currency, it may also enter into a swap to avoid foreign-exchange risk. Such a swap would typically ensure that the country has to pay back more or less the same amount that it borrowed in its national currency, regardless of how

the foreign currency performs over the period of the loan. The country would pay a premium to pass off this risk.

But questions arise when the swap is structured so that the country can pay back less in national currency at the end of the loan. In effect, the country pays extra for the swap so its debt burden can look smaller.

"The kind of derivatives contracts reported by some newspapers were legal at that time," Greece's finance minister said, according to **Reuters**. "Greece was not the only country to use them... They were made illegal, [and] we have not used them since then."

At their meeting Monday, the euro-zone ministers voted in a new vice-president for the European Central Bank. Portugal's central bank Governor Vitor Constancio was nominated late in the evening. The choice of Mr. Constancio gives an edge to German central-bank chief Axel Weber in the race to succeed Jean-Claude Trichet, whose eight-year term as president of the ECB expires in October 2011.

While there's no quota system for top ECB posts, there's a preference for geographic balance. Mr. Weber's top rival for the job is Italian central banker Mario Draghi. Like its fellow southern nation Portugal, Italy has a long history of lax fiscal policy, and its debt load is among the highest in the euro zone.

—Matthew Dalton, Alessandro Torello, Andrea Thomas and Geoffrey T. Smith contributed to this article.

EUROPE NEWS



Reuters

Rescuers recover injured victims from Monday's train collision outside Brussels.

# Train collision kills at least 18

*Belgian crash snarls European rail traffic*

By JOHN W. MILLER

BRUSSELS—Commuter trains collided head-on outside Brussels Monday, killing at least 18 people, injuring more than 100 and cutting off international rail traffic into the European capital for days.

The collision occurred at a point where Europe's high-speed network locks into Belgium's commuter grid, authorities said. Belgian investigators said they would spend "two or three days" inspecting the crash site before traffic is allowed to resume.

The collision involved a train with 12 cars going cross-country from Quiévrain, near the French border, to Liège in eastern Belgium, and a smaller shuttle service with six cars traveling between the medieval town of Leuven and the Brussels suburb of Braine-le-Comte. Jochem Goovaerts, a spokesman for the national rail service, said one of the trains ran a red light, but didn't specify which train. He said it was too soon to offer more precision about what happened.

The collision threw the trains high off the track, snapping power lines and spewing metal and other debris. Roughly half the passengers were injured or killed. Around 150 others emerged unhurt.

International train companies rushed to set up bus lines to make up for interrupted rail routes. Eurostar SA canceled its London-to-Brussels rail service, forcing passengers to fly, drive or wait until Tuesday, when they could take a train to Lille and a bus onward to Brussels.

"We are advising passengers to find other ways to Brussels or cancel their trips," said Eurostar spokeswoman Aude Criqui. Eurostar offered refunds or credits toward other tickets.

Trains between Brussels and Paris, and Amsterdam and Cologne, Germany were also shut down. Bel-

gian authorities set up bus lines for commuters.

Europe's sophisticated high-speed rail network, though far safer than its roads, is still vulnerable to breakdowns in older local infrastructure. The venerable train stations of big European cities, such as South Station in Brussels, all have local tracks for the few miles between the station and the high-speed rail connections that start in the suburbs.

New stations, such as those in Lille, France; or at Saint Pancras, London, have built-in high-speed tracks made with higher-quality steel; they don't allow freight trains and are equipped with modern control systems.

Rail infrastructure, however, is very costly, and train travel remains far safer than road transport, so there is less incentive to replace the older elements of the rail network, say industry officials. Belgium's local trains and tracks were last replaced in the 1970s and 1980s.

Belgian authorities said the tracks where the crash occurred were equipped with a system meant to force trains running red lights to brake, but that not all trains, including this one, had been outfitted with proper equipment.

Monday's crash shook this small nation, where rail service is considered a national treasure. Belgium was the third country in the world to get passenger rail, in 1835, after the U.S. and the U.K.

Prime Minister Yves Leterme ordered his plane to return to Belgium moments after it landed in Kosovo on a diplomatic trip. He visited the crash site on Monday afternoon with King Albert II.

The accident recalled a similar tragedy in Belgium nine years ago, when eight people were killed when a conductor led his train up the wrong way of a one-way track.

## Pope meets Irish bishops on abuse cases

Associated Press

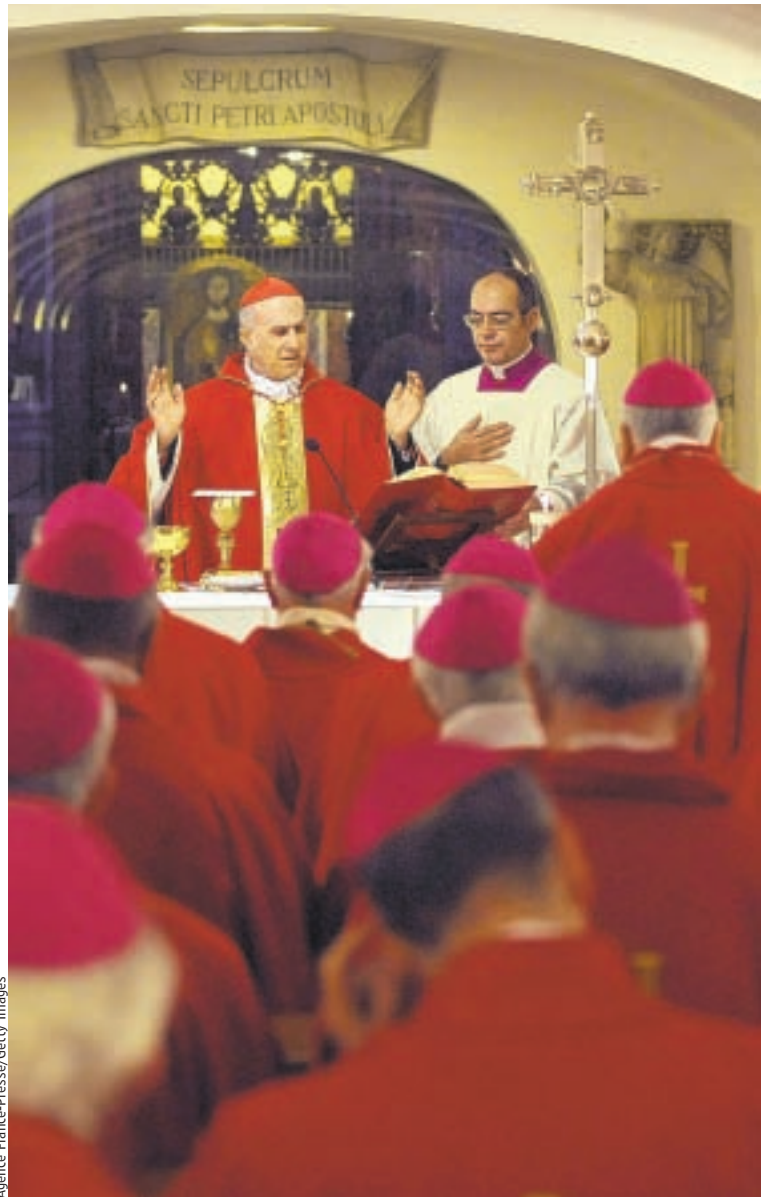
A summit between Irish bishops and Pope Benedict XVI opened Monday in what Ireland's top bishop called a first step toward repentance for the Irish church's sex-abuse scandal.

The delegation's top member, Cardinal Sean Brady, archbishop of Armagh and primate of all Ireland, told Vatican Radio the two-day meeting was part of a "journey of repentance, reconciliation and renewal" for the Irish Church.

An investigation last year revealed that church leaders in Dublin had spent decades protecting child-abusing priests from the law while many clerics turned a blind eye. A separate report in Ireland released months earlier documented decades of sexual, physical and psychological abuse in Catholic-run schools, workhouses and orphanages.

Clogher Bishop Joseph Duffy said resignations weren't on the agenda in Rome, despite victims' demands that clerics who played a role in concealing pedophile priests step down. The 24 bishops went one by one to the pontiff and kissed his hand in a sign of fraternal respect in the first of two sessions on Monday.

The Holy See has said it would comment only after the summit ends Tuesday afternoon, after which the bishops will return to Ireland for Ash Wednesday penance services.



Vatican Secretary of State Tarcisio Bertone, center, at Mass with Irish bishops.

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## EUROPE NEWS

# Georgia seeks return of luger's body

Family plans funeral in Olympian's hometown after fatal crash in Vancouver; father bristles at talk of lawsuit

BY SAMANTHA SHIELDS

TBILISI, Georgia—Georgian officials said Monday they were working to return the body of luger Nodar Kumaritashvili to his mountain hometown for burial in a cemetery beside its small Georgian Orthodox church.

Mr. Kumaritashvili died in a training accident hours before the opening of the Winter Olympics on Friday when he lost control of his luge at the Whistler Sliding Centre and hit a steel support at 145 kilometers per hour (90mph).

"The funeral could be in two or three days but nothing is clear yet," said David Kumaritashvili, the luger's father.

The athlete will be buried in Bakuriani, the quiet ski resort where he lived all of his 21 years and became a local hero. The town of about 3,000 inhabitants, set high in the Caucasus Mountains about 175 kilometers west of Tbilisi and surrounded by fir-covered peaks, is a close-knit community and expects a deluge of mourners.

The International Luge Federation blamed the fatal crash on the luger, saying he had failed to compensate properly when he slid into the curve. But the federation's chairman, Josef Fendt, said Saturday that the track was faster than its designers intended. Olympic officials have shortened it to slow the lugers and altered it to keep them on the track if they crash.



David Kumaritashvili on Monday shows a photo of his son, Nodar Kumaritashvili, the Georgian luger killed in Vancouver.

David Kumaritashvili declined to be drawn into the controversy and bristled at a reporter's question on whether the family might sue to

hold officials responsible for his son's death.

"What lawsuit? What kind of a person would do that?" he asked.

"My son is dead and that wouldn't bring him back."

Georgia, a nation of fewer than five million people, has no embassy

in Canada, so its foreign ministry is working with its Olympic delegation in Vancouver and embassy staff in Washington to arrange to fly Mr. Kumaritashvili's body home.

Georgian Orthodox tradition dictates a mourning period of as long as a week before burial.

"Our people are doing their best to make the wait for the family as short as possible," said Ia Makharrashvili, a ministry spokeswoman.

Georgia's recent Olympic history has been somber, and the next Winter Olympics will bring a reminder of the country's brief 2008 war with Russia. That conflict, over the breakaway Georgian region of South Ossetia, erupted just before the opening ceremony of the Summer Olympics in Beijing and, for Georgians, cast a pall over the Games. Russia had backed secessionists in South Ossetia and another Georgian region, Abkhazia.

Georgia's athletes decided to stay and compete in Beijing, winning six medals, including three golds.

After their teammate's death in Canada, seven Georgian athletes marched wearing black armbands in Friday's opening ceremony. They have yet to win a medal.

The 2014 Winter Olympics will be held in the Russian Black Sea resort of Sochi, 19 kilometers from the border with Abkhazia.

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## IEA doubts CO<sub>2</sub> pledges

BY GUY CHAZAN

The pledges that countries have made to reduce their CO<sub>2</sub> emissions "fall short" of what's needed to reach a key target set at the Copenhagen climate summit last year, according to a study by the International Energy Agency.

The so-called Copenhagen Accord hashed out at last December's United Nations summit said the increase in global temperature "should be below 2 degrees Celsius," and many climate scientists say that failing to meet that target would have dire consequences for the environment. But the IEA says the commitments made so far won't be enough to keep the temperature rise to 2 degrees.

The news comes amid growing skepticism that the next big United Nations-sponsored climate conference—due to be held in the Mexican

resort of Cancun at the end of the year—can deliver a legally binding deal on curbing emissions.

The IEA's chief economist Fatih Birol said that, for now, the prospects for a deal in Mexico look bleak. "Unfortunately, the wind is not necessarily blowing in the right direction," he said in an interview.

The pessimism also comes as the climate-change world continues to be roiled by an incident late last year, when more than 1,000 e-mails—hacked from the Climatic Research Unit at the University of East Anglia—were posted on the Internet. Some of the emails suggested attempts to suppress or manipulate data, and Prof. Phil Jones stepped aside as the center's director.

Mr. Birol's comments, meanwhile, parallel similar efforts by U.S. officials to lower expectations ahead of Mexico following the failure at Copenhagen to agree on a full-blown treaty. Last week, U.S. climate envoy Todd Stern said Mexico shouldn't be considered a failure if it didn't result in a legally binding climate agreement. These downbeat assessments have been fueled by increasing concern at the stance adopted by developing nations, particularly the so-called BASIC countries—Brazil, South Africa, India and China—which together account for 30% of the world's emissions of heat-trapping gases.

Mr. Stern said last week that some of the submissions made by developing nations under the Copenhagen Accord on how they planned to cut their emissions "have been a bit ambiguous".

In recent weeks, ministers in In-

dia have stressed the accord is nothing more than a "catalogue of voluntary commitments," rather than obligations. The U.S., in contrast, seeks to build on the Copenhagen deal to a full-scale U.N. treaty.

"They're sending out signals—yes, the Copenhagen Accord is fine, and in some ways it may be a framework, but it's by no means a legally binding agreement," said Louis Bono, a counselor on energy and environment at the U.S. mission to the European Union, who was speaking at a conference in London.

Under the Copenhagen Accord, countries had to send in their plans for achieving the goal of a temperature increase of no more than 2 degrees by Jan. 31, though the deadline was flexible and the targets non-binding. The accord also set a goal of \$100 billion a year in aid for developing nations to help them adapt to and fight climate change.

So far, some ninety-six countries representing more than 80% of global carbon emissions have handed in their pledges.

But the IEA, which advises industrialized nations on energy policy, has calculated that all the action plans submitted so far won't stabilize the long-term concentration of greenhouse gases in the atmosphere at 450 parts per million of CO<sub>2</sub> equivalent—a level that would translate into a 2 degree temperature increase.

"The pledges made so far mean 550 parts per million and result in a three degree increase in temperature," Mr. Birol said. "That's much higher than many countries would like to see."

## For Europe's CEOs, no lack of bonuses

BY WILLIAM LYONS

Europe's top executives received an average bonus roughly equal to their salary in the latest financial year, according to a new survey that warns that some companies may end up paying large bonuses despite reporting a fall in profits.

The findings, from a report on remuneration by **Hewitt Associates**, show that Europe's chief executives took home an average salary of €1.2 million (\$1.6 million) in the 2008 or 2009 financial year, while their bonuses were about the same.

The report, which analyzed data from Europe's largest 100 companies to ascertain the impact of the downturn on pay structures, warns that while executive pay has been moderated, there is likely to be a fresh round of controversy over annual bonuses as the next reporting season gets under way.

Many companies, it says, will have set performance targets for 2009 based around budgets set during the dire predictions of late 2008. Given that the recession may be less severe and shorter than some predicted, companies may end up paying maximum bonuses while delivering lower absolute levels of performance than in 2008.

According to the report, actual bonuses earned by all top executives in 2008 or 2009 were around 100% of salary, with 58 companies disclosing a cap on individual bonuses in their annual bonus plan. Nearly

### Who earns what

Median chief-executive base salary by location

|             |               |
|-------------|---------------|
| Spain       | €1.93 million |
| Italy       | 1.72          |
| U.K.        | 1.31          |
| Germany     | 1.18          |
| U.S.        | 1.08          |
| Benelux*    | 1.06          |
| Switzerland | 0.99          |
| France      | 0.93          |
| Nordic†     | 0.85          |

\*Belgium, the Netherlands and Luxembourg  
†Norway, Sweden, Denmark, Iceland and Finland  
Source: Hewitt Associates

one-third of companies have an element of deferral in their annual bonus arrangements while only four companies disclosed have a "clawback" provision in their bonus plan.

Dan Perrett, principal consultant with Hewitt Associates, said that, despite the headline figures, the report showed that the economic slowdown was having an impact on bonus payments. "Executive remuneration has been thrown into the spotlight during the last 18 months and our data shows that major European companies have responded by moderating levels of reward available," he said.

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U.S. NEWS

# Senate dysfunction mirrors a broader partisan problem

[ Capital Journal ]

BY GERALD F. SEIB



On this much, just about everybody agrees: The U.S. Senate isn't well.

Things don't get done there. People can't agree on much. Legislation goes to the Senate to die. Just last week, an \$85 billion jobs bill—supposedly Washington's highest current priority—shrank to a \$15 billion bill in a matter of hours, simply because the Senate's malfunctioning body parts couldn't come together to handle more than that.

Democratic Indiana Sen. Evan Bayh said pretty much precisely that Monday in announcing his surprise decision to retire, citing "a growing conviction that Congress is not operating as it should."

However, let's not misdiagnose the disease. The Senate isn't the problem.

The Senate is merely a symptom of the U.S. political system's larger dysfunction. The Senate is worth examining mostly because it is like a giant X-ray machine, allowing us to peer into the broader body politic to examine its broken pieces.

The common explanation for why the Senate doesn't work better is that 60 has become the new 50. That is, it takes 60 votes, rather than a simple majority of 50 plus one, to break the nonstop debate of a filibuster and move to a vote on a bill. And it's now become virtually routine for the Senate's minority party—the Republicans today—to stop any meaningful legislation by threatening a filibuster.

Thus, it isn't enough for a party to have a majority, as the Democrats do now. Leaders must muster a super-majority to accomplish anything.

"The bottom line is today it's become a 60-vote not a 50-vote Senate," says Robert Dole, former Republican leader of the Senate and one of the giants of the chamber's recent history. It could have been even harder to get things done, Mr. Dole notes; until a rules change in 1975, a two-thirds majority, or 67 votes, was needed to break a filibuster.

The 60-vote quandary grew, of course, with the election of Republican Sen. Scott Brown of Massachusetts, who knocked the Democratic caucus down to 59 votes, greatly expanding Democrats' exposure to the filibuster.

There's no doubt that the filibuster, a tool once used sparingly and only on matters of great import, has become virtually an everyday device used to block action. The best way to see that is to track the rise of so-called cloture votes, which are those taken to try to end a filibuster.

In the Congress that sat in the years 1957 and 1958, there wasn't a single cloture vote taken in the Senate. A decade later, there were six, and another decade later the total had risen to 13.

Then the explosion began. In the Senate of 1987-1988, the total was up to 43, and in 1997-1998 there were 53 cloture votes. That number doubled in the next decade, reaching 112 in 2007-2008. The current Congress is on track to top that record.

Yet the real issue here isn't the number of filibusters and cloture votes needed to stop them, but that there is so little common ground between the parties that the tactic is so easily employed.

After all, if there is a rough consensus on a matter, spanning the two parties in the center of the ideological spectrum, filibusters are a futile gesture. They are worth mounting only in a highly partisan, highly polarized environment.

And that's precisely the environment the nation—not just the Senate—has right now. This loss of common ground in the center is why filibusters matter.

There are multiple reasons for this evolution. The first is how senators view themselves.

Veterans will tell you that there was a time when lawmakers thought of themselves as members of the Senate first, as representatives of a region of the country second, and only third as members of a party.

Today, the last has become first. The two parties' more-sophisticated machinery, the 24-7 news cycle and the blogosphere all combine to make lawmakers national party figures first, legislators second.

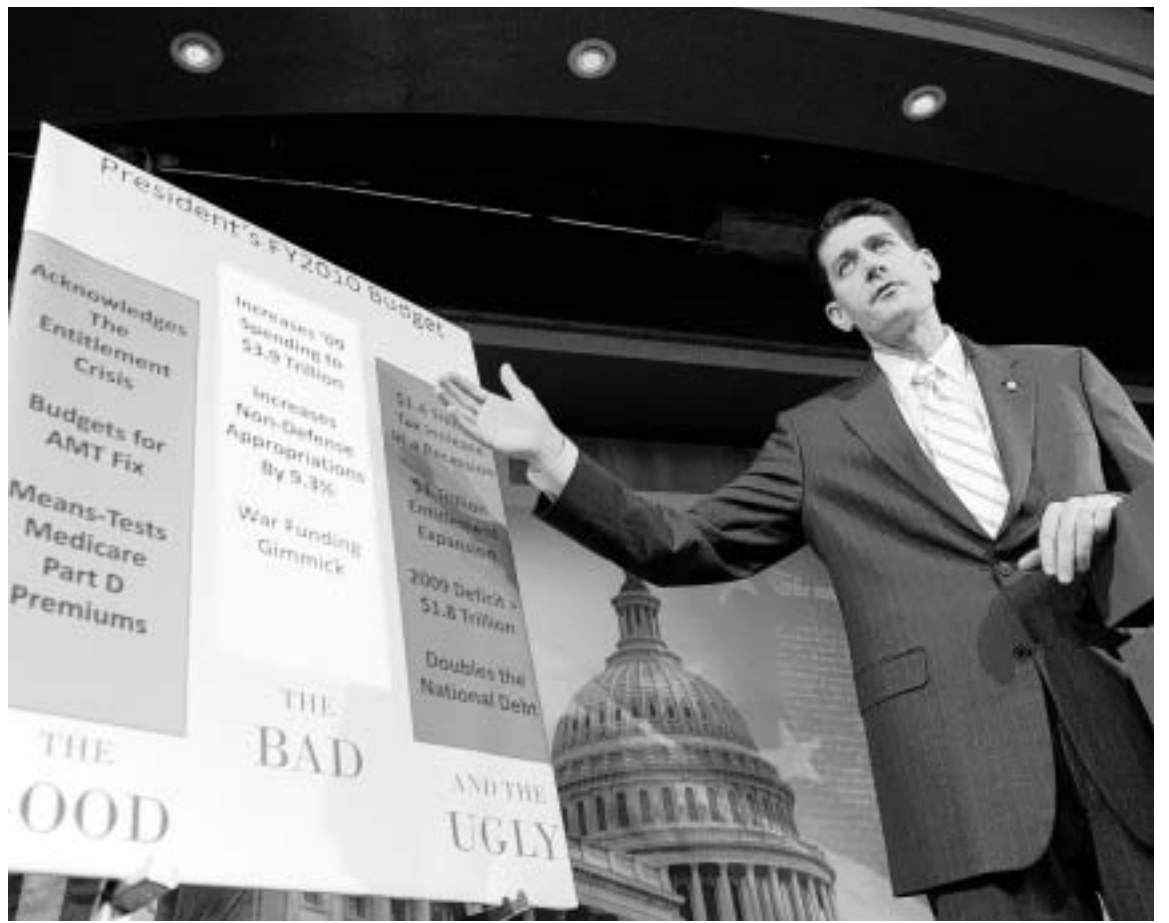
On a personal level, senators today lack the natural human bonds that would make it easier for Democrats and Republicans, conservatives and liberals, to come together in compromise.

One Senate veteran said the institution became a less pleasant place when lawmakers were given stipends to cover trips back home every weekend, rather than once a month. Senators now commute to Washington rather than live there. They don't see one another's families on weekends, and don't develop as many friendships across party lines. Thus, they find it easier to alienate one another.

Perhaps most important, the band of conservative Democrats and liberal Republicans who stand in the ideological center of the Senate, providing a human bridge between left and right, has grown thin. As recently as the administration of the first President Bush, the Republican White House could often find support among a contingent of Southern Democrats such as Sam Nunn of Georgia, and Howell Heflin of Alabama, while having to worry about whether liberal Northeastern Republicans such as John Chafee of Rhode Island and Jim Jeffords of Vermont would help the party line.

The middle ground such senators represented is lonelier now, and a more polarized Senate the result.

"I don't think it's broken," says Howard Baker, another former Senate majority leader. "I think it's not working well. But it's also a part of the system." That broader political system, more than the filibuster, is the problem.



Rep. Paul Ryan (R., Wis.) calls the stimulus a "wasteful spending spree" that "misses the mark on all counts,"

# Stimulus critics targeted

Democrats go after Republicans who ripped plan, then sought cash

BY LOUISE RADNOFSKY

WASHINGTON—Democrats, stung by criticism of their \$787 billion economic-stimulus plan, are targeting Republicans who have attacked the program and then lobbied to get money for their districts.

More than a dozen Republican lawmakers supported stimulus-funding requests submitted to the Department of Labor, the Environmental Protection Agency and the Forest Service, in letters obtained by The Wall Street Journal through the Freedom of Information Act.

The stimulus package passed last February with no Republican votes in the House of Representatives. In the Senate, just three Republicans supported it: Olympia Snowe and Susan Collins of Maine and Arlen Specter of Pennsylvania, who later switched to the Democratic Party.

Lawmakers routinely send letters in support of federal funding for projects in their constituencies; however, some Republican lawmakers have deliberately avoided sending requests for stimulus dollars because of their opposition to the bill.

Rep. Paul Ryan, a Wisconsin Republican who called the stimulus a "wasteful spending spree" that "misses the mark on all counts," wrote to Labor Secretary Hilda Solis in October in support of a grant application from a group in his district which, he said, "intends to place 1,000 workers in green jobs."

A spokeswoman for Mr. Ryan said the congressman felt it was his job to provide "the basic constituent service of lending his assistance for federal grant requests."

Republican Reps. Sue Myrick of North Carolina and Jean Schmidt of Ohio sent letters in October asking for consideration of funding requests from local organizations training workers for energy-efficiency projects.

In November, Ms. Schmidt put out a statement saying, "It is time to recall the stimulus funds that

have not been spent before the Chinese start charging us interest."

Aides to the congresswomen said they had always supported local organizations in their requests for support.

None of the projects requested by the three House members received awards in funding decisions announced in January.

The Environmental Protection Agency received two letters from Sen. John Cornyn of Texas asking for consideration of grants for clean diesel projects in San Antonio and Houston. Mr. Cornyn is the chairman of the National Republican Senatorial Committee.

One of the letters was signed jointly with Republican Sen. Kay

**Democrats have been playing defense on the \$787 billion stimulus plan, as Republicans have challenged estimates for the number of jobs it has supported.**

Bailey Hutchison, also of Texas. The letter said that the Port of Houston Authority "has informed me of the positive impact this grant will have in the region by serving as a foundation for PHA's Clean Air Strategy Plan, creating jobs, and significantly reducing diesel emissions." Houston received millions of dollars in diesel funding.

The agency also appeared to have received eight identical letters from Republican Sen. Bob Bennett of Utah recommending infrastructure projects in his state, seven of which were sent before stimulus legislation was passed by Congress.

Spokespeople for Mr. Cornyn and Mr. Bennett said they were just making sure that their states received part of the spending once it had been agreed upon. Ms. Hutchi-

son's office didn't respond to a request for comment.

The entire congressional delegation of Alabama, including its two Republican senators, wrote to then-Forest Service Chief Gail Kimbell asking for \$15 million for cogon-grass eradication and control programs in the state. The state ended up getting a \$6.3 million grant.

Republican Richard Shelby, the state's senior senator, called the stimulus package "the socialist way" while it was being debated. A spokesman didn't respond to a request for comment.

President Barack Obama and his party have been playing defense for much of the past year on the stimulus bill. But now the Democratic Congressional Campaign Committee and its allies are planning to use this week's anniversary of the passage of the stimulus package to tout its success, and to attack prominent Republicans whose states have benefited from stimulus grants.

Mr. Obama warned Republicans last month at their annual retreat that Democrats were ready to spotlight representatives who touted stimulus funds in their districts. "Let's face it, some of you have been at the ribbon-cuttings for some of these important projects in your communities," Mr. Obama said.

A spokesman for the National Republican Congressional Committee said Democrats risked being perceived as "totally out of touch" by marking the achievements of the stimulus plan on its anniversary. "If the Democrats' answer is to highlight the few worthy projects within what has become regarded as a wasteful and bloated trillion-dollar failure then they are truly grasping at straws," said Ken Spain.

Republicans have seized on double-digit unemployment—the rate hit 10.2% in October before easing in January to 9.7%—to challenge the Obama administration's estimates for the number of jobs supported by stimulus spending.

## U.S. NEWS

# Marine is shot in head, walks away

Lance Cpl. Koenig withstands sniper's bullet to helmet during heavy fighting in Afghanistan, then returns to duty

BY MICHAEL M. PHILLIPS

MARJAH, Afghanistan—It is hard to know whether Monday was a very bad day or a very good day for Lance Cpl. Andrew Koenig. On the one hand, he was shot in the head. On the other, the bullet bounced off him.

In one of those rare battlefield miracles, an insurgent sniper hit Lance Cpl. Koenig dead on in the front of his helmet, and he walked away from it with a smile on his face.

"I don't think I could be any luckier than this," Lance Cpl. Koenig said two hours after the shooting.

Lance Cpl. Koenig's brush with death came during a day of intense fighting for the Marines of Company B, 1st Battalion, 6th Regiment.

The company had landed by helicopter in the predawn dark on Saturday, launching a major coalition offensive to take Marjah from the Taliban.

The Marines set up an outpost in a former drug lab and roadside-bomb factory and soon found themselves under near-constant attack.

Lance Cpl. Koenig, a lanky 21-year-old with jug-handle ears and a burr of sandy hair, is a designated marksman. His job is to hit the elusive Taliban fighters hiding in the tightly packed neighborhood near the base.

The insurgent sniper hit him



Lance Cpl. Andrew Koenig gestures as he tells fellow Marines about the bullet that struck him in the forehead area of his helmet earlier Monday.

first. The Casper, Wyo., native was kneeling on the roof of the one-story outpost, looking for targets.

He was reaching back to his left for his rifle when the sniper's round slammed into his helmet.

The impact knocked him onto his back.

"I'm hit," he yelled to his buddy, Lance Cpl. Scott Gabrian, a 21-year-old from St. Louis.

Lance Cpl. Gabrian belly-crawled along the rooftop to his friend's side. He patted Lance Cpl. Koenig's body, looking for wounds.

Then he noticed that the plate that usually secures night-vision goggles to the front of Lance Cpl. Koenig's helmet was missing. In its place was a thumb-deep dent in the hard Kevlar shell.

Lance Cpl. Gabrian slid his hands under his friend's helmet, looking for an entry wound. "You're not bleeding," he assured Lance Cpl. Koenig. "You're going to be OK."

Lance Cpl. Koenig climbed down the metal ladder and walked to the company aid station to see the Navy corpsman.

The only injury: A small, numb red welt on his forehead, just above his right eye.

He had spent 15 minutes with Doc, as the Marines call the medics, when an insurgent's rocket-propelled grenade exploded on the rooftop, next to Lance Cpl. Gabrian.

The shock wave left him with a concussion and hearing loss.

He joined Lance Cpl. Koenig at the aid station, where the two friends embraced, their eyes welling. The men had served together in Afghanistan in 2008, and Lance Cpl. Koenig had survived two blasts from roadside bombs.

"We've got each other's backs," Lance Cpl. Gabrian said, the explosion still ringing in his ears.

Word of Lance Cpl. Koenig's close call spread quickly through the outpost, as he emerged from the shock of the experience and walked through the outpost with a Cheshire cat grin.

"He's alive for a reason," Tim Coderre, a North Carolina narcotics detective working with the Marines as a consultant, told one of the men. "From a spiritual point of view, that doesn't happen by accident."

Gunnery Sgt. Kevin Shelton,

whose job is to keep the Marines stocked with food, water and gear, teased the lance corporal for failing to take care of his helmet.

"I need that damaged-gear statement tonight," Gunnery Sgt. Shelton told Lance Cpl. Koenig. It was understood, however, that Lance Cpl. Koenig would be allowed to keep the helmet as a souvenir.

Sgt. Shelton, a 36-year-old veteran from Nashville, said he had never seen a Marine survive a direct shot to the head.

**Lance Cpl. Gabrian noticed that in place of the plate that usually secures night-vision goggles to the front of Lance Cpl. Koenig's helmet was a dent. 'You're not bleeding,' he assured Lance Cpl. Koenig. 'You're going to be OK.'**

But next to him was Cpl. Christopher Ahrens, who quietly mentioned that two bullets had grazed his helmet the day the Marines attacked Marjah. The same thing, he said, happened to him three times in fire-fights in Iraq.

Cpl. Ahrens, 26, from Havre de Grace, Md., lifted the camouflaged cloth cover on his helmet, exposing the holes where the bullets had entered and exited.

He turned it over to display the picture card tucked inside, depicting Michael the Archangel stamping on Lucifer's head. "I don't need luck," he said.

After his moment with Lance Cpl. Gabrian, Lance Cpl. Koenig put his dented helmet back on his head and climbed the metal ladder to resume his rooftop duty within an hour of being hit.

"I know any one of these guys would do the same," he explained. "If they could keep going, they would."

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## WORLD NEWS



Associated Press

A man with a gunshot wound is carried to a helicopter to be evacuated by a U.S. Army Task Force Pegasus helicopter crew in Marjah, Helmand province, southern Afghanistan, on Monday.

# U.S. Marines fight snipers in Marjah

*Afghan insurgents use women and children to carry weapons and shield attacks in third day of heavy battle*

By MICHAEL M. PHILLIPS

MARJAH, Afghanistan—U.S. Marines sent reinforcements to a beleaguered outpost where insurgent fighters were using women and children to carry weapons and shield their attacks on coalition forces.

Meanwhile, coalition forces confirmed at least 15 civilian deaths since the operation began.

In the three-day-old battle for control of this key southern town—the biggest coalition offensive since the Taliban government fell in 2001—insurgents appear to be making their fiercest stand at the central Koru Chareh bazaar and a

dense residential area the Marines dubbed the Pork Chop for its shape.

While in much of the town insurgents have used hidden explosives and hit-and-run attacks to try to slow the advance of the joint Marine-Afghan force, in the Koru Chareh area the insurgents have launched coordinated attacks that last several hours.

The target of the attacks has been Company B, 1st Battalion, 6th Marine Regiment, which landed by helicopter before dawn on Saturday and set up a base in a single-story building that had been used as a drug lab and assembly point for roadside bombs.

“We didn’t know if they’d leave or stay and contest this a little bit,” said Capt. Ryan Sparks, the company commander. “It looks like they want to contest this.”

The contest has proven bloody, with Taliban fighters raining rocket-propelled grenades and machine-gun fire onto the outpost. The fighters have at least one skilled sniper, who has hit several Marines.

“He’s bringing his A-game because this is his last stand,” Lt. Col. Calvin Worth, commander of 1st Battalion, said of the Taliban.

On Monday afternoon, however, a column of Marines in armored vehicles arrived at the Company B

outpost, roughly doubling the size of the force there and adding heavy weapons to the local arsenal.

Marjah, with 75,000 residents, is the last Taliban bastion in the central Helmand River valley, a heavily populated area that is a central focus of the top allied commander, U.S. Gen. Stanley McChrystal. The alliance has committed some 15,000 Afghan, U.S. and British troops—half of the combat forces—to a sweeping effort to oust the Taliban from Marjah and surrounding areas, with an eye to bringing the Afghan central government back to the town.

While a Taliban spokesman has publicly played down the impor-

importance of Marjah, the fighters themselves appear loath to give up ground they have held for years.

Allied forces entering Marjah from the east have made steady progress. Their advance, however, has been delayed by hit-and-run attacks and a heavy infestation of homemade bombs. Marine and Afghan forces entering from the north have found the routes seeded with homemade mines, according to a senior U.S. officer.

Company B itself has faced the most determined opposition. “We’re fighting an offense from a defense,” said 1st Lt. Mark Greenleaf, the company’s executive officer.

## Coalition fights military, propaganda battles

*Continued from first page*  
fledgling armed forces and of the government in Kabul, despite its weakness and widespread corruption.

The approach stands in stark contrast to the straightforward search-and-destroy mission that the war in Afghanistan often resembled in the past nine years.

Instead of simply clearing out the Taliban and leaving, in Marjah and future operations, coalition forces are to stay in place and give Afghan authorities time to reassert their control.

The stakes are high for Gen. McChrystal, who was given the Kabul post after the White House unexpectedly ousted his predecessor.

The Obama administration has since signed off on Gen. McChrystal’s requests for around 30,000 fresh U.S. reinforcements. But White House officials have also made clear

that they want to see clear battlefield progress by the end of the year.

Marjah, one of the last Taliban strongholds in the strategic Helmand River Valley and a major entrepot for the illicit opium trade, is where Gen. McChrystal and his team plan to find out whether the new strategy can work.

The aim is to make Marjah a model that will show wary Afghans what can be accomplished if they cooperate with the coalition under the surge strategy.

The conflict in Afghanistan “is not purely a military problem,” Gen. McChrystal said between stops and briefings Monday. “It is about getting people to believe.”

Field commanders, briefing Gen. McChrystal in the provincial capital of Lashkar Gah Monday, focused on getting the story out. At one point, Gen. McChrystal, his tone sharp,

said he had heard two different stories about what killed 12 civilians the day before.

“We know the truth in this room right now and we need to make sure it gets out,” he said.

Officers said the initial account released by the coalition, which said rockets had missed their target by 300 meters and hit a home, was wrongly reported from the field.

Rather, the rockets had hit their intended target—one of five houses from which Marines and Afghan soldiers were taking fire—the officers explained. But unknown to the men who called in the airstrike, there were civilians inside. Ten were killed on the spot along with two insurgents, and two other civilians later died of their wounds, they said.

It was the type of incident Gen. McChrystal has sought to avoid by tightening the rules of engagement,

a move that has sharply reduced the overall level of civilian casualties. A spike in civilian deaths now could undermine support for this campaign among ordinary Afghans and the country’s leadership.

Another airstrike against suspected insurgents in an operation that isn’t part of the current offensive killed five civilians and wounded two others Monday, the U.S.-led coalition said.

Mr. Atmar, the interior minister, said the Marjah civilian deaths wouldn’t weaken his government’s resolve. The deaths are “the price we must pay to liberate this area from the Taliban,” he said. “This is not the time to cry over these dead bodies.”

One of the most publicized initiatives to win over the local population has been the convening of a “shura”—a traditional Afghan council—of Marjah tribal elders since

just before the shooting began.

That effort appeared to be yielding the greatest, and most surprising, return Monday when 10 men offered up by the shura began working as guides to help allied forces find bombs planted by the insurgents and to find Taliban fighters who have melted back into the population, Afghan officials and coalition officers said at the Lashkar Gah briefing.

Allied forces have also set up radio towers on either side of Marjah so they can explain in broadcasts what they’re doing, and decry the evils of the Taliban.

The “Taliban are savages...their behavior is not based on any principles” began one broadcast, according to people in town. “Once the government reestablishes its institutions, people will realize there is a responsible administration,” the broadcast continued.

## WORLD NEWS

# Clinton says military is running Iran

*U.S. strengthens its rhetoric against Iran as Obama administration and allies push for fresh Tehran sanctions*

U.S. Secretary of State Hillary Clinton on Monday accused Iran of drifting toward military dictatorship, intensifying criticism of the Islamic Republic as the Obama administration and its allies step up efforts on several fronts to enact fresh sanctions against Tehran.

By *Chip Cummins in Dubai*  
and *Richard Boudreaux in Moscow*

Ms. Clinton was speaking to an audience at Carnegie Mellon's satellite campus in Doha, Qatar, her first stop on a two-country visit to the Middle East that also included Saudi Arabia. Her visit follows a series of boasts last week by Iran of its recent nuclear accomplishments.

On Thursday, the 31st anniversary of the founding of the Islamic Republic, Iranian President Mahmoud Ahmadinejad announced Tehran had produced its first batch of higher-enriched uranium for use in a medical-research reactor. That alarmed Western and Arab capitals, who see it as a step closer to enriching weapons-grade uranium. Mr. Ahmadinejad said Iran wasn't interested in building a bomb.

Last week, the U.S. Treasury Department announced a second round of economic sanctions against the Islamic Revolutionary Guard Corps, Iran's elite military organization, and several of its subsidiaries. U.S.



Saudi Arabia's Foreign Minister Prince Saud Al Faisal, center right, welcomes Hillary Clinton upon her arrival at Riyadh.

officials have said they will target the Revolutionary Guard, or IRGC, in new financial penalties, citing its alleged involvement in the country's nuclear program.

Ms. Clinton went a step further

Monday, saying the Guard appeared to have effectively supplanted the clerical- and civilian-led government in Tehran.

"We see that the government of Iran, the supreme leader, the presi-

dent, the parliament, is being supplanted, and that Iran is moving toward a military dictatorship," she told the audience. "Now, that is our view."

Ms. Clinton didn't publicly pro-

vide specific evidence or analysis to back up that view.

The comments came after Ms. Clinton was asked if the U.S. was planning a military attack on Iran. She said it wasn't. She said the U.S., instead, was focused on gaining international support for sanctions.

Saudi Foreign Minister Prince Saud Al Faisal said late Monday at a news conference with the visiting U.S. Secretary of State that sanctions on Iran are a long-term solution to prevent the Islamic state's nuclear ambitions, and that "a real solution" is needed.

"Sanctions are a long term solution," the prince said. "They may work, we can't judge, but we see the issue in the shorter term, maybe because we are closer to the threat. We need immediate resolution rather than gradual resolution."

U.S. officials hope Riyadh can provide energy-security assurances to Beijing, allowing it to side with the West in pushing for new sanctions. China—which maintains close economic ties with Iran, including importing significant quantities of Iranian crude—has so far signaled it won't back new sanctions.

Meanwhile, Israeli Prime Minister Benjamin Netanyahu took his case for a tougher stand on Iran to Moscow on Monday. Russia has been reluctant to expand sanctions beyond Iran's nuclear industry.

The Kremlin declined comment.

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## Pyongyang honors leader amid fallout

By EVAN RAMSTAD

SEOUL—As North Korea celebrates the birthday Tuesday of its authoritarian leader Kim Jong Il, his regime is struggling with mistakes that have worsened the impoverished country's economy and diminished its standing for the country's 22 million people.

Over the weekend, North Korea's state news agency reported that 100,000 people attended a rally in the capital of Pyongyang as part of a tribute to Mr. Kim and the ruling Workers' Party. It also said the government delivered "gifts of love" to the nation's children as part of the birthday celebration. It didn't offer details, but in the past children received cookies or sugar from the government.

The country plans to hold events through Thursday in honor of Mr. Kim. According to his official biography, he was born in 1942 at the foot of the country's highest mountain. Other histories state he was born in 1941 inside the Soviet Union, where his parents and other Korean revolutionaries were based during World War II.

The birthday-related events show the regime is still able to flex its propaganda muscle and produce demonstrations of support, despite a recent internal backlash over a clampdown on market activities and confiscation of individuals' money, as well as continued international pressure over its production of nuclear weapons.

Mr. Kim a year ago rejected U.S.

outreach at the start of the administration of President Barack Obama and then ramped up North Korea's weapons testing, leading to a series of sanctions against his country that have damaged its ability to sell weapons.

Internally, his government faced more trouble when it attempted in December to restrict market-economic activities by issuing new currency. The reaction has been surprising in its size and visibility to the outside world.

Mr. Kim's moves robbed most North Koreans of their savings by strictly limiting the amount of old currency that could be converted to new. But he failed to show his government could take over the role private business increasingly played during the last decade in getting food and other basic goods to people.

Prices of foods and other goods soared as the value of the new currency plunged against the U.S. dollar and Chinese yuan, based on reports of unofficial market values. The North Korean won isn't officially traded with any other currency.

In recent weeks, reports emerged that with food becoming scarce and public anger growing, Mr. Kim's government was trying to reverse some restrictions it imposed on market activity. The reports, mostly from aid and defector groups in South Korea that communicate with people in the North, couldn't be confirmed. But their volume and diversity lends to their credibility.