



Trial lawyers' political donations followed by shareholder suits

THE BIG READ 16-17

U.S. military may be giving game away in Afghan surge

WORLD NEWS 10

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EUROPE

Thursday, February 4, 2010

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Bomb kills U.S. soldiers and Pakistanis



Residents try to free schoolgirls trapped by a bomb that killed at least three U.S. soldiers and five Pakistanis in Lower Dir in the North West Frontier province on Wednesday. See article on page 9.

EU supports Greece's plan to lower debt

By ADAM COHEN AND SEBASTIAN MOFFETT

BRUSSELS—The European Commission on Wednesday put Greece under more pressure to slash its deficit, saying the country should have one month to spell out its budget program for the year.

The tough talk on the euro zone's weakest nation briefly helped to shore up the Greek government-bond market, but gains evaporated later in the day amid worries over other wobbling economies in the 16-nation currency union. The Athens stock market ended the day nearly 2% lower.

Portugal's government-bond market weakened, and Spain's was off as well. Portugal on Wednesday saw low demand in a Treasury bill auction and sold fewer securities than expected. The cost of insuring Portuguese debt against default hit a record. Spain increased its budget-deficit forecast for 2010.

Greece, though, remains the euro zone's most-troubled spot. The country recorded a budget deficit of nearly 13% of gross domestic product in 2009, far above the European Union's 3% limit.

The commission, the EU's executive arm, accepted a planned fiscal diet under which the Greek government has pledged to get its deficit below the 3% threshold by 2012. But the commission warned that further spending curbs and new taxes might be needed to fix the country's public finances.

"We know that the implementation of this program is not easy ... but we need to support it" and monitor it closely, economic affairs commissioner Joaquín Almunia said at a news conference.

The commission is concerned that Greece is relying too heavily on fixes like combating tax evasion, which could take a long time to bear fruit and have been unsuccessful in the past.

On Tuesday, Greek Prime Minister George Papandreou outlined more-concrete measures that appeared to provide some reassurance, saying he would freeze public-sector wages and impose higher fuel taxes. Researchers at Athens-based Eurobank EFG said these moves would yield €1.2 billion (\$1.67 billion) in additional savings and revenue this year.

The plan drew complaints from the umbrella public-sector union Adedy; on Wednesday, the union confirmed plans for a previously announced 24-hour strike on Feb. 10.

"These measures won't be the last," Adedy President Spyros Pappaspyros said. "Participation in the strike and in the demonstrations for next Wednesday will be decisive."

Still, many Greeks have come to accept the need for a period of relative austerity.

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The Quirk



Seal heart, anyone? Canada prepares Arctic outpost for G-7 meeting Page 33

World Watch

A comprehensive rundown of news from around the world Page 34-35

Editorial Opinion

Gordon Brown's cynical electoral ploy. Page 14

CEO goal: heal France Télécom

By RUTH BENDER AND MAX COLCHESTER

PARIS—France Télécom's chief executive in-waiting Stéphane Richard plans to make rebuilding bruised employee morale in the wake of several destabilizing suicides a top priority when he takes the helm of the company next month.

In an interview, Mr. Richard also said he saw opportunities for the former French state monopoly to deepen its presence in Europe through joint ventures—though he ruled out major acquisitions in the near future. Expansion in emerging markets also remained a key focus, he added.

France Télécom has come under heavy public and government scrutiny recently over a spate of employee suicides that unions have blamed

on a cost-cutting program at the company. In an attempt to draw a line under the controversy, France Télécom has hastened a management reshuffle that includes Mr. Richard stepping in as CEO much earlier than expected. The France Télécom board is due to approve his designation later this month, and Mr. Richard plans to unveil a management team by March 15.

France Télécom's restructuring efforts have caused "trauma, suffering and much worse," Mr. Richard said in the interview.

To boost staff morale and garner union support, he said he plans to keep job numbers at France Télécom's 102,000-strong domestic operations stable this year. He also hopes to keep branch closures at the company to "a minimum." The company employs 186,000

people world-wide.

Mr. Richard, the 48-year-old former chief of staff at the French Finance Ministry, said the group will announce a long-awaited plan for the roll-out of a high-speed broadband network in France in the coming days.

The roll-out is part of Mr. Richard's plan to keep investing in domestic mobile and broadband networks.

"We won't have the money to do everything but I think we have the means to fund our core priorities," Mr. Richard said. "We are not looking for mega-deals across borders," he added.

France Télécom was privatized in 1997 but the French state still has a 27% stake in the company.

■ France Télécom faces social, financial tensions 21

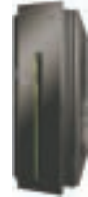
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Source: Transaction Processing Performance Council, www.tpc.org as of 11/3/09. 12-Node SPARC Enterprise T5440 server cluster, 7,646,486 tpmC, \$2.36/tpmC, available 3/19/10. IBM Power 595 Server Model 9119-FHA, 6,085,166 tpmC, \$2.81/tpmC, available 12/10/08.

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PAGE TWO

Looking at defense for spending cuts

[Agenda]

BY PATIENCE WHEATCROFT



Greece is now firmly ensconced on the naughty step of Europe, from where it must sit in penitence, accepting the strictures of the European Commission about the need for the country to mend its profligate ways.

If Prime Minister George Papandreou is tempted to splutter that the commission is hardly in a position to crow, having failed to produce a set of unqualified accounts in over a decade, he has wisely bitten his tongue in return for the grudging, but inevitable, European Union backing for his country's proposals for beginning to straighten out its finances.

Mr. Papandreou's promises to boost the retirement age, freeze public-sector pay and raise taxes don't amount to a revolutionary recipe for dealing with a budget crisis. Much of Europe is being forced to impose similar moves to begin to curb the deficits that now deface national accounts.

But such is the scale of the debts some countries have amassed that the proposed remedies look pitifully inadequate. That's why yesterday's publication in the U.K. of a government-strategy paper on defense was so timely. For as the government of Gordon Brown and the opposition, led by David Cameron, argue about when to begin cutting public spending, discussion about what will have to be cut has been scant. A billion pounds lopped off here, on benefits for the middle classes, and a billion pounds saved there, by freezing public-sector pay, will barely make a dent in the U.K.'s deficit, set to top 12% of GDP this year. More drastic action is required.

One place to look for it would be the National Health Service, that greedy devourer of public funds. Although investment in the NHS repeatedly has failed to



Many will argue in favor of Britain remaining a major military power

deliver the promised improvements in productivity, politicians have been cowed into the view that the organization is sacrosanct in the mind of voters. Thus its insatiable appetite for funds will continue to be fed: Mr. Cameron has pledged he will "cut the deficit, not the NHS."

Voters, however, are deemed to be more divided over defense spending. Britain's involvement in

The real post-election debate should be over the extent of Britain's military ambitions

the Iraq war and the continuing painful and costly presence in Afghanistan has the nation divided. There are those who still believe that Great Britain should be a major military player on the global stage and others who feel that it is time for that role to be reappraised.

While neither of the main political parties is likely to want to become embroiled in that discussion in a run-up to the election, the issue is one that will come up the agenda once the ballots have been cast. For defense is an area in which a realignment of ambitions could lead to major financial savings.

The strategy paper doesn't

venture deeply into that territory although it does suggest that, in order to safeguard its own defense, it is essential for the country to be involved in fighting threats that may be fomenting overseas. Yet the costs involved in these adventures are enormous. On top of a core defense budget of around £37 billion, for instance, extra funding for equipment and military spending on Afghanistan has increased from £750 million in the first year that British troops were deployed in Helmand, to more than £3.5 billion this year and even more next year.

If the troops are to be there, then clearly they have to be provided with the best equipment, and there have been too many failings on that front. Defense procurement has traditionally been highly inefficient and there remains scope for the processes to be improved. But the real post-election debate should be over the extent of Britain's military ambitions and then what any change in focus might mean for its equipment requirements.

For the time being, the government remains committed to acquiring two new aircraft carriers. The saga of their design and development has been fraught with difficulties and the price tag is a hefty £4 billion. A Britain with scaled down military ambitions might not have need of such a pair. There are too many jobs at stake for the government

to broach that question now but the strategy paper does acknowledge that Britain's military requirements can't be viewed in isolation.

Alongside the special relationship with the U.S., which, with some controversy, saw the U.K. head to Iraq, the discussion paper suggests Britain should work with Europe and, in particular, France, in building and deploying its military capability.

That suggestion is likely to be as ill-received by the right wing in the U.K. as was the idea of a European defense force.

There are many who will argue in favor of Britain remaining a major military power in its own right, no matter what the cost. They remain adamant that the Trident nuclear-submarine program should go ahead and will be £20 billion well spent.

Opponents argue that such a sum could be much better spent on improving the country's infrastructure or any number of more peaceful projects. It might even go toward paying down that debilitating debt.

Many of these people would be equally appalled at the suggestion that the three branches of the British military—the army, the Royal Navy and the Royal Air Force—might lose their individual identities. Yet the logic for maintaining the divisions is less and less obvious to those outside the services. There would be significant potential savings to be made by at least some degree of integration.

Britain is not, yet, in as deep a financial crisis as Greece but the need for it to slash expenditure is going to force the country to re-examine its military ambitions. That is likely to mean even more emphasis being put on the contribution that can be made by the volunteers of the Territorial Army, many of whom have been deployed in Iraq and Afghanistan.

The government is, for now, adamant that "not a penny" will be cut from the defense budget. That stance will not be sustainable.

What's News

■ **The euro zone's economic recovery** lost some steam in January as retail sales stagnated and companies laid off more staff, a warning that first-quarter growth could be feeble. Meanwhile, growth in output of the U.K. services sector slowed as bad weather undermined activity. 4

■ **Roche's annual earnings** fell 13%, hurt by expenses from its takeover of Genentech, but sales of flu drug Tamiflu and cancer medicines boosted revenue. 24, 36

■ **The U.S. secretary of transportation** said his agency is widening its probe of sudden-acceleration complaints in Toyota vehicles. 22

■ **The U.K. armed forces** must integrate operations more deeply with France to mitigate financial pressures, a government review said. 6

■ **Peter Robinson resumed** duties as Northern Ireland's leader after he was cleared of wrongdoing in a scandal. 3

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In an image makeover, the sport of darts is going glamorous. 32

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"Whoever forms the next UK government will need to dance a dainty minuet with the BOE."

Natasha Brereton on British politicians' reliance on the central bank



Continuing coverage



Follow a busy day of company results, including LMVH, Shell and Glaxo, at wsj.com/earnings

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Previous results

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No

42%

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NEWS

Auction record is set

By KELLY CROW

Alberto Giacometti's 1960 sculpture of a spindly man, "Walking Man I," sold for £65 million (\$104.3 million) at a London auction at Sotheby's, shattering the record price for a work of art at auction and confirming the art market's resurgence.

In a tense contest at the company's Bond Street salesroom, bidding began at £12 million and then escalated, with roughly 10 bidders vying for it.

The winner, who pays the final bid plus Sotheby's commission, bid

over the telephone through Philip Hook, senior director of Sotheby's European operations, and chose to remain anonymous. The nearly-two-meter-tall bronze depicts a wiry man in midstride. Giacometti, known for his haunting sculptures of blank-faced everymen, cast the work 60 years ago as part of a commission to plant several of his bronze figures on Chase Manhattan Bank's Pine Street plaza.

The price breaks the existing \$104.2 record, set six years ago at Sotheby's, for Pablo Picasso's 1906 portrait "Boy with a Pipe," whose

buyer remains unknown.

The Giacometti piece's stunning climb might be attributed to two factors: its size and the artist's popularity among international buyers. His nearly three-meter-tall figure of a woman, "Big Standing Woman II," sold at Christie's in May 2008 for \$274 million. Dealers say his oversized sculptures of men are more coveted. "Walking Man I" is three times taller than "Toppling Man," which Sotheby's sold in November for \$19.3 million. Sotheby's had priced this work to sell for between £12 million and £18 million.



'Femme Couchee' by Henri Matisse also sold for £4.4 million

Belfast leader returns to post after scandal

By GUY CHAZAN

Peter Robinson, leader of the main pro-British party in Northern Ireland, returned to his duties as first minister of the province Wednesday, saying an inquiry had cleared him of wrongdoing in a scandal involving his wife.

Mr. Robinson, head of the Democratic Unionist Party, temporarily stepped aside as leader of Northern Ireland on Jan. 11, saying he wanted to clear his name after a BBC report accused him of acting improperly by failing to report his wife's questionable financial dealings to parliamentary authorities.

His return comes with Northern Ireland's power-sharing government in crisis. The DUP and its partner in the administration, the Catholic Sinn Fein, are deadlocked over when control of policing and justice should shift from London to Belfast—a key element of the process of devolving power to the province.

British Prime Minister Gordon Brown and his Irish counterpart Brian Cowen have both sought to mediate in the dispute, and both sides say progress has been made in marathon talks, though sticking points remain. Mr. Robinson, as DUP leader, has taken part in the talks, so his formal return to the government doesn't necessarily herald a breakthrough in the talks.

The scandal followed a BBC report that Mr. Robinson's wife, Iris, 60 years old, had helped procure a loan for a cafe owned by her then-lover, Kirk McCambley, now 21. Ms. Robinson, who was a member of the U.K. Parliament and the Northern Ireland Assembly, didn't declare the loan in Parliament's register of members' interests.

Ms. Robinson and Mr. McCambley haven't disputed the BBC report, which was produced with Mr. McCambley's cooperation.

The BBC claimed the first minister acted improperly by failing to report the loan to the authorities when he learned of it in December 2008. Mr. Robinson called the allegation "unfounded and mischievous" and sought an opinion from the Departmental Solicitor's Office, which provides legal services to government departments in Northern Ireland. The agency commissioned an independent barrister to investigate.

Mr. Robinson said the lawyer's view was that he hadn't breached any of the codes of conduct or principles of public life governing politicians in the province.



The journey of a star, captured in a flash.

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EUROPE NEWS

Honor guard for two women of power



Avel Schmidt/Agence France-Presse/Getty Images

German Chancellor Angela Merkel, left, with Croatian Prime Minister Jadranka Kosor as they reviewed troops in Berlin on Wednesday prior to bilateral talks.

EU supports Greece's plan to reduce debt

Continued from first page
 "It's easier when it's an order from Europe," said Giannis Lounas, a 30-year-old Athens surveyor. "The majority of people know that these measures have to be taken."

The commission's report recommended that Greece has until March 16 to outline how it will achieve this year's deficit target—8.7% of GDP. In previous cases in which countries have broken the EU's budget ceiling, the commission has never asked for so much detail so quickly, but Mr. Almunia said a rapid, credible plan is critical.

Budget cuts are essential for the country, which has seen its borrowing costs soar in recent months, prompting fears of default. Signs Athens might struggle to execute its budget plan could spur an even sharper selloff of Greek government bonds, further stretching the country's finances. Failure also could punish other euro-zone economies with large budget deficits, including Portugal and Spain.

Investors initially reacted positively to the commission's acceptance of the Greek plan, but much of enthusiasm waned later in the day. The spread between yields on 10-year Greek government bonds and the benchmark German government bond was at 3.47 percentage points late Wednesday in Europe, compared with 3.53 points late Tuesday.

In its March report, Greece has to provide a clear timeline for its budget cuts, the EU Commission said.

In Portugal, the spreads jumped to 1.44 percentage points Wednesday from 1.25 points Tuesday. In Spain, they edged up to 0.93 percentage point from 0.88 point.

The euro, which has weakened recently over worries about Greece, slumped further Wednesday against the dollar. The euro bought \$1.3911, down from \$1.3957 late Tuesday.

In its March report, Greece has to provide a clear timeline for its budget cuts and show it is "ready to adopt additional measures if needed," the commission said. Starting in mid-May, Greece will have to provide quarterly progress reports on its budget plan.

Greece already has pledged a 10% spending cut for government ministries and a halt to public-sector hiring.

"We are living through an unprecedented crisis," Mr. Papandreou said in a nationally televised address Tuesday. "It is an absolute priority to cut the deficit ... by increasing revenues, by reducing waste, and by cutting spending."

Mr. Almunia said these measures were steps in the right direction, adding that he wants to see further detailed moves to reduce the budget deficit in the coming months.

The Greek government next week will propose legislation to reform the country's tax system, aiming to close dozens of loopholes and thwart evaders. The proposals will include tougher cross-checking of tax declarations and steps to rein in the offshore companies many wealthy Greeks use to shield assets.

—Alkman Granitsas and Emese Bartha contributed to this article.

Growth in euro zone slows

BY NICHOLAS WINNING AND PAUL HANNON

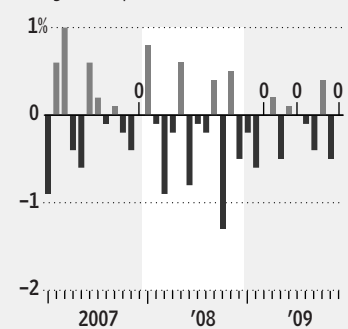
The euro zone's economic recovery lost some steam in January as retail sales stagnated and companies laid off more staff, in an early warning that growth could be feeble in the first quarter of 2010.

Financial information firm Markit said the final reading of its euro-zone composite output index, a measure of private-sector activity based on a survey of 4,500 firms, fell to 53.7 in January from December's 26-month high of 54.2. A reading above 50 indicates that output is expanding. The details of the survey showed that employment declined for the 19th consecutive month in January, with losses in the manufacturing and service sectors.

"The prospect of continued job shedding in the euro zone will weigh on consumer spending, which is already very weak, raising some question marks about the speed and sustainability of the recovery," said

Recovery stumbles | Euro-zone economic indicators

Euro-zone retail sales*, change from previous month



*Excludes motor vehicles and motorcycles
 Note: Seasonally adjusted
 Sources: Eurostat; Markit

Euro-zone composite output index



Eoin O'Callaghan, an economist at BNP Paribas. Rob Dobson, a senior economist at Markit, said that further gains in new orders suggested that business activity would con-

tinue to rise in the coming months. Signs that pressure on operating capacity was increasing may also help move the labor market closer to stabilizing, he added.

European Central Bank President Jean-Claude Trichet has said in recent weeks that euro-zone economic growth is likely to be modest and bumpy this year. The ECB is widely expected to keep its benchmark interest rates on hold after its policy meeting Thursday.

Market research company GfK added to the gloom with its prediction Wednesday that private consumption in Germany, the euro zone's biggest economy, is likely to stagnate this year over job fears.

On Tuesday, German retail industry group HDE said it expected retail sales to decline 0.5% in real terms this year after official data showed sales plunged 1.8% in 2009, the sharpest drop since the creation of the euro.

"Today's disappointing retail sales figures demonstrate that the breeze of recovery is not yet felt in the retail sector," said Martin van Vliet, an economist at ING.

—Natali Schwab and Roman Kessler contributed to this article.

Slower activity in U.K. services

BY NICHOLAS WINNING AND JOE PARKINSON

LONDON — Growth in the output of the British services sector slowed in January, as snow and poor weather undermined activity and new business, data released by Markit and the Chartered Institute of Purchasing and Supply showed Wednesday.

Also, the Institute for Fiscal Studies said the government should cut its budget deficit more aggressively than it outlined previously and should detail a plan to safeguard fiscal credibility. But large tax hikes or spending cuts this year could endanger recovery, it added.

The CIPS/Markit service-sector business activity index fell to a five-month low of 54.5 in January from 56.8 in December. A reading above 50 indicates output is expanding,

while a reading below shows it is contracting.

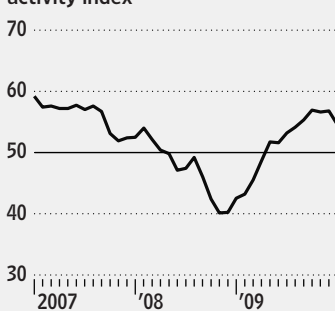
Paul Smith, a senior economist at Markit Economics, said January's heavy snowfalls across the country appeared to have hit services firms harder than the manufacturing sector, where producers often made up for lost production days. Service providers simply saw fewer customers in the month, he said. Hotels and restaurants signaled steep declines in activity and new business at the start of the year.

The Institute for Fiscal Studies said the government should look to tighten fiscal policy by £70 billion—5% of national income—over the next five years. That's far more than the £53 billion tightening outlined in the Pre-Budget Report.

"The need to reassure investors that the public finances will be repaired promptly, and the possibility

Growth slows

U.K. services-sector business-activity index



Note: Readings above 50 indicate expansion; below 50, contraction
 Source: CIPS/Markit

that the structural damage to the public finances from the financial crisis may be greater than the Treas-

ury anticipates, all suggest that it would be sensible to be somewhat more ambitious," the report said.

It urged the government to outline "as clearly and promptly as possible" how and when it intends to tighten and suggested that independent oversight of public finance forecasts would "make the planned repair job credible".

The U.K. Treasury expects the public sector to run a deficit of some 12.6% of gross domestic product this year, one of the highest of any developed economy. The government promises to halve this over the four years from 2011, but the opposition Conservative Party says it would start cuts this year.

Britain will hold elections by June 3. Several ratings agencies have warned that the U.K. could see its AAA credit rating downgraded if its deficit plans aren't tightened.

EUROPE NEWS

Switzerland freezes freed Duvalier assets

By DEBORAH BALL

ZURICH—The Swiss government, fending off a public-relations disaster, froze at least \$4.6 million held in Swiss bank accounts rather than comply with a court order to return the money to the family of Haiti's former leader, Jean-Claude Duvalier.

On Jan. 11, the day before a devastating earthquake struck Haiti, Switzerland's Supreme Court reversed a lower court's decision that would have handed over the money to aid organizations. In 1986, the Haitian government lodged a request to recover the money, charging that Mr. Duvalier stole it from public funds before he was ousted that year. However, Switzerland pursues requests from foreign governments to return cash only when that government is pursuing a criminal investigation of its own as well.

In 2002, the Swiss government froze the money in accounts linked to Mr. Duvalier and family members. In 2007, a Swiss court approved the Swiss government's plan to hand the money over to aid organizations working in the impoverished nation as a way around handing the funds back to Mr. Duvalier.

But the Supreme Court ruled that the decision to give the money to aid groups didn't stand because the statute of limitations on any crimes Mr. Duvalier may have committed expired in 2001. Mr. Duvalier is believed to be living in France. Mr. Duvalier's lawyer in Geneva, Guy Reber, who filed the appeal, couldn't be reached for comment.

The decision was made public Wednesday, leaving the Swiss government in a bind. While Switzerland's bank-secrecy laws made it for decades a favorite place for foreign dictators to stash money, that changed more than a decade ago when the government passed a series of laws requiring the banks to know the source of funds being deposited. Since then, the country has

helped return millions of dollars stolen by dictators in Nigeria and the Philippines to national coffers.

In the wake of the announcement of the court's decision, the Swiss government froze the money. It is working to quickly pass a law that would make it easier for Swiss authorities to return money to countries where dictators have been deposed. It hopes to apply the law retroactively to the Haitian funds.

"The government would like to avoid the Swiss financial center serving as a haven for illegally acquired assets," it said.

"We assume that this money

doesn't belong to the Duvalier family," said Eveline Widmer-Schlumpf, the Swiss justice minister. "We have blocked the money again today to prevent it from going somewhere that it shouldn't for political reasons. We hope this money finally goes back to the country."

Switzerland is battling to rehabilitate its image, following a bruising battle with the U.S. over secret accounts held by U.S. taxpayers and hidden from the Internal Revenue Service. The German government is considering using stolen bank data to pursue tax dodgers who have accounts in Switzerland.



Haiti's former leader, Jean-Claude Duvalier, at a news conference in 1980.

France refuses nationality due to veiling

Associated Press

PARIS—French Prime Minister François Fillon says he will sign a decree denying French nationality to a man who acknowledged forcing his French wife to wear a burqa-style veil over her face.

Mr. Fillon says French law allows authorities to refuse nationality applications from those who don't respect the country's values. Mr. Fillon was speaking Wednesday on Europe-1 radio.

A day earlier, French Immigration Minister Eric Besson said he had signed a decree that would deny the unidentified man's application on the ground that he rejected secularism and gender equality.

France is currently considering whether to ban face-covering Muslim veils. A parliamentary panel has said they should be banned in public services, including mass transport and hospitals.

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EUROPE NEWS

U.K. reviews its military spending

Deeper integration with French and other European forces would reduce financial pressure, government says

BY ALISTAIR MACDONALD

Britain's stretched armed forces face "real financial pressure" in the future and should ease the strain by more deeply integrating their operations with those of other European countries, in particular France, a U.K. government strategy paper said Wednesday.

The paper details a conundrum facing the U.S.'s largest military ally: Once one of the world's superpowers, today the U.K. seeks a global military presence on a much smaller budget. Some Britons want the country to shrink its military ambitions and budgets to focus on protecting the country, rather than engaging in costly and controversial wars abroad, such as in Iraq and Afghanistan.

The paper concludes, however, that the U.K.'s interests are still best served by playing an active military role abroad, because many of the threats emanate from abroad. It also details a host of threats the U.K. continues to face, including nuclear proliferation, climate change, the rise in strength of the Asian-Pacific region and, in particular, international terrorism.

A major threat to the country's continued military strength is the need to chisel down the U.K.'s record government debt. The government has frequently been criticized for not adequately equipping its armed services for the jobs it asks them to do.

This week, a former senior Ministry of Defense official said that

Farewell to arms

Britain is still a big defense spender, but debt concerns are likely to continue the shrinkage of what was once the world's most powerful military



Source: Jane's Defence Budgets, IHS Jane's

British troops had been ill-equipped to fight the Iraq war.

Defense Secretary Bob Ainsworth told Parliament that "not a penny" would be cut from next year's defense budget, but said that future programs face "real financial pressure."

"Tough choices will lie ahead and we need to rebalance our budget to better reflect our priorities," he said.



An officer inspects a soldier as the Scots Guards prepare for the changing of the guard at Wellington Barracks in London

The so-called green paper said the U.K. "cannot proceed with all the programs we currently aspire to." While the government has backed key big-ticket items such as buying two aircraft carriers, the paper could lead to questions about other programs, such as the Joint Strike Fighter warplanes being developed with the U.S.

To adapt to smaller budgets and future threats, the paper says, the

U.K. should look increasingly to integrate its capabilities—especially in areas such as joint arms procurement and deployment—with other European countries, especially France.

That notion is likely to raise some eyebrows. The U.K. and France, bitter military rivals for much of the last millennium, have stepped up efforts to bring their militaries together since the late

1990s, a tactic even the Euroskeptical Conservative opposition has endorsed.

But many joint projects have failed to get off the ground, including plans to develop a new frigate, and the policy will likely lead to future differences between France's desire to carve out a separate military role for Europe and the U.K.'s desire to maintain some ties with the U.S.

Tories wouldn't prevent foreign buyouts

BY ALISTAIR MACDONALD
AND LAURENCE NORMAN

A future Conservative government in the U.K. wouldn't interfere with foreign takeovers of British companies, a senior party official said, running against the increasing public and political wariness of the U.K.'s open borders.

Kenneth Clarke, the Conservative Party's shadow business minister, said in an interview that removing barriers to foreign takeovers has benefited the U.K., often bringing better management techniques and making the country attractive to all sorts of foreign inward investment.

The U.K. has been debating the merits of foreign takeovers in the wake of Kraft Foods Inc.'s acquisition of 186-year-old British confectioner Cadbury PLC, the latest in a string of British corporate icons to fall into foreign hands.

Critics say losing headquarters means that research and development and the top management positions will move abroad.

Business Minister Peter Mandelson, Mr. Clarke's opposite number in the ruling Labour Party, has said that the government is keeping a "weather eye" on the effects of foreign ownership. Ahead of a likely May election, the Conservative Party's view of foreign ownership is being closely watched as the party enjoys a lead in most polls.

Mr. Clarke said that, given the government has said it has no current plans to pass legislation to change its open-economy policy, re-



Kenneth Clarke, seen here at a party conference in October, says openness to foreign buyouts signals a strength.

cent comments from the Labour Party are "playing to the gallery without intending to do anything about it."

Large parts of the U.K. economy, including almost its entire chemical, steel, investment-banking and utility industries, are now controlled from abroad; the U.K. is almost alone among major economies in making all its companies fair game.

"I actually think it is a strength of the British economy that we are probably the most open developed economy to overseas takeovers and investment," said Mr. Clarke, a for-

mer minister in the Tory governments of Margaret Thatcher which first opened the U.K. economy up to foreign takeovers.

While Mr. Clarke acknowledges that some economies that restrict foreign takeovers—including the U.S., China and France—are very successful, he said that the "more restrictive approaches to foreign investment tend to be a disadvantage to the countries that practice it" and that a country like France would "do better if they could get rid of politicians giving funny views about who should own major com-

panies."

In the interview, Mr. Clarke warned that the U.K. economy looks set for a year of anemic growth, with significant uncertainties, including the possible end of the Bank of England's bond-buying program potentially hampering the recovery. "If you made me stake my life on the forecast in this uncertain world, I'd say 2010 is going to be very difficult, fairly flat," he said.

And, as a "free marketer," Mr. Clarke also expressed skepticism about what many economists and policy makers seem to take for

granted—the incessant rise of China's economic power. "The Chinese model has yet to prove itself in the longer term," he said, pointing out that 20 years ago it was Japan that experts predicted would soon overtake the U.S. but whose economic model is now a cautionary tale.

Mr. Clarke, a cigar-smoking political veteran nicknamed "the big beast" of Tory politics, said the worst thing about the present economic crisis is the uncertainty—including about the impact of issues like the Bank of England's ending its bond-buying program.

His comments come ahead of a much-anticipated decision Thursday by the central bank on whether or not to extend its £200 billion (\$320 billion) quantitative-easing program, its main source of support to the British economy with interest rates close to zero.

"We have never seen what happens when you stop it. We don't know ... whether any more global shocks are going to hit us," he said.

A slower-than-expected recovery could also pose political and economic worries for the Conservatives who hope to take power for the first time since 1997.

Weak growth could make it tougher for them to convince the public that they are right in calling for spending cuts in 2010. The government has said cuts must wait until 2011 when the recovery is firmer, and the Conservatives' more aggressive stance has been cited as a factor in its recent poll dip.

U.S. NEWS

Obama aims at jobs

BY NAFTALI BENDAVID
AND GREG HITT

Senate Democrats are preparing to release a roughly \$80 billion jobs program this week, but its prospects are uncertain in a political landscape where voters are angry about unemployment yet fuming about federal spending.

Senate leaders are proposing that part of that money come from funds originally allocated to the financial-sector bailout effort, the Troubled Asset Relief Program, or TARP. But top Democrats have decided to slice the jobs initiative into smaller chunks in the face of Republican attacks on big federal economic-stimulus programs.

Action on the jobs measures will be a warm-up for the larger debates over federal spending proposed in President Barack Obama's 2011 budget plan released Monday. Both sides agree that jobs are a national priority. With Republicans on the cusp of 41 votes in the Senate, Democrats need some GOP support to avoid procedural obstacles that could doom their effort. If Republi-

cans do block their initiatives—particularly proposed tax breaks for businesses—Democrats are prepared to blame the minority party for seeking election-year political advantage at the expense of hard-pressed workers.

For Mr. Obama and his Democratic allies, the fiscal challenges will be difficult to reconcile. Mr. Obama is calling for new action to spur job growth, which will almost certainly add to the deficit. At the same time, the public is up in arms over the government's red ink, and Mr. Obama is seeking a freeze in domestic spending.

Democrats have been planning for months to focus on job creation early this year. But the party's loss last month of a U.S. Senate seat in Massachusetts that it had held for decades has added a new urgency to the sense that Congress needs to focus on the economy.

The Senate plan is one of a series of initiatives proposed recently by Democrats scrambling to show voters that they are tackling the nation's persistent unemployment problem. The House last year passed

a \$154 billion jobs program that includes some, but not all, of the same elements as the Senate plan.

Mr. Obama is offering a series of initiatives of his own. Last week, he proposed a \$33 billion tax credit for companies that create jobs. On Tuesday, he again suggested using \$30 billion from the TARP program for a small-business lending fund. And in his 2011 budget, he included \$100 billion for aid to states, infrastructure funding and other jobs programs. Democrats must sort through these overlapping initiatives in coming weeks and decide which make the most sense economically as well as politically.

Senate Democrats plan to launch one bill, which could be introduced as early as Friday, to extend authorization for highway projects, give tax credits to businesses for job creation and other investments, and help state and local governments issue construction bonds.

A second phase would focus on infrastructure spending; help for state and local governments so they can provide jobs for teachers, police officers and other employees; and



People seeking work wait to enter a job fair in New York in December.

aid for people and firms making homes, schools and factories more energy efficient.

"I think people are very tuned in to their constituents and job growth," said Sen. Maria Cantwell (D., Wash.). "So I think if there are proposals that people believe concretely will really create jobs, I think you'll have bipartisan support."

But Republicans criticized the Democratic leaders for crafting bills without input from the minority party. "They're writing the jobs bill the same way they wrote the health-

care bill—behind closed doors," said Sen. Lamar Alexander (R., Tenn.). "We've not been invited to participate, which isn't a good beginning."

Mr. Alexander and other Republicans also oppose the plan to use TARP funds, saying that by law the money is supposed to go toward reducing the deficit.

Additionally, Democrats are considering using the jobs package to renew several recently lapsed tax breaks, include the tax credit supporting business research and development.

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U.S. NEWS



Agence France-Presse/Getty Images

President Barack Obama tours LED maker Arc Energy with company executives in New Hampshire on Tuesday.

Climate target narrowed

Obama retreats on plans for bill to curb greenhouse-gas emissions

BY ELIZABETH WILLIAMSON

NASHUA, N.H.—President Barack Obama said for the first time Tuesday that legislation that would require industries to pay for emissions of greenhouse gases might need to be separated from a more popular “green jobs” bill in the Senate, a maneuver that could kill what once had been one of the administration’s top policy priorities.

Answering a participant in a town-hall meeting in Nashua who asked about green jobs—those connected to renewable energy—and so-called cap-and-trade legislation, Mr. Obama said, “The only thing I would say about it is this: We may be able to separate these things out. And it’s possible that that’s where the Senate ends up.”

Until now, the Obama administration has refused to entertain in public the idea that lawmakers might have to split up the climate bill. The shift by the president is another sign that the White House is rethinking strategy on big first-year agenda items such as health care and climate legislation, after public dissatisfaction with its focus on those issues helped cost Democrats their filibuster-proof hold on the Senate last month.

The idea behind the cap-and-trade aspect of the climate bill is to create a market in permits that confer the right to emit greenhouse gases, which are believed to contribute to global warming. Businesses would be required to hold these permits, and over time the government would curtail the supply of permits

to reduce the total amount of gases produced.

A White House spokesman played down the president’s comments, saying Mr. Obama still favored a bill that would combine measures to encourage jobs in green-energy fields with the establishment of a trading mechanism for emissions.

In his State of the Union speech last week, Mr. Obama pushed for “a comprehensive energy and climate bill with incentives that will finally make clean energy the profitable kind of energy in America.”

The U.S. must adopt a carbon-pricing system if it hopes to meet its United Nations commitments on greenhouse-gas emissions, the International Energy Agency’s head said Wednesday, Reuters news service reported.

Nobuo Tanaka, executive director of the Paris-based IEA, told Reuters that Washington’s target of cutting such emissions in 2020 by 17% from 2005 levels meant it would have to adopt new legislation imposing a cost on carbon waste.

But isolating the cap-and-trade proposal would make it easier for Democrats who oppose putting a price on greenhouse-gas emissions to set that part of the climate bill aside, and vote for the more popular jobs incentives now contained in the wide-ranging measure.

The climate bill in the Senate is opposed by legislators from both parties whose local economies rely on fossil fuels, and smokestack industries like steel mills and coal-fired utilities. These lawmakers worry a cap-and-trade system will

burden these industries with new costs.

Mr. Obama’s comments on Tuesday came amid new signs of resistance by some fellow Democrats to his administration’s efforts to combat climate change.

Two senior House Democrats—Reps. Ike Skelton of Missouri, chairman of the House Armed Services Committee, and Collin Peterson of Minnesota, chairman of the House Agriculture Committee—on Tuesday introduced legislation to prohibit the Environmental Protection Agency from regulating greenhouse-gas emissions under the Clean Air Act.

Mr. Skelton called for setting aside legislation already passed by the House to cap greenhouse-gas emissions, and instead passing “scaled-back energy legislation” that could command greater support in both parties.

One possibility for Senate Democrats is to push forward with a bill that would require electric utilities nationwide to generate 15% of their electricity supplies through renewable resources, with some portion met by energy efficiency measures, by 2021.

Meanwhile on Wednesday, a working group established by Mr. Obama was set to outline plans for increasing the amount of biofuels used to power vehicles. The group planned to call for more targeted financing to support the industry. In addition, it was to suggest that regulators consider lifting the limit on ethanol in the gasoline supply from 10% currently to 15% or 20%.

What happens if nothing happens to health care?

[CAPITAL]

By DAVID WESSEL



A month ago, President Barack Obama was on the verge of a victory that eluded all his predecessors, as Congress neared approval of legislation to expand health-insurance coverage to nearly all Americans. Today, this initiative is in critical condition, perhaps even dying.

The initial idea was logical: Cover nearly everyone and control the rise in health costs. The emerging House-Senate compromise was ugly and unpopular. The left said it did too little of the first, and did too much to protect health-care profits. The right said it didn’t do enough of the second, and did too much to enlarge government’s already formidable role.

Back in April, I argued that we would get the big health-care fix. When Bill and Hillary Clinton failed 15 years ago, every interest’s first choice was its own favorite plan; everyone’s second choice was the status quo. But, I wrote, the status quo had become so uncomfortable that it was no longer everyone’s second choice so a compromise would emerge. I was wrong.

Conversation among Washington wonks, corporate chieftains and health-care executives isn’t any longer about how “health reform” will work in practice. It’s about what happens if nothing happens.

Barring a political miracle, we’re going to learn the cost of doing nothing—nothing significant to restrain health-care cost increases, nothing to prod the health-care system to produce more benefit for each dollar it takes, nothing to expand health-insurance coverage.

This, too, will be ugly and unpopular.

“Failure to enact health reform will result in increasing numbers of people without health insurance because fewer employers will offer it and many employees will not be able to pay the cost of plans that are available,” predicts Stephen Zuckerman, a health economist at Washington’s Urban Institute think tank.

“For people not offered employer coverage, many will not be able to get coverage due to pre-existing conditions that insurers won’t cover or because premiums simply won’t be affordable. Even people with coverage will find costs becoming a greater financial burden,” he said.

And all of us—employers, workers and taxpayers—will spend ever more on health care.

The numbers are so large they’re hard to grasp. The U.S. health-care tab in 2009 was \$2.5 trillion, equal to 17.3% of the nation’s gross domestic product, the sum of all its output, much bigger than 2008’s 16.2% because the recession depressed GDP. The economy will grow again, of

course, but health-care costs will rise even faster. In a new forecast, the federal Centers for Medicare and Medicaid Services predict that without some big change, health care will amount to 19.3% of GDP by 2019.

Last spring, the Urban Institute ran the do-nothing outcome through its computers, and offered three scenarios. In the best case, the number of uninsured rises to 57 million, or 20.1% of the population, from 49.1 million, or 18.4%, in 2009, most of them middle-income adults. More employers drop coverage as it grows more costly. The fraction of Americans on the government’s Medicaid and Children’s Health Insurance Program, now at 16.5%, would rise sharply to between 16.5% and 18.3%—and that’s without the much-derided “public option.”

All this will swell an already large budget deficit. The “fiscal course that we’re on, out in 2020 and 2030 and 2040, is unsustainable and it needs to be addressed,” White House budget director Peter Orszag said this week. “If we don’t address rising health-care costs, there’s nothing else that we’re going to be able to do that will alter that basic fact,” he said.

This year, Medicare and Medicaid will cost nearly \$725 billion, about 50% more than Congress appropriates for all domestic agencies from the National Park Service to K-12 school aid. In 2014, the cost is projected at \$950 billion. Gulp!

If nothing changes, employers who still offer health insurance will pay more for it, and will pay lower wages as a result.

In the Urban Institute’s best case, employer premiums per worker will rise 64% over the next decade. In the worst case? They more than double. Gulp!

“If we fail to pass effective health-care reform legislation, the skyrocketing costs of health care will continue to burden America’s citizens, communities and companies when we can least afford it,” warns John Castellani, president of the Business Roundtable, a group of big-company chief executives.

Helen Darling has been buying or thinking about health care her whole career, first as a Xerox Corp. executive, now as head of the National Business Group on Health, a coalition pushing for change.

She says she was “absolutely inspired” by Mr. Obama’s initial vow to finally act to slow health-care cost growth, and disappointed at how little of that survived Congress. In that sense, she says, legislation wouldn’t have accomplished much to slow costs, and thus its death won’t matter much.

But she draws a more ominous conclusion. “The most depressing thing about it,” Ms. Darling says, “is that it shows the failure of the political system. Have we lost the capacity to do certain things? Can we govern? That’s the most frightening thing. I’m very depressed that we can’t solve even parts of these problems.”

Me, too.

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Pace of job losses slows

By KATHLEEN MADIGAN

NEW YORK—The U.S. labor market showed signs of recovering in January. Private-sector jobs fell by 22,000, the smallest drop since February 2008, and service jobs continued to rise, according to a national employment report published Wednesday by payroll giant Automatic Data Processing Inc. and consultancy Macroeconomic Advisers. The ADP loss is slightly below the 30,000 drop projected by econo-

mists in a Dow Jones Newswires survey.

The January unemployment rate is projected to edge up to 10.1% from 10%.

A separate report indicated that the U.S. service sector resumed expansion in January.

The Institute for Supply Management said its nonmanufacturing index, comprised largely of service-sector activity, moved to 50.5, from 49.8 in December. Readings over 50 indicate expanding activity.

WORLD NEWS

Iranians fire latest rocket

Test-launch of satellite carrier accompanied by series of 'advances' in space program

By CHIP CUMMINS

DUBAI—Iran test-fired a new satellite rocket and unveiled a series of what it said were homegrown advances in its space program, a push that has worried Western officials because of possible crossover applications in the country's weapons program.

In addition to the test-firing, President Mahmoud Ahmadinejad unveiled on Wednesday three new telecommunications satellites and a new satellite-carrier engine, according to state media.

The test firing comes as the Islamic Republic celebrates its 31st anniversary. Commemorations began this week and culminate on Feb. 11, the day in 1979 that the shah's forces capitulated during the Iranian revolution. During last year's commemoration period, Iran launched its first domestically made and propelled satellite.

Tehran has long said its space program, like its nuclear program, is aimed at peaceful purposes. Wednesday's rocket carried a capsule of living organisms—a rat, two turtles and worms—into space for experimentation, the state-run English-language Press TV reported.

Iranian claims of technological advances, especially in weapons development, are often viewed skeptically by outside analysts. Still, the test-firing could raise fresh alarms about Iran's weapons development. Many of the technologies used in satellite development can be applicable to missile-delivery systems.

The satellite announcement comes a day after Mr. Ahmadinejad surprised many Western observers by suggesting in a televised interview late Tuesday that Tehran no longer objected to a long-stalled international nuclear-fuel deal that is



President Mahmoud Ahmadinejad, pointing, and Iranian officials unveil a satellite launching rocket in Tehran on Wednesday, on a day that Iran heralded advances in its homegrown space program.

at the heart of current efforts by Western capitals to rein in the country's nuclear ambitions.

The deal, hammered out last year between Iran, Western powers and the International Atomic Energy Agency, calls for Iran to export the bulk of its low-enriched uranium for refining overseas and use the processed product in a medical-research reactor. Western officials see the deal as a way of delaying any Iranian effort to develop a nuclear weapon. Washington, frustrated by Tehran's response to the draft deal, is pushing for fresh economic sanctions against Iran.

After Iranian negotiators agreed

to the proposed deal, several Tehran officials spent months criticizing it, and appeared to rule out the deal in its current form in December. But Mr. Ahmadinejad's comments late Tuesday night suggested Tehran's position has changed once again. U.S. officials remain wary, saying that if Iran has agreed to the deal, Tehran should officially notify the IAEA.

Mr. Ahmadinejad's satellite announcement comes after U.S. defense officials disclosed last weekend American efforts to bolster defensive capabilities among its Arab allies in the Persian Gulf. It also comes as opposition protesters

gird for planned demonstrations on Feb. 11.

Opposition leaders have used state-sanctioned holidays as cover for their antigovernment protests, which first erupted after disputed June 12 presidential elections.

Both sides—the government and the opposition—have hardened their rhetoric recently ahead of Feb. 11. The government has vowed a harsh crackdown and swift justice to demonstrators who turn out.

Similar threats, however, failed to deter large-scale protests on Dec. 27, a holy day in Shiite Islam, which saw some of the worst violence since the summer.

Bomb kills U.S. soldiers in Pakistan

By MATTHEW ROSENBERG
AND REHMAT MEHSUD

A roadside bomb killed at least three U.S. soldiers and five Pakistanis in a corner of northwestern Pakistan where Pakistani forces have struggled to subdue the Taliban, officials said.

Wednesday's bombing hit a convoy from Pakistan's paramilitary Frontier Corps in which the U.S. soldiers were traveling, the U.S. Embassy in Islamabad said in a statement. The Americans, two of whom were also wounded, were part of a mission training the Frontier Corps. The embassy said it is still learning precisely what happened.

The deaths were believed to be the first fatalities in the American effort to train Pakistani forces to fight the Taliban and al Qaeda. The mission has been openly acknowledged by U.S. officials but little publicized in an effort to avoid stirring up rampant anti-American sentiment in Pakistan. None of the trainers are supposed to be involved in combat operations.

The area where Wednesday's attack took place—the Lower Dir district—was one of the regions targeted in a massive Pakistani army offensive last year against the Taliban. The soldiers managed to push the militants from the district's roads and villages, and the army subsequently declared it and the neighboring Swat Valley cleared of Taliban fighters. But militants who holed up in the mountains remain active, and Pakistani officials said they were most likely behind the attack.

The target appeared to be the Frontier Corps convoy, which was carrying the Americans to the reopening of a girls' school recently renovated with U.S. humanitarian assistance, the embassy said. The blast in the village of Shahi Koto also "damaged the school building considerably," said Mumtaz Zareen, the district's top police officer. "It was a powerful remote-controlled bomb blast."

Girls' schools are frequent targets of the Pakistan Taliban, which imposes a harsh version of Islamic law on territory it controls in northwestern Pakistan.

It wasn't clear how many of the Pakistani dead were from the Frontier Corps and how many were civilians.

Witnesses reported a chaotic and bloody aftermath. "People are still busy pulling out the trapped schoolgirls and we were hearing their screams," said Muhammad Amin, who lives in the area, a few hours after the attack. "Dust is billowing from the site."

In the hours after the attack, there were conflicting reports on whether the dead Americans were soldiers or working for the U.S. Agency for International Development, the aid arm of the U.S. government.

The official hesitancy to immediately acknowledge the deaths of the U.S. soldiers appeared to reflect Pakistani sensitivities about the presence of foreign troops—particularly American ones—on their soil.

Unlike in neighboring Afghanistan, there are no American troops permanently based in Pakistan. Islamabad objected strongly to a U.S. Special Forces raid in an area near the Afghan border in September 2008.

New tumult roils battered Sudan

By SARAH CHILDRESS

Political tumult in Sudan is deepening, as the oil-rich nation prepares for a rare presidential ballot and its leader attempts to fend off war-crime charges while seeking reelection.

On Wednesday, the International Criminal Court decided to revisit a petition to charge President Omar al-Bashir with genocide, reversing last year's decision by a panel of judges that there wasn't enough evidence to link the Sudanese leader with mass killings of his people.

"Today's decision is a strong reminder that President al-Bashir is wanted for heinous crimes committed in Darfur," said Elise Keppler, senior counsel for the International Justice program at Human Rights Watch, a New York-based watchdog group, in a statement. "[He] is a fugitive from justice who needs to appear in The Hague to answer to the allegations against him."

Rabie Abdel-Attie, a Sudan government spokesman, said the decision won't affect Mr. Bashir's presidential bid, and claimed it reflected the court's isolation from reality on the ground in Sudan, according to the Associated Press. Mr. Bashir was in Qatar at Darfur peace talks, the AP reported.

The court's deliberation, which could take months, comes amid a fraught period for Sudan. The country has been riven by war and drought as it heads into its first multiparty vote in two decades. Among the top candidates are Mr. Bashir and the leader of a Sudanese rebel group.

April's presidential election is open to voters in the north and south, after a civil war divided the nation and left two million dead. The peace agreement that ended the war is set to expire next year, when voters in southern Sudan are slated to vote on whether to rejoin the north or create an independent state.

The war-crimes investigation, and an arrest warrant from the International Criminal Court, haven't stopped Mr. Bashir's presidential campaign. Sudanese officials say they don't recognize the warrant because Sudan isn't a signatory to the court.

Mr. Bashir faces serious competition from the field of presidential hopefuls. Among them is Yasir Arman of the Sudan People's Liberation Movement, the rebel group that signed the peace agreement in 2005 with Mr. Bashir's National Congress Party to end the civil war.

A key issue between the rival



A supporter of Sadiq el Madhi, a Sudanese presidential candidate in Khartoum.

sides is oil, most of which is produced in the south. Sudan is heavily dependent on oil revenue.

Under the peace pact, the two sides share the oil revenue from the southern fields, but that deal has to be renegotiated next year when the agreement expires.

Amid the brokered truce, conflict has sprung up elsewhere in the country. In 2003, government-backed militias launched attacks on civilians in the Darfur region in retaliation for attacks by Darfuri rebel groups who demanded more resources for their people.

WORLD NEWS

U.S. uses new weapon for surge: a press release

In an unusual tactic, allies in Afghanistan issue statement describing attack plan in Helmand in a bid to intimidate Taliban

By MICHAEL M. PHILLIPS

KANDAHAR, Afghanistan—In a rare break from traditional military secrecy, the U.S. and its allies are announcing the precise target of their first big offensive of the Afghanistan surge in an apparent bid to intimidate the Taliban.

Coalition officers have been hinting aloud for months that they plan to send an overwhelming Afghan, British and U.S. force to clear insurgents from the town of Marjah and surrounding areas in Helmand province, and this week the allies took the unusual step of issuing a press release saying the attack was “due to commence”.

Senior Afghan officials went so far as to hold a news conference Tuesday to discuss the offensive, although the allies have been careful not to publicize the specific date or details of the attack.

“If we went in there one night and all the insurgents were gone and we didn’t have to fire a shot, that would be a success,” a coalition spokesman, Col. Wayne Shanks, said before the announcement. “I don’t think there has been a mistake in letting people know we’re planning on coming in.”

The risks could be substantial, however. By surrendering the element of surprise, the coalition has given its enemy time to dig entrenched fighting positions and tunnel networks. Perhaps worse for the attacking infantrymen, the insurgents have had time to booby-trap buildings and bury bombs along paths, roads and irrigated fields.

Such hidden devices inflict the majority of U.S. and allied casualties.

Over the past few months, the new allied commander in southern Afghanistan, British Maj. Gen. Nick Carter, has revamped NATO’s coalition strategy in a region that is home to the Pashtun tribes and opium poppy fields that form the ethnic and financial foundations of the Taliban insurgency.

With the first of 30,000 new U.S. troops already on the ground in Afghanistan, Gen. Carter’s plan is to focus on two population centers—Kandahar city, in Kandahar province, and central Helmand province to the west. Combined, they are home to about two million of the estimated three million residents of southern Afghanistan.

Still, the military has taken an unusual step by broadcasting its imminent intention to assault a particular town, Marjah, and its environs. During World War II, civilians and servicemen were frequently reminded that “Loose lips sink ships” and “Enemy ears are listening.” For months leading up to the D-Day landings on June 6, 1944, the Allies went to great lengths to disguise their target.

The coalition in Afghanistan normally forbids—at the threat of expulsion—embedded reporters writing about events before they take place. This time, though, officials even released the name of the offensive, Operation Moshtarak, saying it would be a joint Afghan-coalition attack. Moshtarak means “together” in Dari, although the bulk of the population in southern Afghanistan

speaks Pashto. “This combined force will strike a victory for the future of Afghanistan,” the release said. It ended with the Arabic phrase “En shallah,” or “God willing,” a traditional Muslim refrain.

At times, the U.S. took a similar tack in Iraq, signaling in advance that the 2007 surge there would focus on Baghdad. Likewise, Pakistan’s military telegraphed its intention last year to attack insurgents in the Swat Valley and South Waziristan.

“It is a fascinating tactical decision to advertise an assault openly before it commences,” said Michael O’Hanlon, director of foreign policy research at the Brookings Institution in Washington.

The foreshadowing has potential benefits, Mr. O’Hanlon says. If a substantial number of insurgent fighters choose flight over fight, the coalition and Afghan government score a relatively easy win—and the opportunity to brag about it to a public skeptical of its achievements.

“We’re saying it out loud because of the strength of the inevitability of it,” said Brig. Gen. Larry Nicholson, commander of the Marine task force that will form the backbone of the U.S. contingent.

Gen. Nicholson said the drumbeat of public comments about the impending attack has already persuaded community leaders in Marjah to meet with Afghan government and coalition officials. “People of influence don’t want to be on the wrong side of this,” he said.

Commanders would have liked to take control of central Helmand earlier, but they say they lacked suffi-



An Afghan National Army soldier searches a local man Wednesday near Shamulzai in Zabul province, where the Allies’ first surge offensive is planned.

cient forces to hold the terrain they might have won. Coalition officials say they aren’t sure how many insurgents are in the Marjah area; they believe there are enough, however, that they have treated it as a no-go zone. As such, both sides know it is an obvious target for the new troops, Gen. Nicholson said.

With the surge forces in place, officials believe the coalition is strong enough to seize and hold the ground in central Helmand and help the Afghan government establish a toehold of legitimacy.

Limiting civilian casualties is a key objective of Afghanistan’s top U.S. military man, Gen. Stanley A. McChrystal. Even if the Taliban choose to fight, the public warnings could give civilians a chance to evacuate the area, leaving a clearer field of fire for the Americans, British and Afghans.

That is what happened in 2008

in Garmsir, a Taliban-held town further south in Helmand province. The locals fled to the desert during a month of fighting between a Marine battalion and dug-in insurgents. With little reason to worry about civilian casualties, the Marines were able to use their superior firepower, including helicopter gunships and mortars, to oust the insurgents.

The battle left some buildings in ruins but gave rise to few claims of civilian deaths. As soon as the fighting stopped, the Marines set up an office to compensate civilians whose homes had been damaged, a practice likely to be repeated in Marjah.

Said Mr. O’Hanlon: “One advantage is that local populations will be alerted to what we’re doing, perhaps making them more understanding of subsequent fighting—more prone to share intelligence, if they believe we are planning to stay awhile after the assault.”

Iraqi appeals court lifts candidate ban

By MARGARET COKER

An Iraqi appeals court overturned a ban on hundreds of candidates for alleged ties to Saddam Hussein’s former party, allowing them to stand in March 7 parliamentary polls and easing sectarian tension ahead of the closely watched vote.

The election is a key step in Iraq’s democratic transition, and U.S. officials hope that credible, fair elections will help cement the gains in security and stability that American and Iraqi troops have won over the last two years. U.S. officials have also said a smooth election could speed a large-scale troop withdrawal planned for later this year.

However, Wednesday brought another reminder that Iraq’s sectarian bloodshed is far from over. A blast tore through a crowd of Shiite pilgrims just outside the holy city of Karbala south of Baghdad, killing at least 23 people and injuring 120 in the second attack this week on the huge religious processions for annual observances, officials said, according to the Associated Press.

The vote had already been de-

layed because of haggling over an election law. The electoral process was thrown into further confusion last month when Iraq’s Justice and Accountability Commission, a body charged with ensuring Mr. Hussein’s Baath party doesn’t return to public life, decided to ban more than 500 candidates from the polls because of links to the party.

The decision triggered an outcry from Sunnis and from other opponents of the Shiite-dominated government of Prime Minister Nouri al-Maliki. Critics said the commission, whose members include religious Shiite politicians standing for re-election themselves, was making a power play to edge out competitors. Some Sunni leaders threatened to boycott the elections.

U.S. Vice President Joe Biden made numerous overtures to Iraq’s leadership to find a compromise to the ban.

On Wednesday, the appeals court ruled that all candidates would be able to stand in the election after all. Those candidates on the blacklist would still have their ties to the former regime probed, but after the vote.

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