



## Battle inside the Fed rages over U.S. banking regulation

THE BIG READ 18-19

## Greeks are braced for more strikes and street protests

EUROPE NEWS 7

# THE WALL STREET JOURNAL.

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### Triumph and turmoil on International Women's Day



At the dawn of International Women's Day, Kathryn Bigelow celebrated the first Oscar for a female director. But in India, efforts to pass a law on equality in politics stalled. Article on page 11.

# Downgrade threat looms at U.K. banks

BY DAVID ENRICH

Moody's Investors Service said the expected wind-down of the U.K.'s banking bailout programs could trigger ratings downgrades of some British lenders' bonds.

The debt ratings of some large U.K. banks have been buoyed recently by the assumption that the government or the Bank of England would rush to their aid to prevent them from collapsing, as they did during the financial crisis. Now that assumption is being reconsidered.

"As the financial sector slowly emerges from this recent crisis, our assessment of the probability of the government providing support will revert back to a case-by-case assessment of the impact of each bank's hypothetical failure on financial stability," Moody's wrote in a note Monday. Absent the benefit of the assumed government back-

stop, Moody's said, some weaker U.K. banks could see their ratings lowered in coming years.

The move by Moody's offers a hint of what lies ahead as the U.S. and U.K. governments start phasing out the unprecedented rescue programs that they deployed in late 2008 and early 2009. With investors remaining jittery about the health of the economy and of some banks, lower debt ratings are likely to make it more expensive for those lenders to borrow money through the capital markets.

The ratings change appears most likely to affect the U.K.'s two most-troubled banking companies, **Royal Bank of Scotland Group PLC** and **Lloyds Banking Group PLC**. The U.K. government owns 85% of RBS and 41% of Lloyds. Moody's said both banks, along with another U.K. lender, **Nationwide**

**Building Society**, have benefited from debt ratings that are one notch higher thanks to the assumption that they are eligible for "extraordinary" government support.

Elisabeth Rudman, a Moody's senior credit officer, said the ratings of RBS and Lloyds are unlikely to change until the U.K. government starts whittling down its ownership stakes in the banks. The government hasn't said when that will happen.

Moody's is only preparing to phase out its assumption of "extraordinary" government support for certain banks, which has come in the form of government debt guarantees and capital injections.

The ratings firm isn't changing its overall view that the U.K. government would aid systemically important banks. That assumption continues to boost the ratings of all four major U.K. banks by multiple notches.

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Hard times turn coupon clipping into the newest extreme sport. Page 33

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Who should pay for 'Doctor Who'? Page 17

## Quake raises Istanbul fear

BY MARC CHAMPION

An earthquake in rural Eastern Turkey killed more than 50 people Monday, reviving the perennially worrying question in Turkey: What happens when the next major tremor hits Europe's most-populous city, Istanbul?

Monday's 6-magnitude quake collapsed mud and stone construction houses in villages through hilly terrain. The tremor centered on the village of Basyurt and struck at 4:32 a.m., according to scientists at Bosphorus University's Kandilli Earthquake Observation Center, in Istanbul.

Officials in Elazig, the nearest larger town to the quake's epicenter, said 51 people had died and 71 were wounded, according to Anadolu Ajansi, Turkey's state

news agency.

Monday's tremor was unrelated to the recent quakes in Haiti, Chile and Kyrgyzstan, said Dogan Kalafat, director of the Kandilli center's research institute. But it came as a reminder of the threat to Istanbul. A report submitted to the country's parliament last week by the Turkish Chamber of Civil Engineers criticized continued substandard construction. It also noted that an often-cited fatality forecast—that a major quake could kill some 90,000 people in Istanbul—is now out of date for the rapidly growing city.

Turkey hosts two major faults where the African and Arabian tectonic plates meet Eurasia. These are sliding northward and westward by 1.5 centimeters and 2.5 centimeters a year, respectively,

said Prof. Kalafat. The East Anatolian fault runs from central Eastern Turkey toward Cyprus in the Mediterranean. The North Anatolian fault runs from the Marmara Sea, on which much of Istanbul sits, eastward. The two faults meet not far from Monday's earthquake zone.

"We're expecting a big earthquake in the Marmara Sea," said Mr. Kalafat. "We know there is a 64% probability by 2030 ... and 95% by 2090."

Istanbul, and before it Constantinople, experienced 120 recorded earthquakes over 2,000 years, at times tumbling parts of the city's famously stout Byzantine walls. But Istanbul has been growing rapidly, raising the human stakes. The city's officially

Please turn to page 14

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## PAGE TWO

# Addressing perceived discrimination

## [ Agenda ]

BY PATIENCE WHEATCROFT



International Women's Day was celebrated yesterday with the familiar flurry of surveys

highlighting the dearth of women in senior business roles. The World Economic Forum, the organization behind the annual Davos gathering, added its voice to the chorus, with a hefty "Corporate Gender Gap Report" that purports to show women aren't making it to the top in companies around the globe. Internationally, the report found that an average of only 5% of large companies had females at the chief executive officer level, although women made up between a quarter and half of their work force.

The OECD offered a similar thesis. Although 62% of women in OECD countries are in paid work, only about a third of managerial posts are held by females, it explains in its new "Gender Brief."

The shrill protests that pick up on reports such as these use them to advance arguments that aren't necessarily justified. They claim the situation is the result of discrimination in the workplace, which needs to be redressed. And they maintain that having more women in senior positions would benefit business. Neither is completely accurate. That, though, is not allowed to damp the clamor for more measures to try and address the perceived discrimination.

Norway is cited by the WEF as an honorable exception to the sexist failings of other countries. More than 40% of Norway's boards of directors are female. How has Norway managed to race ahead of most other countries by a factor of around four? The explanation may be not unrelated to a government regulation that insists on a minimum of 40% of each gender being on the board of



A couple of capable, qualified people well suited to their important roles

public companies.

But while the authors of these reports applaud such a measure, there is reason for caution. What companies need in the chief executive's office or the non-executive director's chair is the best-qualified person for the job, irrespective of gender, not someone appointed to make up the quota.

Building up a cohort with the

## An average of only 5% of large companies had females at the chief executive officer level

right qualifications and experience takes time and women were late-starters in the workplace race to the top.

Even given the appropriate qualifications and experience, taking on a top job in business requires huge time and energy commitment. For a variety of reasons, some of them family-related and some not, many women decide against making that commitment.

The picture varies from country to country but in the West it is not as skewed as the decriers of perceived discrimination would have us believe.

The WEF report, for instance,

is based on a survey that was carried out in conjunction with universities and gives the appearance of being highly credible research. Thus when it shows the U.K. as having no female chief executives in companies of more than 1,000 employees, the reader might leap to the conclusion that the Suffragette movement had better be recalled.

Yet the fact is that there are women running big British businesses. The WEF report doesn't show this because it relied on companies responding to its survey. If 20 companies out of a hundred in any country responded to the survey, that was enough to get the country included. The four FTSE 100 companies run by women either weren't asked or chose not to respond. In May, they will be joined by a fifth, Imperial Tobacco.

Now, five out of a hundred doesn't amount to a female takeover of British boardrooms, but it does indicate the danger in drawing any firm conclusions from the research. Neither is it safe to assume that a gender balance in the boardroom is desirable. A mix of skills and experience is surely more important to the success of a board than a balance of the sexes.

Yet Harriet Harman, the U.K.'s minister for Equality, yesterday threatened to force companies to be more proactive in getting

women into their boardrooms. "Women are important consumers and employees," she trilled, as if this was a good enough reason for making them directors.

Prime Minister Gordon Brown backed this notion, saying that if there wasn't dramatic change in the composition of boards, he would have to consider "serious action."

Companies should not be bounced into thinking that they must recruit a quota of females. That would do a disservice to their shareholders and to women who are happy to make their own way in world. The German government is led by a woman, the U.S. secretary of state is a woman as is the French finance minister. None of those appointments is deemed remarkable for these are capable, qualified people well suited to the roles. Business needs to be allowed to advance people on the same basis.

## A tax too far

Paris has much to recommend it as a place to live. So does Geneva. After April, both cities will have something more to make them seem attractive in relation to London.

As The Wall Street Journal Europe reported yesterday, the increased taxes that the British government has imposed from next month will change the U.K.'s ranking in the tax competitiveness league. Suddenly, those areas which used to be seen as "high tax Europe" compared with the U.K. will be lower taxed than Britain for many higher income earners.

In the financial world particularly, the math is being taken seriously. That doesn't mean there will be an instant exodus from the City of London but the stage is being set for a gradual draining away of business. It isn't just right-wing rhetoric to say high taxes are counterproductive: It is a fact. A 50% rate on income won't be a money spinner for the U.K. but it could certainly benefit other economies.

## What's News

■ **MetLife's \$15.5 billion** purchase of AIG's Alico unit propels MetLife onto the world stage, bringing share-price gains for both companies. 21

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## ONLINE TODAY

### Most read in Europe



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2. Opinion: 'They Need to Be Liberated From Their God'
3. Opinion: Iceland's Message: Don't Bail Them Out
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1. Opinion: 'They Need to Be Liberated From Their God'
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4. Schools' New Math: the Four-Day Week
5. Last of the Golden Swindlers

### Iain Martin on Politics

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

"The voters are not fools. Weeks from an election, they tend to notice indecision and incoherence."

Iain Martin on how Tories' campaign stumbles are apparent in U.K. polls



### Continuing coverage



See the latest news and photos as top designers unveil their collections in Paris at [wsj.com/runway](http://wsj.com/runway)

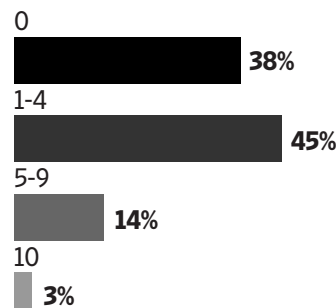
### Question of the day

Vote: Is a monetary fund for Europe a good idea?

Vote online at [wsj.com/dailyquestion](http://wsj.com/dailyquestion)

### Previous results

Q: How many of the Oscar nominees for best picture have you seen?



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NEWS



Associated Press (3)

Models present a creation by Italian designer Stephano Pilati for Yves Saint Laurent as part of his Fall-Winter ready-to-wear collection presented in Paris on Monday.

# Capes, sportswear define YSL collection

[ Heard on the Runway ]

It was freezing in the Grand Palais on Monday, so maybe it's appropriate that capes and weatherproof sportswear define the Yves St. Laurent woman this season.

The best of it came when he blended elements of standard tailored jackets with capes and capelets—such as several blazers whose sleeves flapped behind the models' arms, which protruded through other sleeveholes. Presumably, these garments can be worn both ways—arms in sleeves or out, which is intriguingly versatile.

Designer Stefano Pilati isn't afraid to take risks. This season, he even played with hemlines—leaving some unsewn (he did that more heavily last year) and shortening a skirt in the back (a look that was eye-catching but not particularly flattering).

Mr. Pilati is also experimenting with fabrics, using some technical modern textiles that are stiff and light. Two pairs of creased, wide-legged pants were stunning.

In the backdrop played another passion of Mr. Pilati's—a musical collaboration with LCD Soundsystem—a project of producer James Murphy, who founded dance-punk label DFA

Records. The live band played a piece composed for the collection, lively and joyous.

The show—music and all—will be available at [www.ysl.com](http://www.ysl.com), and on Youtube and Facebook.

—Christina Binkley

**Fit for royalty and CEOs**

Giambattista Valli manages to bridge the line between royal and corporate. The Paris-based designer counts among his clients both Queen Rania and Pepsico Chairman Indra Nooyi. The reason is the delicate balance he reaches between outrageously rich-looking and softly powerful garments.

Chief executives often need to fight the urge to look trendy, if they have that urge at all. Timeless is more the adjective that works for corporate clothing. And that's what Mr. Valli offers. In his show at Paris Place Vendome on Monday, he started on a voluminous beige wool coat, followed by a gray skirt suit—similarly focused on the volume of the jacket, which had rounded shoulders reminiscent of a cape.

That was the simple stuff. Complex fur coats—assembled from different lengths and textures of white furs—were super dressy. Mr. Valli played with transparency, adding a see-through bottom to a cropped wool jacket.

A final series of cocktail



Getty Images

Giambattista Valli in Milan last year.

dresses and evening gowns were sewn from narrowly bunched-up tulle at the top, then flowed to frothy huge trains surrounding the bottom. More couture than ready-to-wear, those gowns will be produced, I'm assured by the sales staff, but only on order and in small numbers, like four or five. After all, how many \$35,000 gowns can you produce?

—Christina Binkley

**Oscars dust-up**

Many time zones away from Paris was a bit of a dust-up between Calvin Klein and

Burberry over who dressed actor Anthony Mackie for the Oscars on Sunday night. Both design houses sent out press releases from the red carpet claiming to have put their tuxedo on the "Hurt Locker" star.

Fashion houses are wildly competitive about who dresses whom, though most of the action happens on the women's wear side. Men are getting more attention—and clothes—these days, though.

Often actors and their stylists will accept offerings from more than one designer, and wait until the last minute to choose. And hey, spills happen on the way out the door, and so do changes of heart, so an actor has gotta have back-up plans.

On Sunday afternoon as the Oscars red carpet was being broadcast, Calvin Klein's release announced that Mr. Mackie's tux was designed by Italo Zucchelli, creative director for the brand's men's wear. The fashion house also announced it was dressing Julianne Moore, Zac Efron and Ben Stiller.

But Burberry crowed that it had snared the entire (male) case of the "Hurt Locker," including the handsome Mr. Mackie, who was wearing, the fashion house said, a "custom-tailored black tuxedo, dress shirt, silk tie and shoes all by Burberry."

That appeared to leave only

Mr. Mackie's underwear and socks for Calvin Klein. Which is possible, but an odd thing to announce, so I asked what's up. The response came from a Calvin Klein spokesman a short time ago: "Sorry, we did not dress him this evening. That information has been revised." Oops.

—Christina Binkley

**Simple elegance at Celine**

Phoebe Philo's two-year hiatus from fashion seems to have given her a clarity about wardrobe choices. Her comeback last season at French fashion house Celine was a concise statement of coolly useful clothes that has influenced the overall look of the current Paris fashion week.

Her sophomore performance at Celine, on Sunday, was once again precise. Ms. Philo limited her palette to a few shades: black, cream, purple, blue and hunter green. But she let loose with a little more elegance.

The predominance of strong leather in her first take on the LVMH-owned label—a stiff caramel-colored A-line skirt, for instance—gave way to its more subtle use this season. Two black leather pockets made a sleeveless purple coat look urban. Ballerina tops, another theme from her first collection from Celine, were back for an encore in black leather or cream lace.

—Christina Passariello

## EUROPE NEWS

# Portugal unveils budget cuts

Moves seek to increase privatizations, cap public-sector wages and tax high incomes more

BY JEFFREY T. LEWIS

LISBON—Under pressure to shore up its public finances, Portugal's government Monday announced new budget cuts, including a ramped-up privatization plan, caps on public-sector wages and tax increases on high incomes.

The government's new set of cuts comes less than a week after similar steps taken by Greece, whose own debt crisis was seen jeopardizing credit markets of the 16-country euro zone, and even the currency itself.

Financial markets recently have viewed Portugal's deep budget deficits as potentially posing the region's next sovereign-debt liability.

Finance Minister Fernando Teixeira dos Santos defended the forecasts that the plan is based on, saying they are more conservative than those contained in the Spanish and Greek deficit-reduction plans.

"Our scenario for growth is fairly prudent," he said in a telephone interview.

"Before the crisis, we had growth of 1.9% [in 2007], so this will have us reach the end of this period with growth similar to what we had before the crisis," he said.

But some economic analysts saw the growth projections as possibly too optimistic, endangering the overall plan.

The plan relies heavily on spending cuts, which represent nearly half the effort to slash the budget shortfall to 2.8% of gross domestic product in 2013, from 9.3% of GDP last year.

"Considering that GDP expanded 0.8% on average in 2002-2008, these assumptions probably suffer from downside risks, therefore casting some doubts that the deficit will come down at the pace the government projects," said Tullia Bucco, an economist at UniCredit in Milan.

Portugal's public wage costs will be pared by as much as €100 million (\$136.2 million) a year, reducing sal-

ary spending to 10% of GDP in 2013 from about 13% in 2008.

The money raised from the asset sales will be used to pay down the national debt, saving money by trimming interest payments.

To increase revenue, the government plans to drop several income-tax deductions, create a new higher 45% tax rate on incomes of more than €150,000 a year through 2013 and impose tolls on certain highways.

The government will widen its privatization program and seek to raise about €6 billion through 2013 by selling stakes in TAP Air Portugal—the state-owned airline—and other companies.

The details are included in a presentation of the stability plan the government will submit to the European Commission later this month.

The plan includes economic-growth forecasts of 0.9% for 2011, 1.3% for 2012 and 1.7% for 2013.

Mr. Teixeira dos Santos said he is confident the plan will work, pointing out that the government's current economic team had already had success in narrowing the deficit, reducing the spending gap to 2.7% of GDP in 2008 from 6.1% of GDP in 2005.

But international investors are looking for reassurance, having grown increasingly concerned about highly indebted euro-zone countries since Greece acknowledged last year that its deficit was much higher than previously thought.

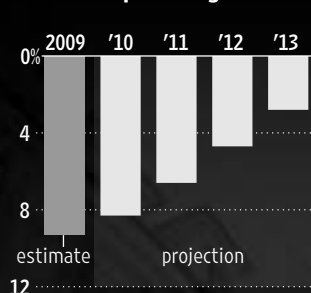
Moody's Investors Service Inc., Fitch Ratings and Standard & Poor's Corp have all warned of possible downgrades for Portugal's credit rating.

In a statement Monday, Moody's warned that debt and deposit ratings of Portuguese banks also are at risk, citing "not only [a] potential downgrade of the sovereign rating" but also the possibility of "decreasing ability and, potentially, willingness [on the part of the government] to support the country's

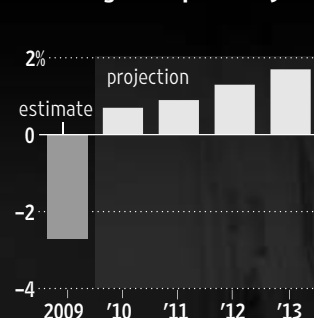
## Paring the shortfall

Portugal expects its economy will grow as it cuts the deficit.

### Deficit as a percentage of GDP



### GDP change from previous year



Source: Ministry of Finance and Public Administration  
Photo: Bloomberg News



A tram travels along a street in central Lisbon.

banking system."

The stability plan was approved by the government on Saturday, and Prime Minister Jose Socrates presented it to opposition parties, unions and other economic institutions on Monday.

Mr. Socrates' minority government was able to get the budget plan for this year approved in par-

liament after the biggest opposition party, the Social Democrats, promised to abstain.

Mr. Socrates wants the parliament to approve the Stability Plan as well, a vote that isn't required by law but would demonstrate backing for the program.

—Jonathan House in Madrid contributed to this article.

# Taxes test U.K. ties to banking, CEO says

BY MATT TURNER

LONDON—The chief executive of the British Bankers' Association said the increased U.K. tax burden had shaken traditional notions of fairness among top earners.

London-based senior bankers will pay more income tax than they would in any other financial center when the 50% tax on income of more than £150,000 (\$227,000) comes into effect on April 6, according to calculations prepared by KPMG for Financial News. The accounting firm calculated employee tax and social-security payments for eight different financial centers: London, New York, Paris, Frankfurt, Geneva, Zurich, Dubai and Hong Kong. The calculations come amid fears that London could lose its competitive edge as a financial center.

Angela Knight, CEO of the trade association representing banks operating in the U.K., said that for the past 30 years there had been an "unwritten understanding" that whatever happened in the rest of the U.K., the financial-services industry would have a proportionate tax regime and be open to international business. She said in an interview that the tax increase and regulatory changes had tested that.

"Any new government has got to reinforce the messages of sensible tax, sensible regulation and that we want international business operating out of here," she said. "That means some of the things have got to be thought through again, particularly, I would say, stability in the tax regime."

**Politically motivated 'banker bashing' is making matters worse, Ms. Knight said.**

In addition, she said that politically motivated "banker bashing" is making matters worse. "We all understand the politics of life, but spending too much time on the politics of an issue means you can actually lose what you really need, which is a job creator," Ms. Knight said.

Meanwhile, Terry Smith, the CEO of interdealer broker **Tullett Prebon** PLC, said that the company had received "quite a number" of requests from its London-based brokers to relocate outside of the U.K. due to tax increases. A spokeswoman for the BBA said that the trade body had seen a number U.K.-based bankers relocate to Switzerland.

Stuart Fraser, policy chairman at the City of London Corporation, said any new government should make a firm commitment to the City after the U.K. general election.

"We need a more supportive tone coming out of government, because at the moment everybody feels like they are being taxed out of existence, nobody wants us, we're all 'socially useless,'" he said last week.

—Rachael Gormley contributed to this article.

# U.K. economic data show caution

BY ILONA BILLINGTON

LONDON—British consumers are more confident than a year ago but are still cautious over their spending amid the fragile economic recovery, two surveys showed.

The Royal Institution of Chartered Surveyors said the proportion of surveyors reporting a rise in house prices exceeded the proportion reporting a fall by 17 percentage points in February. The group said that compared with a revised balance of plus 31 in January and was the lowest level since plus 9.4 in August 2009.

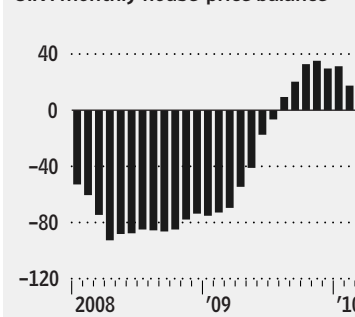
The institution said that both the number of new buyer inquiries and new instructions to sell property rose in February. But the latter did so at a stronger pace, rising to a balance of plus 15, while new inquiries only rose to plus 7.

"Most market indicators are still positive and consistent with further house price increases," said the institution's Jeremy Leaf.

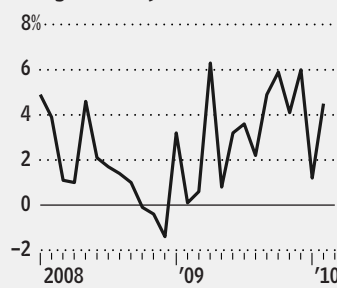
"However, the magnitude of the gains going forward is likely to continue to ease, reflecting the fact that

## Rocky recovery | U.K. house price and retail sales

### U.K. monthly house-price balance\*



### U.K. retail sales, percentage change from a year earlier



\*The balance represents the number of surveyors reporting a rise less the number reporting a fall  
Sources: The Royal Institution of Chartered Surveyors, The British Retail Consortium

new supply coming onto the market is starting to outstrip fresh demand," he said.

This cautious tone was also evident, but not as clearly, in the British Retail Consortium's monthly retail sales survey.

The BRC reported that same-store retail sales rose 2.2% in February from a year earlier compared with a 0.7% decline in January. Total

sales—which includes new stores—rose 4.5% after a 1.2% increase in January.

But the rise mostly reflected bad weather and weakness in previous periods, rather than a more robust level of consumption.

"Despite appearances, these results are not that strong," said Stephen Robertson, director general of the BRC. "The growth is compared

with very weak figures a year ago when February saw the worst of last winter's weather and this February's performance was helped by sales postponed from January," Mr. Robertson said.

Another survey added to the cautious-consumer's mood. The quarterly **Manpower** Inc. employment outlook survey shows that U.K. firms' hiring plans are unchanged from the first quarter.

While they are more upbeat than a year earlier, U.K. companies are not as positive as you would typically expect from a country emerging from a deep recession, Jeffrey A. Joerres, chairman and CEO of Manpower Inc. said.

"When a country has been down like the U.K. you would like to see, or would normally see, more of an upward trajectory. But at the moment, firms aren't really seeing enough demand to really take on more staff."

"Until that happens I think there's going to be some hesitation among U.K. companies to significantly increase their hiring plans," Mr. Joerres said.

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## EUROPE NEWS



Agence France-Presse/Getty Images

Three Iraqi children look through a window at a day-care center in Södertälje, south of Stockholm, in January. Sweden is home to more than 30,000 Iraqis.

# Europe deports more Iraqis

*U.N. refugee agency criticizes some nations for tightening policies; 'I'm going to get killed'*

BY MATTHEW DALTON

European governments that welcomed tens of thousands of refugees from Iraq after the 2003 U.S.-led invasion are starting to send them back to what asylum-seekers and refugee advocates say is mortal danger, bringing sharp criticism from the United Nations agency that handles refugee issues.

The governments, including Sweden, the Netherlands and Norway, which traditionally have been among the most welcoming to refugees, are moving to deport Iraqis who can't prove their lives will be in danger upon their return.

They argue that Iraq is now safe enough to allow those not facing specific threats to go home.

The policy change has drawn criticism from refugee advocates and put the governments at odds with the United Nations High Commission on Refugees, which sets guidelines on when governments should grant asylum for refugees.

The UNHCR guidelines allow governments to send people back to Iraqi Kurdistan in the north, but not to Baghdad and the surrounding provinces of Diyala, Kirkuk, Salah ad-Din and Nineveh.

"While the level of general and possibly individual violence has fallen, we would say the targeted violence is still certainly there," said Andrew Harper, head of the Iraq support unit at the UNHCR. "At this critical point in Iraq history, when you've got multinational forces withdrawing, now is not the time to be playing politics with the humanitarian needs of vulnerable refugees."

Refugees say that while the security situation may have improved, the conditions that drove them from the country are still in place.

Jaafar, a 25-year-old Shiite Mus-

lim who owned an electronics store, said he has been told by Dutch authorities that he will be sent back to Baghdad if he can't demonstrate he will be in danger. A court is reviewing his case.

Jaafar said he left Baghdad when a Shiite militia that had already killed two of his friends asked him to make videos and fake identification cards for the group.

He decided to flee, selling everything he could from his photography and video shop and using all his savings to pay his way to the Netherlands. He arrived there in February 2008, hoping to be granted asylum, and has been living in a refugee housing facility.

"If I go back home, I'm going to get killed by this group," he said.

The European governments argue that Iraq is much safer since violence peaked in 2007.

In the Netherlands, where more than 15,000 Iraqi refugees live, former State Secretary of Justice Nebahat Albayrak said the government faced pressure to tighten its policy as public opinion has become increasingly opposed to immigration.

"I do want this country to stay generous in terms of providing protection for vulnerable refugees," said Ms. Albayrak, who along with 11 other members of the Dutch Labor Party quit the cabinet over Afghanistan policy last month.

"If we have serious doubts about the safety situation in individual cases, we don't send them back," said Ms. Albayrak, who issued the new policy.

On its Web site, the Dutch Embassy in Baghdad says: "The Dutch Ministry of Foreign Affairs continues to warn Dutch citizens against travel to all parts of Iraq, which remain very dangerous. Attacks against military and civilian targets throughout

## Iraqi exodus

Total number of Iraq refugees by country of asylum in Europe, 2008

Germany	38,854
Sweden	32,120
U.K.	21,483
Netherlands	15,553
Norway	7,878
Denmark	7,102

Note: excluding asylum-seekers  
Source: UNHCR

the country continue, including hostage-taking, kidnappings and random killings."

Sweden, home to more than 30,000 Iraqis, the second-largest European Iraqi refugee population after Germany, approved 27% of Iraqi asylum applications in 2009, down from 93% in 2007. The government has deported some 460 Iraqis over the past two years, while 4,400 have returned voluntarily after being denied asylum, according to government figures.

"We feel that the claims must be assessed on an individual basis," said Magnus Rosenberg, senior legal adviser at the Swedish Migration Board, the independent government agency that reviews asylum claims. "Just because you are an Iraqi citizen coming from these five provinces is not enough."

"There's no pressure or any directive from the government in any way towards the migration board," Mr. Rosenberg added.

However, some critics say politics are at work. Conservative parties have gained strength throughout the continent in recent elections, using platforms that include tougher

immigration policies. European governments in general worry that refugees will inflate claims in order to receive government subsidies for people granted asylum, although those subsidies are usually modest.

In the Netherlands, the right-wing Party for Freedom, led by Geert Wilders, is among the most popular parties in the Netherlands, according to recent opinion polls. The party favors halting all immigration from non-Western countries.

"Part of the reason for that is center-left parties are losing the battle for people's hearts on asylum and immigration," said John Peder Egenaes, secretary-general of Amnesty International in Norway.

Germany, with close to 40,000 Iraqi refugees, has remained relatively open, though its government disagrees with the UNCHR position that Iraqis shouldn't be sent back to the central provinces around Baghdad. Other countries, such as the U.K. and France, have accepted fewer Iraqis since the invasion.

The problem for many Iraqi refugees is the difficulty of proving that they will be in danger if returned.

Jaafar insists the group that tried to recruit him killed his friends, one of whom also owned a photography and video store. But the Dutch Immigration and Naturalization Department said Jaafar couldn't prove that the group was the same one that killed his friends.

Even some asylum-seekers with written documentation of their threats are rejected by the Dutch authorities, says Igna Oomen, a lawyer who is representing Jaafar in his asylum case.

"The IND says they have nothing to compare the letters with to see if they're real, because of course there isn't official stationery," Ms. Oomen said.

## German industrial output increases

BY PATRICK MCGROARTY

BERLIN—German industrial production rebounded in January from December, but was held back by a construction slump caused by an unusually cold winter in Europe, the economics ministry said.

The 0.6% seasonally adjusted monthly rise in production was driven by a strong energy sector and growing output of manufactured goods. The increase followed a revised 1% monthly drop in December.

"Production in the industrial sector improved lightly at the start of the year, but without a clear trend," the ministry said. On Friday, the ministry released data showing that manufacturing orders rose 4.3% in January from December.

A remarkably cold winter in Germany and heavy snowfall damped in particular "the construction sector considerably more than is common for the season," the ministry said.

Construction output fell 14.3% from December, following a 2% monthly drop in December.

Germany's economy is expected to emerge haltingly this year from its worst recession in 60 years, with the government forecasting 1.4% growth after contracting 5% last year.

"While January's rise is encouraging, it remains to be seen whether this strength will persist throughout the first quarter of 2010," said Colin Ellis, economist at Daiwa Capital Markets Europe Ltd. "We continue to expect only a slow and bumpy recovery in the German industrial sector."

When adjusted for the number of work days, production rose 2.2% in January compared with a year earlier, but fell 1.1% in unadjusted terms, the ministry said.

Alexander Koch, an economist for UniCredit, said the harsh winter will likely affect broader gross domestic product performance.

"Past experience shows that the negative impact is of a temporary nature," Mr. Koch said. "However, the hibernation in construction will weigh on GDP in the first quarter of 2010."

The monthly overall rise in output in January was driven in part by a 8.8% increase in the energy sector, far more than the 2.2% rise in December. Manufacturing output was also up in January, by a modest 0.9%. In December, manufacturing output had declined 1.2% from November.

Within the sector, the output of intermediate goods—part of the manufacturing process—carried the overall gains, with an increase of 3.3% from the previous month. That was a strong recovery from a decline of 4.1% in December.

Output of both capital and consumer goods declined in January from December. Consumer-goods output was down 0.1% after a 1.6% increase in December, and capital-goods output fell 1% after a 0.3% rise the previous month, the ministry said.

Average industrial production for the December-January period was down 0.4% from the October-November period.

## EUROPE NEWS

# Greece braces for strikes, protests

*Papandreou heads to U.S. to marshal support for austerity program, while government faces tests at home*

BY MARCUS WALKER  
AND ALKMAN GRANITSAS

ATHENS—Escalating strikes and street protests this week will test the Greek government's ability to see through its austerity strategy. Despite fears of social unrest, most Greeks appear to accept that severe budget cuts are inevitable in the face of the country's debt crisis.

Greek tax and court officials, sanitation workers and local-government staff are among the groups planning strikes and walkouts this week, culminating in a 24-hour general strike Thursday to protest the government's latest spending cuts and tax increases.

The planned protests underline how Greece's government is fighting on two fronts: To persuade international financial markets that the country can repay its ballooning debts, and its own population to accept painful belt-tightening.

Prime Minister George Papandreou continued his efforts to win international support with a visit to Washington on Monday, where he met with Secretary of State Hillary Clinton. Both officials said they discussed the need for major economies to make financial reforms and clamp down on speculators, according to the Associated Press.

Mr. Papandreou is due to meet President Barack Obama at the White House on Tuesday.

So far, the domestic front appears stable by Greek standards, although labor leaders and political analysts said street violence can't be ruled out.

Despite near-daily protests by various unions in downtown Athens, and widespread opposition to some specific government measures, opinion polls show a plurality of ordinary Greeks accept the need for sacrifices, and disapprove of union militancy.

"Necessary, but harsh and unfair," was how newspaper *To Vima* summarized a survey of the public on Sunday. The survey found 52% of Greeks trust Mr. Papandreou to lift the country out of its economic crisis, while 48% disagree with labor unions' resistance to the austerity



Greek Prime Minister George Papandreou is fitted with a microphone for a question-and-answer session on Monday at the Brookings Institution in Washington.

measures, against 45% who support the unions' stance.

"People are just going out on the street to show their disapproval, but at this point nothing can stop the measures, because there is no other choice," says Dimitra Castelli, a 26-year-old teacher from Athens.

Even some labor leaders say they have little hope of derailing the government's austerity efforts. "It is just a symbolic protest," said Yannis Grivas, president of the tax-collectors' union, which began a 48-hour strike on Monday. "We understand that the [austerity] measures are necessary," he said.

Leaders of the main public-sec-

tor umbrella union Adedy hope Thursday's general strike and demonstration will mobilize tens of thousands of protesters. "We are just at the beginning" of nationwide protests, said Adedy spokesman Andreas Petropoulos. "No one has felt the impact [of budget cuts] in their pockets yet," he said.

Compared with Greece's history of mass protest and political unrest, Thursday's strike won't be a big deal, said George Sefertzis, a political analyst at Athens consultancy Evresis. Even if the turnout is high, "no one in the population will expect the measures to be overturned," he says.

"The majority of Greeks grasp that without these measures there will be no turnaround in the economy," Mr. Sefertzis said.

In Athens' commercial district Monday, more than a hundred interior ministry staff blockaded the government's printing plant to protest pay cuts and tax increases.

The protesters aimed to stop the austerity measures, which Greece's parliament passed Friday, from being published in the government's official gazette, thereby becoming law.

The protest's mood was fatalistic. "The measures won't be rescinded," a plant worker said.

Greeks point out that the level of protest so far, despite some isolated scuffles last week, pales in comparison with the violent unrest that shook the country in December 2008, when the police shooting of a 16-year-old student sparked days of youth riots.

One objection to the austerity policies is that they could increase social inequality, surveys show. Measures such as higher fuel and sales taxes are expected to affect low-income households disproportionately. Greeks are also angry at politicians of both left and right whom they blame for ruling the country poorly for years.

## EU mulls ideas for euro-zone bailout fund

BY STEPHEN FIDLER

The executive arm of the European Union is preparing proposals that could lead to the creation of a new euro-zone bailout fund in a signal of how Greece's financial crisis is accelerating efforts to address shortcomings in the make-up of the common currency.

The Greek crisis has exposed important failings in the euro zone, which has no institution capable of rescuing countries in trouble or of enforcing rules limiting budget deficits and government debt.

Amadeu Altafaj Tardio, a spokesman for the European Commission, said Monday that the commission is talking to EU member states in an effort to produce a proposal for a body capable of dealing with both weaknesses. He said the ideas would be put forward by midyear.

"There's a determination to seize this opportunity to improve the eco-

nomics governance of the euro area," he said.

The development would be a step toward greater coordination of government budgets, which economists see as essential to avoiding future crises and to guaranteeing the long-term survival of the common currency.

But in a sign that the idea will not enjoy smooth sailing, a senior figure at the European Central Bank stepped into the fray, arguing that such a fund would send the "wrong incentives" and would likely result in costly financial transfers across the 16 nations using the euro.

Jürgen Stark, the German representative on the executive committee of the ECB, wrote: "Instead of a European Monetary Fund, budget rules must be strengthened and strictly enforced through a stringent surveillance mechanism."

In an article in Tuesday's *Handelsblatt* newspaper, released Mon-

day, he said surveillance of deficits could be carried out by a panel of independent experts, which could also make recommendations to the commission.

The comments appeared aimed at rebutting German Finance Minister Wolfgang Schäuble, who in an interview published Sunday, said he backed a plan for a European institution with "comparable powers of intervention to the International Monetary Fund."

German Chancellor Angela Merkel also supported the fund idea in comments Monday, saying details would still have to be discussed of how it should be financed and what powers it should have.

"I find the idea good and interesting," Ms. Merkel told a group of foreign journalists.

Until now, Germany has been viewed as the main obstacle to a European fund. Other governments have yet to comment in detail.

In France, government officials said they were keen on studying the idea of a European monetary fund but added that such a proposal should be considered as part of a broader debate on improving management of the euro zone.

"It's an interesting idea," a spokesman for French Finance Minister Christine Lagarde said Monday. "But we'll need to see how it articulates with other proposals."

Ms. Lagarde has expressed hope that the Greek crisis would lead other euro-zone member countries to rally to France's proposal of creating a full-fledged "economic government" of the monetary union to balance the role of the European Central Bank.

When asked if Europe needed a monetary fund, Italian President Giorgio Napolitano told a news conference last week in Brussels, "There's an awareness that our common arsenal lacks the tools to pre-

vent and efficiently control these crises when vulnerable countries are attacked."

Any fund will face many political hurdles before coming to fruition; the commission's proposal is only the first step in a process of political horse-trading among governments.

One question is whether a fund can be created without changing a European treaty that would involve the difficult and time-consuming process of ratification among 27 member states.

Mr. Stark's statements reflect concerns that are particularly strong in Germany that bailing out profligate euro-zone members would create "moral hazard"—incentives for governments not to act responsibly because they would be assured of a financial rescue.

—Nina Koeppen, Stacy Meichtry and David Gauthier-Villars contributed to this article.

## U.S. NEWS

# The tough and not-so-tough president

[ Capital Journal ]

BY GERALD F. SEIB



Theory one: President Barack Obama is a pushover, jerked around by his own party's liberals, House Speaker Nancy Pelosi and the Chinese.

Theory two: President Barack Obama is tough in a fight, as he's showing in frontal assaults on insurance companies, teachers unions and the Taliban.

This is a week in which those opposing theories are being put to the test. The epic health-care struggle heads into what promises to be, finally, the real stretch run, pushing the president deeper into what is not only the biggest fight of his career, but also a testing ground for how he acts under maximum pressure.

The trouble in generalizing on this question—tough or not?—is illustrative of the difficulty in trying to typecast a leader who remains in many ways an enigmatic figure more than a year into his presidency. Mr. Obama is an engaging public figure, yet can be cool and detached personally. He's broadly popular with voters, even as they downgrade their views of his job performance.

His ideology is nearly impossible to categorize. If Bill Clinton could be neatly characterized as a New Democrat, and George W. Bush as a compassionate conservative, what label fits Barack Obama?

His enemies on the right portray him as a flaming liberal, but how does that square with the 30,000 additional troops he's ordered to Afghanistan? Or with the full-page newspaper ad taken out over the weekend by the American Civil Liberties Union, portraying Mr. Obama morphing into George W. Bush because he seems to be shifting rightward on the question of trying terror suspects?

That shift on terror policy, in



U.S. President Barack Obama criticizes insurance companies Monday in a speech on his health-care plan at Arcadia University in Glenside, near Philadelphia.

fact, seems to be feeding the Obama-as-pushover view that appears trendy at the moment. He came into office pledging to overturn the Bush-era policy of trying terror suspects in military tribunals. But the decision to use a civilian court for the most notorious of terror suspects, Khalid Sheikh Mohammed, set off a firestorm, which is prompting the administration to reconsider.

Thus, those on Mr. Obama's left grumble that he isn't showing the spine needed to stand up to vocal proponents of the Bush-Cheney policies on terror suspects that he once campaigned against.

Meantime, those on the president's right grumble that his

lack of toughness led him to cower before Beijing by declining to meet the Dalai Lama, a perpetual thorn in China's side, until after Mr. Obama first held a summit meeting with Chinese leader Hu Jintao last fall.

Similarly, those in the center complain that President Obama has allowed himself to be pushed around by his own party's liberals, first by allowing the House's Ms. Pelosi to shape economic-stimulus legislation last year, then by letting himself get maneuvered into a full embrace of a politically doomed government-run health-insurance option, as part of his party's big health-overhaul plan.

Yet this view of a president

lacking in toughness doesn't square with other evidence on the table. If Mr. Obama was shrinking from a fight with China, he could have avoided or diminished his recently announced \$6.4 billion arms sale to Taiwan, which has elicited howls of protest from Beijing.

On health care, after an initial courtship hit the rocks, he has picked a fight with insurance companies, perhaps the most potent adversary around. On Monday, Mr. Obama declared in a speech near Philadelphia that insurers would keep raising rates until legally stopped. "How much higher do premiums have to rise until we do something about it?"

he asked.

Perhaps the most intriguing bit of Obama toughness is the one that gets the least attention, because it unfolds in the distant nether regions of Pakistan. There, the president has authorized a dramatic increase in airstrikes by American military drones against Taliban and al Qaeda leaders and their hideouts.

Whether this escalation in American strikes is a cause of, or a result of, a firmer stand by Pakistan's own government against the Taliban is unclear. And it may not matter, for either way the result is a tougher posture in one place where there may be no substitute for toughness.

## Gates notes Afghan successes, challenges

BY YOCHI J. DREAZEN

KABUL—Defense Secretary Robert Gates said the retooled American war strategy for Afghanistan was experiencing some early successes, but cautioned about "more

dark days" ahead as the U.S. and its allies worked to push the Taliban out of their strongholds in southern Afghanistan.

Mr. Gates, making an unannounced visit to the Afghan capital, said he was encouraged by the ongoing offensive in the southern town of Marjah, a onetime Taliban haven that has been largely brought under the control of the Afghan central government.

He and other senior military officials here said Marjah would be a model of sorts for future operations in southern Afghanistan, including a major offensive this summer in Kandahar, the Taliban's spiritual birthplace.

Gen. Stanley McChrystal, the top Western commander in Afghanistan, said the Kandahar offensive would incorporate some of the tactics first used in Marjah, including efforts to win over influential tribal leaders before the fighting began and to flood the town with development



Robert Gates, left, appeared with Afghan President Hamid Karzai on Monday.

money after major combat operations ended.

But Gen. McChrystal said the Kandahar operation would unfold differently because the city was larger than Marjah and hadn't fallen

as completely under the sway of the Taliban. He said new Afghan and North Atlantic Treaty Organization troops would deploy to Kandahar gradually, rather than making a sudden armed push into the city.

"Militarily, it will not look much like Marjah," he said Monday. "Kandahar has not been under Taliban control. It has been under a menacing Taliban presence."

Mr. Gates arrived in Kabul at a moment of rare optimism in the eight-year-old war. Tens of thousands of American reinforcements are moving into Afghanistan, giving U.S. commanders hope that they may be able to turn the tide here. Pakistan has also arrested several senior Taliban commanders in recent weeks, dealing what U.S. officials describe as a major blow to the organization's leadership.

"Looking forward, there are grounds for optimism," Mr. Gates said Monday.

Marjah was the first major test of the administration's new counter-insurgency strategy, which puts a premium on protecting local civilians from violence and expanding the reach of the fragile Afghan government.

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WORLD NEWS

# Iraqi poll keeps U.S. plans on track

Turnout falls but parliamentary election seen as a success for fledgling democracy; more Sunnis cast ballots

By CHARLES LEVINSON

BAGHDAD—U.S. officials called Iraq's national elections Sunday a success that would allow the U.S. troop withdrawal to proceed on schedule this summer.

Iraq's electoral commission said 62.9% of Iraq's 19 million eligible voters participated in the election. Voter turnout, though lower than 2005 elections, was higher than expected and included participation across sectarian lines.

Ballot counting began Monday morning at the headquarters of Iraq's Independent High Election Commission. The first official preliminary results from the tight race to fill Iraq's 325-seat parliament, a contest that sets up who will be the country's next prime minister, are expected on Wednesday, once 30% of the votes in each province have been tallied.

Officials from several parties said early unofficial poll tallies showed incumbent Prime Minister Nouri al-Maliki was leading in southern Shiite majority provinces, while former prime minister Ayad Allawi led in predominantly Sunni provinces in northern and western Iraq. The critical battleground of Baghdad remained a toss-up.

Another variable is the electoral strength of the Iran-backed Shiite slate, the Iraqi National Alliance, which includes the Islamic Supreme Council of Iraq (ISCI) and the party of anti-U.S. cleric Muqtada al-Sadr. The slate is widely expected to fare well in the Shiite south, and in certain parts of Baghdad.

Turnout in Sunday's vote was higher than it was in the January 2009 provincial elections, but well below the 2005 level of 75%. In that vote, Shiites and Kurds turned out in droves, but many Sunnis stayed home from the polls.

By contrast, in Sunday's vote, turnout was generally higher in Sunni areas of Iraq than in Shiite areas. The heavily Sunni provinces of Salaheddin, Ninevah and Kirkuk had the highest turnout in the elections, after the three Kurdish provinces in



An Iraqi boy removes a campaign placard in central Baghdad on Monday. First official preliminary election results are expected to be announced Wednesday.

the north.

U.S. officials in Iraq proclaimed the elections a success. Gen. Ray Odierno, the commander of U.S. forces in Iraq, said on Monday that he was on pace for a rapid drawdown of nearly 45,000 U.S. troops between May and August. The 96,000 troops currently in Iraq are the lowest number of troops since the U.S. invasion in 2003.

U.S. President Barack Obama has ordered all but 50,000 troops to leave Iraq by Sept. 1, with the rest scheduled to leave by the end of 2011 under an Iraqi-American security agreement.

"Everything is on track for that

to happen," Gen. Odierno said. "Unless there's a catastrophic event, we don't see that changing."

Gen. Odierno also acknowledged the hardest part may yet still be to come. The drawdown won't begin in earnest until May, so the U.S. can maintain maximum troop strength over the next few weeks and months, as rival parties struggle to negotiate the makeup of the next governing coalition.

There are some indications a new government could be formed more quickly than in 2005, when it took 156 days. The major factions have been in close contact behind closed doors about potential coalitions in the run-up to the elections.

In Iraq, political turmoil has often been accompanied by upticks in violence. It was during a similar interregnum following the 2005 parliamentary elections that Sunni extremists bombed a Shiite shrine in the central Iraqi town of Samarra, setting off a spiral of violence that nearly plunged the country into an all-out civil war.

It also remains an open question whether the losers in Sunday's vote will gracefully accept defeat or raise fraud claims, which could provoke further unrest.

The process of forming a government will be "very hotly contested," said a senior Obama administration official before Sunday's vote.

"This is something we're watching very, very, very carefully because it has the potential to be a dangerous and volatile period," he said.

The official said the U.S. has been pushing senior Iraqi politicians to form a new government quickly and urging the current government headed by Mr. Maliki to prepare to stay in place as a "caretaker government" for several months following the vote and to continue to administer the country in a responsible way.

—Peter Spiegel in Washington contributed to this article.

# Suicide bomber kills at least 13 in Pakistan

By REHMAT MEHSUD AND TOM WRIGHT

ISLAMABAD—A suspected Islamist suicide bomber drove a car packed with explosives into a federal police-office building during rush hour in the eastern Pakistani city of Lahore, killing at least 13 people, an attack that marked a renewal of assaults on major urban government installations that had abated in recent months.

Local television showed emergency workers removing bloodied body bags from a crater outside the shattered front of the Federal Investigation Agency offices, the main Pakistan police investigation body that has taken a lead on probing Islamic militant groups.

"It was a suicide attack. A suicide car bomber rammed his explosive-laden car" into the investigation agency building, said Tariq Saleem Dogar, the police chief of Punjab province, of which Lahore is the capital. About 60 people were injured

and the death toll could rise, officials said.

There was no confirmation of who was behind the attack, but the al Qaeda-linked Pakistan Taliban claimed responsibility in a telephone call to an Associated Press reporter. The modus operandi and target were similar to bombings the group carried out in the past. Those attacks have become less frequent since the start of 2010 amid a major push by the Pakistan military—aided by unmanned U.S. drone missile strikes—to crack down on Islamist militantsholed up in the Taliban's strongholds in the tribal regions on the Pakistan-Afghanistan border.

Monday's attack in Lahore, a city of more than six million people, appears to be a reprisal for those actions and shows how the Pakistan Taliban, if responsible, remains able to mount sizable bomb attacks in heavily guarded urban areas despite the killing last year of their leader, Baitullah Mehsud, in a drone strike carried out by the U.S. Central Intel-



A nurse at a Lahore hospital helps treat a girl injured in a suicide-bomb blast.

ligence Agency.

It was the first major attack against Pakistan state installations since late last year, when a series of attacks hit police, army and govern-

ment buildings in Peshawar, the provincial capital of the Northwest Frontier province.

The Pakistan Taliban have carried out attacks before on the La-

hore headquarters of the FIA, which is similar in function to the U.S. Federal Bureau of Investigation and is involved in counterterrorism operations. The latest attack was in October, when militants stormed the FIA building and other police targets, killing 38 people.

The target of the latest attack is significant because the FIA has been one of the most effective government bodies in cracking down on the Pakistan Taliban and other Islamist groups and has worked closely with U.S. intelligence, said Samina Ahmed, an Islamabad-based expert on the region with the International Crisis Group, a Brussels-based conflict-resolution research body. "This is the one agency which is capable of infiltrating and gathering info on terrorist groups," she said.

Ms. Ahmed pointed out that despite the lull in major attacks on urban centers since the start of 2010, the Pakistan Taliban have been striking government targets in rural areas on a weekly basis this year.

## WORLD NEWS



Reuters

At a funeral Monday in the village of Dogo Nahawa, in central Nigeria, residents mourned victims of Sunday's attacks by a Muslim group on Christian towns.

# Nigerian villagers mourn

Death toll reaches 378 in Sunday attacks, which targeted three Christian towns

BY WILL CONNORS

DOGO NAHAWA, Nigeria—The attackers came at night and surrounded this small farming village. They fired shots in the air to scare residents out of their homes and hacked them down with machetes. Several homes were burned down with people still inside.

Details are beginning to emerge from the attacks Sunday on three villages in central Nigeria, in which members of the predominantly Muslim Fulani ethnic group targeted villages where members of the mostly Christian Berom ethnic group live. The attacks appeared to be a reprisal for violence in a separate village nearby that claimed more than 300 lives in January.

The Nigerian military arrived on Sunday after the attacks and checked the villages. Some troops remained Monday in the town of Jos and on its outskirts.

Officials and witnesses said Sunday's attacks appeared well-planned. The attackers didn't shoot their victims, but instead shot in the air to lure residents outside, where the attackers were waiting with machetes.

Local officials counted 378 dead bodies in the villages of Dogo Nahawa, Rasat and Zot. Many of the victims were women and children, including a pregnant woman and at least one infant.

"I was sleeping at night next to my husband when I heard shooting," said 38-year-old Dogo Nahawa resident Nomi Dung, her eyes red from crying. "My husband told us to run, but I said no I will not run, even if I die, let me die in my home. My husband ran, and entered into the [attackers'] hands. My children ran outside because they were afraid from the shooting."

Ms. Dung couldn't finish. A rela-

tive said her three children, ages 8, 5, and 3, were also killed.

Officials of the three villages collected 378 bodies, according to Solomon Zang, the commissioner for works and transport in Plateau State, where Dogo Nahawa is located.

Dogo Nahawa is in Nigeria's volatile middle belt, where Muslim and Christians of various ethnic groups live in close proximity on fertile farmlands and where land-rights issues have long created tension and led to violence.

The renewed violence comes at a politically fraught time for Nigeria.

President Umaru Yar'Adua, a northerner, is ill and hasn't been seen in public for over three months. Vice President Goodluck Jonathan has been given temporary executive powers and control over the military, but his efforts at reform have been blocked by those loyal to Mr. Yar'Adua.

Apart from a few incidents of panicked stampeding, the town of Jos remained tense but calm on Monday. The military set up dozens of checkpoints in and around Jos, and heavily armed soldiers were seen driving through town in convoys of personnel carriers.

Mr. Jonathan, the acting president, said the military was in control of the area and called an emergency meeting of security officials on Monday to address the continued violence in and around the central city of Jos.

But at a mass burial on Monday in Dogo Nahawa, angry residents of the farming village talked of revenge as they gathered around a large pit and scattered dirt on several dozen charred and bloodied bodies. When an infant's body was lowered into the pit, women broke out in wails.

A village chief chastised area youth for not being ready to fight. "This is a lesson," the chief said. "Now is the time for everyone to wake up. Elders are calling you youths to come out."

An elderly woman prayed at the edge of the burial pit, chanting. "By God's grace we will enter their villages and kill their women and children," she said again and again.

"We will do much worse to them," said one baby-faced man.

When plumes of dust appeared in the distance during the burial service, mourners began to worry that the attackers were coming back. But the dust was being kicked up by a large truck carrying the bodies of 16 more victims, including an infant and a toddler, from a neighboring village.

A local journalist was nearly killed when the crowd of mourners at the burial site realized he was a Muslim. The man was beaten for several minutes while young men shouted, "Kill him! He must die!" before police appeared and fired shots into the air. Young men continued to beat and throw rocks at the man while the police carried him away to a hospital.

Another local journalist was suspected of being Muslim and was asked to recite the Lord's Prayer as proof of his Christianity. An international television crew was asked if they were from Al Jazeera, and was told there would be trouble for them if they were.

Dogo Nahawa sits amid rolling hills outside the town of Jos and is surrounded by former tin and columbite mines. Most residents now are farmers, cultivating corn and acha, a type of rice often called "hungry rice" because of its small size.

Several residents and officials,

including Gabriel Gyong, 59, a civil servant, said there hadn't been conflicts between Christians and Muslims in Dogo Nahawa before.

Mr. Gyong was woken by gunfire early Sunday morning. "Children were frightened and began running helter-skelter," he said. "People who ran out of town were the ones who were slaughtered. For three hours the shooting and killing went on. They burned my house down, and they burned my car. I lost three grandchildren."

Dalyop C. Mucha, a member of the Plateau State assembly, received a call early Sunday morning and rushed to the villages at sunrise.

"Corpses were still littered around when I arrived," he said. "It was a planned operation. Nobody was shot with a gun. Their strategy was to shoot in the air and of course inhabitants would come out scared and run. This is the way they were hacked with machetes like animals."

Pastor Yohanna Gyang Jugu, of the Church of Christ in Nigeria, sat with tears in his eyes outside his burned-down church.

"We were sleeping and we heard gunshots all around," he said. "I woke up and went outside. There was nowhere to pass, Fulani men had surrounded the village. They caught my wife and killer her, and my daughter. They were cutting people down with machetes."

During the burial service, Mr. Zang, the works and transport commissioner, said the military wasn't sufficient for protection.

"God willing, we will do something about this," he said. "Security did not arrive until it was too late, and they were only protecting certain people. Next time if this happens you shouldn't call the police or the military, call on your neighbors to come and fight."

## Israel plans more building in West Bank

BY JOSHUA MITNICK

JERUSALEM—Israel confirmed fresh plans on Monday for construction in a Jewish settlement in the West Bank, claiming an exception to its own temporary halt to new starts and frustrating Palestinian officials, who over the weekend agreed to enter into indirect talks.

The move, coming at the start of U.S. Vice President Joe Biden's five-day visit to the region, could complicate Washington's efforts to kick-start talks between the two sides.

In November, Israel declared a 10-month freeze on new construction in the West Bank, a move seen as a gesture to the U.S., which has pushed for a resumption of talks. In a statement Monday confirming the approval of 112 additional housing units in the settlement of Beitar Illit, Israel's defense ministry said it made an exception to its halt because of safety concerns and infrastructure needs.

The move came on the same day that U.S. Special Envoy George Mitchell announced Israeli and Palestinian acceptance of indirect talks with U.S. mediation. After meetings in Ramallah and in Jerusalem, Mr. Mitchell said he would continue to push through indirect talks in the weeks ahead, and expressed hope for an eventual return to direct negotiations.

Mr. Mitchell didn't refer to the announcement about the new building. But he called on both sides "to refrain from any statements or actions which may inflame tensions or prejudice the outcome of these talks."

Palestinians condemned the move, but stopped short of pulling out of the planned talks. "If every visit will include the announcement of more settlements ... it places a question mark on all of our efforts," Palestinian President Mahmoud Abbas told Sen. Mitchell on Monday, the government in Ramallah said.

Word of the building approval came a day after the Palestinian leadership agreed to drop its demand for a full Israeli settlement freeze as a condition for a renewal of peace talks, albeit indirect. Reflecting skepticism about the prospects for an agreement, the Palestinians set a four-month deadline for progress in the talks.

Mr. Biden is the highest-ranking U.S. official to visit Israel and the Palestinian territories since President Barack Obama took office. Mr. Biden has diplomatic meetings scheduled in Jerusalem and Ramallah, and will give an address at Tel Aviv University on Thursday. He then travels to Jordan.

In addition to the peace process, the vice president's discussions are expected to focus on reassuring Israel of U.S. support in the face of Iran's nuclear ambitions and strategizing with Mideast leaders on how best to impede Tehran's program.

The visit also could serve to rebuild bridges between Washington and both the Israelis and Palestinians. The government of Israeli Prime Minister Benjamin Netanyahu was put on the defensive by the Obama administration's early, public call for a settlement freeze. When the administration accepted a temporary Israeli moratorium on building in the West Bank, which doesn't include East Jerusalem, Palestinians accused the U.S. of not standing by its own initial demands.