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Hu questions dollar, seeks collaboration

BY ANDREW BROWNE

BEIJING—Chinese President Hu Jintao emphasized the need for cooperation with the U.S. ahead of his visit to Washington this week, but called the present U.S. dollar-dominated currency system a “product of the past” and highlighted moves to turn the yuan into a global currency.

“We both stand to gain from a sound China-U.S. relationship, and lose from confrontation,” said Mr. Hu, who rarely interacts with the international media, in written answers to questions from The Wall Street Journal and the Washington Post. Mr. Hu acknowledged “some differences and sensitive issues between us,” but his tone was generally compromising.

On the economic front, Mr. Hu played down one of the main U.S. arguments for why

China should appreciate its currency—that it will help China tame inflation. That is likely to disappoint Washington, which accuses China of unfairly boosting its exports by undervaluing the yuan, making its products cheaper overseas. Mr. Hu didn't signal any changes on China's exchange rate, a topic expected to be high on President Barack Obama's agenda when he meets Mr. Hu on Wednesday.

Mr. Hu also offered a veiled criticism of efforts by the U.S. Federal Reserve to stimulate growth through huge bond purchases, a strategy that China has said fuels inflation in emerging economies. He said U.S. monetary policy “has a major impact on global liquidity and capital flows and therefore, the liquidity of the U.S. dollar should be kept at a reasonable and stable level.”

China's Foreign Ministry supplied Mr. Hu's responses to seven questions—but did not address questions about Nobel Peace Prize winner Liu Xiaobo, China's growing naval power and complaints about alleged Chinese cyberattacks, among others.

Further, Mr. Hu suggested that China's inflation was not a big worry, saying prices were “on the whole moderate and controllable.”

He also renewed a Chinese pledge to offer a level playing field in China for U.S. companies, which have complained about aggressive Chinese moves to usurp their technology and shut them out of massive government-procurement contracts.

—Jason Dean
contributed to this article.

■ Read Mr. Hu's full answers on currency, U.S. ties 14-15

Le Pen's daughter takes over Front National



Reuters

Marine Le Pen joins her father, Jean-Marie, in singing a party song after succeeding him as leader of France's right-wing Front National on Sunday. Ms. Le Pen has tried to deliver the party's traditional populism without the controversy that has clouded her father, the party's founder. **Article on page 5**

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The Quirk



A picture's worth a thousand words—so how about a picture of a picture? **Page 29**

World Watch

A comprehensive rundown of news from around the world. **Pages 30-31**

Editorial & Opinion

An Arab strongman falls in North Africa. **Page 11**

Opposition will join Tunisian government

BY MARGARET COKER

TUNIS—Tunisia's caretaker prime minister said a new coalition government would be announced Monday that includes members of the country's opposition and some leaders, like himself, from the previous regime—a move that could fill the country's power vacuum and help stabilize the tense North African country.

Throughout the day Sunday, the country's security agencies moved to extinguish what officials described as last-ditch attempts by forces loyal to the deposed President Zine al-Abidine Ben Ali to undermine the emerging govern-

ment.

The director of Mr. Ben Ali's presidential security force was arrested in the afternoon, and after nightfall army special forces battled armed units loyal to the former president that had holed themselves up in the presidential palace on the outskirts of Tunis.

Speculation had been swirling all weekend that allies of Mr. Ben Ali were directing roving militias through the capital in the wake of his surprise departure from office Friday evening, and fears of civil unrest have increased tensions throughout the country after a month of nationwide civil

disobedience forced the autocratic leader from power.

The state prosecutor opened a judicial inquiry against the former presidential security chief, Ali Seriati, and is investigating his role in organizing “suspicious attacks” and looting around the capital, according to a statement from the state news agency.

Additionally, Tunisia's former interior minister, dismissed from office last Wednesday before Mr. Ben Ali left Tunisia, has been arrested, according to state television. It wasn't immediately clear what charges he was facing.

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PAGE TWO

Here is some advice for the eurocracy: take a tip from Nike and 'just do it'

[Agenda]

By IRWIN STELZER



"There is a tide in the affairs of men.

Which, taken at the flood, leads on to fortune;

Omitted, all the voyage of their life

Is bound in shallows and in miseries."

So spoke Brutus, urging action over inaction. Not a bad theme for the eurocracy in this new year.

A few things are clear. One is that the status quo is not sustainable: the markets won't have it. With the rating agencies calling even America's triple-A rating into question, not all the euro-zone summit meetings, of which there have been many and will be many more, can persuade lenders that it is a good idea to make capital available to Greece, or Portugal, or Ireland on terms that will not stifle growth in those countries andacerbate their downward spiral.

Another hard-learned lesson is that all the steps taken by Brussels have not created a firewall. The flames that consumed Greek sovereign debt have already burned through Ireland and are licking at the gates of Portugal. Only disciples of Rosy Scenario believe they can be contained, rather than moving on to consume Spain, government-less Belgium, and perhaps even Italy. International markets do not respect national boundaries, only facts.

Finally, we know that neither the economic nor the political/administrative architecture of the euro zone is capable of dousing the flames. The politicians and the administrators cannot move with the speed of the markets many of them just do not understand. And the tools available to those willing to act quickly are clearly of



Hungary's Viktor Orbán wants 'fiscal unity,' but won't adopt the euro.

insufficient force to douse the flames.

Certain aspects of the resulting situation border on the comic—if your taste runs to dark humor. Japan, with a debt-to-GDP ratio crowding 200%, exceeded only by Zimbabwe, has agreed to buy 20% of the euro zone's first bond issue. A nation over its head in debt will be lending to a group of nations that would never, ever, allow itself to get in Japan's fiscal condition.

Certain aspects of the resulting situation border on the comic—if your taste runs to dark humor.

Here's another chuckle. The current president of the EU, Hungary's Prime Minister Viktor Orbán, has called for "fiscal unity" to save the euro. "The euro must be defended or uncertainty about the EU will be widespread," adds Mr. Orbán." But Hungary has not adopted the euro. Mr. Orbán says "it is better not to be in," and rejects the austerity measures being adopted by euro-zone members as inapplicable to EU members that use their own currencies, most especially Hungary.

Then there is the outbreak of Anglophilia in France. French

Prime Minister François Fillon, whose wife is from Wales, now wishes Winston Churchill had been French, endorses Churchill's World War II decision to sink the French fleet at Oran, and professes a love for pubs. Oh yes, he also wants Britain to become more deeply integrated into Europe and to help the euro to survive. Lest the wooing stop at the ministerial level, President Nicolas Sarkozy now concedes, "Britain is one of the major powers of this world. If it left the EU, the EU would be left much weaker and I do not believe Great Britain would have much to gain." But a little to gain, non? In any event, British Prime Minister David Cameron has not completely submitted to the sweet nothings being whispered in his ear, although he is honoring the predecessor government's commitment to bear 13.5% of any losses should a country receiving funds under a €60 billion (\$80.3 billion) stability mechanism default. Only a little pregnant.

Finally, we have China. It has bought Spanish and Portuguese bonds to the estimated tune of \$7.5 billion and \$5 billion, respectively, leading euro-zone spokesmen to believe, or say they believe, that the sovereign debt of stricken euro-zone countries is marketable at interest rates that are sustainable. It isn't. By investing a relatively small sum in

high-yielding debt that is guaranteed by the European Central Bank, China has accomplished at least three objectives. It has helped halt the decline in the euro, which was threatening the competitiveness of its products in the EU, its largest export market. It has sent a signal to the U.S. that it has somewhere other than treasuries in which it is willing to invest. And it persuaded EU countries to call for an end to the embargo on arms sales to China. China, with a per capita GDP less than one-third that of Portugal, is lending Portugal some of the money it has accumulated by manipulating its currency, subsidizing its exports and using cash to win favors for its military rather than to improve the lives of its people.

Fortunately for the future of the euro, some truths are now self-evident. German Chancellor Angela Merkel knows that she will have to swallow hard, and join the bailout brigade. France knows that in order to give Ms. Merkel the political cover she needs to bring her reluctant voters along, it will have to agree that private creditors absorb some of the losses, rather than leave taxpayers holding the bag. Euro-zone politicians know that they will have to increase funds available for bailouts, deploy those resources before any nation approaches the financial brink, erect procedures to increase Brussels scrutiny and approval of individual nations' budgets, and try, really try, to speak with one voice to investors. They know, too, that very soon they will have to organize restructurings of the sovereign debt of Greece and Ireland.

Now, if the leaders of the euro zone would drop their slogan, "United in diversity," and substitute the Nike motto, "Just do it," they might prevent further contagion.

—Irwin Stelzer is a director of economic-policy studies at the Hudson Institute.

What's News

■ **BP hailed** its \$16 billion share swap with Russia's Rosneft as a ground-breaking maneuver in the oil industry, but the deal has drawn criticism in Washington over its potential implications for U.S. national security. 17, 18

■ **The next big test** for the euro zone, beset by worries over the financing ability of some governments, comes with a Spanish auction of bonds Thursday. 4

■ **Global productivity rallied** last year on an economic recovery, but productivity growth is likely to flag in 2011 in advanced economies as employment catches up, the Conference Board said. 4

■ **Chinese lender ICBC** plans to boost its presence in Europe, opening five branches in the next two weeks. 17

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'Yes, Mr. Trichet, talk the anti-inflation talk. But no...don't walk the anti-inflation walk.'

Nicholas Hastings on the European Central Bank president's dilemma.



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NEWS

Irish tourism hopes to keep smiling

BY JOHN CROWLEY

Irish tourism is founded upon the dynamism and friendliness of its natives. But in the midst of a humiliating financial bailout, can those in the industry truly enjoy “the craic” with visitors when the Republic of Ireland finds itself in the doldrums?

“I don’t want to deny there is pain out there,” said Tourism Ireland Chief Executive Niall Gibbons. “People are in some tough situations, but the way to get out of this is to get out into the marketplace and win business. It is not going to happen on its own.”

Mr. Gibbons’s job is tougher than most. The Republic of Ireland is still in a state of shock—its lurch from boom to bust as sudden as it was momentous.

In the 1990s, the Republic of Ireland was hailed as the “Celtic Tiger” when its economy went into rapid growth. But the country’s property bubble burst in 2008, with devastating consequences.

Last November, the country suffered the ignominy of asking the EU for a €67.5 billion (\$87 billion) rescue package to tackle a massive hole in the government’s finances. A few weeks later it unveiled a budget that will make at least €6 billion of cuts. Brian Cowen, the Taoiseach (prime minister) himself, was not immune—taking a 5% (€14,000) reduction (along with thousands of others in the civil service) to his €228,000 salary.

The global downturn has had a significant impact on visitors from the U.S. and Britain as well. In 2009, tourism revenue to the island of Ireland was €3.46 billion, down from €4.29 billion the year before. Over the same period, total visitor numbers fell to 7.63 million from 8.68 million. Preliminary figures for 2010 predicts that visitor numbers will fall further to 6.6 million.

The figures, while not surprising, make for grim reading. However, in an interview with *The Wall Street Journal*, Mr. Gibbons remains optimistic. “The industry is incredibly resilient,” he said. “They [the people working in the industry] personify everything that is good about Ireland.”

Asked whether the drip feed of bad news coming out of Ireland has put visitors off, he responded, “Our strengths are the Irish people themselves, the scenery and the welcome. We see no evidence of that perception diminishing.”

If the industry is indeed rolling up its sleeves in anticipation of more tourists, what can be done to show that the show is still on the road?

“Heading into 2011, we have a very big campaign ready to launch in our main markets,” Mr. Gibbons said. “We are optimistic that we will see a return to growth.”

Mr. Gibbons points to an announcement in the Republic of Ire-



A man dressed as a leprechaun performs in Dublin. Despite falling visitor numbers, tourism leaders are confident Ireland is still an attractive destination.

land’s December budget—the reduction in travel tax on all flights from €10 to €3—as “a very positive sign when other countries are introducing tourist taxes.”

Tourism Ireland, while also partly funded by the U.K. government’s Northern Ireland Office, also had its €70 million stipend ring-fenced in the same budget.

‘There is a genuine warmth and friendliness to Ireland out there. Ireland is still shining very brightly.’

The industry contributes only 3% of the Republic of Ireland’s GDP, but the boom in tourist numbers from the 1990s has been a source of immense pride to the country. The move to support tourism—in arguably the most austere budget in the state’s history—underlines the importance attached to the industry.

In 2011, said Mr. Gibbons, there will be no sign of retrenchment as promotional campaigns are renewed in North America, the U.K. and mainland Europe.

Tourism Ireland’s move into so-

cial media, which gathered pace in 2010, will be continued. Some 185,000 people “follow” Ireland on Facebook and Twitter, both of which direct website users to special offers and promotions.

For the first time, the body will advertise on German television and there will be a new direct flight from Charlotte, N.C., with U.S. Airways, into Dublin from May.

“North America accounts for 12% of our visitors but 20% of all revenue,” said Mr. Gibbons.

The past decade has seen a sea change in the type of visitor from the North American continent. Traditionally, the 40 million people who claim Irish ancestry made up the majority of visitors to the “old country.” That now has changed.

“One of the most interesting things is that 10 years ago, of the North American market, 70% of all visitors had a family connection,” Mr. Gibbons said.

“Now 70% of people visiting from there do not have a family connection. They are good visitors in terms of staying in good hotels and hiring cars.”

After Britain and the U.S., Germany and France are the next biggest markets and have not fared as badly. “Europe has been the star

performer on tourism into Ireland in the last 10 years,” he said.

But despite some signs of recovery in the tourism sector, can the Republic maintain its famous welcome in the midst of the worst recession in a generation? After all, some Irish themselves are voting on the current state of affairs with their feet. The flow of immigrants and emigrants into and out of the Republic of Ireland has changed rapidly in the past three years.

In the year ending April 2007, there were some 109,500 immigrants entering the Republic, with 42,200 emigrating. However, by 2010 estimates by Ireland’s Central Statistics Office show that there were only 30,800 immigrants, compared to 65,300 leaving the country.

The estimated net outward migratory figure of 34,500 for 2010, up from 7,800 in April 2009, represents the highest level of net outward migration since 1989.

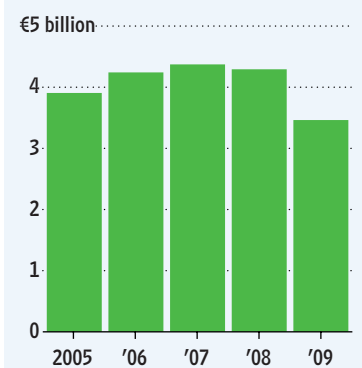
The Republic has also had to contend with claims—both at home and abroad—that it has become more expensive in the past decade.

But according to Hotels.com’s latest Hotel Price Index, Irish hotels are now the cheapest in Western Europe. A visitor attitude survey for 2010 carried out by Tourism Ireland

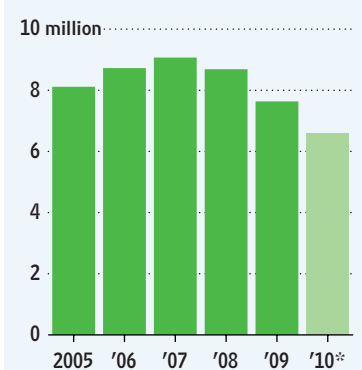
Where have all the tourists gone?

Ireland hopes to entice visitors back with tourism campaigns and inexpensive hotel rooms

Revenue from overseas tourism



Total number of visitors



Source: Tourism Ireland

*Provisional

Ireland’s prime minister plans to remain in office

BY QUENTIN FOTTELL

DUBLIN—Embattled Irish Prime Minister Brian Cowen said he would call for a motion of confidence Tuesday in his leadership of the ruling Fianna Fail party and said he plans to remain in office for the next general election.

Mr. Cowen said he was confident

of a positive outcome in the vote, which will be a secret ballot. He added that his duty was to maintain stability for the country and the government. “I am again heartened by the strong commitment by all of my colleagues, and I am proud to serve alongside them,” he said.

The election is due in March after the passing of the Finance Bill to

bring into law the remaining measures from December’s budget, which Mr. Cowen said must remain the priority for the government. “There’s important work to be done,” he said.

“The party is important, but the interests of the country are paramount,” Mr. Cowen told a news conference at a hotel near government

buildings in Dublin. He said there wasn’t “an ounce” of difficulty between him and his colleagues.

Mr. Cowen has spent four days consulting colleagues on his leadership, initially resisting pressure to resign following revelations last weekend about his previously undisclosed golf game and dinner with the now-nationalized Anglo Irish

Bank’s former chairman, Sean FitzPatrick.

John Gormley, leader of the Green Party, Mr. Cowen’s junior coalition partner, has nicknamed the latest controversy “golfgate,” but he said the current question of leadership was one for Fianna Fail, and that the government needed to focus on passing the Finance Bill.

EUROPE NEWS



European Pressphoto Agency

José Sócrates, left, meets Sunday with Sheikh Hamad bin Jassim Al Thani, who is premier and foreign minister of Qatar.

Portugal, Qatar seek stronger business ties

BY ALEX MACDONALD

DOHA, Qatar—Portugal's prime minister, making his first visit to the Persian Gulf, said the purpose of his trip was to develop commercial relations with Qatar, adding that discussing Qatar's interest in buying Portugal's sovereign debt wasn't on the agenda.

"We didn't come here with that intention [to discuss Portugal's sovereign debt], we came here to launch" a commercial relationship with Qatar, José Sócrates said after his economy and tourism ministers signed bilateral agreements with their Qatari counterparts.

He noted that Portugal's debt is already "on the market" and added that discussions between his cabinet and Qatar's ministers were focused on commercial relations and nothing more. He acknowledged that Portuguese Finance Minister Fernando Teixeira dos Santos met with his Qatari counterpart, but didn't provide further details.

Separately, Mr. Sócrates said that Qatar "is also looking at investment opportunities" in Portugal. The government has launched a privatization program aimed at selling its stakes in companies such as power grid operator REN, energy

company **Galp Energia SGPS SA** and power utility **Energias de Portugal SA**. The proceeds are expected to be used help lower the government's budget deficit.

The European Union is currently facing a sovereign-debt crisis that has already claimed Greece and Ireland as victims. Both countries accepted bailouts from the EU and the International Monetary Fund last year. Bond investors are worried that Portugal may be next, given its attempts to consolidate its budget deficit amid forecasts for a recession this year and the country's high borrowing costs.

Portugal's government has put in place austerity measures that are starting to pay off and is now focused on boosting its exports and diversifying its bondholder investor base.

So far this year, Portugal has raised more than €3.3 billion (\$4.41 billion) in debt, of which €1.1 billion was through a private placement of medium-term notes with China, according to a person familiar with the matter. Observers expected Mr. Santos to strike a similar deal with Qatar, which has a sovereign wealth fund of about \$100 billion.

Mr. Sócrates didn't disclose the kind of investment opportunities

that Qatar might be looking for in Portugal, but he noted that the purpose of his trip was to reinforce commercial relations between the two countries, as evidenced in the bilateral agreements signed on Sunday and Portugal's plan to open an embassy there.

"I came here with the objective to promote the national economy. This is what we should do ... put [Portugal] in contact with the regions that are most interesting, strongest, most active" and financially sound, he said.

The two countries signed accords that included a memorandum of understanding regarding renewable energy and energy efficiency as well as tourism.

To be sure, any boost to Portugal's trade ties with Qatar would start from a low base. Portugal accounted for 0.06% of Qatar's imports in 2010, up from 0.03% in 2009.

Mr. Sócrates said he believes Portugal could strengthen commercial ties with Qatar, not only with regard to renewables but also in financing and construction. Qatar said a year ago that it planned to spend \$20 billion on roads alone over the next five years.

—Alex Delmar-Morgan contributed to this article.

Productivity, up in 2010, to flag

BY CHRISTOPHER EMSDEN

Global economic productivity rallied strongly last year thanks to a notable economic recovery, but productivity growth is likely to flag in 2011 in advanced economies as employment catches up, the Conference Board said late Sunday.

Euro-zone labor productivity may even outpace the U.S.'s this year, although that is likely to prove a temporary blip, Bart van Ark, the U.S.-based think tank's chief economist, said in an interview.

Job losses in the U.S. have been more severe and an employment recovery will drag productivity growth down a bit, while European labor programs mean fewer jobs were lost but there is also "less scope" to allocate resources to more productive sectors, Mr. van Ark said.

Labor productivity growth in the U.S. jumped about 2.8% last year but should slow to around 1.1% in 2011, according to the Conference Board's estimates. Euro-zone labor productivity, meanwhile, should slow to 1.3% this year from 1.7% last year.

The think tank expects U.S. gross domestic product to expand 2.5% this year and 2.9% in 2010, compared with 1.6% and 1.7%, respectively, for the euro area.

The number of hours worked didn't grow in the U.S. last year but should grow 1% in 2011, while increasing 0.4% in the euro area after a 0.1% rise last year, according to the Conference Board's estimates.

Productivity and employment growth can be an either/or outcome in the wake of a severe recession, Mr. van Ark said.

Even if productivity growth is usually seen as disinflationary—a concern for policy makers worried about deflation—"it could be welcome as an offset to the risk of commodity price inflation," he said.

At any rate, "the underlying productivity growth trend in the United States remains stronger than it is in Europe," he said.

However, the Conference Board expects labor productivity in Germany, the world's No. 1 exporter and hence a benchmark nation for competitiveness, to grow 1.9% in 2011. Italy, Spain, Portugal and Greece are expected to perform below the euro-zone average. "Southern Europe is squeezed in and it's hard to fight costs and innovate simultaneously," Mr. van Ark said.

Labor productivity should continue to grow strongly in major emerging economies, accelerating to 5.8% in India this year while slowing only modestly in China to 8.4% from 8.7% in 2010, the Conference Board estimates.

Innovation ultimately boosts economic welfare but entails what Joseph Schumpeter called "creative destruction," including of jobs. TFP, or total factor productivity, is a key long-term metric, capturing technological and managerial efficiencies that the Conference Board believes have accounted for about a quarter of total global output growth in recent years.

The Conference Board doesn't forecast future TFP, but said TFP fell in the U.S. by 0.2% in 2009 and 0.7% in 2008. Comparative declines for Western Europe were 3.4% and 1.3%, respectively.



Agence France-Presse/Getty Images

A worker assembles a motorcycle at a BMW factory in Berlin last month.

Spain bond sale leads new week of euro-zone tests

BY EMESE BARTHA

FRANKFURT—Euro-zone governments passed a week of heavy bond supply reasonably successfully, but more crucial tests await.

The biggest of this week will come Thursday, when Spain auctions debt maturing in 2020 and 2024. Sales of Treasury bills, or short-term debt, from Spain, Greece and Belgium Tuesday and from Portugal on Wednesday will serve as the warm-up.

How those auctions will fare is difficult to judge. Debt sales last week in Greece, Portugal, Spain and Italy, all fiscally frail or highly in-

debted countries, went smoothly, which has boosted sentiment and sent yields lower.

Another positive could come from a meeting of euro-zone finance ministers on Monday and Tuesday. Markets have been bolstered by suggestions that the officials could take fresh measures to commit capital and political will in support of weaker euro-zone states through the European Financial Stability Facility, the €440 billion (\$587 billion) funding vehicle set up after the Greek crisis for euro-zone countries in need.

Indeed, Spain opted last week to add an auction of 2024 bonds, sug-

gesting it sees an improvement in sentiment. The size of the two bond offerings were to be announced Monday.

The biggest risk is that the recent feel-good factor dissipates and bond yields rise again. Funding costs are almost certain to rise from previous sales of the bonds, when market yields were generally lower. But Spain could see a drop in the average yield paid on its 2020 bond from a mid-December sale, when it paid 5.446%.

Investors also face a flood of offerings from triple-A-rated euro-zone borrowers, and the European Financial Stability Facility could

soon launch its debut issue.

Even so, yields on existing bonds from Greece, Portugal, Spain and Italy tumbled, aided by talk of Asian investors at the auctions and by purchases in the secondary market by the European Central Bank. The yield on Spain's 10-year benchmark fell to 5.313%, from 5.474%, while Portugal's 10-year yield fell to 6.764%, from 6.983%, and Italy's 10-year yield fell to 4.66%, from 4.792%. The moves came even as yields in Germany, the euro zone's de facto benchmark, jumped.

Some analysts have cautiously suggested that sentiment may be shifting in favor of Spain at the ex-

pense of Italy, which has been seen as the safer bet among the euro zone's financially weaker countries.

Analysts at Lloyds Banking Group said they have been hearing "more and more talk" that, while Italy's overall national financial position is more favorable, Spain's relatively low level of debt relative to the size of its economy makes it better able to cope with rising financing costs, at least in the short term.

"We think this might be a symptom of a market reassessment of Italy's status as 'darling of the peripheral investor,'" the bank's analysts said.

EUROPE NEWS

Le Pen's daughter takes party helm

BY SEBASTIAN MOFFETT

PARIS—France's Front National chose Marine Le Pen to succeed her father as leader, as the right-wing party tries to rejuvenate its populist message ahead of next year's presidential election.

Ms. Le Pen on Sunday became the party's second leader since it was formed 38 years ago by her father, Jean-Marie Le Pen. She immediately promised to oppose immigration and globalization, as well as to seize back powers from the European Union.

Marine Le Pen's election as the Front National president presents a challenge for France's two biggest political parties—Nicolas Sarkozy's UMP and the Socialists.

The state "must take up economic and social patriotism without compunction," she told the FN congress after winning its presidency. "At a time when the crisis and globalization are raging, when everything is collapsing, there is still the state," she added.

Ms. Le Pen's election as FN president presents a challenge for France's two biggest political parties—President Nicolas Sarkozy's center-right Union pour un Mouve-

ment Populaire, or UMP, and the Socialist Party.

Her stance, against immigration and for harsher law-and-order measures, could win votes from the UMP, which under Mr. Sarkozy's presidency led a ban against face-covering veils in public. "France is not a caliphate," or Islamic state, Ms. Le Pen reminded her audience Sunday.

Her attacks on economic liberalism, meanwhile, could attract people who usually vote Socialist. She criticized "the commercialization of our culture, the unchecked reign of money."

Mr. Le Pen built the party into an electoral force in the 1980s, when it won representation in France's national assembly.

It later lost the seats, but in the 2002 presidential election, Mr. Le Pen beat out the Socialist Party's candidate to reach the final round against the then-incumbent president, Jacques Chirac, who won the final vote easily.

But Mr. Le Pen was tainted by statements that made him look racist—something he denies being. He described the Holocaust as a "detail" of history and complained there were too many nonwhite players on France's national football team.

Ms. Le Pen, in appearances over the past few months, has tried to deliver the FN's traditional populism while avoiding that kind of controversy. She said in a December television appearance that she thought



Marine Le Pen, right, and her father, Jean-Marie Le Pen, celebrate her victory at the Front National congress on Sunday.

Nazism was an "abomination."

Other politicians said they weren't convinced by her attempts to clean up the FN's image.

"It's still the same extreme right," said Labor Minister Xavier Bertrand, a member of the UMP. The UMP should "answer the preoccupations, the major questions of our fellow citizens: security, the fight

against clandestine immigration, reaffirming the value of work," he told Europe 1 radio.

Ségolène Royal, the Socialist presidential candidate in 2007, who wants to stand again for the party in 2012, said on TV that Ms. Le Pen would be a "more credible and dangerous candidate than her father." She said the FN would benefit

from "Nicolas Sarkozy's betrayal of all his promises ... the impoverishment of the French ... and the European crisis."

Ms. Le Pen, 42 years old, won 68% of the vote in an election at an FN convention in Tours, in central France, easily beating the other candidate, longtime party No. 2 Bruno Gollnisch.

Alcohol hits a nerve in Turkey

BY MARC CHAMPION
AND JOE PARKINSON

ISTANBUL—In the running debate over whether Turkey's government is chipping away at the foundations of one of the region's few secular democracies, a new front has opened: alcohol.

A top Turkish official has defended regulations announced this month on the sale and promotion of alcohol, a tightened regime that has reignited claims that the government has a hidden Islamist agenda. Islam forbids alcohol consumption.

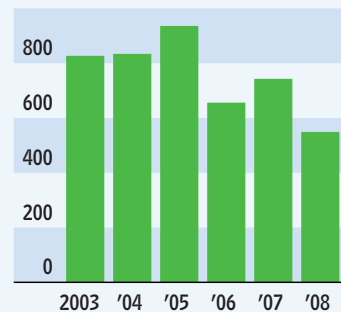
"Our goal is not to limit anybody's freedom. What we are doing is to make sure there is no irresponsible consumption within the framework of universal values," said Faruk Celik, minister for labor and social security and a leading voice in the ruling Justice and Development Party, or AKP. Claims of a hidden agenda were baseless, he told reporters in Istanbul on Thursday.

Mr. Celik said the changes aim to move Turkey into the European mainstream. The rules, issued by Turkey's Tobacco and Alcohol Market Regulatory Authority, could have substantial impact on alcohol sales. They ban the use of drink-company names in sports clubs, restrict ads that promote drinking or suggest certain alcohol should be drunk with specific foods, and confine sales in stores to sequestered areas.

Some measures, such as enforcing a longstanding ban on the sale of alcohol in restaurants along national highways, are uncontroversial. But the move has raised hackles among some secularists in a country whose modern founder, Mustafa Kemal Atatürk, was a renowned drinker of *raki*, the national anisette spirit.

Turkish tippie

Total household alcohol consumption, in millions of Turkish lira



1 million Turkish lira = \$645,400
Note: Excludes alcohol consumption in hotels/restaurants/bars, covers retail purchases such as from supermarkets and liquor stores
Source: Bahcesehir University Center for Economic and Social Research

Western countries restrict alcohol, too, wrote columnist Burak Bekdil in Friday's *Hurriyet Daily News*, continuing: "But does that mean that Islamist ... governments restrict alcohol for the same reasons, with the same motives, as American, British and Swedish governments do? The answer could have been a 'yes' if there were not a thousand facts pointing to a 'no.'"

Opponents have focused on a requirement that licensed companies must sell on licensed properties, and that caterers must get permission to serve alcohol at outdoor events such as weddings.

The regulations also suggest major Turkish brewer Efes Beverage Group will have to change the name of its basketball team, Efes Pilsen. An Efes spokesman said the firm wouldn't comment on the impact until after the tobacco and alcohol

agency has ruled on the name issue.

The changes come months after the government increased a special tax on alcohol by 30%, making Turkey one of the world's most expensive drinking destinations. A one-liter bottle of *raki*, also known as lion's milk, now averages about \$35.

"The special taxes are a real problem—the industry really feels it," said Ilker Guner, manager of Balans Volt, a beer house in Istanbul.

Still, Mr. Guner says tourists keep business humming. Meanwhile, Turkey's market has been a winner for importers of premium brands. **Pernod Ricard** has said its most popular brands, including Absolut, Chivas, Havana Club and Ballantines, grew 40% in Turkey in 2010.

But in Turkey's heartland, the picture isn't so bright for drink makers. From 2003—the year after the AKP came to power—to 2008, household consumption of alcohol fell 34%, according to a November study by the Betam research center at Istanbul's Bahcesehir University.

"The government is clearly trying to put pressure on alcohol sales and distribution, but that's not necessarily incompatible with democracy. There won't be a big political reaction here to this policy—because too few people will be affected," said Betam director Professor Seyfettin Gürsel.

Relatively few Turks drink alcohol. A 2009 study supported by the Open Society Institute found that about 300,000 households stopped consuming alcohol altogether between 2003 and 2008, mainly due to social pressure—reducing the country's alcohol-consuming households to 6% of the population, from 8%.

—Erkan Oz
contributed to this article.

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THE ARIZONA SHOOTINGS



Retired Army Col. Bill Badger, left, holding aloft the hand of Patricia Maisch, center, as a crowd applauds in Tucson, Ariz., last week. The pair, along with Roger Salzgeber, helped to subdue the gunman.

From shooting's chaos, heroes of Tucson emerge

BY MICHAEL ROTHFELD

TUCSON, Ariz.—They met on the pavement outside a supermarket, surrounding a gunman in the midst of a shooting spree.

Roger Salzgeber wrestled the man down from behind, Bill Badger approached from the front, and Patricia Maisch grabbed his extra ammunition. Four days later, they had an informal reunion, where they met President Barack Obama.

Afterward, in the University of Arizona arena where Mr. Obama addressed the nation, the former strangers bound together by the tragedy recounted how they had helped subdue Jared Lee Loughner, the man accused of killing six people and wounding 14 others at a political gathering outside a supermarket.

"You had the clip he was trying to stick back in there," Mr. Salzgeber called over to Ms. Maisch. "You weren't letting go of that clip for anything."

"No I was not," she replied. "As a matter of fact, I carried it into Safeway."

Many lives, until then disconnected, were suddenly fused outside the supermarket in this Oro Valley city on the morning of Saturday, Jan. 8, creating a bond that for many may never be broken. They were people from different places, ethnic backgrounds and religions. Some were victims. Some were people who, when the shooting paused, corralled the man who had been aiming at them.

"We will be friends for life," said Mr. Badger, a 74-year-old retired Army colonel.

The Pima County Sheriff's Department has described them as heroes, along with 24-year-old Joseph Zamudio, who ran to the scene and also jumped on top of Mr. Loughner after he was already pinned to the ground.

Mr. Salzgeber, Mr. Badger and Ms. Maisch exchanged few words at the scene. They found one another before the president's speech, cordoned off from the crowd by the police.

"We had a chance to look at each other and hug one another," said Mr. Salzgeber, 61, who said he wakes at night imagining the sound of gunfire.

An interest in politics brought them all together. Each had received an invitation by telephone to attend a "Congress on Your Corner" event featuring U.S. Rep. Gabrielle Giffords.

Ms. Maisch, 61, was raised in St. Louis. She moved to Tucson in 1983 with her husband and started a heating and cooling business.

Mr. Badger, a South Dakota native, joined the National Guard in 1953 and later the Army, spending years working in Atlanta and at the Pentagon. He came to Tucson in 1985 to oversee an aviation-training facility.

Mr. Salzgeber came from Chicago to attend the University of Arizona in 1968. He stayed after college and opened a wholesale cactus and succulent nursery. He had never volun-

teered in a political campaign until vandals, in the midst of the health-care debate, damaged Ms. Giffords's office window. He found the Democrat's enthusiasm infectious.

All of their memories of the shooting are somewhat fragmented. Mr. Salzgeber was talking to Gabriel Zimmerman, an aide to Ms. Giffords, about tractors when shots were fired and Mr. Zimmerman, 30, ran toward the lawmaker. Mr. Salzgeber hit the ground. Mr. Zimmerman was killed.

"I believe I was the last person he talked to," Mr. Salzgeber said.

Mr. Badger recalled watching the shooter methodically firing down the line of people seated for their chance to chat with Ms. Giffords. When the gunman fired at him, Mr. Badger ducked and the bullet grazed his head.

The shooting paused, and a man walked past him. Mr. Badger said he didn't know it was the gunman until someone hit Mr. Loughner over the head with a chair, though no one else recalls seeing this and authorities haven't confirmed it. Then, Mr. Badger said, he got up and grabbed Mr. Loughner by the left arm and neck.

Mr. Salzgeber took the right arm, and they knocked him down on top of Ms. Maisch.

The three all plan to stay in touch, but one thing troubles Mr. Badger. "Whoever hit the man with a chair hasn't come forward yet," he said. Mr. Badger wants to meet that person, too.

following the shooting shows the true character of the U.S. and "how much we depend on one another."

The president said the nation still has great challenges to solve, from improving the economy to reducing the deficit.

His radio address followed a eulogy the president gave in Tucson, Ariz., on Wednesday in which he

called for political unity and talked vividly of those who died.

"So as business resumes, I look forward to working together in that same spirit of common cause with members of Congress from both parties—because before we are Democrats or Republicans, we are Americans," the president said in his radio address.

Who has mental illness? It's very difficult to know

[The Numbers Guy]

BY CARL BIALIK



Suggestions that the suspected gunman in the Arizona shootings suffers from a psychological disorder have raised the question of whether the mentally ill should be allowed to buy guns. But defining mental illness is so difficult and controversial that it might give pause to anyone seeking to rewrite gun laws.

Just how many people are mentally ill is the subject of considerable dispute. As many as one in four U.S. adults suffer from mental disorders, according to the field's most prominent study.

To come up with that number, researchers survey people in their homes, seeking evidence of symptoms commonly associated with mental illness. But the surveys are expensive and infrequent; the last to produce estimates for individual disorders in the U.S. is nearly a decade old. And the efforts are complicated by the nature of mental illness, where little sometimes separates those considered ill from the healthy.

"We do our best, but we know there is a lot of inaccuracy," says Ronald Kessler, professor of health-care policy at Harvard Medical School, who has led two national surveys of mental illness. "We're getting better," he adds, but "we don't really have a clue."

Dr. Kessler and colleagues last attempted to count mentally ill U.S. adults starting in 2001. They constructed a detailed questionnaire using the American Psychiatric Association's Diagnostic and Statistical Manual of Mental Disorders, which lays out criteria for various illnesses. Then they dispatched researchers to a representative sample of U.S. homes.

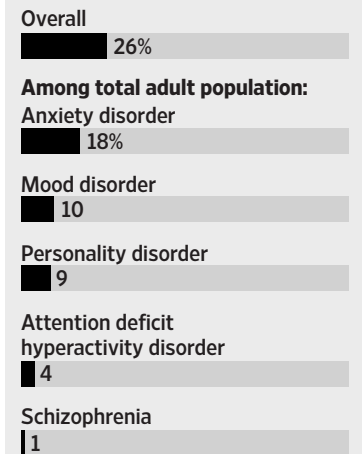
Over the next two years, the researchers persisted in trying to get as many responses as possible. They offered \$50 to participate. They came back when told the person they wanted to interview was in the hospital, in prison, or overseas with the military. They visited some homes at least 15 times to reach those who weren't in. The tactics eventually yielded a response rate of 71%, even though the full survey took, on average, more than two hours per person to complete.

The study had drawbacks. For one thing, respondents had to tell interviewers to their face about mental illness, and other studies suggest that people are likely to be more forthcoming in a less intimate survey format, such as entering the answers into computers themselves. Also, homeless people and those in long-term institutional care weren't included, because the surveys took place in homes.

Efforts to test the reliability of the findings have produced troubling results. For instance, respondents sometimes give different answers when

Uneasy minds

Prevalence of mental illness among U.S. adults:



Note: According to a survey conducted in 2001-03. Numbers for individual illnesses exceed overall prevalence because some people have more than one illness.

Source: U.S. National Institute of Mental Health

interviewed a second time.

The Harvard study nevertheless yielded a count of the mentally ill that is widely cited, including by the National Institute of Mental Health, a division of the federal National Institutes of Health. It found that 26% of U.S. adults had a mental illness in the previous year.

Some researchers think the prevailing estimates overstate the number of mentally ill people in the U.S. Jerome Wakefield, professor of social work and psychiatry at New York University, says that many people counted as mentally ill according to the DSM are instead reacting sensibly to stressful life events, such as the loss of a job.

"We have had so much trouble distinguishing disorder from stress and eccentricity," Prof. Wakefield says. "We need to focus on the ones that are more severe, and really need help."

The differing estimates highlight the challenge of pinpointing what constitutes a mental illness. The DSM continually is undergoing revision as psychiatrists learn more about illness. Darrel Regier, vice-chair of a task force that is working on a new version of the diagnostic manual for 2013, says the committee is developing a system to assign point values to different degrees of symptoms, "so it's not just a yes-or-no question," Dr. Regier says.

Messy, evolving definitions are perhaps inevitable for illnesses that, for the most part, don't have biological markers, unlike many physical ailments that can be identified by a blood test or X-ray.

Nor is it clear that people with mental illness are more likely to commit violent crime. Some studies have found a link only when certain symptoms, or substance abuse, are present. Even then, the difference in risk is no greater than other disparities that people, and gun laws, tolerate, including the increased chance of violence by men compared with women, according to Bruce Link, an epidemiologist at Columbia University's Mailman School of Public Health.

Obama renews call for unity

BY JARED A. FAVOLE

President Barack Obama on Saturday called on both parties to continue working in a spirit of cooperation in the wake of the shooting rampage in Arizona.

Mr. Obama, speaking during his weekly radio address, said while U.S. politics can be shrill, the solidarity

U.S. NEWS

Wide circle of possible GOP hopefuls

By NEIL KING JR.

The lack of a clear 2012 Republican presidential front-runner is prompting lesser-known figures to consider joining the race.

Instead of former Massachusetts Gov. Mitt Romney or former Alaska Gov. Sarah Palin, some conservative groups are looking for fresh faces and asking: Why not Wisconsin Rep. Paul Ryan or former Godfather's Pizza Chief Executive Herman Cain?

Former Utah Gov. Jon Huntsman Jr., who is President Barack Obama's ambassador to China, has hinted he might join the GOP contest. Onetime United Nations ambassador John Bolton is talking up a possible bid, and Rep. Michele Bachmann of Minnesota, an early supporter of the tea-party movement, is making her own high-profile jaunt to Iowa.

"We need a good solid conservative who can get the base excited, and that person just isn't out there right now," said Karen Beseth, a New York-based conservative blogger who is now backing Mr. Cain.

Most top Republican prospects are flawed in the eyes of many conservatives. Mr. Romney championed a Massachusetts health-care overhaul that has drawn the ire of the right. Ms. Palin is seen as too divisive by many in GOP ranks, who cite polls showing unease toward her even in conservative circles. Mike Huckabee, the former Arkansas governor, raised taxes while in office.

As a result, some possible dark horses and their backers sense an opening. Mr. Bolton says he is tempted to run because there is no strong national-security candidate. Tea-party groups are touting Ms. Bachmann as a hard-knuckled conservative with proven powers to raise money and seize the limelight.

Despite clear liabilities for a Republican—being part of the Obama administration, above all—Mr. Huntsman potentially could try to

stake out space as a centrist. While conservative on many issues, as governor he supported civil unions for gay couples and efforts to reduce greenhouse-gas emissions.

The roster of potential candidates remains highly uncertain. With just over a year before the first nominating caucuses, most candidates have yet to begin hiring personnel in early primary states. Only Mr. Romney appears to have an edge among major donors.

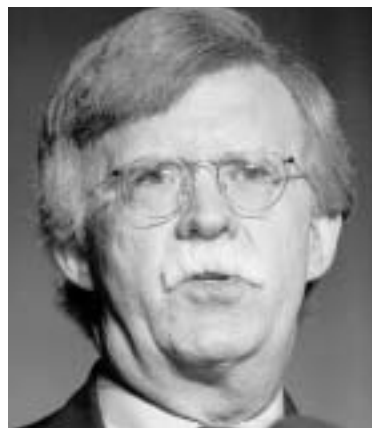
"The fact that no one really knows what anyone else is going to do gives everyone the opportunity to speculate about who else might run," said Dave Carney, a New Hampshire-based adviser to Texas Gov. Rick Perry, a Republican who said he wouldn't run in 2012 but went on a nationwide tour late last year promoting a new book.

Mr. Bolton's hints at a presidential campaign have stirred interest among security hawks and won him a spread on the cover of the conservative *National Review*, despite having never run for elected office. "It is very possible that whoever wins the Republican nomination is someone no one is even talking about now," Mr. Bolton said in an interview, describing the 2012 field as "unusually fluid."

Efforts to draft GOP fence-sitters are now plentiful on the Internet. A website touting Mr. Cain's candidacy has gained the backing of more than 2,000 fans of the Atlanta talk-show host and tea-party favorite, according to the site's founder, Maurice Atkinson, who is acting on his own behalf. His supporters tout Mr. Cain's business credentials and his skills as a speaker.

Mr. Cain launched a presidential exploratory committee Wednesday, and said in an interview that he hoped to appeal to "regular folk."

Supporters of Mr. Ryan, a rising star within the House leadership and the new chairman of the House Bud-



Minnesota Republican Rep. Michele Bachmann, top; former Godfather's Pizza Chief Executive Herman Cain, left; and John Bolton, right, former U.S. ambassador to the U.N., are possible dark-horse contenders for the 2012 GOP presidential nomination in the U.S.

get Committee, have launched a "Paul Ryan for President" Facebook page that has more than 13,000 fans. (Mr. Romney's page, by comparison, has over 750,000 fans.) Ryan supporters point to his outspoken effort to slash government spending and overhaul the tax code.

The Ryan page and similar sites touting other potential candidates

are filled with postings musing about dream tickets that would pair Indiana Gov. Mitch Daniels, say, with Mr. Ryan, or former Florida Gov. Jeb Bush with Florida's newly elected Sen. Marco Rubio. Mr. Daniels said he was considering a potential run, but the other three have all said they had no intention of jumping into the race.

With no candidate yet officially running, pundits and Washington's political class are on tenterhooks for any whisper of news on the 2012 front. Mr. Huntsman caused a stir this month when he hinted at a 2012 run in an interview with *Newsweek*, though his intentions were less than clear.

"We won't do this forever," he told *Newsweek* when asked about any 2012 plans, referring to his family's stint in Beijing. "I think we may have one final run left in our bones." He then declined to elaborate on any presidential plans.

Presidential fields are often large, especially in years when a party has no clearly anointed front-runner—a vice president, such as Democrat Al Gore in 2000, or a long-time party leader, such as Republican Bob Dole in 1996. With President George W. Bush leaving office in 2008, no fewer than 10 candidates turned out for the first GOP primary-election debate of the campaign in the spring of 2007, ranging from headliners such as Sen. John McCain, the eventual nominee, to lesser-knowns such as former California Rep. Duncan Hunter.

Those considering a run say the dynamic is similar this year. "I just don't see any real coalescence around any one candidate," Mr. Bolton said.

Just to be safe, the Iowa Faith and Freedom Coalition, a prominent evangelical group, sent out 13 invitations to would-be candidates for its first-of-the-season GOP candidates' forum in March.

On the list were those almost certain to run, such as Mr. Romney and former Minnesota Gov. Tim Pawlenty. But invitations also went out to Mr. Cain, South Dakota Sen. John Thune and Texas Rep. Ron Paul.

"We basically sent invitations to anyone who has given any hint they might run," said Steve Scheffler, the group's president. "And the list could get longer."

New call not to raise debt cap

By JONATHAN WEISMAN

WASHINGTON—Former Minnesota Gov. Tim Pawlenty, a likely GOP White House hopeful, called on congressional Republicans to block an increase in the limit on federal borrowing, and he proposed legislation that he said would prevent a U.S. default on its loans.

In an interview with *The Wall Street Journal* Sunday and in an appearance on "Fox News Sunday," Mr. Pawlenty challenged even leaders in his own party, who have said Congress must increase the federal debt ceiling rather than risk a default that could send interest rates skyrocketing and the economy back into recession.

Mr. Pawlenty said Congress should pass legislation that would put interest and debt payments ahead of other federal spending and allow the federal government to pay its creditors as tax revenue flows in. With the surge of tax payments that come in between April and June, that would at least buy time to try to cut spending dramatically, he said.

"This debate about how we're going to restructure spending is inevitable. My view is, let's have it now," Mr. Pawlenty said in the *Journal* interview. "Let's call their bluff."



Republican former Gov. Tim Pawlenty

White House economists have said it would court economic disaster to use the debt ceiling, which is likely to be reached this spring, as a negotiating tool. Long-term interest rates remain at historically low levels, indicating no urgent need for dramatic austerity measures, they say, adding that such cuts in the short run would jeopardize the economic recovery.

Lawrence Summers, President Barack Obama's former National Economic Council director, said Sun-

day the government needed more spending right now in key areas like infrastructure, not cuts.

"If at a time when we have unemployment approaching 20% in construction, and a 10-year-bond rate in the neighborhood of 3%, if that's not a time to invest in repairing our infrastructure, I can't imagine when there would be a better time," Mr. Summers said on CNN.

Mr. Pawlenty also challenged Mr. Obama to explain why as a senator he opposed and voted against a debt-ceiling increase under President George W. Bush but now says that such a stand by Republicans is reckless.

In 2006, then-Sen. Obama said on the Senate floor: "The fact that we're here today to debate raising America's debt is a sign of leadership failure. Leadership means the buck stops here. Instead, Washington is shifting the burden of bad choices today onto the backs of our children and grandchildren."

Mr. Obama's positions then and now are "wildly inconsistent and reflect hypocrisy," said Mr. Pawlenty.

White House press secretary Robert Gibbs has said Mr. Obama took his stand when the outcome of the debt-ceiling debate wasn't in doubt and a U.S. debt default wasn't a risk.

Republicans oust chief of party's campaign arm

By PATRICK O'CONNOR AND NEIL KING JR.

OXON HILL, Md.—Reince Priebus, who succeeds Michael Steele as chairman of the Republican National Committee, inherits an embattled organization that is more than \$20 million in debt.

Little known outside Republican circles, Mr. Priebus beat out three other candidates for the top spot Friday as party leaders elected a Wisconsin political official to lead the GOP's main campaign committee through the 2012 elections.

Mr. Steele, the party's first African-American chairman, was widely criticized for lackluster fund raising and a series of off-tone public statements.

Mr. Priebus, 38 years old, is currently chairman of the Republican Party in Wisconsin, where the GOP took a U.S. Senate seat, the governor's office and control of the state legislature from Democrats in November's midterm elections.

The RNC lost the faith of its big donors during the last election and fell short in its traditional duties of rallying voters and supporting state party groups.

Mr. Priebus promised to restore

the party's faith in the RNC and to raise \$400 million as Republicans gear up to take on President Barack Obama in 2012.

Mr. Steele had argued that he deserved re-election in part because of the huge gains Republicans made in the midterm elections. The 168 voting members of the RNC never gave him the lead in Friday's balloting. When he dropped out, Mr. Steele was tied for third place.

"I hope you all appreciate the legacy we leave," he told RNC members in announcing his withdrawal. "Despite the noise—and Lord knows, we've had a lot of noise, haven't we?—despite the difficulties, we won." He ended by saying: "And now I exit, stage right."

The hall of RNC members gave him a standing ovation.

Committee members held seven rounds of secret-ballot voting before Mr. Priebus emerged with more than the 85 votes needed for victory. He was elected with 97 votes.

He defeated three other candidates in addition to Mr. Steele: Maria Cino, a former official in the George W. Bush administration; Saul Anuzis, a former Michigan GOP chairman; and Ann Wagner, a former ambassador to Luxembourg.

WORLD NEWS



Agence France-Presse/Getty Images

A Pakistani soldier searches a man at a checkpoint in Karachi on Sunday, when a curfew was imposed in parts of the city.

Pakistan sets curfew in parts of Karachi

By ZAHID HUSSAIN

ISLAMABAD—Pakistan on Sunday placed parts of Karachi, the country's biggest city and financial hub, under curfew after a week of ethnic and political violence left more than 30 people dead.

Rehman Malik, the federal interior minister, said the measure was taken to control the deteriorating law-and-order situation in strife-torn Karachi, which has a population of 18 million. Tensions heightened late Saturday after gunmen killed five people, including a senior member of the Muttahida Qaumi Movement, a political party that is a key member of the coalition government in the southern province of Sindh, of which Karachi is the capital.

Badshah Khan, a former local government councilor, was ambushed by two gunmen riding on motorbike in the eastern district of Orangi, which has been a major center of the violence. A spokesman for the MQM said the killing of Mr. Khan was aimed at stoking violence. Three more people were killed Sunday.

The latest spate of killing appears to be a continuation of the political and ethnic violence that has gripped the city for more than a year. Last year, hundreds of people were killed in what a senior police official said were politically

motivated murders.

The violence in Karachi is also fueled by ethnic strife between the Urdu-speaking Mohajir community, represented by the MQM, and Pashtun migrants from northern Pakistan allied with the rival Awami National Party. Police said most of the people killed in the recent violence were Pashtuns.

On Thursday, unidentified gunmen shot dead a television news reporter, Wali Khan Babar, who worked for GEO, Pakistan's largest TV news network. He was ambushed en route to his home. Mr. Babar was a Pashtun from the western province of Baluchistan. The police have yet to arrest anyone in connection with the killing.

Mr. Malik, the interior minister, told reporters Sunday in Karachi that security forces would conduct house-to-house searches for weapons in the areas affected by the violence. The streets were deserted after the curfew announcement.

The spread of violence in the country's largest city adds to concerns about the stability of Pakistan, which already is confronting Islamic extremism and an economic slide.

Earlier this month, a member of an elite police force who is suspected of association with a radical Islamic group killed the governor of Punjab, Pakistan's most populous province.

The suspect said he killed Salman Taseer because of the governor's opposition to blasphemy laws that include the death sentence for those who insult Islam. The killing illuminated widespread support for those laws—and for the suspected killer, Mumtaz Qadri.

On Sunday, gunmen in the southwestern province of Baluchistan attacked and burned two trucks carrying fuel for North Atlantic Treaty Organization forces in Afghanistan. The predawn attack took place in Kalat, some 230 kilometers, or 144 miles, south of the provincial capital of Quetta. Police said no one was injured.

The latest attack came a day after suspected militants torched 16 fuel tankers in Dera Murad Jamali in the same province. Azam Tariq, a Taliban spokesman, on Saturday claimed responsibility for the assault, which involved eight gunmen.

Pakistan's President Asif Ali Zardari met briefly on Friday with U.S. President Barack Obama, the White House said; Mr. Zardari was in Washington to attend a memorial service for Richard Holbrooke, Mr. Obama's special envoy to Afghanistan and Pakistan. Some critics of Mr. Zardari in Pakistan have said his travels, at a time of trouble at home shows he is out of touch with the country.

Cabinet shuffle gives Japan's Kan a boost

By YUKA HAYASHI

TOKYO—A cabinet shuffle by Japanese Prime Minister Naoto Kan on Friday gave a slight boost to his government's tepid approval ratings, providing some breathing space amid his continuing efforts to reform the country's economic and fiscal policy.

Mr. Kan initiated the cabinet change—the second since he took office in June—to placate increasingly cantankerous opposition parties in a divided parliament and to prevent a legislative impasse.

But the prime minister also used the opportunity to buttress his economic policy team as he prepares for looming battles over his controversial policies. Among them are fiscal and social-security overhauls accompanied by increases in the broad sales tax and participation in a rigorous regional trade agreement that could wipe out much of the nation's already struggling farm sector.

Surprising many in his own party, Mr. Kan appointed as minister of economic and fiscal policy Kaoru Yosano, an independent who has in the past advocated raising the sales tax and potentially painful measures to rein in Japan's mammoth fiscal deficit. That position was vacated by Banri Kaieda, a supporter of trade liberalization, who has been

given a new profile as minister of economy, trade and industry.

Local media polls on Sunday showed a small bounce in the government's low approval ratings, with most newspapers showing a rise of between five and nine percentage points compared with surveys in December.

Mr. Kan retained most other ministers in key positions, including Finance Minister Yoshihiko Noda and Foreign Minister Seiji Maehara.

The opposition Liberal Democratic Party criticized the appointment of Mr. Yosano, with the leader of the LDP calling for him to resign as a member of parliament over his decision to join the Democratic Party of Japan-led government.

Although Mr. Kan's policies face strong opposition from many within his own party, the prime minister's renewed embrace of issues such as the consumption tax rise is welcomed by the business community.

But it is far from certain the latest changes will help the prime minister regain his legislative initiative in parliament when lawmakers return Jan. 24 for a new session. Opposition parties, which together control one of the two chambers, are flexing their muscles to challenge a range of legislation.

—Atsuko Fukase
contributed to this article.



Agence France-Presse/Getty Images

Japan's Prime Minister Naoto Kan, smiling at center, and his new cabinet members at his official residence in Tokyo Friday.

Death toll mounts from flooding in Brazil

By PAULO PRADA

The death toll from flooding and mudslides in southeastern Brazil climbed to at least 626 people on Sunday, as authorities still struggled to reach blocked neighborhoods in mountains north of Rio de Janeiro.

Enduring yet more rain over the weekend, families continued to gather outside morgues and relief stations for news or to identify the

bodies of relatives recovered after last week's downpours.

Authorities, meanwhile, responded to criticism that they haven't yet been able to get past mud, floodwaters, and rubble to reach some of those affected.

It still will take days, officials admitted, before recovery workers can better assess casualties and material damages. Authorities remain reluctant to estimate the number of peo-

ple still missing until they can reach the isolated neighborhoods.

"It's impossible to know the extent of the catastrophe," James Barros, a colonel from a state police battalion in the region, told the Globo news network. "There are areas where mudslides carried away entire families, with no one left to recognize bodies."

Amid the recovery, the public outcry over the country's ability to

prevent and respond to natural disasters continued. Much of the affected region was known to be vulnerable to flooding. O Estado de S. Paulo, a leading daily newspaper, on Saturday reported that federal officials as recently as November admitted in documents that much of the country's civil-defense network is "unprepared" to respond to such emergencies.

In a statement Sunday, the fed-

eral government said President Dilma Rousseff had ordered various government agencies to respond with whatever means necessary to continue helping overwhelmed state and local authorities. In addition to more than 800 soldiers, paramedics, firefighters and other federal relief workers, national authorities have provided helicopters, machinery, and emergency food, medicine, and funding.

WORLD NEWS

Tunisians turn anger on resort villas

By MARGARET COKER

HAMMAMET, Tunisia—The palatial seaside homes in this resort city owned by relatives of former Tunisian President Zine al-Abidine Ben Ali were targets Friday of the pent-up rage felt by many citizens after 23 years of repressive rule.

On a sunny Sunday morning, the charred remains of one such residence—its windows broken and facade disheveled—had become a symbol of Mr. Ben Ali's changing legacy in this North African country.

More than 400 people poured through the opulent grounds of the residence owned by Mr. Ben Ali's nephew, Soufian, that until Thursday had been gated and guarded by security police.

The former president and his family allegedly confiscated seaside land and built palatial homes overlooking the bay. Citizens struck back Friday, vandalizing many residences.

The three-meter walls surrounding the property are now defaced with graffiti reading: "This property is now a national museum for the Tunisian people."

"We came to see what became of our national wealth," says Wafa Izzidine, a middle-aged woman who brought her daughter to stroll through the two-story mansion. "We wanted to know what became of it."

Other parts of the country were still tense after a weekend of political unrest. Since Friday, a state of emergency has been in effect throughout the country. Security services and the army have been called into major municipalities to secure the peace, but looting became one of the biggest worries for regular Tunisians.

The former Ben Ali weekend

home stands out on a street of expensive residences, with its clean lines and minimalist flair. The villa's lush grounds planted with tropical plants and a sweeping green lawn gives way on the back of the house to blue mosaic-tiled infinity pool overlooking the crescent-shaped Mediterranean bay.

Inside, the white walls were charred with burn marks, stretching up to the open-plan, second floor ceilings. The Carrera marble floors were littered with broken glass. The living room had been stripped of all furnishings, including chandeliers and electric switches on the walls.

Furniture, even toilet fixtures, had been whisked out by local residents on Friday, neighbors said.

The property hadn't always been so exclusive. Bashir Ghabsi, 72 years old, says that for generations, the seaside plot had been part of his family's land holdings. Years ago, they grew oranges and garden vegetables, he said. In the 1980s, the patch had become a soccer field for the neighborhood children.

Three years ago, however, security police erected a fence across the property and told the family they no longer could have access to the land. "They told us it had been expropriated for government use. The next thing we knew, the construction workers started building and the president's family started throwing parties here," Mr. Ghabsi said.

Across the resort town, multiple relatives of Mr. Ben Ali became owners of waterfront property in mysterious circumstances, according to neighbors. Riad Murad, whose family, like the Ghabsis, have lived in Hammamet for generations, said that in 1996 he received notification that the government needed two of his waterfront properties for official business. Two of Mr. Ben Ali's relatives later moved into the homes there.

"Can you imagine losing your family inheritance or a nest egg worth \$3 million overnight? That's what happened here," said Mr. Mu-



Ghabsi family members in Hammamet are demanding compensation for land they say was expropriated from them.

rad, who arrived with three friends at the former Ben Ali home.

Other residences owned by the former president's family located across Hammamet's bay haven't been touched by looters. Residents say it's because their anger against the regime has turned to jubilation that the president is now gone. At the town's Nov. 7 Square, named after the day that Mr. Ben Ali took office in 1987, a group of men took a sledge hammer to the marble plaque, demolishing it to bits of dust.

"He's gone, he's gone," the group chanted, breaking into applause.

At the seaside villa, several



Ghabsi relatives were among the throngs of onlookers strolling the grounds and plucking souvenirs from the stripped interior of the house.

Mr. Ghabsi said he was hopeful

that the new caretaker government would pass laws offering landowners compensation for the former government's expropriations. "That would be right. That would be just," he said.

Tourists head home to escape violence

By TERENCE ROTH

LONDON—European tour operators have spent the weekend flying back stranded tourists caught up in the civil unrest in Tunisia that forced ex-President Zine al-Abidine Ben Ali to flee the country Friday.

Several European governments have issued travel warnings, and airlines are urging passengers who have booked trips to Tunisia to check flight schedules as they are canceling flights.

Many northern Europeans have recently favored package tours to Tunisia as a low-budget alternative to beach holidays in other Mediterranean resorts. The tourist trade has been a boon for the Tunisian economy, which could suffer if political turmoil persists.

U.K. tour operator **Thomas Cook Group PLC** said it planned another flight to Tunisia on Sunday to bring back the last few vacationers who now want to return to the U.K. On Friday, about 1,500 of the 1,800 people who had traveled to Tunisia

through Thomas Cook U.K. returned home on special flights.

German travel operators Thomas Cook AG, an arm of the U.K. group, and TUI Deutschland GmbH began evacuating German and Austrian tourists from the country on Friday after Germany's Foreign Ministry advised against nonessential trips to the country.

Thomas Cook AG said Saturday it had organized eight flights leaving Monastir and Djerba for Germany. That follows its evacuation Friday, when the company flew about 230 tourists back to Germany and Austria on four flights. Thomas Cook also said it has canceled all trips to Tunisia until at least Jan. 21.

TUI Deutschland, the tour-operator unit of **TUI AG**, Saturday said it was evacuating all its approximately 1,000 guests from Tunisia, and has canceled all trips to the country until Jan. 24.

—Sarah Sloat in Frankfurt, Ruth Bender in Paris and Kaveri Nithyanathan in London contributed to this article.

Tunisia's opposition to join government

Continued from first page

U.S. Secretary of State Hillary Clinton called on the Tunisian government to re-establish order "as quickly as possible" and said the country should hold "credible democratic elections."

State Department spokesman P.J. Crowley dismissed talk that U.S. diplomatic cables discussing alleged corruption in Tunisia, which were made public by the website WikiLeaks, led to the president's overthrow.

"Tunisia is not a Wiki revolution," Mr. Crowley said in a Twitter post. "The Tunisian people knew about corruption long ago. They alone are the catalysts of this unfolding drama."

Tunisians are still trying to come to grips with the historic changes that they have witnessed since Mr. Ben Ali fled the country for Saudi Arabia on Friday after 23 years of autocratic rule. On Saturday, the head of Tunisia's constitutional council declared the presidential post vacant and said new elections would be held within 60 days.

The caretaker government set to be unveiled Monday will run the country until those polls, and for the first time in modern Tunisian

history members of the opposition are expected to take major posts of power.

"Tomorrow we will announce the new government, which will open a new page in the history of Tunisia," said Prime Minister Mohammed Ghannouchi, a holdover from Mr. Ben Ali's regime who has earned the respect of many diplomats and opposition leaders here.

On Saturday, the speaker of Tunisia's parliament was named interim president and asked the prime minister to form a caretaker government. Discussions that began Saturday between Prime Minister Ghannouchi and opposition leaders have been civil, according to officials familiar with the situation. But opposition leaders have been vocal in their view that the nation's election laws should be rewritten to ensure fairness before any new polls.

The constitution says elections must be held within 60 days. But opposition leaders say that isn't enough time to hold a free vote given the legacy of Mr. Ben Ali's police state, in which most parties had been banned and nongovernmental societies were almost nonexistent.

During the day Sunday, the mood around Tunisia appeared to brighten

after the uncertainty and excitement witnessed over the past three days. Mr. Ben Ali's departure from office marks the first time in a generation that a sitting Arab leader has been removed from power by a popular uprising.

Since Friday, a state of emergency has been in effect throughout the country, and although security services and the army had been called into major municipalities to secure the peace, looting became one of the biggest worries for regular Tunisians.

Checkpoints popped up on major roads and the highways leading into Tunis—some manned by uniformed members of the National Guard and some by self-appointed neighborhood militias. These local groups—armed with wooden batons and homemade spears—patrolled neighborhoods overnight to defend against packs of young men walking with oversized gym bags, apparently to stash their looted goods.

Tanks blocked the boulevard where the Interior Ministry is located, and army vehicles guarded the major government buildings around the capital. Balaclava-wearing snipers had taken position on the ministry roof.

INTERVIEW

Riding out the Icesave storm

After a year of turmoil, Iceland's president is seeing relations with Europe and the financial markets improve

[Ólafur Ragnar Grímsson]

BY EYK HENNING

Last year, Ólafur Ragnar Grímsson found himself at the center of a major political clash between Iceland, the U.K. and the Netherlands, a row that threw into question an international plan to bail out the country and cast doubt on Iceland's bid to join the European Union. But he has no regrets.

Almost exactly a year ago, Mr. Grímsson, who is serving his fourth four-year term as president of Iceland, controversially refused to sign a bill already passed by Parliament that would have reimbursed the U.K. and the Netherlands for rescuing depositors in a failed Icelandic bank. This was the second time he had used the presidential veto, a right exercised by none of his predecessors.

Icelanders demonstrated outside his residence, calling on him to block the reimbursement deal, under which the country would have had to pay £2.35 billion (\$3.73 billion) to British and €1.32 billion (\$1.77 billion) to Dutch customers of Icesave, the online unit of collapsed Icelandic bank **Landsbanki**.

"The people were appealing to the president...to put the Icesave decision to a referendum," he says.

Had the repayment plan authorized by Parliament gone ahead, Iceland would have made the repayments over 15 years at an interest rate of more than 5%. With an Icelandic population of just over 300,000, that would have come to almost \$20,000 per person. These terms were "outrageous," Mr. Grímsson says.

He agreed to a referendum, and more than 90% voted against the deal. Under a new repayment scheme, drafted jointly with the U.K. and the Netherlands a month ago, Iceland would pay 47 billion krónur (\$406 million). This compares with the 162 billion krónur in costs the country was facing under the previous deal. The rest will be covered by selling Landsbanki assets, according to estimates by the country's central bank.

"In the end it [the referendum] turned out to be a very good decision for our democracy, for the country, for our economic position and for our relationship with Great Britain, the Netherlands and the world," Mr. Grímsson told *The Wall Street Journal* in an interview in the dimly lit library of the presidential residence, across a lagoon from the capital, Reykjavik.

From "a political science point of view and a constitutional point of view," the 67-year-old considers the decision the most important of his presidency. It saved Iceland's taxpayers a lot of money.

'Some protesters...came here. They were young, so my wife and I invited them in for hot chocolate and we had a long discussion about revolution in theory, globalization, and the nature of capitalism.'

Mr. Grímsson is reluctant to comment on the new terms of the Icesave deal and the chances of finally bringing the saga to a close. Parliament is currently examining the draft of the latest bill, and Mr. Grímsson expects a vote in the second half of this month or early next month. "I don't enter into the discussion. I respect the right of the Parliament to debate freely, undisturbed by the president," he says.

If the deal gets the nod, it will improve Iceland's relations with the U.K. and the Netherlands and pave the way for its return



The issue of who controls Iceland's fishing grounds could ultimately decide whether the country opts to join the EU, says Mr. Grímsson.

to the international bond markets. It could also ease its financing situation, as Fitch Ratings has indicated it could lift its credit rating on the country if the issue is resolved. After the first Icesave deal was shot down, Fitch lowered Iceland's sovereign rating to junk status, making borrowing much more expensive.

Mr. Grímsson, who holds a doctorate in economics and political science, slammed Fitch at the time and said the agency's ratings in general in the past two or three years had been completely wrong. Standard & Poor's and Moody's Investors Service maintained their investment-grade ratings on Icelandic government bonds.

Memories of last year's turmoil are still rather raw. Paul Myners, Britain's financial services minister at the time, warned that a "no" vote in the Icesave referendum could affect the U.K.'s support for Iceland's bid to join the EU.

Mr. Grímsson says remarks by Britain's then-prime minister, Gordon Brown, did little to help the situation. "If Gordon Brown wants to be an honorable man, he should apologize for telling the world that Iceland is a bankrupt country," he says. Foreign companies subsequently stopped dealing with Icelandic counterparts, and the IMF was reported to have been considering withholding a portion of its bailout package.

Back then, there was heated discussion

of whether Iceland should sue the British government, according to Mr. Grímsson. "But now we're economically faring better than many European countries," he says with a smile.

After being hit hard by the collapse of the country's three largest banks and a recession, Iceland is slowly returning to growth. Gross domestic product grew by a solid 1.2% in the third quarter last year—the first quarter of growth since the IMF-orchestrated bailout in October 2008. Iceland's "economy is much better positioned to regain its strength than many other countries," Mr. Grímsson says. For 2011, the IMF expects GDP to grow by 2%, after a 3% overall decline in 2010.

"Clearly the devaluation of the Icelandic króna has helped our exporters," Mr. Grímsson says. The króna still is worth 30% less than in 2008. And with the clear advantages to having its own currency, Iceland's decision to apply for European Union membership is "hotly debated right now," he says.

Mr. Grímsson says the main reason Iceland decided to apply for EU membership was that after the collapse of its banking system it seemed impossible in the long run for the country to keep its own currency. But since then, he says, "We've seen euro-zone countries moving from one crisis to another. That has changed the picture." It would "surely be possible," Mr. Grímsson

argues, for Iceland to join the EU without adopting the euro, and cites Poland, "our friends in Denmark, or Great Britain" as examples.

What could ultimately decide whether Iceland opts to join the EU is "the fishing issue," he says.

With an economy now heavily dependent on fishing, Iceland wants to keep control of its fishing grounds. But membership of the bloc would grant the EU a degree of control, including over quotas. "There is no other country in the EU that has a similar situation," Mr. Grímsson says.

During the Icesave protests, Mr. Grímsson recalls, "there were some protesters who came here. They were young, so my wife and I invited them in for hot chocolate and we had a long discussion about revolution in theory, globalization, and the nature of capitalism."

Asked to recommend an Icelandic book, Mr. Grímsson suggests "Independent People," a novel by Nobel laureate Halldór Laxness, published in two volumes in 1934 and 1935. It describes the struggle of poor Icelandic farmers in the early 20th century, eking out a living on isolated crofts on the barren island before eventually being released from their debt burden. The novel is one of the most famous examples of social realism in Icelandic fiction. It may well hint at the origins of Mr. Grímsson's philosophy.