

# WEEKEND JOURNAL.



Anne-Sophie Mutter on her journey from prodigy to virtuoso

PLUS: LEAVING BORING INTERIORS BEHIND



# THE WALL STREET JOURNAL.

VOL. XXVIII NO. 248

EUROPE

Friday - Sunday, January 21 - 23, 2011

DOW JONES A NEWS CORPORATION COMPANY

europe.WSJ.com

## Kissinger resumes his diplomatic relations with China



Agence France-Presse/Getty Images

Chinese President Hu Jintao greets former U.S. Secretary of State Henry Kissinger during a lunch Thursday in Washington, part of Mr. Hu's state visit. **Articles on page 7**

## Morgan Stanley signals rebound

Morgan Stanley's fourth-quarter profit rose 35% as revenue climbed across its investment banking, wealth and asset-management businesses. Trading activity, however, fell with an industry-wide slowdown.

The results were in contrast to those from rival Goldman Sachs Group Inc., which reported weak investment-banking results earlier in the week. Another big U.S. bank, Bank of America Corp., reports Friday.

The fourth-quarter results, in general, reflect improved performance for the firm, which is beginning its second year under Chief Executive James Gorman. Morgan Stanley still needs to string together consecutive strong quarters, specifically in its trading business, which has lagged behind rivals in areas such as fixed income.

The results came as new data show employment in New York City's investment-banking and securities-dealing industry dropped 15.7% in 2010 as Wall Street continues to adjust to a post-financial crisis world. Meanwhile, overall employment on Wall Street fell 0.1% in December from a year ago to 162,800.

■ Morgan Stanley outlook is cautiously upbeat ..... 17

# European governments weigh bond buybacks

BERLIN—European governments are considering ways to reduce the debt burdens of struggling euro-zone countries such as Greece through bond buybacks, as

By Marcus Walker, Costas Paris and Alkman Granitsas

part of broader measures aimed at ending the crisis of confidence in Europe's common currency.

The buyback ideas being discussed would allow Greece or other indebted countries to borrow money from Europe's bailout fund, and use it to buy up their own bonds at depressed prices from investors

or from the European Central Bank, said senior European officials.

Such buybacks would allow countries to reduce their total debt burdens by paying less than the face value of their bonds. Officials say the trades' voluntary nature would avoid unsettling investors with debt defaults or a forced restructuring of bonds. Debt buybacks could be an "elegant" way to help the euro's weakest members repair their finances, European officials said.

But agreement on the idea, and on other proposals to boost the bailout fund's firepower and increase its flexibility, depends on indebted

countries offering something to Germany and other financially strong countries in return, these officials said. If the bond-buying idea is agreed upon, it may not come into effect immediately, they said.

Germany, which would have to increase its financial support for the bailout fund to facilitate an expansion in its activities, is linking its consent to other countries' willingness to adopt tough economic overhauls, said officials in Chancellor Angela Merkel's government.

Berlin wants euro-zone members, as well as European Union countries that don't use the euro, to sign up to a program to increase economic

competitiveness. Among other ideas, Germany is pushing for countries to raise retirement ages, to scrap policies that link wages and pensions to inflation, to adopt laws or constitutional amendments requiring balanced budgets, and to harmonize aspects of their tax systems.

Such changes would mimic German policy overhauls in the past decade, which have helped turn the country from a stagnant economy with mass unemployment into the Continent's economic powerhouse again. Similar changes in other countries would boost economic growth and bring public debts in the euro zone back under control, Ger-

man officials argue.

A program of German-inspired overhauls would also make it easier for Ms. Merkel to persuade German voters, and her own coalition's lawmakers, to swallow a bigger German commitment to Europe's bailout mechanism.

Ms. Merkel faces a struggle to sell more-generous euro-zone aid to her coalition. Her junior partners, the Free Democrats, are opposed to putting more German taxpayer money on the table, and many lawmakers in the chancellor's own Christian Democratic Union are also wary of angering voters. The coalition is already struggling in opinion

Please turn to page 4

### The Quirk



Long-distance monotony: Marathoners are running round in circles Page 29

### Editorial Opinion

Cameron's planned NHS reforms expose the myth of free health care Page 12

THE WALL STREET JOURNAL. £1.50 Bahrain BD 1.50 - Egypt \$1.75 (CV) Jordan JD 2 - Kuwait KD 1 - Oman OR 2 Qatar QR14 - Saudi Arabia SR 14

## PAGE TWO

# The case against breaking up banks

## [ Agenda ]

BY SIMON NIXON



The global financial crisis was—as its name suggests—global. Yet only one country is engaged in a fevered debate over the possible breakup of its banks: the U.K. Almost since the moment the crisis fully hit the shores of Britain with the collapse of Northern Rock—ironically a small mortgage bank rather than a global banking behemoth—the talk has been about the need for some form of Glass-Steagall-style splitting of U.K. bank retail and investment arms. This agenda is being driven by the governor of the Bank of England, no less, and is given vocal support by leading members of the government, and much of the press.

Quite why the U.K. alone should be so vexed by this issue I don't understand. Most likely it reflects societal factors, notably resentment at the huge income inequalities and resulting pressures on housing and other services that come with hosting one of the world's leading financial centers in the capital of a medium-sized European country. But when other countries affected by the financial crisis have considered solutions to the problems in the banking sector, they have steered clear of breaking up their banks.

The U.S. has introduced the Volcker Rule—a poorly drafted attempt to force banks to sell off their proprietary investments, if only one could define what they are—but have otherwise left the bulk of the industry in tact.

The Swiss government is introducing a "Swiss Finish" which would require its largest banks to hold extra capital. And Germany has recently introduced a tough new Special Resolution Regime for banks. But only the U.K. has established an Independent Commission to spend a year considering whether to break up the banks—and if recent



A protest about bankers' bonuses outside RBS's headquarters in London.

reports are to be believed is leaning to that conclusion.

In fact, I understand this speculation is wide of the mark. The Commission is certainly looking seriously at options for breaking up the banks but it is also looking equally hard at alternative solutions to the too big to fail problem involving the use of loss-absorbing capital, according to people familiar with its deliberations. It is by no means clear at this stage which way they will go. That makes sense since the case for breaking up banks such as Barclays and Royal Bank of Scotland is far from clear.

The key to the debate hinges on whether universal banks such as Barclays enjoy lower funding costs relative to pure investment banks such as Goldman Sachs and Morgan Stanley reflects the benefits of diversification or a cross-subsidy from their retail divisions. Barclays boss Bob Diamond argued forcefully to the Treasury Select Committee last week that the bank's lower funding costs reflected its superior business model and my understanding is that the Banking Commission is increasingly sympathetic to this view. It is very hard to dispute that diversification—the ability of investment banking activities to generate profits as retail losses emerged—has helped universal banks to recover from the crisis.

But if one concedes that diversification does bring universal banks legitimate funding

advantages, where does that leave the case for breaking them up? At this point, most protagonists are left arguing over the social desirability of investment banking activities and whether they are an appropriate use of government-insured deposits. But despite the chairman of the Financial Services Authority's claim that many investment banking activities are "socially useless," it is hard to argue that there is not an important economic benefit in allowing farmers to hedge their exposure to volatile commodity prices or manufacturers to hedge their foreign exchange exposure.

A more subtle argument is advanced by the Bank of England's Financial Stability director Andrew Haldane. In an article for Nature Magazine—surely a first for a central banker—he and co-author zoologist Robert May draw on research from ecology and epidemiology to argue that, while diversification may indeed reduce risks for an individual bank, if all banks diversify in similar ways it can increase systemic risks. The same studies also suggest that the bigger and more complex the bank, the higher the probability of default.

Mr. Haldane concludes that the solution is not only higher capital ratios for bigger banks—which seems unarguable and has been agreed by the Basel Committee on Banking Supervision—but also more modularity in banking systems, separating different activities to prevent infections

spreading across asset classes.

But even this is not entirely persuasive. After all, it's not clear that diversification was a cause of bank failures in the crisis. With the exception of RBS and Citigroup, the universal banks tended to hold up relatively well. The most spectacular collapses tended to be pure mortgage banks and investment banks.

Also, banking systems do not operate in laboratory conditions: if regulators were to arbitrarily restrict the types of assets that could be funded by retail deposits, there's a risk that deposits would leak into the shadow banking system, beyond the reach of regulators and increasing systemic risk.

There's also another point to consider. Breaking up banks would require far greater levels of capital to be carried in the system against the same activities. Some members of the BOE including the governor have argued that this will have no impact on the overall cost of funding since debt costs should come down.

But I am told that the Commission disagrees with the BOE on this crucial issue—not least because nobody in the markets actually believes it to be true. This conclusion has major implications for the potential impact of structural reforms of banking on the U.K. economy since it would raise the cost of capital for the economy—and by extension reduce the lower rate of growth.

Regulators like to talk of the social contract at the heart of banking: societies agree to allow banks to engage in risky maturity transformation—turning short-term deposits into long-term loans—and banks in return accept a high degree of regulation. But there is another aspect to this social contract: 150 years of banking history has revealed that society has a clear preference that governments accept a degree of tail-risk in return for a lower cost of capital and faster growth. Perhaps the intensity of the U.K. debate means that this preference has changed—but somehow I doubt it very much.

## What's News

■ **Turkey cut interest rates**, one day after Brazil and Poland raised rates, underlining the different strategies that emerging-market policy makers are taking as they grapple with rapid growth and volatile investment flows. 5

■ **The ECB warned** that commodity and food prices could push euro-zone inflation higher, the latest sign of concern from officials about the buildup of price pressures. 5

■ **Ireland's Prime Minister** Cowen set March 11 for a much-anticipated general election in which his ruling Fianna Fail party is expected to lose most of its seats. 6

■ **Prosecutors in the U.S.** charged nearly 130 people allegedly connected to organized-crime families, accusing them of drug trafficking, murder and other crimes. 8

■ **Amazon said** it acquired full control of LoveFilm International, a European DVD-by-mail rental service. 18

## Inside



Flight canceled? Try the room service in Terminal B. 27



Relations going downhill at Europe's top ski events. 28

## ONLINE TODAY

### Most read in Europe



1. Are You a Secret Apple Stockholder?
2. Why Chinese Mothers Are Superior
3. Agenda: Europe Has Huge Reserves of Good Old Fudge
4. Nokia Cancels Phone Launch
5. Spain to Ramp Up Bank Bailouts

### Most emailed in Europe

1. Why Chinese Mothers Are Superior
2. Grown-Up Problems Start at Bedtime
3. Spain to Ramp Up Bank Bailouts
4. Nokia Cancels Phone Launch
5. Opinion Europe: David Davis: Reagan's Clarity, 30 Years Later

### The Source

blogs.wsj.com/source

'Dudley simply wants breathing room to prove that BP is capable of recovering without help. He's likely to get it.'



AP  
AUDEMARS PIGUET  
Le maître de l'horlogerie depuis 1875

JULES AUDEMARS  
PERPETUAL CALENDAR

audemarspiguet.com

THE WALL STREET JOURNAL EUROPE  
(ISSN 0921-99)  
Commodity Quay, East Smithfield,  
London, E1W 1AZ

SUBSCRIPTIONS, inquiries and address changes to:  
Telephone: +44 (0) 20 3426 1234. Calling time from  
8 a.m. to 5 p.m. GMT. E-mail: subs.wsje@dowjones.com.  
Website: www.services.wsje.com

ADVERTISING SALES worldwide through Dow Jones  
International. Frankfurt: 49 69 29725 390;  
London: 44 203 426 1111; Paris: 331 40 17 17 01.  
Printed in Belgium by Concentra Media N.V. Printed in  
Germany by Dogan Media Group / Hürriyet A.S. Branch  
Germany. Printed in Switzerland by Zehnder Print AG WIL.  
Printed in the United Kingdom by Newsfax International  
Ltd., London. Printed in Italy by Teletampa Centro Italia  
s.r.l. Printed in Spain by Bermont S.A. Printed in Ireland  
by Midland Web Printing Ltd. Printed in Israel by The  
Jerusalem Post Group. Printed in Turkey by GLOBUS  
Dünya Basınevi.

Registered as a newspaper at the Post Office.  
Trademarks appearing herein are used under license from  
Dow Jones & Co. ©2011 Dow Jones & Company. All  
rights reserved. Editeur responsable: Patience Wheatcroft  
M-17936-2003.  
Registered address: Boulevard Brand Whitlock, 87, 1200  
Brussels, Belgium

## NEWS

# A touchdown in Central Europe

*The NFL may have pulled out, but American football is still catching on in countries such as Hungary*

BY VERONIKA GULYAS

BUDAPEST—Central Budapest's cafes and shops were long closed and its narrow streets quiet at 3 a.m. Sunday, when David Recsey let out a horrified gasp.

The 28-year-old Hungarian stared at his television in disbelief as the Atlanta Falcons' kick returner dodged defenders and ran 102 yards for a touchdown against his favorite National Football League team, the Green Bay Packers. He protested when the Packers, well ahead as time ran low, appeared to court injury by sending quarterback Aaron Rodgers in for more playing time.

**On game days in Budapest, the team members take turns using a homemade measuring tape marked in yards, rather than Hungary's accustomed meters.**

"Rodgers is good. The offense is strong," said Mr. Recsey, whose apartment is decorated in Green Bay Packers posters and yellow and green Packers' footballs.

"If they keep up this level of play, no one will stand a chance against them."

American football, which for years has struggled to promote itself outside the U.S., has developed an ardent and growing following in former communist countries of Central and Eastern Europe. More than 2,000 Hungarians—including many women—play on more than 20 amateur teams, overcoming shortages of equipment and fields and a general ignorance of the game in a country where soccer is considered the real football.

They include Mr. Recsey, who is also the starting quarterback for the Budapest Wolves. There's also 35-

year-old Wolves' wide receiver Peter Beran, a former sprinter and New England Patriots follower, and Kata Szaraz, a 29-year-old linebacker on the Wolves' women's affiliate, which plays in the Austrian Ladies' Football League against the likes of the Graz Black Widows.

There is a long if somewhat tenuous connection between American football and Hungary, which from the 1950s through the 1970s provided talented U.S.-born Hungarians who became some of the NFL's top players.

While the NFL has backed away from its big official push in Europe, disbanding its Europe league in 2007, the sport keeps a toehold, particularly in Germany and Austria. In Hungary, it is slowly picking up steam.

The game got a boost in Hungary about a decade ago when the Wolves, one of the country's few amateur teams, secured a deal from a television executive who was a fan of the team to place cheap ads, say people familiar with the league. The Wolves inspired Hungarians by meeting the powerhouse Vienna Vikings in championship matches in the mid-2000s.

Former Wolves players have gone on to coach new amateur teams around the country.

Quarterback Mr. Recsey cites a more fundamental appeal among men here. "It's a womanizing sport," he said, using a Hungarian word whose closest English equivalent is perhaps "babe magnet."

Mr. Recsey says he was in high school when he caught his first glimpse of an NFL game on satellite TV. "The game was spectacular, extreme and new," he says.

After years playing water polo and competing in judo matches, Mr. Recsey tried out for the Wolves after seeing an ad posted at a city sports complex in 2003.

"There were five practices a week plus training in the gym, and there was a year when we played 20



Budapest, in white, met Vienna in 2005, piquing Hungarians' interest.

matches," says Mr. Recsey. His Wolves club—which has two men's teams as well as squads for women and boys—trains on an artificial turf soccer pitch in a rundown industrial neighborhood on the capital's outskirts.

The Wolves play local teams and

also against Serbian, Slovenian, Austrian and Turkish teams that are part of an international Central European League.

On game days in Budapest, the team members take turns using a homemade measuring tape marked in yards, rather than Hungary's ac-

customized meters, to line the gridiron. Makeshift goal posts are lashed upright to soccer goals.

Other teams face additional challenges. The Gladiators, in Debrecen, a city in northeast Hungary about 140 miles from Budapest, play in a clearing in the woods on the edge of town.

The game's basics, however, appear not to be lost in translation.

"The secondary stopped working. Cornerbacks who have been brilliant didn't catch the flow," Wolves' wide receiver Mr. Beran said this week, breaking down his beloved Patriots' loss to the Jets on Sunday.

"The whole team just fell in the ditch."

Given all the obstacles to playing American football here, players and coaches say, the toughest battle is mental.

"What I'm trying to teach the guys is to be positive," says Lee Hlavka, 66, the Wolves head coach.

Mr. Hlavka, who was born in Wisconsin and moved to Budapest in 2004 after marrying a Hungarian woman, says: "We're never going on the field before the match thinking we're going to lose."

Hungarian women, meanwhile, have embraced the game they say demonstrates they aren't afraid to stand on their own. Ms. Szaraz, who plays linebacker, says most of her friends aren't that surprised that she plays football. "People who know me say I am crazy anyway," she says.

The larger friction point among those in the know, she says, is that her favorite team is the Jacksonville Jaguars, which finished the NFL season at a middle of the pack 8-8 (eight wins, eight losses).

Ms. Szaraz says she digs through secondhand clothes shops for aquamarine Jags T-shirts that she can wear to practice. She even ordered the official team-logo toothbrush online.

"I'm a laughingstock for supporting the Jags," she said.

## Voice-box transplant restores woman's speech

BY AVERY JOHNSON

In a notable advance in organ transplants, surgeons have restored the voice of a California woman who couldn't speak on her own through a transplant of the larynx, thyroid and trachea.

Only one other successful larynx transplant has been performed, in 1998, and doctors at UC Davis Medical Center—site of the latest procedure—say this one was more ambitious. The larynx, or voice box, is one of the body's most complicated organs to transplant, said doctors who performed the procedure. Blood vessels and nerves connecting it to the rest of the body are minuscule, and the procedure involved several closely coordinated functions including breathing, swallowing and speaking.

"The larynx is one of the most complicated neuromuscular organs in the body," said Peter Belafsky, associate professor of otolaryngology at UC Davis in Sacramento, Calif., and one of the doctors on the team. "It is more complicated than the heart to reconstruct."

Just 13 days after the October procedure, Brenda Charett Jensen, a 52-year-old from Modesto, Calif., was able to speak on her own for the first time in 11 years. Now she talks fluently and with ease, in a voice that is her own—not that of the organ donor. Her doctors say her natural voice was restored because its unique sound resides in the palate, tongue, lips and sinuses, and the voice box acts merely as an oscillator, vibrating like the reed on a clarinet.

Before the surgery, Ms. Jensen was able to speak only through an electronic device that produced a robot-like voice.

Now, in addition to having her voice back, her doctors say she is recovering her sense of taste and smell. For now, though, she still has to breathe through a tracheotomy tube in her neck. Doctors hope it can be removed in six to eight months.

The surgery may not be highly replicable, say larynx experts, because Ms. Jensen was an unusually ideal patient for the procedure. She already takes medicines to suppress



Transplant recipient Brenda Jensen

the immune system because she received a kidney and pancreas transplant four years ago.

Transplant patients typically need to take a lifetime course of immunosuppressants, which can be toxic medicines that block the

body's ability to ward off disease.

The vast majority of patients with compromised or removed larynxes suffer from cancer. Immunosuppressant drugs would allow the cancer to return quickly. It would be unethical to perform a transplant on such patients because the larynx isn't a vital organ, say experts.

Ms. Jensen lost the function of her larynx when a breathing tube used for a surgery on a perforated ulcer left her with scar tissue, said Dr. Belafsky.

The surgery could have more far-reaching implications if transplants could be performed without the lifetime use of such drugs, as is being pioneered in some kinds of transplants, said Lee Akst, assistant professor in the department of otolaryngology at Johns Hopkins. "If you can figure out how to do a voice-box transplant [without long-term immunosuppressants], these two surgeries could be the tip of the iceberg," he said.

The team of surgeons at UC Davis was able to hook up more nerves and arteries to the transplanted organ than in the previous

surgery, performed at the Cleveland Clinic, say doctors involved. That is in part because of advances in microscope technology that allowed them to perform 10 hours of the 18-hour operation under a microscope, said UC Davis doctors.

**Just 13 days after the October procedure, the 52-year-old patient was able to speak on her own for the first time in 11 years. Now she talks fluently and with ease.**

A real test of how much of an advance the UC Davis team has accomplished will come in six to eight months, when it will become clear if the doctors can remove the tracheotomy tube.

The Cleveland Clinic's patient still breathes through such a tube, and the UC Davis team hopes that they can get Ms. Jensen to breathe on her own.

## EUROPE NEWS

## How euro-zone strugglers can say 'buy, buy' to debt

### [ Brussels Beat ]

BY STEPHEN FIDLER



The debate about boosting the effectiveness of the euro zone's main government bailout fund now appears likely to extend well into March. Germany, the fund's paymaster-in-chief, seems willing to consider new ideas for the fund, but at a price—tougher reforms from beneficiary governments aimed at improving the long-term health of their struggling economies.

The idea that gathered most attention this week has been the suggestion that the fund, the European Financial Stability Facility, could lend money to troubled governments to help them buy back their own bonds.

Because of worries about possible future defaults or restructurings, most bonds of Greece, Ireland and Portugal are trading at deep discounts to their face value. The idea would be to harvest those discounts for the benefit of the governments, which would extinguish the bonds and thereby lower their debt and interest payment burdens.

This proposal has gained ground over a related idea that the EFSF should buy the bonds itself. In an interview with Dow Jones Newswires that appears also to reflect the views of Germany, Dutch Finance Minister Jan Kees de Jager said this week that the direct buybacks appear to be in violation of EU treaties. "So I don't see it as a viable option."

Better, say some European officials, for governments to take over the responsibility for buying back their own bonds, than having the fund become the owner.

Such debt buybacks have a pedigree. In Latin America during the late 1980s, attention was focused on the ways government debts could be lowered by formal debt swap mechanisms, such as debt-for-equity swaps. But before many of these formal programs got into full swing, countries such as Brazil and Mexico were making informal purchases of debt at deep discounts to face value.

These purchases were carried out quietly in the secondary market. This meant there was no sharp rise in debt-market prices that would have reduced discounts and lowered the benefits to the debtor country. There were willing sellers because the holders of these debts—the banks extending the loans in the first place—had

already written them down. They set aside reserves for likely losses that were bigger than discounts implied by market prices. When they sold, the difference flowed back into profits.

In Europe now, many holders of European government bonds are euro-zone banks, whose financial weakness may discourage them from writing down the value of bonds they hold. Their inclination is to hold them to maturity and hope there is no default.

But the European Central Bank, which as of last week held €76 billion (\$102 billion) of government bonds issued by Greece, Ireland and Portugal, has no such constraint. If Greece, for example, bought bonds from the ECB, it could do it without affecting market prices.

Cutting debt could be an important factor in reviving growth. Latin America's 1980s travails led to "debt overhang" theories. If a country's debts were so high as to raise questions about future repayments, that would act as a constraint on investment, and therefore growth.

Investors shy away from high-debt countries for fear that foreign creditors are going to absorb too much of a country's future income—or that their investments would be at risk in a future default. Debt overhangs also mean that debt holders could increase the value of their debt by accepting debt writedowns. That's because the debt burden would fall, investment and growth would rise and a country's ability to pay would therefore be enhanced.

How much could debt buybacks help, say, Greece? The ECB doesn't break down its bond holdings, and we don't know their maturity profile either, but though it's guesswork, it may be instructive.

Market yields of 10-year Greek bonds Thursday were about 11.5%, too high for Greece to borrow. But that high interest rate translates into discounts to the bonds' face value, of about a third. If the ECB holds, say €50 billion face value of Greek bonds and Athens buys them, it would cut about €15 billion from government debt.

Such reductions are not to be sneezed at. But given Greece's government debt burden now stands at €325 billion, they do not appear on their own to be a solution to a debt burden that stands at 140% of GDP and is still growing. Greece could vacuum up more bonds in the secondary market—but even in the unlikely event that it could buy back its entire debt at a 30% discount, its debt would still be equivalent to 100% of annual economic output.



Portugal's Prime Minister José Sócrates, right, and opposition leader Pedro Passos Coelho in an April meeting on finances.

## Vote nearing, accord under stress in Lisbon

BY DAVID GAUTHIER-VILLARS  
AND ALEX MACDONALD

LISBON—As Europe's debt crisis has engulfed Portugal, politicians on the right and left of the country's spectrum have shown remarkable unity in defending Portuguese finances and rejecting a bailout.

But that political camaraderie is splintering ahead of a national vote on Sunday for Portugal's president—one that threatens to reopen traditional rifts between the ruling Socialist Party, on the left, and the center-right Social Democrat Party.

The presidential vote is largely ceremonial: Portugal's president is head of state but doesn't run the government. The incumbent, Social Democrat Anibal Cavaco Silva, is widely expected to win re-election.

Even so, Sunday's election is important because the president has the power to dissolve parliament and call a general political election—something Mr. Silva has hinted might happen.

As a result, political jockeying has begun. Mr. Silva and other center-right Social Democrats seek to push their advantage against the Socialists, led by Prime Minister José Sócrates—enough for political gains, but not so much as to suggest broader political instability.

In particular, Pedro Passos Coelho, leader of the Social Democrats, has ended his yearlong cease-

fire with the prime minister and is going on the attack. Mr. Coelho is accusing Mr. Sócrates's Socialist administration of failing to implement spending cuts and other austerity measures, effectively putting Portugal dangerously close to asking the European Union and International Monetary Fund for a bailout. The prime minister has said Portugal doesn't need outside help to square off its finances.

"If the IMF enters Portugal, the current government will have to step down," Mr. Coelho, 46, recently said on local radio TSF. Mr. Coelho's attacks could hurt Mr. Sócrates's efforts to restore Portugal's credibility on debt markets and push the country into deeper financial pain.

High interest rates paid by Portugal to finance its large public debt have fueled concerns that the country will be the next, after Greece and Ireland, to seek a bailout. Last week, Portugal succeeded in selling €1.25 billion (\$1.68 billion) of government bonds, but economists said the interest rate demanded by investors on 10-year notes, at 6.72%, remained close to levels deemed unsustainable.

That is why analysts expect Mr. Coelho to be careful in not lashing out too publicly against the government, lest he destabilize Portugal's already delicate standing in the markets. "He does not want to be seen as a cause of instability," said João

César das Neves, an economist at the Catholic Portuguese University in Lisbon.

Last year, Mr. Sócrates's government said it would cut the budget deficit to 4.6% of gross domestic product this year, from an estimated 7.3% in 2010.

At the time, Mr. Coelho's Social Democrats vowed to help the government's efforts. Mr. Sócrates's Socialist Party alone doesn't have a majority in parliament. Since Communists and other leftist parties refused to support his austerity drive, Mr. Sócrates had to seek support from the Social Democrat Party to pass budget-reduction measures, including an increase in sales tax, a freeze of pension payouts and cuts in civil-servant remunerations.

In a sign of goodwill, Social Democrats abstained when Mr. Sócrates tabled his 2011 budget, allowing for it to pass in November.

But as the presidential campaign has gone into full swing this month, traditional rifts have reappeared.

During the campaign, Mr. Silva hasn't been outspoken about his plans regarding parliament. But he did say that he couldn't rule out that Portugal might get drawn into a "deep political crisis"—which some analysts have taken to mean a general election is near.

"At this moment, to be in government is horrible," said Mr. César das Neves, the Lisbon economist.

## European governments consider bond buybacks

Continued from first page  
polls ahead of a string of regional elections in coming months.

Despite opposition from the Free Democrats, Ms. Merkel's finance minister, Wolfgang Schäuble, said last week that he supports strengthening the main bailout fund, the European Financial Stability Facility, so it can lend as much as €440 billion (\$592 billion) to struggling coun-

tries as originally intended when the entity was created last summer. The EFSF's true lending capacity is currently far lower.

The discussions about bond buybacks show Germany is also responding to calls from ECB President Jean-Claude Trichet, among other European leaders, to make the EFSF more flexible.

At present, the fund can only of-

fer last-ditch loans to countries facing insolvency.

The ECB stands to benefit from letting the EFSF finance bond buybacks, since governments on the euro zone's troubled fringe could then take their own bonds off of the central bank's balance sheet.

The ECB's purchases of government bonds, which totaled €76 billion through last week, have saved

Portugal, among others, from a worse battering in financial markets. But they have prompted fears inside the ECB—and criticism from Germany—that the bank could lose its cherished independence from national governments.

While many EU policy makers are pushing for a quick consensus to expand the EFSF, Germany has made it clear that it doesn't expect any deci-

sions until March—and that it will agree to boost the bailout fund only in return for other countries' commitment to economic overhauls.

Berlin also wants the package of changes to include a detailed agreement on how the euro zone's permanent bailout arrangement, the European Stability Mechanism, will work when it replaces the temporary EFSF in 2013.

EUROPE NEWS

# ECB warns of building inflation pressures

BY BRIAN BLACKSTONE AND NINA KOEPPEN

FRANKFURT—The European Central Bank warned Thursday that commodity and food prices could push euro-zone inflation higher, the latest sign of concern from officials about the buildup of price pressures in the currency bloc.

Inflation risks are mounting in the bloc's largest economy, Germany, where industrial prices jumped last month at their highest pace in two years and union workers in the metals sector secured an earlier-than-expected pay rise.

"Very close monitoring of price developments is warranted," the ECB said in its January bulletin, issued Thursday, though officials said they still expect inflation to remain under wraps over the medium term.

Officials cautioned that higher food prices—one of the sources of the recent acceleration in euro-zone inflation to its fastest rate in more than two years, 2.2%—could prove long-lasting. Euro-zone inflation is above the ECB's sub-2% target for the first time since the global financial crisis hit in the autumn of 2008. Many economists expect inflation to climb above 2.5% in the next two months. Recent trends suggest "that there will remain upside pressure on food prices in the long run, due to robustly growing global demand," the ECB said Thursday.

It's not just food. German wholesale prices soared 0.7% in December from November and 5.3% from a year earlier, suggesting price pressures are building. Business surveys "signal rising price pressures" and suggest higher commodity and raw-material costs are "to some extent, being passed on to customers," the ECB said.

ECB President Jean-Claude Trichet jolted financial markets last week by warning in his monthly press conference that inflation risks "could move to the upside" and that officials "are never pre-committed" on interest rates, which some economists took as a signal that ECB rate rises could come as early as midyear.

"The combination of last Thursday's press conference and [Thursday's] Bulletin tends to suggest that, one way or the other, there will be somewhat firmer monetary conditions in the euro area this year," said analysts at Barclays Capital.



Durmus Yilmaz, governor of Turkey's Central Bank, in Istanbul in September. The bank is taking a different tack than other emerging-market central banks.

# Turkey cuts rates, a surprise

BY JOE PARKINSON

ISTANBUL—One day after Brazil and Poland raised their key interest rates, Turkey's central bank on Thursday took the opposite tack and cut, underlining the different strategies that emerging market policy makers are taking as they grapple with rapid growth and volatile investment flows.

The Turkish central bank cut its policy interest rate by a quarter of a percentage point to a record low of 6.25%, surprising markets, which had expected the bank to sit tight after cutting the rate by a half-point last month.

The Turkish lira fell 2.3% to \$1.584 after the bank's decision Thursday.

Despite Turkey's near 8% growth expected to be reported for 2010, the bank has embarked on a complex policy of cutting interest

rates—to curb the inflow of speculative investment—while raising reserve requirements for commercial banks to rein in an expanding consumer-credit boom.

The Turkish move appeared to be in stark contrast to other emerging markets, which have started raising their key interest rates to head off inflationary pressures, while damping consumer demand.

The central banks are effectively choosing different ways to tighten monetary policy, analysts say. That is because the scale of the increased reserve requirements that Turkey is implementing—with more expected Friday—mean that overall, Turkey's central bank is actually tightening monetary policy.

"The decisions show monetary policy is tightening in increasingly different ways across the emerging markets," said Neil Shearing, emerging-markets economist at Capital

Economics in London. "Turkey has been creative while Brazil has been more traditional; it's all a question of managing inflation and inflows of capital."

On Wednesday, Brazil raised its benchmark rate a half-point to 11.25%, and said that would likely mark the beginning of a new cycle of monetary tightening. Poland's central bank governor Marek Belka signaled more cuts would follow his bank's quarter-point rise to 3.75% on Wednesday.

And in Russia, First Deputy Central Bank Chairman Alexei Ulyukayev on Thursday said he now sees inflation as a higher risk than slowing growth, increasing the chance that the Russian central bank will raise interest rates next week, too.

Brazil and Poland are reacting to rising price pressures and inflation rates already above their central bank targets.

Turkey, by contrast, appears to have chosen its mix of apparently conflicting tools because it is less threatened by inflation than it is by an inundation of speculative investment flows that are financing a ballooning current-account deficit—a mismatch of imports and exports that has led to the Turkish economy's undoing in the past. Inflation is currently at a record low of 6.4% year-on-year in December.

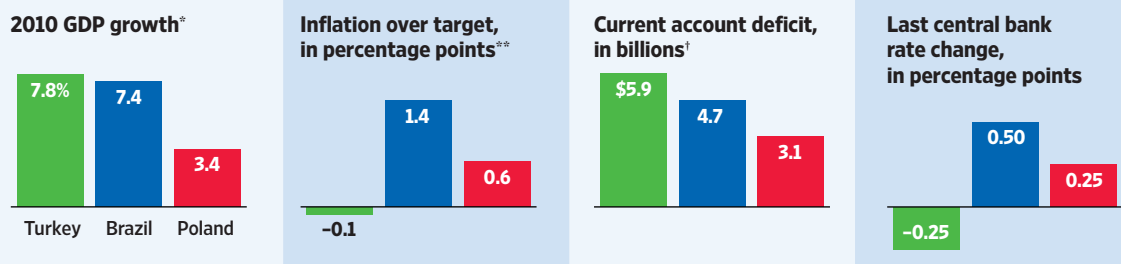
Low interest rates in major economies such as the U.S., the U.K. and the euro zone have pushed investors to search for higher returns elsewhere in the past year, sending capital flooding into fast-growing emerging markets like Turkey. These money flows tend to pump up asset prices but threaten to dry up quickly due to their short-term nature if risk sentiments shift, potentially triggering a crisis in their wake.

Turkey's economy is particularly exposed to these speculative inflows, which financing a rising proportion of its mushrooming current-account deficit.

That deficit more than tripled in November versus a year ago to a hit a record \$5.9 billion as imports outpaced exports by a factor of 10, according to Turkey's official statistics agency Turkstat.

Turkish policy makers insisted Thursday that "additional measures" would be taken to limit credit expansion, stressing that: "The net effect of the measures which have been taken or are envisaged under the new policy is tightening."

## Bucking the trend | Turkey is cutting its key interest rate while other fast-growing economies are raising theirs



\*IMF forecast \*\*Excess of December 2010 year-on-year inflation over central bank target †November 2010  
Sources: International Monetary Fund; central banks of Turkey, Brazil and Poland

# Vatican expresses worry over Berlusconi scandal

BY STACY MEICHTRY

VATICAN CITY—A top Vatican official on Thursday waded into a scandal that has embroiled Italian Prime Minister Silvio Berlusconi, expressing concern over an investigation into whether the billionaire media mogul gave gifts and cash to an underage woman in exchange for sexual favors.

"The Holy See is watching these Italian matters with attention and, in particular, worry," Vatican Secretary of State Cardinal Tarcisio Bertone, the Vatican's No. 2 official,

told reporters when asked about the allegations against Mr. Berlusconi.

The comments marked a rare, if subtle, rebuke of Mr. Berlusconi whose center-right government has long supported the Catholic Church's conservative teachings. The Vatican has traditionally eschewed any overt criticism of Mr. Berlusconi's penchant for late-night parties with young women, a practice that has been public for nearly two years.

The remarks are therefore a measure of how Mr. Berlusconi faces mounting pressure from across the

political and social spectrum as he defends himself against allegations by prosecutors that he had sexual relations with Karima El Mahroug when she was 17 years old. Prosecutors also allege the premier abused his powers in an attempt to cover up the relationship.

Mr. Berlusconi has vigorously denied having sex with Ms. El Mahroug or seeking to cover up his alleged relations with her. He has also lashed out at Italy's judiciary, accusing prosecutors of violating Italy's constitution in a campaign to persecute him.

The Vatican's views carry particular weight in Italy, a Catholic stronghold where church officials still command a large swath of votes. The Vatican also holds some sway over the Union of Christian Democrats party, which Mr. Berlusconi recently courted in an effort to shore up his narrow majority in Parliament.

"The church calls for everyone, especially those who have public duties in politics, governance and the judiciary, to bear the burden of robust morality, of a sense of law and justice," Cardinal Bertone said.

The world of business is changing

...for the better ...for everyone ...forever

Find out on Monday how these changes will affect you in Remixing Business



## EUROPE NEWS

# Wave of Irish leave for jobs

BY GUY CHAZAN  
AND AINSLEY THOMSON

DUBLIN—Ireland is facing a wave of emigration on a scale unseen since the 1980s, as young people desperate for work turn their backs on an economy ravaged by debt crises, high unemployment and tough austerity measures.

A new report by the Economic and Social Research Institute, a leading Dublin-based think tank, said 100,000 people are expected to leave Ireland between April 2010 and April 2012. That averages out to roughly 1,000 a week, or more than 2% of the population.

They are being driven away by a lack of jobs. Ireland's unemployment rate stood at 13.5% last year—about double the rate in Germany—and is expected to remain stubbornly high as the country struggles with sluggish growth and a mountain of public and private debt.

The Irish government has been looking to exports to drive a recovery. Exports have grown strongly; but that appears to have had little effect on the jobless rate. "The problem is that the export part of the economy is not employment-intensive," said Alan Barrett, co-author of ESRI's quarterly economic commentary and an expert in migration.

Danny O'Connor, a 21-year-old trainee carpenter from the southwestern town of Cork, is part of the exodus. He is halfway through an apprenticeship, but is already packing his bags for Australia to join a friend who moved there a few months ago and "is loving it."

"There are more opportunities

**Some 100,000 people are expected to leave Ireland by April 2012. That averages out to roughly 1,000 a week, or more than 2% of the population.**

there," he said, while Ireland is likely to be depressed for years to come, with jobs few and far between. "The economy is going to get a lot worse before it gets better," he added.

The new figures mean emigration is likely to be a central issue in Ireland's general-election campaign. On Thursday, Prime Minister Brian Cowen called new elections for March 11.

"The return of mass emigration is the stark legacy of a tired Fianna Fail-led government on the way out of office," said Joan Burton, finance



An artist's sketch of a traditional leprechaun decorates the wall of an empty building in the dockland area of Dublin.

spokeswoman and deputy leader of the opposition Labour Party.

The migration statistics offer confirmation that the era of the Celtic Tiger is over. During the boom years of the past decade, when the Irish economy was the fastest-growing in Europe, many of the Irish diaspora headed home to share in the country's newfound prosperity. Poles, Slovaks and other Eastern Europeans also piled in to seek work in Ireland's thriving construction sector.

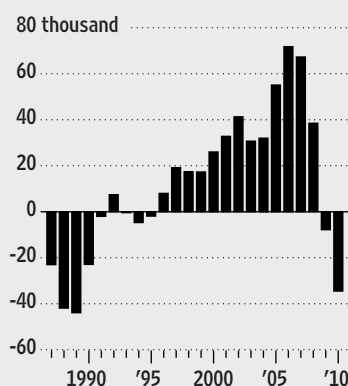
But hopes of a sustained revival were dashed by last year's banking crisis, which climaxed when Ireland was forced to accept a rescue package from the European Union and International Monetary Fund.

Ireland has experienced several waves of high emigration in its history, often in response to calamities both natural and man-made. During the Irish Potato Famine of the mid-19th century, which according to some estimates killed a million people, one million more emigrated from Ireland. At the height of the famine, at least 200,000 people a year were leaving, most of them to the U.S., Canada, Australia and the U.K.

In the 1950s, thousands of laborers and semi-skilled workers left

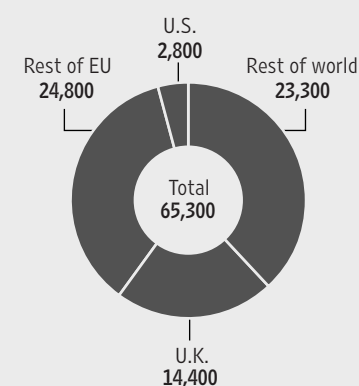
## Net migration

The difference between people arriving in and leaving Ireland



\*Negative figures show years when more people have left the country than entered.  
Source: Irish Central Statistics Office

## Where Irish emigrants went in 2010



Ireland for the U.K., then in the grip of a road-building boom. In the 1980s, with unemployment running at 15%, public finances in disarray and the economy stagnating, some 200,000 emigrated. "Unlike in the 1950s, many of these were well-educated and highly-skilled," says Dr. Barrett. That wave peaked in 1989, when 44,000 left Ireland, according to ESRI.

Emigration began to tick up again in the postboom period, with 35,000 leaving from April 2009 to April 2010. ESRI said 60% of these were non-nationals—migrants re-

turning home—and 40% indigenous Irish.

The main destination for those leaving Ireland in 2010 was the U.K., which absorbed some 14,000 Irish immigrants. The next most-popular destinations were the newer EU member states, including Poland and the Czech Republic. EU members France and Germany came in third. Some 23,000 went to other countries, including Australia and New Zealand, and a modest 2,800 moved to the U.S., according to figures from Ireland's Central Statistics Office.

# Labour's finance spokesman steps down

BY ALISTAIR MACDONALD  
AND AINSLEY THOMSON

LONDON—Alan Johnson, the U.K. opposition Labour Party's finance spokesman, on Thursday stood down from the post after less than four months in the job, citing personal reasons in a move that will bring little comfort to the party's new leader.

Mr. Johnson will be succeeded by Ed Balls, an economist and a former economic secretary to the Treasury during the last Labour government, party leader Ed Miliband said.

The reshuffle comes amid criticism of Mr. Miliband's leadership style by some Labour politicians and in the British press. Mr. Miliband has rarely gotten the better of Prime Minister David Cameron in Parliament and appears at times reluctant to spell out party policy on key issues.

Mr. Miliband now finds himself putting Mr. Balls into a role that he had rejected him for just months ago. Mr. Balls was seen as being too aggressive on the issue of deficit reduction, people familiar with the matter say.

In a resignation letter to Mr. Miliband, Mr. Johnson said his decision was due to an issue connected with his family.

"I have found it difficult to cope with these issues in my private life whilst carrying out an important front bench role," he wrote.

In reply, Mr. Miliband said Mr. Johnson had been an outstanding colleague and great friend for many years.

A former home secretary, Mr. Johnson's performance had been criticized as lackluster. Despite the country's still fragile economy being the biggest issue in British politics, Mr. Johnson has failed to level significant blows against Tory Treasury chief George Osborne.

After his surprise appointment in October, the self-deprecating former postman said he would have to read a beginner's guide to economics and in a recent interview appeared to not know what a key business tax was.

Mr. Johnson established himself as a popular figure in the government of Gordon Brown, effectively playing on his impoverished beginnings on a housing project in London. In the dying months of Mr. Brown's regime, he was frequently cited as an alternative to the unpopular prime minister.

Mr. Johnson didn't stand as a candidate for the leadership contest that followed Labour's election defeat saying he wanted a younger generation to compete.

The 60-year-old has been a Labour lawmaker for over a decade. Earlier, he worked his way up via the trade unions, to become the youngest general secretary in the history of what was then the Union of Communication Workers.

Mr. Balls is seen as an aggressive communicator who can inflict blows on the opposition. Within the Labour Party though, Mr. Balls has proved to be a divisive figure.

Mr. Balls will be succeeded in his current role of shadow home secretary by his wife, Yvette Cooper.

# Irish election is set for March 11

BY QUENTIN FOTRELL

DUBLIN—Ireland's besieged Prime Minister Brian Cowen on Thursday set March 11 for the country's much-anticipated general election, setting off a 50-day campaign that is expected to result in his ruling Fianna Fail party losing most of its seats.

All recent public opinion polls point to a coalition between the Christian Democratic Fine Gael and left-of-center Labour Party forming the next government, with Fianna

Fail becoming the smallest of the three main parties for the first time in its 85-year history.

Both Fine Gael and Labour have expressed their desire to alter the terms of the European Union and International Monetary Fund's €67.5 billion (\$90.35 billion) rescue package, particularly the 5.8% average interest rate. Ireland will contribute an additional €17.5 billion to the package.

But the government has said the interest rate is set and can't be renegotiated unilaterally by Ireland. Mr. Cowen says the bailout was essential

to stabilize the economy in the wake of the financial crisis that has ravaged the country since the collapse of the construction sector.

Ajai Chopra, deputy director of the IMF's European department, said last month there was room for discussion between the IMF and future Irish governments about the finer details and conditions of the financial-aid package, as long as the overall objectives remained.

With only about 14% support among the electorate, according to the most recent public-opinion poll,

many senior Fianna Fail lawmakers are worried about their party, which has been in power on-and-off for nearly 54 years since its inception in 1926.

An opinion poll of 1,000 voters by Paddy Power PLC and Red C, taken Jan. 4 to Jan. 6, put Fine Gael in prime position, with 35% of first preference votes, Labour with 21%, and the left-wing Sinn Fein party with 14%, the same as Fianna Fail.

Parliament hasn't been dissolved, which will likely happen closer to the election on March 11.

## HU JINTAO'S U.S. VISIT

## Hu stresses cooperation with U.S.

WASHINGTON—Chinese President Hu Jintao on Thursday reiterated the need for Beijing and Washington to work together and urged the U.S. to respect China's sovereignty over Taiwan and Tibet.

By Michael R. Crittenden,  
Corey Boles, Siobhan  
Hughes, Ling Ling Wei  
and Jamila Trindle

"We should treat each other with respect," Mr. Hu said in a speech at a luncheon held by the U.S.-China business council.

"Taiwan and Tibet concern China's sovereignty and territorial integrity and they represent China's core interests," he said.

Mr. Hu's remarks followed a meeting with U.S. lawmakers earlier Thursday, in which legislators pressed the Chinese president on a variety of sensitive issues, ranging from trade policies, human-rights abuses and even abortion.

Mr. Hu said a review of the history of Sino-U.S. relations shows that the two countries will "enjoy smooth and steady growth when the two countries handle well issues involving each other's major interests." Otherwise, he said "our relations will suffer constant trouble or even tension." Mr. Hu said Beijing and Washington should prevent the relationship from being held back by any one event.

Mr. Hu's initial meeting with House lawmakers lasted roughly an hour, with Democratic Rep. Howard Berman of California saying the meeting was "very cordial but very direct." Mr. Hu's subsequent meeting with senators was shorter, but the Chinese president faced a question about the nation's currency, which U.S. lawmakers complain is kept artificially low.

Mr. Hu responded that "they have made some changes in the currency imbalance, but it's not that that's the problem, it's that we, China, are more productive" and "have lower labor costs," Sen. John McCain (R., Ariz.), told two reporters.

In Mr. Hu's morning meeting with House lawmakers, Mr. Berman said Democratic leader Nancy Pelosi (D., Calif.) engaged the Chinese president on his country's human-rights record, specifically the continued incarceration of Nobel Peace Prize



Above, Senate Majority Leader Harry Reid, right, Thursday welcomes Hu Jintao, flanked by Sen. John Kerry. Right, Coke CEO Muhtar Kent, first lady Michelle Obama and Mr. Hu at Wednesday's state dinner.

winner Liu Xiaobo and tensions with Tibet.

House Speaker John Boehner (R., Ohio) issued a statement saying the group discussed a range of issues including the need for China to provide stronger intellectual-property protections and curtail North Korea's aggressive behavior. The statement said lawmakers "raised our strong, ongoing concerns with reports of human-rights violations in China, including the denial of religious freedom and the use of coercive abortion as a consequence of the 'one child' policy."

"When it comes to guaranteeing the freedom and dignity of all her citizens, including and especially the unborn, Chinese leaders have a responsibility to do better, and the United States has a responsibility to hold them to account," Mr. Boehner's statement said.

Both Mr. Berman and Rep. Sander Levin (D., Mich.) expressed some frustration with the format of



the meeting. Only Mr. Boehner and Ms. Pelosi were able to ask questions. The lengthy time it took to translate between English and Mandarin limited the time available for questions from lawmakers.

"I would have liked to get into a greater discussion about the currency issue," Mr. Berman said after the meeting. Mr. Levin agreed, saying "there's a need for much more frank dialogue."

Mr. Hu's meeting in the Capitol followed a day at the White House filled with toasts and talk of U.S.-China cooperation.

In a nod to the sensitivity of the talks, Capitol Hill reporters were told that no questions were to be asked and that they would be escorted out for "misbehaving."

House Majority Leader Eric Cantor (R., Va.) said Mr. Boehner asked Mr. Hu about trade issues including what some lawmakers allege is China's lack of regard for intellectual-property rights. Mr. Cantor said Mr. Hu acknowledged China had been "late to the game" on the issue, but he said China was working aggressively to catch up.

Lawmakers have used the run-up

to Mr. Hu's visit to list a litany of complaints about China's policies, particularly on the economic front. Roughly seven dozen House Republicans and Democrats signed a letter this week asking President Barack Obama to press the Chinese president on what Congress views as "persistent violation of international trade law."

"It is vital...to impress upon President Hu that America's patience is near an end," the lawmakers wrote, noting that China's "unwillingness to play by the rules is unfairly shuttering U.S. businesses and putting Americans out of work."

On an interview for local television in Nevada on Tuesday, Senate Majority Leader Harry Reid (D., Nev.) referred to the Chinese president as a "dictator." The top Senate Democrat then immediately tried to retract his statement, by saying: "Maybe I shouldn't have said 'dictator' but they have a different type of government than we have, that's an understatement."

While the White House and Mr. Obama have sought to cast the visit as part of an ever-growing dialogue between the two countries—the two leaders have met face-to-face eight times now—congressional leaders are seeking more concrete promises from China. Mr. Reid said ahead of the meeting with Mr. Hu that China's currency policy and human-rights record were among the issues he would like to discuss.

Lawmakers have stepped up efforts to target China's management of the yuan. The House last year easily passed a measure targeting China's currency policy, and on Monday a group of senators said they would introduce their own bill to address the issue.

In addition to Mr. Reid, the senators who took part in the meetings included Foreign Relations Committee Chairman John Kerry (D., Mass.) and the top Republican on the panel, Sen. Richard Lugar (R., Ind.), as well as Sen. McCain.

One notable absence among the senators scheduled to meet Mr. Hu was Sen. Charles Schumer, a frequent China critic who this week predicted Congress would pass legislation targeting China's management of the yuan. The New York Democrat said Monday that the U.S. should seek to penalize China for manipulating its currency.

## At dinner, movie stars and a coy ambassador

## [ Notebook ]

Jon Huntsman, the U.S. ambassador to China, sparked a wave of speculation this month when he hinted he might challenge his boss, President Barack Obama, in the 2012 presidential election.

Even after playing footsie with a presidential bid in an interview with Newsweek, the Republican former Utah governor was still able to score an invite to the president's state dinner Wednesday night at the White House for Chinese President Hu Jintao.

But he played coy when he was asked about a possible presidential bid.

Asked as he entered the dinner whether he would run in 2012, Mr. Huntsman said, "We're loyal to our country and our president."

At the White House news conference earlier in the day, Mr. Obama was asked about the speculation Mr. Huntsman might be a 2012 rival. Mr. Obama praised Mr. Huntsman's skills, dedication and bipartisanship. "I couldn't be happier with the ambassador's service," Mr. Obama said, adding: "And I'm sure he will be very successful in whatever endeavors he chooses in the future. And I'm sure that him having worked so well with me will be a great asset in any Republican primary."

The predinner promenade of boldfaced names making their way into the White House didn't

yield much more in the way of political news.

Movie star Jackie Chan, who was born in Hong Kong, said he didn't have any plans to perform the martial-arts stunts for which he's become famous. Former Secretary of Labor Elaine Chao showed up to the dinner with her father, not her husband, Senate Minority Leader Mitch McConnell (R., Ky.). And New Jersey Gov. Chris Christie said he's "unique once again" for being one of the few Republicans in attendance.

Big business turned out in force, too, including Microsoft's Steven Ballmer and J.P. Morgan Chase's Jamie Dimon. Designer Vera Wang and Vogue's Anna Wintour also attended.

But the line of the night goes to Barbra Streisand. Asked why she was invited, Ms. Streisand deadpanned: "I worked in a Chinese restaurant."

## Sign of progress: Pandas can stay

On a week full of carefully choreographed events to announce incremental progress on thorny political and economic issues in the U.S.-China relationship, one big diplomatic issue has been put to rest: The pandas can stay at the National Zoo.

Mei Xiang and Tian Tian have been at the National Zoo in Washington, D.C., for 10 years. And with Wednesday's agreement,

they can stay for five more, Secretary-General of the China Wildlife Conservation Association Zang Chunlin announced.

The current agreement officially expired in December, but an extension of the pair's stay was expected.

Chinese pandas and their offspring always belong to China and must be returned eventually. Mei Xiang and Tian Tian have a son, Tai Shan, who was returned to China last year.

Pandas have been an important symbol in U.S.-China relations since Chairman Mao Zedong gave President Richard Nixon two pandas to celebrate his visit to China in 1972.

—From Wall Street Journal and wire reports

## U.S. NEWS

# House approves health law repeal

BY JANET ADAMY  
AND NAFTALI BENDAVID

WASHINGTON—The Republican-led House voted Wednesday to repeal the health-care overhaul that is a signature achievement of President Barack Obama, in a largely symbolic move that made good on a GOP election promise but left uncertain what the party would offer as an alternative.

The vote was 245-189 in favor of repeal, with three Democrats joining the entire GOP caucus in the majority. That compared with 34 House Democrats who voted in March 2010 against enacting the law.

Despite Wednesday's vote, the law is all but certain to remain in place for now. The Democratic-controlled Senate doesn't plan to take up the repeal measure, and even if it were to clear that chamber, Mr. Obama would veto it.

With the repeal vote behind them, House Republicans now must deliver on a second promise of last fall's campaign: proposing legislative alternatives to the Democrats' law. They were moving Thursday to in-

struct House committees to draft proposals they say will be more incremental than the Democrats' health overhaul.

Republicans' replacement plans remained vague and could easily fade as the party shifts toward proposals to create jobs. Any fresh health legislation is expected to stall in the Senate.

Pressed Wednesday for details of his party's health-care plans, House Speaker John Boehner described them as "common-sense reforms that bring down the cost of health insurance for the American people and expand access" to insurance.

Republicans called for enacting stronger curbs on medical-malpractice lawsuits and letting insurers sell policies across state lines. Yet they also suggested they favored keeping elements of the Democrats' law, including a provision allowing children to stay on their parents' health-insurance policies until age 26 and a ban on insurers denying coverage due to pre-existing conditions.

Democrats said the GOP's ideas were marginal and would do little to solve the health system's problems.



FBI agents took a suspect into custody in Brooklyn, N.Y., Thursday as part of an organized-crime crackdown.

## U.S. prosecutors charge alleged Mafia members

BY MICHAEL ROTHFELD  
AND CHAD BRAY

Prosecutors in the U.S. have charged nearly 130 people allegedly connected to different organized-crime families, accusing them of drug trafficking, loan-shark activities, murder and other crimes.

Most of them were arrested by federal agents and police in early-morning raids Thursday around the New York area and in New Jersey and Rhode Island.

"Today's arrests and charges mark an important step forward in disrupting La Cosa Nostra's illegal activities," U.S. Attorney General Eric Holder said. "The members of La Cosa Nostra are among the most dangerous criminals in our country. It is an ongoing threat, a major threat to the economic well-being of this country."

Among the arrested were sus-

pected members and associates of all five New York organized-crime families: the Gambinos, Genoveses, Bonnanos, Lucheses and Colombos. Authorities also charged accused members of the DeCavalcantes in Newark, N.J., and the New England mafia family in Providence, R.I. More than 110 people were arrested Thursday, while about 127 people in total were charged.

Court documents described internal power struggles and execution-style killings, control of a concrete and cement workers' union, extortion of nightclubs named Satin Doll and the Cadillac Lounge, and a scheme to take money from longshoremen working the New York and New Jersey piers at Christmas.

The influence of the Mafia is largely believed to have been on the wane for decades, following the enactment by Congress in 1970 of the Racketeer Influenced and Corrupt

Organizations Act, a broad law that allows prosecutors to charge Mafia members with being part of a criminal enterprise based on the commission of certain crimes. "Some believe organized crime is a thing of the past," Federal Bureau of Investigation Director Robert S. Mueller III said. "Unfortunately, there are still people who extort, intimidate and victimize innocent Americans."

The highest-ranking people charged, according to prosecutors, were Luigi Manocchio, 83, the alleged former boss of the New England mob; Benjamin Castellazzo, 73, the alleged acting underboss of the Colombo family; Richard Fusco, 74, the Colombo family's alleged consigliere; Joseph Corozzo, 69, alleged consigliere of the Gambino family; and Bartolomeo Vernace, 61, a suspected Gambino administrator. Lawyers for those charged couldn't be reached for comment.

## LEGAL NOTICES

### CLASS ACTIONS

UNITED STATES DISTRICT COURT  
SOUTHERN DISTRICT OF NEW YORK

IN RE LG.PHILIPS LCD CO., LTD. :  
SECURITIES LITIGATION : Civil Action  
This Document Relates to: : No. 07-CV-909  
ALL ACTIONS : X

**SUMMARY NOTICE OF PROPOSED SETTLEMENT OF CLASS ACTION**

TO: ALL PERSONS WHO PURCHASED OR OTHERWISE ACQUIRED PUBLICLY TRADED LG DISPLAY CO., LTD. (FORMERLY KNOWN AS LG. PHILIPS LCD CO., LTD.) ("LG DISPLAY") SECURITIES, INCLUDING BUT NOT LIMITED TO, LG DISPLAY COMMON SHARES OR AMERICAN DEPOSITORY SHARES ("ADSs"), DURING THE PERIOD FROM JULY 16, 2004 THROUGH DECEMBER 11, 2006, INCLUSIVE (THE "CLASS").

YOU ARE HEREBY NOTIFIED that the above-captioned action has been certified as a class action and that a settlement for Eighteen Million Dollars (\$18,000,000) has been proposed. A hearing will be held before the Honorable Richard J. Sullivan in the United States District Court for the Southern District of New York, Daniel Patrick Moynihan United States Courthouse, 500 Pearl Street, New York, NY 10007, Courtroom 21C, at 9:30 a.m., on March 17, 2011, to determine whether: (1) the proposed Settlement should be approved by the Court as fair, reasonable, and adequate; (2) the Plan of Allocation should be approved; (3) Lead Counsel's application for an award of attorneys' fees and expenses should be approved; and (4) the claims against Defendants should be dismissed with prejudice.

IF YOU ARE A MEMBER OF THE CLASS DESCRIBED ABOVE, YOUR RIGHTS WILL BE AFFECTED AND YOU MAY BE ENTITLED TO SHARE IN THE SETTLEMENT FUND. If you have not yet received the full printed Notice of Pendency and Proposed Settlement of Class Action (the "Notice") and Proof of Claim and Release form ("Proof of Claim"), you may obtain copies of these documents by contacting:

*In re LG.Philips LCD Co., Ltd. Securities Litigation*  
c/o Gilardi & Co. LLC  
Administrator  
P.O. Box 990  
Corte Madera, CA 94976-0990, USA  
+1 (877) 238-8708  
www.gilardi.com

Inquiries, other than requests for the forms of the Notice and Proof of Claim, may be made to Lead Counsel:

Samuel H. Rudman, Esq.  
David A. Rosenfeld, Esq.  
**Robbins Geller Rudman & Dowd LLP**  
58 South Service Road, Suite 200  
Melville, NY 11747, USA  
Gregory M. Castaldo, Esq.  
Christopher L. Nelson, Esq.  
Jennifer L. Enck, Esq.  
**Barroway Topaz Kessler Meltzer & Check, LLP**  
280 King of Prussia Road  
Radnor, PA 19087, USA

To participate in the Settlement, you must submit a Proof of Claim postmarked no later than April 16, 2011. If you are a member of the Class and do not submit a valid Proof of Claim, you will not share in the settlement but you nevertheless will be bound by the Judgment entered by the Court in this litigation. As more fully described in the Notice, the deadline for submitting objections and requests for exclusion is March 3, 2011.

Further information may also be obtained by directing your inquiry in writing to the Administrator, Gilardi & Co. LLC, at the address listed above.

**PLEASE DO NOT TELEPHONE THE COURT REGARDING THIS NOTICE**  
By Order of the Court

## Unemployment claims slide

BY SARA MURRAY

New claims for unemployment benefits dropped last week as the labor market's gradual recovery continued in January.

The economy appears poised to gather momentum this year, as a separate index of leading indicators posted gains at the end of 2010.

The number of Americans applying for jobless benefits fell by 37,000 to a seasonally adjusted 404,000, the Labor Department said Thursday in its weekly report. The drop is a promising sign for the economy because it indicates that fewer firms are laying off workers.

Last week's decline follows a sharp increase a week earlier. That jump may have been related to the holidays, which can distort data at the beginning and end of the year.

The four-week moving average for claims, designed to smooth out volatility, also declined by 4,000 to 411,750.

Continuing claims for unemployment benefits, those drawn by workers for more than one week, also fell by 26,000 to 3.9 million in the week ended Jan. 8. Continuing claims are reported with a one-week lag.

"In short, the trend in claims is clearly downwards," Ian Shepherdson, a **High Frequency Economics**

**Leading indicators posted gains at the end of 2010, suggesting the economy is poised to gain momentum.**

Ltd. economist, wrote in a note to clients. "It won't be long before the jobs numbers look better."

While the stream of layoffs is slowing, economic growth hasn't sped up enough to spur robust hiring. Stronger job gains are necessary for consistent declines in the unem-

ployment rate.

Faster growth may be getting closer. The Conference Board's Leading Economic Index, which is designed to predict the economy's direction, rose 1% to 112.4 in December, the group said Thursday. The index rose 1.1% in November.

"The economy now has some wind in its sails; however, it still faces some strong headwinds in the medium-term," said Ken Goldstein, an economist at the Conference Board. "Overall economic activity is likely to continue to gain momentum in 2011."

The December jump was driven by gains in portions of the index, including those that measure building permits, new claims for jobless benefits and consumer expectations.

The Board's index that gauges current economic conditions also ticked up in December, rising 0.2% to 101.9.

An index of lagging indicators rose 0.3% to 108.4 in December.



WORLD NEWS

# Ivorian poll winner seeks trade freeze

By Will Connors

ABIDJAN, Ivory Coast—This country's internationally recognized president said Thursday he may lobby foreign governments for sweeping new sanctions to oust a rival who refuses to step down after losing a presidential runoff, a move that threatens to throw further complications into the global chocolate business.

In an interview, Alassane Ouattara said he is considering a push for a total trade ban with his country, if the incumbent, Laurent Gbagbo, continues to resist the pressure of targeted financial sanctions. The European Union has imposed economic sanctions and frozen the assets of Mr. Gbagbo and his allies, and the U.S. has imposed travel bans on Mr. Gbagbo, his family and his allies.

"If financial sanctions don't bite, we should move on to economic and trade sanctions," said Mr. Ouattara, who has spent more than six weeks in a hotel protected by U.N. peacekeepers. "That includes cocoa exports."

Such a step would aim to cripple the finances of his foe, but it also risks decimating the economy of the world's largest cocoa producer and throwing into turmoil markets that trade in the commodity.

The Ivory Coast is responsible for around one-third of global cocoa production.

On Thursday, cocoa traded at an intraday high of \$3,175 a metric ton on the InterContinental Exchange, its highest price since August. That price rise came as the European



Alassane Ouattara, internationally recognized as Ivory Coast's leader, at his headquarters in an Abidjan hotel on Thursday.

Union restricted EU-registered ships from conducting new transactions with the country's two main ports. Cocoa prices remain off last year's highs by a few hundred dollars.

A full ban on Ivory Coast cocoa, however, could have a deeper impact, traders said Thursday. "At this point, the concern is less with the current [EU] sanctions but the possibility of complete sanctions on the country," said a London-based trader.

Given the large stakes, foreign governments aren't expected to offer immediate support for a dramatic expansion of Ivory Coast sanctions.

"I don't think we're ready to take that step yet," says a Western diplomat in Abidjan. "We certainly understand why they're doing it, and we're looking at ways to help limit Gbagbo's effectiveness, but we're not ready to take that step yet."

Mr. Ouattara is recognized as the

winner of the country's Nov. 28 runoff presidential election by the U.S., the United Nations, the African Union and the European Union. Mr. Gbagbo alleges his opponent benefited from fraudulent votes and that he is the rightful victor, and retains the support of the country's military.

The European Union has already imposed a travel ban and asset freeze on Gilbert AnohN'Guessan, the head of the Ivorian cocoa-management board, the CGFCC. It has

placed sanctions on financial transactions for the two main Ivorian ports, San Pedro and Abidjan. The new measures have pushed global cocoa prices higher.

Mr. Ouattara's allies are ratcheting up pressure on the cocoa industry, which is seen as a lifeline for Mr. Gbagbo's embattled government.

The Federation of Cocoa Commerce, the trade organization for cocoa buyers, has received a letter from Mr. Ouattara's prime minister, Guillaume Soro, telling exporters they risk severe sanctions if they pay taxes to the "illegal regime" of Mr. Gbagbo.

Traders warn that the country's storage facilities may not be able to protect cocoa bean stocks from tropical heat for long periods of time, meaning Ivorian farmers could bear the brunt of a sustained action. "A long blockade would be catastrophic for Ivorian farmers," said Maurice Sawadogo, the manager of a major cocoa-exporting cooperative. "For the government, it would be a complete strangulation."

Mr. Ouattara is looking for additional ways to increase pressure on Mr. Gbagbo, who has been in power for 10 years. West African heads of state are expected to meet Saturday to decide on whether Mr. Gbagbo's will continue to have access to his main source of cash at the West African central bank.

Denying such access would endanger salaries of civil servants and the army and could erode Mr. Gbagbo's domestic base of support.

—John James in Abidjan and Leslie Josephs in New York contributed to this article.

# China's GDP growth fuels concern

By Aaron Back and Jason Dean

BELJING—China's economy unexpectedly accelerated in the fourth quarter of 2010, defying Beijing's repeated attempts to tap the brakes. The news fueled concerns that authorities will resort to tougher measures in their struggle to contain inflation that could stall the world's main engine of growth.

The fourth quarter's 9.8% expansion in gross domestic product from a year earlier, after a 9.6% increase in the third quarter, is in some ways good news for the global economy, in that it partly reflects improving demand for Chinese goods overseas. And China's growth is driving big imports of raw materials, machinery and consumer goods from the rest of the world, beefing up returns for the global corporations that increasingly rely on its economy.

But the faster rise, and inflationary pressure that has continued despite repeated vows by China's leaders to tame prices, also risk upsetting the delicate balance policy makers must maintain between keeping the economy cruising at a healthy speed and preventing it from overheating. The ultimate concern is that authorities could overreact and hit the brakes too hard, causing growth to stall in what is now almost certainly the world's second-biggest economy.

The new data, coming just as President Hu Jintao's U.S. visit is helping to cement China's status as a major world power, point up the stark contrast with the struggle in

## China's rise

World's biggest economies over the past decade, in trillions of U.S. dollars



the U.S. and other developed economies to eke out even small rates of growth.

Behind the apparent strength in China's numbers, however, lies a potential vulnerability. While Beijing in theory possesses enormous control over the levers of its economy, it has serious difficulty manipulating those levers to its desired effect. The government has control of all of China's major banks, for example, yet it largely failed to get them to rein in lending last year after ordering them in 2009 to open the credit spigots to fight the global recession.

The fears of a possible hard landing in China caused global stock markets fell on Thursday's news. China's benchmark Shanghai Composite stock index dropped 2.9%, while Hong Kong's main index fell 1.7%, and Japan's and Australia's both dipped 1.1%. Major European markets also fell as worries about

further policy tightening in China hit mining and auto stocks.

Thursday's data, from China's National Bureau of Statistics, shows "the tightening done so far hasn't had a major impact on growth," said Citigroup China economist Ken Peng, adding that the numbers also reinforce "signs of strengthening in the U.S. and Europe."

The fourth-quarter GDP numbers make it all but certain that China became the world's second-largest economy in 2010, ending Japan's 42-year reign in that position—though Japan doesn't report its year-end economic data until next month.

Acknowledging the milestone—and the anxiety its impending arrival has caused some Japanese—Japan's minister of economic and fiscal policy, Kaoru Yosano, said it appeared likely that China has surpassed Japan and that "the Japanese people should welcome our

neighbor China's growth."

China's economy remains much smaller than that of the U.S.: For the full year, China's GDP grew 10.3%—up from 9.2% growth in 2009—to about \$5.88 trillion. The International Monetary Fund forecast in October that U.S. GDP would top \$14.62 trillion.

But China's economy is growing around two-to-three times as fast as America's. As Washington has announced tax cuts and other stimulus measures in recent months, and the U.S. Federal Reserve has continued pumping cash into the economy through its quantitative easing program, Beijing has raised interest rates twice, ordered banks several times to increase deposits held in reserve to curb lending, and imposed price controls on some staple goods.

Some Chinese officials blame the country's inflation problems partly on the loose monetary policies of the U.S. American officials counter that China could easily damp prices by allowing its currency to rise more against the dollar—which lowers the cost of imported goods. The issue has been a subject of major contention during Mr. Hu's U.S. visit. But, ahead of his trip, Mr. Hu played down inflation as a factor in exchange-rate policy. The yuan slipped slightly against the dollar in Shanghai trading Thursday, after hitting records earlier in the week.

—Victoria Ruan contributed to this article.

■ China worries weigh on European markets ..... 23

# Koreas agree to hold talks at high level

By Jaeyeon Woo

SEOUL—South Korea accepted a proposal from North Korea to hold high-level military talks, a move that signals a possible breakthrough in a deadlock between the rivals following deadly clashes. But Seoul warned that the North also must promise not to stage any further provocative acts against the South.

The plans for talks come after U.S. President Barack Obama and Chinese President Hu Jintao on Wednesday called for "sincere and constructive inter-Korean dialogue" to maintain peace and stability on the peninsula.

The meetings would be the first at the ministerial level between the two Koreas since South Korean President Lee Myung-bak took office in early 2008. But it may be too early to tell how far the talks will advance, given previous patterns of provocation, then dialogue seeking economic concessions, then a breakdown in relations leading to renewed threats.

North Korea in recent weeks has repeatedly called for talks with South Korea that the South rejected, calling the North's overtures insincere.

On Thursday, the South's Unification Ministry said a meeting between the two nations must address North Korea's willingness to take "measures to show responsibility for a series of provocations, and promise not to repeat them."

## WORLD NEWS

# Afghan lawmakers plan session, defying Karzai

By YAROSLAV TROFIMOV

KABUL—Newly elected Afghan lawmakers said they plan to convene Parliament Sunday in defiance of President Hamid Karzai's order to postpone the inauguration, a move that could bring a constitutional crisis and inflame ethnic tensions.

The lawmakers argued that a special court created by Mr. Karzai to investigate election-fraud allegations and possibly disqualify winning candidates is illegitimate, a view shared by Afghan election authorities and diplomats in the U.S.-led coalition. Mr. Karzai on Wednesday postponed the inauguration by a month to give the special court more time for its inquiries.

Mr. Karzai left the country on Thursday for a trip to Moscow. Senior lawmakers said they may meet him when he returns to Kabul on Saturday, to give him a chance to relent. Mr. Karzai's spokesman declined to comment.

The president must open the inaugural session of Parliament, according to regulations. Lawmakers said that since Mr. Karzai, who is from the Pashtun ethnic majority, is unlikely to show up, they are asking the two vice presidents, Mohammad Qasim Fahim, a Tajik, and Karim Khalili, a Hazara, to preside.

Such an inauguration could split the country along ethnic lines, some parliamentarians and diplomats warned. "If this were to happen, this would mean a breakup of the entire regime," a diplomat said.

Representatives of the main allied countries and the United Nations huddled in Kabul for most of Thursday to forge a response to the crisis, after meeting key Afghan parliamentarians. "Enough is enough. What Karzai is doing is clearly illegal," a senior diplomat said.

The representatives were drafting a U.N. statement that, if approved, would express disappointment at Mr. Karzai's decision to delay the inauguration, would say a timely opening of the legislature is essential to democracy, would stress that courts shouldn't be used for political purposes, and would reject the possibility of international support for a vote recount suggested by the president.

In Washington, an Obama administration official reiterated that the U.N. Security Council has already welcomed the election results and encouraged Afghan institutions to "act within their clearly defined areas of competence."

Several Western envoys, including U.S. Ambassador Karl Eikenberry and U.N. envoy Staffan de Mistura, were considering attending the Sunday inauguration, diplomats involved in the meeting said. Doing so would recognize the new Parliament and represent a direct challenge to Mr. Karzai.

The political fight in Kabul provides a further boon to the Taliban-led insurgency, which opposed the elections and considers the president and the Parliament to be unlawful puppets of foreign invaders.

The Sept. 18 parliamentary elections had the lowest turnout of any Afghan election since the Taliban regime's downfall in 2001, in part because of insurgent intimidation. Mr. Karzai has condemned the new legislature's makeup as unrepresentative because he says it doesn't allocate enough seats to the Pashtuns, Afghanistan's largest ethnic group.

In a meeting with visiting Western lawmakers this week, he said he sought to replace some 30 lower-house members through a recount that he expected the U.N. to fund, one diplomat said.

The four Afghan parliamentarians who conferred with Western ambassadors on the crisis Thursday, and who are leading the resistance to Mr. Karzai's demands, include two ethnic Pashtuns, one ethnic Hazara, and lower-house speaker Younus Qanuni, a Tajik.

The inaugural joint session of the Afghan lower and upper house must be attended by at least 175 members, or half of the total number of lawmakers in both chambers, to have a legitimate quorum.

On Thursday, nearly 220 directly elected members of Afghanistan's 249-seat lower house attended preparations for Sunday's opening in Kabul's Intercontinental Hotel. Leading parliamentarians said they expected the vast majority of those who attended would show up on Sunday in defiance of Mr. Karzai.

It isn't clear how many members of the 102-seat upper house will be present on Sunday; one-third of the seats, which must be filled by Mr. Karzai's decree, remain empty.

The incoming lawmakers could be blocked by Afghan security forces from entering Parliament Sunday. If so, legislators said, they plan to meet in a mosque or hotel, or even in the street.

The Parliament has emerged over the past year as a thorn in Mr. Karzai's side, vetoing most of his ministerial appointments. The new legislature's makeup is even more hostile to the Afghan leader.

"He's concerned that there are now more opposition faces in Parliament, and he's seeking illegitimate ways to remove these faces," said Baktash Siawash, a popular TV presenter who was elected to Parliament from Kabul.

—*Maria Abi-Habib in Kabul and Julian E. Barnes in Washington contributed to this article.*



Hamid Karzai left Afghanistan on Thursday for a trip to Moscow.

## THE MART

### BUSINESSES FOR SALE

#### Permanent Income Country Club in FL

Recession Proof with mandatory memberships guaranteed for life. 15 year track record. Management in place and assumable. \$10,300,000.  
markfla813@yahoo.com  
813-830-3306

### CAPITAL AVAILABLE

#### FINANCING SOURCES FOR:

Bank/Insurance Guarantees,  
Letters of Credit, MTN's, Credit Enhancements  
and Proof of Funds. Email: [tuj@ca.rr.com](mailto:tuj@ca.rr.com)  
USA Tel: 1-310-203-2613;  
Fax: 1-310-203-2617  
[www.tujmanagementservices.com](http://www.tujmanagementservices.com)

### CAPITAL WANTED

#### Capital Wanted

Secured loans for purchase of U.S.  
based Security Companies.  
5 year term, 22% interest.  
Contact Mr. Vassell  
914-260-2949

### BUSINESS OPPORTUNITIES

#### Partner/CEO & Distributors

Worlds 1st & lightest  
sneaker like flexible horseshoe!  
Over 100 million horses worldwide!  
New shoes needed 4/6 weeks!  
Mfg. cost .50 retails \$10.  
Horses run 2 seconds faster!  
Prevents lameness!  
Jumps 2 inches higher!  
877-815-6512

◆ As with all investments,  
appropriate advice should  
be obtained prior to  
entering into any  
binding contract. ◆

### TRAVEL

#### Save 60% First/Business INTERNATIONAL

Major Airlines, Corp. Travel  
Never Fly Coach Again  
[www.cooktravel.net](http://www.cooktravel.net)  
(212) 201-1824  
[info@cooktravel.net](mailto:info@cooktravel.net)

## DISTINCTIVE PROPERTIES & ESTATES

### SINGAPORE

#### PRIME-LOCATED, SERVICED SHOW-FLAT - LUXURY CONDO, SINGAPORE

Long/short/lets & Sale of luxury, fully furnished 2282 Sq-Ft, 3+1 BR's, with en-suite Baths. Central Prime location close to Orchard Road shopping, U-G Parking; Sport facilities, Gym; 3 pools and rendered water features; Club-house & business facilities; Children play-grounds.

Contact Roger at +65 9234 5521/  
+60 1238 89633 or  
email to [sunshine@sspl.com.sg](mailto:sunshine@sspl.com.sg)

### Distinctive Properties.

Select Residential Listings on Friday.  
List Your Property Today.  
Call +44 (0) 203 426 1202

THE WALL STREET JOURNAL.  
RECRUITING

### UNITED STATES

#### AMERICA'S FIRST RESORT HOT SPRINGS, ARKANSAS

BELVEDERE GOLF RESORT  
PLUS SURROUNDING ACREAGE  
135 ACRE GOLF COURSE AND  
460 ACRE PLATTED SUBDIVISION  
ALL WITHIN THE CITY LIMITS OF HOT  
SPRINGS, ARKANSAS ALL FOR ONLY  
THREE MILLION DOLLARS  
\$3,000,000



OFFICE: (800) 972-6019  
TED LUFT-BROKER C: (501) 231-8160  
SITE PACKETS AVAILABLE

### Palm Springs, CA

#### 38 Acre Parcel for Sale

Ideal for Family Ranch  
or Spa Resort

20 mins to Palm Springs Airport  
[www.bubblingwells.net/mvr](http://www.bubblingwells.net/mvr)

## Bombings kill Iraqi pilgrims

By SAM DAGHER

BAGHDAD—Dozens of Iraqis were killed or wounded in bomb attacks targeting pilgrims flocking to the Shiite holy city of Karbala, underscoring the resiliency of the insurgency during a sensitive period for the country's new government.

The bloodshed Thursday followed a series of suicide bombings against security forces this week and brought the overall toll to more than 100 killed and 400 wounded, according to officials.

"It's going to take a long time to completely defeat the terrorists," said Brig. Gen. Jeffrey S. Buchanan, spokesman for U.S. forces in Iraq. "The attacks of the past days remind us just how critical it is for the Iraqi government to maintain pressure on the [insurgent] networks."

Two remotely detonated car bombs parked on the shoulder of the highway at the southern approaches of Karbala exploded in the path of some of the millions of pilgrims marching toward the golden-domed mausoleum of Shiite Imam Hussein in the city center for the culmination of an annual religious rite, according to Maj. Gen. Jihad al-Jaberi, director of the Interior Ministry's Explosive Ordnance Disposal unit.

A similar attack involving one car



Onlookers inspect the wreckage of vehicles in Karbala on Thursday.

bomb targeted pilgrims flocking to Karbala from the north, said Gen. Jaberi. His account was backed by a member of the provincial council.

However, Iraqi state-owned television, quoting other officials, said the attacks south of Karbala involved bombs packed into suitcases that exploded at a security checkpoint.

There were similar discrepancies with the toll. An official at the Interior Ministry, speaking on condition of anonymity, said at least 50 people were killed and 150 wounded, most of them pilgrims. Deputy Health

Minister Khamis al-Saad gave a toll of 27 dead and 231 injured.

The bombings in Karbala occurred despite the extraordinary security measures that usually accompany Shiite religious events, which have been targets since the U.S.-led invasion in 2003.

Militants linked to al Qaeda consider the practices of Iraq's Shiite majority an aberration of Islam. It wasn't clear who was responsible for the attacks.

—*Munaf Ammar, Ali A. Nabhan and Jabbar Yaseen contributed to this article.*