A TRUCE ON TERROR

A PAKISTANI general helicoptered into a village in the Pakistani mountains of Waziristan last weekend to meet with a stubborn enemy. Lt. Gen. Saffar Hussain came to sign a truce with Nek Mohammed, a tribal leader whose pro-al-Qaeda fighters had eluded capture for more than six weeks and had killed about 50 of the general's men. The Pakistani army agreed to halt its operation against Mohammed's militants, repay Wazir tribesmen for war damages and set free most of the 160 suspected al-Qaeda supporters captured. The tribesmen were also allowed to keep their weapons. In exchange, Mohammed and his clan promised to refrain from attacks on Pakistani forces and the U.S. troops in nearby Afghanistan. Gleeful rebel tribesmen accepted the easy terms—and then treated Hussain to a meal of rice and slaughtered sheep.

The truce, however, could be a severe setback for the Bush Administration, which has been leaning on Pakistan to carry out a clean sweep of al-Qaeda and the Taliban from the tribal terr-
A Power Play in Hamas

Israel’s assassination of Abdel Aziz Rantisi, Hamas’ leader in Gaza, has thrown the chief of the Islamic movement into a panic. Coming less than a month after Israel eliminated Hamas founder Sheik Ahmed Yassin, Rantisi’s killing forced underground Gaza’s political leaders. It also dangerously deepened fissures between the group’s military and political factions. Senior Hamas sources in Gaza say that fighters in its military wing, Izzedin al-Qassam, went to strike at Israel quickly to avenge Rantisi’s death and send a signal to the Bush Administration. They are outraged that President George W. Bush endorsed Israeli Prime Minister Ariel Sharon’s plan to keep parts of the occupied West Bank forever and told Palestinian refugees from what is now Israel that they should expect never to return there. And the fighters fear that the political leaders who survive are less committed than Rantisi was to fighting Israel.

The military arm’s new independence was signaled last week when its chief, Mohammed Deif, had his cadres launch an unsanctioned missile barrage at Gaza settlements. Hamas leaders tell TIME that Deif, who lost an eye in a 2002 Israeli assassination attempt, will now look increasingly to powerful Hamas money man Khaled Mashaal for instructions and financial support. The group’s chief fund raiser, who splits his time between Qatar and Syria, has become more assertive. When political leaders in Gaza were about to select a moderate new chief, he ordered a delay. But Mashaal could in some ways be a moderating influence. He is resisting pressure from some Gaza fighters who want to strike U.S. interests in the Middle East. Mashaal is said to fear that such attacks would anger supporters in the Gulf who bankroll Hamas clinics and youth clubs but don’t want to be seen as backing strikes on the U.S. Hamas sources tell TIME that some local leaders are threatening to join with militants from Palestinian leader Yasser Arafat’s Fatah faction to form splinter terrorist cells that could go after U.S. targets.

As the top power in Hamas, Mashaal will have to decide how to deal with the hotheads.

By Matthew Rees and Jamil Hamad

A SARS Returns

Part of what made this year’s outbreak of SARS so scary—and helped the deadly respiratory illness infect more than 8,000 people worldwide—was lack of information. Today, researchers are closer to solving the mysteries of the disease’s transmission: a new study in the New England Journal of Medicine suggests the virus may spread more easily through the air than first thought. Sadly, there are now some new cases to help test that thesis. Beijing health officials announced four new SARS infections on the mainland last week, one of which has resulted in death. Unlike last year, China’s Ministry of Health promptly shared information on the cases with the World Health Organization (WHO) and the media. But worrying questions remain. According to a report on the Ministry’s website, the first confirmed case is a 26-year-old graduate student named Song who worked in the SARS virology lab in Beijing’s China CDC for Disease Control in late March, then returned to her native Anhui province. On March 25 she developed flu-like symptoms and returned by train to Beijing, where she was treated for viral pneumonia. Still sick, she boarded a train to Anhui on April 2 to receive treatment there. On April 8, her mother, who had been caring for her, developed pneumonia—yet it wasn’t until the mother died on April 19 that Anhui activated its anti-SARS warning systems. Since then, both a nurse who treated the student in Beijing and a co-worker from the lab have been identified as probable cases. Why did doctors let Song move freely? “The development of SARS conditions, including pneumonia, in a 26-year-old who had just finished working in a lab that does SARS testing should have been a very big red flag,” says Dr. Henry Niman of Harvard Medical School. By Saturday, some 500 contacts of the four patients had been placed under observation, surveillance measures beefed up and Song’s lab quarantined. Dr. Julie Hall, who heads WHO’s China SARS team, says the Ministry of Health is trying to figure out “why no one sounded the alarm bells sooner.”

By Bryan Walsh, With Reporting by Susan Jakes.
BLOOD ON THE TRACKS

On his infrequent trips to friendly capitals—basically Moscow and Beijing—North Korean leader Kim Jong Il rides in a luxurious private train. Last Wednesday, Kim wound up a clandestine visit to Beijing and boarded his train for Pyongyang. It traveled east and crossed the North Korean border and passed through the city of Ryongchon.

Nine hours later, something sparked a cataclysmic explosion at Ryongchon’s station, killing 134 people, including 78 school children, and injuring more than 1,000. South Korea’s official news agency said that a state of emergency had been declared around Ryongchon and that North Korea had cut phone links from the area.

Foreign aid workers arriving from Pyongyang described parts of Ryongchon as “obliterated.” The train station in the center of town had collapsed, as had other buildings, including a nearby school. Those in the immediate vicinity were killed by a fireball that had gone through,” said John Sparrow, a Beijing spokesman for the Red Cross, China’s Xinhua News Agency, quoting the North Korean in charge of the rescue efforts, Jang Song-gyi, said the disaster occurred because an electrical pole was “knocked down after an oil tanker collided with two carriages loaded with ammonium nitrate.” —By Anthony Spateh.

DANGEROUS BUSINESS

The Italian hostages with their captors before Quadratic, second from right, was killed; the other captives was interned. The government of Prime Minister Silvio Berlusconi tried to negotiate the hostages through secret talks, and denied reports it was paying a ransom. But when Berlusconi proved that, with the imminent departure of Spanish troops from Iraq, Italy was now Washington’s closest ally on the continent, an Israeli mediator declared his remarks “inopportune.”

You too are parents and can understand our anxiety. Spare the torches of your boys.” Antonella Agliana beamed these words to Iraq via al-Jazeera, hoping to elicit sympathy from the insurgents who held three Italian hostages, including her brother Maurizio. Three days before, word of a different videotape, which al-Jazeera declined to air, had galvanized Italy. It showed a fourth captive, Fabrizio Quaratino, calmly saying, “I'll show you how an Italian dies.”

“Before taking a bullet in the neck, Iraq’s continuing turmoil has been boosting antiwar feeling in Italy, but last week, public solidarity with Agliana and her family peaked. President Bush is expected to meet with her this week.

Following the Money

UNITED NATIONS Secretary-General Kofi Annan launched an independent inquiry into allegations of corruption relating to the U.N.’s Iraq oil-for-food program. The panel is to investigate claims that top U.N. officials were among those involved in defaulting the $67.3 billion program.

Terror Alert

BRITAIN: In raids in northern and central England, police arrested 10 people of North African and Iraqi Kurdish origin on suspicion of terrorism. Authorities refused to comment on reports that the 10 were planning a bomb attack on a soccer club. Manchester United’s stadium, but stepped up security at the ground.

First Week

SPAIN: Just days after taking office, new PM José Luis Rodríguez Zapatero arrived in Casablanca for discussions on improving illegal immigration with his Moroccan counterpart, Driss Jettou. “This visit is much more significant than just going to eat a bowl of couscous,” Spain’s new director general of communications, Javier Venancio, told TIME. “We want to show the world that Morocco, an Islamic nation, and Spain, a Christian one, are united in the fight against terrorism.”

Lost Opportunity

CYPRUS: Greek Cypriots ignored the plebiscite of the E.U., the U.N. and the U.S. and voted by a margin of three to one to reject a U.N. plan that would have reunited the divided island after 30 years of armed standoff. Turkish Cypriots backed the plan. Ankara announced that Turkish troops will now stay on the island indefinitely and called for international recognition for Turkish Cypriots as a separate state. Some Greek Cypriots voted against the plan because they feared investment in the less developed north would lure tourists away from the south, an essential for the island’s economy.

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TIME, May 3, 2004

The Big Thaw

LIBYA: The U.S. eased economic sanctions against Muammar Gaddafi’s regime, allowing a resumption of oil imports to the U.S. and most commercial activities. Gaddafi has pledged to end his WMD program.

Small Steps to Peace

SUDAN: After delays, peace talks between the government and rebels involved in the civil war in the western Darfur region got under way in neighboring Chad, as a U.N. delegation arrived in Darfur to investigate reports of government-sponsored atrocities.

MEANWHILE IN BRITAIN:...No, Dahling

The English National Opera has banned its employees from using the traditional title of “darling” because it might constitute sexual harassment. New guidelines on workplace behavior also outlaw suggestive Remarks or lewd conduct. But old-school “Darling” in “Darling” so far, at least, “his” and “hers” have escaped censure.

By J.K.O. McMillan. Reporting by Jeff Brady
They're Still Just Winging It

A Milan has crashed landed in a field of catch-22s. The majority state-owned Italian carrier, which loses about €1.2 million a day, desperately needs a government bailout to avoid bankruptcy. But any rescue plan risks a veto from Brussels on antitrust grounds. Labor Minister Roberto Maroni promises the government will sign an emergency decree this week, reportedly set to dole out €120 million to Alitalia and Italy’s smaller carriers this year. That would keep the flagship airline aloft and avert disastrous labor strife. But even if the bailout gets past EU competition law, there’s a long-reaching conundrum. Analysts say Alitalia’s long-term survival requires further privatization and a merger with another major airline. But Alitalia is in no shape to merge. A Europe-based manager of a U.S. airline scoffs at Italy’s latest plan, which foresees layoffs of 1,100 and fiscal help from fuel tax cuts. “That’s just spit in the ocean,” he told TIME. “You’ve got to fix the problem.” A genuine fix means massive job cuts, which requires real political courage in Rome. Just another catch-22.

FORD HAS A BETTER IDEA: PROFITS

Has the stalled auto industry turned a corner? Ford last week announced that profits at its global automotive operations almost tripled in the first quarter to $3.1 billion, the first time since 2004 that the Michigan-based carmaker booked more from selling autos than customer financing. Revenues climbed worldwide: spurring new car registrations in Europe (see chart) lifted Ford’s sales in the region by almost one-third. With cumulative losses of $6.4 billion in 2001 and 2002 disappearing in the rearview mirror, the firm’s earnings trumped cross-town rival General Motors for the first time in three years. While GM boasts expectations of profits of $1.28 billion in the first quarter, poor results in the U.S. and Europe dented strong earnings in Asia. Still, it could be worse: Mitsubishi Motors is facing an empty tank. Germany’s DaimlerChrysler won’t rule out dumping its 37% stake in the Japanese firm, after killing speculation last week that it would stump up several billion dollars to rescue debt-ridden Mitsubishi. Investors sighed with relief: DaimlerChrysler stock shot up over 7% on the announcement. A global turn-around? Not yet. Speed limits vary. —By Adam Smith

THE BOTTOM LINE: “It’s time EU regulators took the trouble to learn about the industry they are misregulating.”

— GIOVANNI BISIGNANI, head of the International Air Transport Association, on Brussels’ move to boost compensation for delayed flights

BACK IN GEAR

Car registrations in the first quarter are up on last year

<table>
<thead>
<tr>
<th>Country</th>
<th>2014 Q1 Regs</th>
<th>2013 Q1 Regs</th>
<th>% Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Norway</td>
<td>34.4%</td>
<td></td>
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<td>Poland</td>
<td>22.4%</td>
<td></td>
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<tr>
<td>Spain</td>
<td>20.8%</td>
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<tr>
<td>Greece</td>
<td>16%</td>
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<td>Belgium</td>
<td>11.2%</td>
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<tr>
<td>U.K.</td>
<td>6%</td>
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Source: ACEA
A SADDAM SOUVENIR

WHEN SADDAM Hussein was roused from his spider hole in al-Dawr, a town near Tikrit, by U.S. soldiers last December, Iraq’s fallen dictator was clutching a pistol. Saddam is in detention at an undisclosed location, being questioned by American author-
ties and awaiting charges for war atrocities and crimes against humanity. But whatever happened to the pistol?

The sidearm, sources tell TIME, has made its way to 1600 Pennsylvania Avenue. These sources say that the military had the pistol mounted after they seized it from Saddam, and that it was then presented to the President privately by some of the troops who played a key role in Saddam’s capture.

Though it was widely reported at the time that the pistol was loaded when U.S. troops grabbed Saddam, Bush has told visitors that the gun was actually empty—and that it is safe to watercolor called A Charge to Keep, which gets its name from a Methodist hymn. The study—the same one where Bill Clinton held some of his infamous trials with White House intern Monica Lewinsky—has become a place where Bush keeps the memorabilia that hold special significance for him. Another of the room’s memorabilia: a photograph of special-forces soldiers in Afghanistan praying after having buried a piece of the World Trade Center there as a tribute to those who died in the terror attacks on Sept. 11, 2001.

—I wish there were some way that all of these wonderful houses of life and prayer could remain open and alive and full.

ARCHBISHOP SEAN O’MALLEY, announcing the closing of 70 parishes in the Boston Roman Catholic archdiocese, as the face of the dwindling finances and declining attendance.

“It’s ridiculous that it’s easier for 16-year-olds to visit prostitutes than it is to get chewing gum.”

FAVEN WONG, college student in Singapore, where gum is now legal after a 12-year ban but citizens who want to chew must submit their names and ID cards to the government.

“Frankly, what passes for pizza abroad is all too often a travesty. Enough is enough.”

CIRO MOFFA, Neapolitan pizza chef applauding new Italian-government rules on how the dish should be made.

“[In the lead-up to the Iraq War and its later conduct, I saw at a minimum, true dereliction, negligence and irresponsibility; at worse, lying, incompetence and corruption.]”

RET. GEN. ANTHONY ZINNI, former head of U.S. Central Command, in his new book Battle Ready.

“Alliances matter, and the United States must lead them. Shredding alliances is not the way to win the war on terror or to make America safer.”

SENATOR JOHN KERRY, presumptive Democratic presidential nominee, in a speech delivered in Seattle.

“The investigation results indicate that Corporal Tillman probably died as a result of friendly fire.”

LT. GEN. PHILIP R. KENSINGTON JR., head of U.S. Army Special Forces, on American football player-turned-soldier Pat Tillman, whom April 22 death in Afghanistan had been blamed on enemy fire.

“Can we tell them no? When I talked to the President, he was loaded.”

HENRY KISSINGER, former Secretary of State, on Oct. 11, 1973, in conversation with an aide asking if President Nixon would take a call from the British Prime Minister, according to just-released phone transcripts.

Sources: [New York Times (2), Washington Post (2), ABC News (2), London Times (3)]
HUBBLE’S HOPE: I, ROBOT

THE ENDANGERED HUBBLE Space Telescope may have life yet—thanks to a NASA-sponsored program to develop a robot that could be its remote-controlled savior. For all the yeoman’s work Hubble has done—peering deeper into the universe than eyes or earthbound instruments have ever managed—its prospects looked bleak a few months ago. The telescope was facing eventual loss of power and gyroscopic failure, cutting short its life span by years. A shuttle mission to service the Hubble seemed pricey and, after the loss of the shuttle Columbia, risky. So the agency said it would let the telescope expire in 2007. But scientists howled, and in February the agency sent a mass query to engineers for ways to mount a robotic Hubble mission that would extend the telescope’s life to 2012. Of the 26 proposals that have come in, the most personable is NASA’s Robonaut—featuring an adult-size torso, arms and head with a leg that plugs in for stability and power. The Robonaut was built as a space-walk assistant to hand astronauts tools and brush contaminants off their space suits. But with five-fingered hands and cameras for eyes, it may be perfect for the Hubble repair job. If NASA okay’s the mission, the agency has until the end of the year to pick the winning robot, Simon Cowell, are you listening?—By Jeffrey Kluger

ROOT OF THE PROBLEM

Im impoverished Haitians have long cut down trees to turn into charcoal. It’s a good way to make a few dollars, but nearly 90% of the country has been deforested, and last week the consequences were measured in bodies. The floods that devastated Haiti and the Dominican Republic, and killed by some estimates 2,000, were made worse in Haiti by the lack of roots to soak up rain and hold back sliding soil. Mud rushed down denuded mountains and engulfed entire towns like Mapou, near the Dominican borders, where rescue workers fear as many as 1,000 people may have drowned or been buried alive. In Jimani, residents had to dig through the earth with their bare hands in search of loved ones. Survivors were few. “My family is gone and my house is gone too,” said 40-year-old Rosan Modenso, whose two small children drowned before she could get them out of her now-submerged house. “What am I supposed to do?” With hurricane season only a few months off, relief organizations rushed to assist the poorest country in the western hemisphere. “A few months ago we couldn’t move because of security,” said Gay Gavreau of the U.N. World Food Program. “Now we can’t move because the roads are destroyed.” A minor earthquake that struck late Saturday caused little additional damage. —By Peter Prengaman

A Silenced Voice

SERBIA AND MONTENEGRO Gunman shot dead Dusko Jovanovic, the controversial editor of Montenegro’s conservative daily Dan newspaper. Den was frequently critical of the coalition government of Montenegrin Prime Minister Milo Djukanovic.

New Terror

SAUDI ARABIA Security forces surrounded a housing complex for expatriate oil workers in the eastern city of al-Khobar, where suspected Islamic militants took an estimated 50 hostages after going on a shooting rampage that left up to 16 people dead. The al-Qaeda-linked al-Quds Brigade are reported to have claimed responsibility.

Disputed Claim

SOUTH AFRICA The opposition Democratic Alliance accused police commissioner Jackie Selebi of “grandstanding” in asserting that local police had arrested and deported several people linked to al-Qaeda days before the April 14 national elections. Terrorism experts were at a loss as to why al-Qaeda would want to strike South Africa, which has fiercely criticized U.S. policy and is a strong supporter of a Palestinian state.

An End in Sight

SUDAN The Islamic northern government and southern Christian and animist rebels agreed to a peace deal at talks in Kenya to end 21 years of civil war. The deal does not cover the conflict in the western region of Darfur.

Contested Polls

MALAWI Opposition parties filed legal challenges to the presidential elections after United Democratic Front leader Bingu wa Mutharika was declared the winner.

A New Suspect

PAKISTAN Security officials said that an al-Qaeda-linked militant had helped organize the kidnapping and murder of U.S. journalist Daniel Pearl. The Al-Qaeda-linked al-Quds Brigade are reported to have claimed responsibility.

MEANWHILE IN BRUSSELS...

Lost in Translation

The European Commission instructed staff to write shorter documents, in the arrival of 10 new member states—taking the number of official languages from 11 to 20—threatened to overwhelm the translation service. Texts are to be limited to 15 pages, against the current average of 52. A similar order in 2001 failed to stanch the flow of verbiage.

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2,188 Number of English football hooligans banned from traveling to Portugal for this month's Euro 2004 championship. Only 100 were banned from the previous championship in 2000.

50,000 Well-behaved English football fans expected to travel to Portugal to support their team.

18,000 Potential terrorists sympathetic to al-Qaeda believed to be operating in some 50 countries around the world.

1,000 Foreign Islamic fighters thought to have infiltrated Iraq since the end of major fighting last April.

105 million Number of votes cast in the 2000 U.S. presidential election out of 156,421,611 registered voters.

65 million Number of call-in votes recorded for the two finalists on American Idol (some people voted twice).

Who Will Get Yukos?

What happens when a company can't pay its bills but is legally barred from selling its parts? Ask the giant Yukos, the erstwhile flagship of Russia's economy. "We can expect bankruptcy before the end of 2004," Yuri Besis, vice chairman of Yukos' board, announced last week, after a Moscow court upheld a tax Ministry demand that Yukos pay $3.5 billion in alleged back taxes for 2000. Another court upheld an earlier ruling that froze Yukos' Swiss bank accounts worth $6 billion, leaving the company with only $600 million, while former CEO Mikhail Khodorkovsky remains in jail on fraud charges widely thought to have a political motive. Not surprisingly, Yukos stock has fallen 30.7% by the end of the week. Says Michael Kuklin, an analyst at RussiaEnergy: "My clients now have just a single question left. Who gets Yukos, once it's bankrupt?" Apparently there is an answer. "We know who the successor has been picked — we still don't know exactly who it is," says a senior Russian Cabinet official. "The person does not matter, though. It's the type that does. someone close and dependably loyal to Putin."

Business Watch by Yuri Zarakhovich

Drug Bust

Investigators in Italy named 4,713 people, 4,400 of them doctors, for allegedly taking bribes from the British drug firm GSK. Smith & Kline to prescribe GSK drugs rather than cheaper generics or alternatives. In Germany, years ago, GSK gave several thousand employees free; earlier this month, a Munich court gave one person a fine and a two-year suspended prison sentence.

The Sound of Money

Sales of mobile telephone ring tones now outpace sales of music singles in Britain. Beginning next week, the British Phonographic Industry will publish a ranked list of ring-tone sales, which sell for about $3.99 for a 30-second clip.

Triple XXX-Avier?

Xavier Niel, chairman of French Internet service provider Iliad, was detained on accusations of embezzlement and running a prostitution ring. Niel is accused of running three peep shows allegedly used as fronts. Company shares plunged 10.7% by week's end.

Car Trouble

Maybe this is a good time to buy a car. Last week Roger Putnam, chairman of Ford in Britain, lamented that new EU directives on auto safety, to be implemented by 2008, would add about £5,000 to the sale price of every new car. Among other things, the rules require that carmakers minimize the amount of chemicals used in the manufacture of their autos and dictate that new cars be 95% recyclable. Ford also complained that some directives cancel each other out, explaining that pedestrian safety rules will add weight to cars, while fuel efficiency directives anticipate lighter vehicles. Sighed a Ford spokesman: "We're in the middle." But — to mix animal metaphors — is Ford crying wolf? "Think of the discussions in the late '80s about how the cost of controlling emissions would make cars more expensive," says Gert Rhy, head of the Centre for Automotive Industry Research at Cardiff Business School. "The figures that were bandied around turned out to be nothing of the sort." Rhy argues the industry is so competitive that when one carmaker absorbs rather than passes on the cost of compliance, the rest will have no choice but to follow. Perhaps, in the meantime, buyers should forgo those seat belts.

The Bottom Line

"In other words, they are being choked by their own fat."

Sheila McKenzie, pediatrician, on severely obese British children, in a report claiming that obesity could eventually cost the U.K. $135 billion a year and bankrupt the health service.
AFTER GITMO, A TALIB TAKES REVENGE

The U.S. military has taken heat lately for holding and in some cases abusing innocent civilians in its prisons abroad. But at least one Guantánamo detainee, Taliban commander Mullah Shahzada, has proved anything but harmless. Soon after he was released last July—military officials believed there was no cause to hold him—Shahzada seized control of Taliban operations in southern Afghanistan. He recruited fighters by telling harrowing tales of his supposed ill-treatment in the cages of Guantánamo. He proved to be an effective insurgent. A Taliban source tells TIME that it was Shahzada who masterminded a jailbreak in Kandahar in October, when 41 Talibans tunnelled to freedom as bribed guards turned a blind eye. Several weeks ago, he and his gang nearly took the town of Spin Boldak, a smuggler’s haven in the southeast, according to a security source in Kabul. His fighters, that source says, overran Afghan outposts and even planted bombs in the town, but French commandos and Afghan militiamen thwarted the offensive. Shahzada was finally killed in action three weeks ago. Afghan militiamen in Kandahar learned from informants where he and two of his comrades were hiding and passed the news to U.S. special forces, who prepared an ambush, according to Razzaq Sherazi, a military commander whose troops took part in the mission. A memorial service for Shahzada in Quetta, Pakistan, last weekend drew many Taliban leaders wanted by the U.S., Sherazi says.

But why was Shahzada freed in the first place? The Talibans consider photographs un-Islamic, making it difficult to identify its senior commanders. The Pentagon doesn’t comment on its Guantánamo detainees, but a Talibans source tells TIME that Shahzada convinced his captors he had been picked up by their Afghan allies only because he was Pashtun, a rival ethnic group. Afghan minister Ghalib Sherazi, who has helped battle the Talibans, insists that if Afghan officials had been allowed to vet Guantánamo captives, Shahzada would never have been freed. “We know all these Talibans faces,” he says. Repeated requests for access, he claims, were turned down.

By Tim McGirk and Rahimullah Yousafzai

IT’S NOT ALL BAD NEWS FOR BRITART

When hundreds of modern art works belonging to Charles Saatchi and others were destroyed last week in a London warehouse fire, the tabloids were quick to call it the end of Britart—and most tried to dance on its grave. Not that the tabs don’t know their art, but many experts believe the movement is equally likely to rise phoenix-like from the ashes—with higher price tags attached. Established (and no longer so young) Young British Artists could see post-blaze scarcity and notoriety increase demand for their surviving works. Possible winners (and losers):

- **Patrick Heron**
The late artist, whose acclaimed modern paintings anticipated Britart, lost about 50 pieces. Scarcity might mean remaining works, like ASTRAL TRAVELER (1960), which shows at London’s Tate Britain this week, will appreciate.

- **Tracey Emin**
Although two of Emin’s most iconic installations burned, including EVERYONE I HAVE EVER SLEPT WITH (1995), experts see no potential impact on the value of her other works, nor on her already hefty rep.

- **Damien Hirst**
At first thought to have perished, Hirst’s 7-tonne statue CHARITY (2003) was one of only two items to survive the blaze. Hirst’s oeuvre already fetches top prices—a 1992 piece went for $1 million in May—but Charity’s brush with death is bound to increase both its cash value and cultural cachet.

- **Martin Maloney**
Twenty of his paintings went up in flames, among them SONY LEVI (1997). Maloney, not such a household name, lost works he’d want in any retrospective—a first step toward critical re-evaluation. So the fire really hurts.
A GENTLE G.O.P. FACE

GEORGE W. BUSH'S HARD
line on Iraq has turned off
some American voters.
Republican Party leaders
are hoping to restore a
more moderate face when
it counts the most—at the
party's national convention
in New York City at the end
of August. A Bush campaign official
tells Time the roster of prime-
time speakers will include
California Governor Arnold
Schwarzenegger, a firefighting proponent who
gives the appearance of a man of the people
but who is expected to raise
questionable campaign
finance laws.

Dick Cheney, U.S. Vice President, to Democratic Senator Patrick
Leahy of Vermont, on the Senate floor after members gathered for
their annual group photograph. Cheney later admitted that he
"probably" cursed at the Senator—who has made accusations of
impeachment in the past—on the e-mail list to the Vice President's former
company, Halliburton—and added that he "felt better afterward."

"There should be a dialogue between the main
powers of the Continent, but this dialogue
should not be exclusive."

NICOLAS SARKOZY, French Finance Minister, arguing that the
Franco-German axis is insufficient to compel U.S. unity.
Meanwhile, President Jacques Chirac has given the popular,
ambitious Sarkozy, whom he sees as a rival, a tough choice to
run for the ruling party's presidency—a stepping stone to
the French presidency—before getting his Cabinet post.

"I stand for 8-10 hours a day. Why is
standing limited to four hours?"

DONALD RUMSFELD, U.S. Secretary of Defense, to a
handwritten note on a memo in which he approved interrogation
techniques for Guantanamo detainees that included
standing for up to four hours. He works at a stand-up desk.

"I knew what I was getting into."

MAREK BELKA, Prime Minister of Poland, after his govern-
ment faced a parliamentary vote of confidence, but
lost by only one legislative vote immediately afterwards.
The ministers upheld their vow of loyalty in Poland and
allow Belka to begin pursuing a program of fiscal and health-care
reforms, ahead of another vote of confidence, expected in October.

"Crush your enemies, see them driven before
you and hear the lamentations of their women."

ARNOLD SCHWARZENEGGER, Governor of California, when
asked to describe his governing philosophy, he acknowledged
he was reproducing his character from Conan the Barbarian

"I miss my old job terribly."

MARTHA STEWART, convicted former CEO of Martha Stewart
Living Omnimedia, who is non-exempting sentencing

"He's a normal boy. He can just lift heavy
things."

MARKUS SCHULKE, German neurologist, on a 5-year-old patient
from Berlin who, because of a genetic mutation, has muscles twice the
size of a normal child. Schulke says the discovery of the mutation
could lead to research into diseases such as muscular dystrophy.

Tehran Flexes Its Muscles

The pictures had eerie and disturbing echoes: men in blindfolds squatting on the floor looking disoriented, then being forced to march over rocky ground. These were not images of Abu Ghraib, but videos of British servicemen, part of a naval training team, arrested by Iranian forces after straying into Iranian waters during a storm. The sailors quickly apologized on TV, and after four tense days they were released as modonets in Tehran apparently prevailed in an internal power struggle.

But hard-liners in the Revolutionary Guards had seemed eager to gaoL London, suggesting the men were special forces. According to Sadegh Ziba Kalaman, professor of political science at the University of Tehran, Iran wanted to show “that it is a powerful country in the region that cannot be circumvented and ignored.”

Tehran has lots of reasons not to appear meek these days.

British servicemen after capture, insert, and on release.

U.S. forces are now deployed on two sides in Afghanistan and Iraq. And Iran’s leaders feel it hasn’t been given enough credit for helping the Americans in Afghanistan. It has had recent border disputes with Arab neighbors. The E.U. has just blasted its human-rights record, and U.N. nuclear inspectors have uncovered evidence that contradicts Iran’s claims that its nuclear program is purely peaceful in intent. That exercised Washington in particular, but also London, Paris, and Berlin, which last October jointly reached an agreement with Tehran to stop activities that might contribute to bomb construction. Just as the incident with the British was winding down, Iran announced it was repudiating the agreement. Washington now wants the U.N. Security Council to impose sanctions. But Iran, with its extensive ties with Iraq’s majority Shi’a population, including some militias, has many ways to make life miserable for coalition forces in Iraq—which the mini-saga of the British sailors deftly signaled.

—By I.F.G. McAlister, with reporting by Nalid Shaamsudin

Welcome to Chechnya’s Second Front

At 11 p.m. on June 21, Timur Aliyev was working late. Suddenly he and his staff at the Public Development Institute in Nazran, the main town in the tiny North Caucasus republic of Ingushetia, heard gunfire. For the next three hours they watched as gunmen attacked the nearby headquarters of the Interior Ministry and the Russian border guards. The gunmen—apparenty rebels from neighboring Chechnya—“appeared from nowhere,” Aliyev recalls, and they left the same way, leaving the Ministry buildings and military sites in four towns in ruins, and almost 100 police, soldiers and civilians dead, among them the republic’s Interior Ministry leadership. Russian President Vladimir Putin has claimed for years that the war in Chechnya was over; last week, a new front opened up in Ingushetia.

Until 2002 Ingushetia’s President, Afghan war vet Rustam Aushiev, kept his republic out of the Chechen conflict. He was sympathetic to the Chechens, even offering guerrillas medical treatment. He refused to send Ingush paramilitary police to Chechnya. In April, though, Aushiev was replaced at Moscow’s instigation by a former Russian Federal Security Service general, Muret Zvyagin, who tossed the Kremlin hard line. Ingush and Chechens suspected of rebel sympathies started to disappear. The lightning strikes were the response. Until now, the assumption was that the insurgents were Chechens. Aliyev and other locals, though, assert that many were local Ingush. Says former Russian Parliament Speaker Ruslan Khabursov: “The war in Ingushetia, hitherto hidden from the public eye, has finally surfaced.” —By Paul Quince-Judge and Yuri Zasukhinich
17 Number of words legible in Saddam Hussein's first letter home, after U.S. censors blacked out nine of 14 lines

$3,415 Estimated long-term cost of the war in Iraq for every U.S. household, according to the Institute for Policy Studies, a U.S. think tank

54% Percentage of Americans who consider the U.S. made a mistake in sending troops to Iraq, the first time a majority have held this view

$15.9 million Amount siphoned by China's General Administration of Sport from funds allocated to preparation for the 2008 Olympic Games in Beijing. Almost all of the diverted cash was used to build apartments for the administration's staff

$1,815 Monthly bonus British defense firm BAE Systems will pay expatriate employees in Saudi Arabia if they stay on despite recent al-Qaeda attacks

92 million Number of screen names in AOL's subscription list, which was allegedly stolen by an employee and sold to spammers

$959,500 Record price paid for "Blacosis," Eric Clapton's prized Stratocaster guitar, at an auction in New York City

Get Back to Work

It was fun while it lasted, but the clock's being turned back on the 35-hour workweek. Punished by labor unions in Germany and France who hoped it would create jobs, the measure instead jacked up the cost of doing business. Siemens just negotiated a return to a 40-hour week for the 4,000 workers at its two phone plants in Germany. Philips is discussing increasing working hours at its Hamburg semiconductor plant as part of a cost-cutting plan. Automakers Daimler-Chrysler and Opel, the German arm of General Motors, and railroad firm Deutsche Bahn are currently negotiating longer hours with their unions. The German rollback has become possible because of new union contracts that allow for extended working hours in exchange for investment guarantees. But companies are also talking tough. Siemens isn't paying more wages for the extra hours, but it agreed not to move operations to Hungary. French firms are watching anxiously. Finance Minister Nicolas Sarkozy recently warned he might cave in when he described the effects of the official 35-hour week as "perverse." But don't expect change until after the summer holiday.

T'IS THE SEASON TO GO PUBLIC

Tis summer, and the IPOs are in full bloom. After years of drought, this is comeback time for the initial public offering. European IPOs for June have already trumped the $6.6 billion fetched during all of 2003, according to Dealogic. Shares in Spanish broadcaster Telefónica had soared by more than 20% at the end of its debut week, while Italy's state-controlled utility Enel cheered the flotation of its national power grid owner Itaema. Even after a bungled lead-up, investors piled in for a 32% share of Postbank, Germany's largest retail bank, generating €1.55 billion for parent Deutsche Post. Will investors tire? "The cash is there," insists Walter Kommins, head of European equity strategy at JP Morgan. "The market for IPOs is open." Next up: France Telecom hopes to raise €1.8 billion in July from the sale of a 30% stake in its Pages Jaunes directories business. Seems they've found the market's number.

JURGEN STORBECK, director of police agency Europol, on the increasing amount of counterfeit currency. In late June, French officials uncovered €1.8 million worth of fake euro bills near Paris

Sources: BBC Institute for Policy Studies, Gallup/UN/LEDS Today, South China Morning Post, Financial Times, MP

THE BOTTOM LINE: "The criminals are making great progress."

JURGEN STORBECK, director of police agency Europol, on the increasing amount of counterfeit currency. In late June, French officials uncovered €1.8 million worth of fake euro bills near Paris
GOING AFTER ARAFAT

Minister Nabih Jarrar, was shot in the leg by a gunman; reformers took this as at least a warning from Fatah loyalists. In Gaza, Arafat’s own Fatah faction issued a stream of leaflets accusing hishenchmen of corruption and violence. Most of the vitriol was aimed at Arafat’s cousin Mustafa, whom he named this month to lead the National Security Forces. The leaflets also accused Arafat of siphoning off public money to his wife, who lives in Paris—a rare personal attack on the Palestinian leader.

"If I have to advocate to our brothers in France, I will tell them one thing: Move to Israel, as early as possible."

ARIEL SHARON, Israeli Prime Minister, commenting on the rise of anti-Semitic attacks in France

"France has asked for an explanation. An eventual visit by the Israeli Prime Minister to Paris... would not be considered until such an explanation is forthcoming."

THE OFFICE OF JACQUES CHIRAC, French President, in a statement of response. A Sharon spokesman moved quickly to calm France’s anger, noting that the return to peace—the return of Jews to Israel—is a long-term policy and that Sharon paid tribute to Chirac’s efforts to stem anti-Semitism in France

"Time is not on our side."

THOMAS KEAN, U.S. 9/11 commission chairman, urging adoption of the panel’s recommendations reforms to U.S. intelligence gathering to avert another terror attack

"Wonderful moment! I hope you are happy now."

GLORIA MACAPAGAL ARROYO, President of the Philippines, to Angelo de la Cruz, the Filipino hostage whose release Arafat secured in exchange for withdrawing the country’s troops from Iraq

"A society of different lifestyles spawned a group of young people who were brought up without parental discipline, without proper role models and without any sense of responsibility to others."

TONY BLAIR, British Prime Minister, commenting on the aftereffects of the culture of the Sexing Sixties

"If they don’t have the guts, I call them girly men."

ARNOLD SCHWARZENEGGER, Republican Governor of California, criticizing Democrats he blames for derailing his budget proposal

"No self-respecting small businessman with a brain in the right place would ever employ a lady of childbearing age."

GODFREY BLOOM, U.K. Independence Party M.E.P., just assigned to the Parliament’s women’s rights committee. Bloom wants to deal with women’s issues because “they don’t clean behind the fridge enough.”
Blair's Man in Brussels

British M.J.R and former Cabinet Minister Peter Mandleson has a lot of enemies, but he has one very old and dear friend: Prime Minister Tony Blair, who last week named him the U.K.'s representative on the European Commission. Of Mandelson's talents and aptitude for the job there is little doubt. He is one of the Labour Party's most passionate pro-Europeans and a principal architect of the party's 1990s makeover from an unpopular assemblage of hapless lefties to the formidable centrist vote-getting machine it became under Blair. But he is also Musashivillian and polarizing. He has had to quit the Cabinet twice, first in 1998 when he failed to disclose a loan from another Minister, then again in 2001 when he was alleged to have intervened improperly to secure a passport for a foreign businessman. An inquiry into the latter episode subsequently cleared him of any wrongdoing, but last week opposition from senior Labour figures still kept Blair from offering Mandelson what he really wanted: another job in the Cabinet.

Seeing him shipped off to Brussels is a bonus for Mandelson's detractors. Is it smart for Blair? Inside the Brussels labyrinth, Mandelson should be good at pushing Blair's brand of reform—less regulation and more transparency. But Blair's biggest European problem is at home: the referendum he has promised on the E.U. constitution, likely to be held no sooner than 2006. Britain's highly Euro-skeptical voters will make this a seriously uphill fight, and one of Mandelson's key jobs will be to help lead it. Opponents of the constitution say: Bring him on. "Who better to put the case for the European constitution than a discredited politician whose name is a byword for lies and spin?" asks Neil O'Brien, campaign director for Vote No. A more immediate problem for Blair is a by-election for Mandleson's parliamentary seat, which may give the antivaur Liberal Democrats another chance to exploit unhappiness with Iraq to overturn a large Labour majority. Blair, who's now on summer holiday, is betting that his controversial third time in high office will be lucky.

—By J.E.O. McAllister

Bad Memories

Former Spanish Prime Minister Jose Maria Aznar has been touring South America promoting his memoirs, Eight Years in Government. But back home, Spaniards are up in arms about events barely covered in the book. The panel investigating the government's response to Madrid's March 11 terrorist attacks, in which 191 people died, continues to turn up indications that while still in power, Aznar's government blamed ETA for the attacks, even though the evidence pointed to al-Qaeda. Last week, Civil Guard General Jose Manuel Garcia Varela told the panel that at 2 p.m. on March 13, then Interior Minister Angel Acebes was told of the imminent arrest of Moroccan and Indian suspects, yet later that day Acebes said publicly that ETA was still the main focus of the investigation.

Spaniards were also surprised when Aznar told Colombian radio station W Radio that he still has classified intelligence documents from after the attacks. Socialist Party and other officials have called for an inquiry to determine whether Aznar broke the law by retaining the reports. "This is a sign of his authoritarian and self-centered way," says Begonia Lasagabaster, a Basque congresswoman.

The bad publicity just kept coming. Cadena Ser, a well-regarded Spanish radio network, reported that in January the Spanish government hired Washington law firm Piper Rudnick to, among other things, help Aznar collect the Congressional Gold Medal. Officials from Aznar's Popular Party say it's common practice for governments to hire Washington lobbyists, but critics are charging misappropriation of public funds. The U.S. Congress has yet to approve the medal. Aznar, meanwhile, rejects all charges of impropriety: "People can invent many things to distract attention," he said. "That's despicable." But it makes good material for a second volume of memoirs.

—By Enrique Zuleta

Performance of the Week

After five consecutive wins in the Tour de France, American Lance Armstrong faced daunting challenges this year, including the intensity of Italy's Giro D'Italia. But on the race's Alpine stretch, Armstrong claimed the lead; widened it as the race wound back toward Paris; and seemed headed for an unprecedented sixth straight victory in the Tour de France, leaving everyone to marvel at his latest tour de force.
Building Bridges

-sex in the seminary?

With a steeple in every town, Austria is still a country where the Roman Catholic Church has a towering presence. Which is why a seminary sex scandal has shaken the Alpine republic to its roots. Photographs published in prefl, a respected weekly magazine, showed seminarians and instructors at St. Pölten, 80 km west of Vienna, apparently kissing and fondling each other. Police last week also charged a 27-year-old student there with possession and distribution of child pornography. Liberals within the church criticized both the Vatican and Kurt Krems, the conservative bishop of the diocese, who dismissed some of the goings-on as “a boyish prank” for being slow to react. Last week the Vatican took the rare step of dispatching an “apostolic visitor” to investigate. Christian Rainer, editor of prefl, says this story was “not difficult” to get, and that “a lot of people in the Church and in Austria want some kind of catharsis on this issue.” —By Andrew Purvis. With reporting by Bethany Bell

On the Wrong Track

Turkey. A recently introduced high-speed train running from Istanbul to Ankara derailed near the industrial town of Pamukkale, killing 37 people. Two drivers and a crew chief of the train were charged with negligence, but the media and unions criticized the government for allowing its showcase high-speed rail service to start operating in June, despite warnings from experts that the existing track was not good enough.

World Watch

By Penny Campbell

THE JOB WATCH

the prospect of bankruptcy loomed too large.

Never Mind

Saudi Arabia. A grand total of six Iranian militants surrendered under a month-long amnesty offered to all Qaeda supporters. Officials had expected a greater number to turn themselves in, but said they were still negotiating with several high-level militants.

Risky Business

Iraq. Insurgents continued their kidnapping campaign. One group seized the chief of an Iraqi construction firm; another, the Lions of Allah, said it took a senior Egyptian diplomat hostage because Egypt had offered security aid to the Iraqi government. Seven truckers, an Egyptian and six men from Kenya and India, were taken by insurgents who demanded their employers, Kuwait and Gulf Link Transport, close its operations in Iraq. The company said it was negotiating with the kidnappers.

His Own Private Army

Afghanistan. The U.S. denied claims by Jonathan spreading, a former U.S. special forces member on trial in Kabul for running a private jail, that he was acting with the approval of the Pajak. However, the U.S. military confirmed that it took custody in May of an Afghan prisoner handed over by Korea.

Meanwhile in Germany . . .

Busy Signal

Economy Minister Wolfgang Clement invited anyone who found the new 2.18-page welfare benefit claims form too complicated to give him a ring. Days later, he admitted that his office was “completely paralyzed” by phone callers who were referred to a government hotline. Maybe Clement’s staff was having problems completing the forms, too.

To receive World Watch by e-mail, go to: www.time.com/europe/subscribe

TIME, August 2, 2004

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WAKING FROM THE DREAM

ANYONE WHO SAW SHREK 2
and wondered how to cash in on the ogre's box-office charm will soon have a chance. DreamWorks SKG, the U.S. studio behind the billion-dollar Shrek franchise, announced that it plans to spin off its animation division in an initial public offering (ipo) to raise at least $550 million. DreamWorks Animation, as the new company will be called, intends to release two computer-animated films a year and needs the capital to help finance the movies and tackle archrival Pixar, which keeps raininging the bar with hits like Finding Nemo. But the ipo opened a window into troubles at the high-flying studio, launched in 1994 by Steven Spielberg, Jeffrey Katzenberg and David Geffen. The ipo filing reveals that the animation unit lost more than $350 million over the past five years, and it warns of a literature of potential pitfalls, from the studio's misgoverned slate of big-budget films to its undersized library of movies from which to generate cash during lean years. The animation spin-off is the latest chapter in the dismantling of DreamWorks, following the sale of its music business and exits from video games and Internet ventures. "They had the name recognition and horsepower to do magnificent things," says media investor Harold Vogel. A fairy-tale ending, however, appears to have been left onscreen.

BIZ WATCH

ITALY'S NEW FINANCE MINISTER SPEAKS

Domenico Siniscalco grabs a pencil and a piece of scrap paper and whips off a quick V-shaped graph: his projection for how slashing the deficit and then cutting taxes will help kickstart the Italian economy. Italy's new Finance Minister has all the smooth efficiency of a Rome politico, but he's a number-crunching economics professor at heart. And those days maybe only a work can handle Italy's books. Siniscalco, 50, spent the past three years as the top technical adviser to outgoing Finance Minister Giulio Tremonti. In his first interview since taking over the ministry earlier this month, Siniscalco told TIME that his move to the top means "a fresh start. It's not a U-turn. Obviously, I'm a sign of continuity. But it's like pressing 're-" Italians understand that public coffers must be put in order before fiscal breaks start flowing. Meanwhile, Prime Minister Silvio Berlusconi is hoping Siniscalco's skills as a consensus-builder will help hold the fractious coalition government together (in an attempt to placate his Christian Democratic allies in the UCdP party, Berlusconi announced that UCD stalwart Rocco Buttiglione will replace Maro Monti as Italy's European Commissioner in October). Siniscalco is confronting with other Cabinet members, and even reaching out to Italy's powerful unions, before finalizing decisions on the economic blueprint for the next four years due this fall. The question for Siniscalco, and for Italy, is whether Berlusconi's government will still be calling the shots when autumn rolls around.

ACKERMANN CLEARED

A German court acquitted Deutsche Bank CEO Josef Ackermann and five former Manhesmann executives of criminal breach-of-trust charges related to the German telecom firm's 2000 takeover by Vodafone. The six had been accused of granting excessive bonuses to Manhesmann bosses. Prosecutors said they would appeal the verdict.

CALLED BACK

The European Commission ordered France Telecom to repay up to €1.1 billion in state aid it received through tax breaks between 1994 and 2002. Brussels also slammed the French government's verbal support and the unused €9 billion credit line that it pledged to the firm in 2002.

TAKING THE MEDICINE

German drugmaker Bayer agreed to buy the nonprescription drug business of Swiss rival Roche for €2.2 billion. The deal lifts Bayer into the world's top three manufacturers of over-the-counter medicines.

A DRAFT DEAL

Canadian brewer Molson and U.S. rival Adoph Coors agreed to a $6 billion merger. If shareholders approve, the deal will make the world's fifth-largest brewer by volume.

THE BOTTOM LINE "We will have a high-class problem to deal with."

JOHN CONNORS, CEO of Microsoft, on being left with a $24 billion cash pile even after the firm announced it would pay shareholders a $32 billion dividend this year, the biggest payout of its kind
A SHIP OF TOOLS?

JOHN KERRY CAN EXPECT to hear a lot more from the Vietnam veterans who have launched an ad campaign attacking his military record. Polls suggest the flap is damaging the Democratic presidential candidate’s image as a decorated veteran. 77% of registered voters surveyed by TIME say they have seen or heard about the ads. And

W. Bush to SBTN.
Some lifelong Bush backers from Texas have provided big sums to SBTN, and last week Bush campaign counsel Ben- jamin Ginsberg resigned after acknowledging that he had advised the group, though insisting he had done nothing illegal. Now it turns out that retired Navy Rear Admiral and swiftboat veteran William Schachte, who claimed the wound that

“Russia now has its own September 11.”

HEADLINE in Russian daily Nezavisimaya Gazeta referring to the two airplane crashes that left at least 90 dead.

“If you believe that the intelligence community is doing just fine, thank you, then obviously this is not your bill.”

PAT ROBERTS, U.S. Senate Intelligence Committee chairman, on his proposal to overhaul American intelligence agencies

“We have to be careful about it... You don't want, in the middle of a war, to go tearing up the pea patch.”

DONALD RUMSFELD, U.S. Defense Secretary, on Senator Roberts' proposal

“We've found a string of failures... fundamental failures throughout all levels of command, from the soldiers on the ground to the Central Command and to the Pentagon.”

TILLIE FOWLER, a member of James Schlesinger's panel investigating U.S. prison abuses in Iraq

“To all my brothers in the Mahdi army... leave Kufa and Najaf without your weapons, along with the peaceful masses.”

MUQTADA AL-SADD, Shi'ite cleric, in a recorded statement, after agreeing to a truce deal brokered by Iraqi top Shi'ite spiritual leader, Ayatollah Ali Sistani, to end three weeks of fighting between U.S. and Iraqi troops, and his Mahdi militia

“North American temperature changes from 1950 to 1999 were unlikely to be due only to natural climate variations.”

OUR CHANGING PLANET, a report by the federal Climate Change Science Program and the Subcommittee on Global Change Research, marking the clearest the Bush Administration has come to admitting global warming is a natural phenomenon

“I don't think we did.”

PRESIDENT GEORGE W. BUSH, on his Administration's arrogant change of heart on global warming.

The Verdict on Rumsfeld

A report released last week places responsibility for the mistreatment of inmates at Iraq's Abu Ghraib prison on the shoulders of U.S. Secretary of Defense Donald Rumsfeld. Though the report didn't single him out by name or call for his resignation, it concludes that a combination of too many prisoners and too few guards—along with a confusing chain of command—generated a climate ripe for trouble that the Pentagon's leadership should have anticipated. In the report, Rumsfeld's own specially appointed panel, headed by former Defense Secretary James Schlesinger, blames Rumsfeld's loose and haphazard deployment orders for overtaking troops in Iraq. It points out that when the commander-in-chief of Abu Ghraib, Brigadier General Janis Karpinski, said she needed more forces, she was told to "wear her star's and reallocate personnel among her overstretched units."

Schlesinger's report and a separate internal Army probe lay out a series of crucial decisions that fueled the abuses, starting with President George W. Bush's 2002 order suspending the Geneva Conventions for captured al-Qaeda and Taliban members. Rumsfeld then doubled the number of harsh strategies that U.S. forces could employ in Guantanamo Bay and Afghanistan, allowing measures like stripping prisoners and using dogs to terrify them.

Pressured by Pentagon lawyers, the Schlesinger report said Rumsfeld ultimately bargain the worst techniques. But some slipped back into use at Abu Ghraib after those who had used them in Afghanistan and Guantánamo arrived in Iraq. "They were neither limited nor safeguarded" in their application, the panel said.

Faced with these embarrassing assessments, Rumsfeld kept a low profile last week, staying away from the capital. "I don't think anyone with any judgment expects the person in my position to know what's going on in the night shift 0,000 miles away," he said in a Phoenix, Arizona, radio interview. Rumsfeld's problems seemed to mount over the weekend with reports that the FBI is investigating Larry Franklin, a Defense Department analyst, for allegedly passing classified information to Israel.

— By Marc Thompson

Beenie Man Feels the Heat

DANGEROUS REGGAE STAR BECOMING ONE OF THE HOTTEST THINGS THREMMING IN THE CLUB SCENE, BUT THE JAMAICAN SINGER'S CAREER IS UNDERMINED BY FEAR OF HOMOPHOBIC LYRICS. (SAMPLE: "I'M DREAMING OF A NEW JAMAICA, COUS TO EXECUTE ALL THE GAYS.") THE ACTIVISTS SEEM TO BE WORKING. A CAMPAIGN CALLED STOP MURDER MUSIC, LAUNCHED BY LONDON-BASED OUTRISE, FORCED STV TO CANCEL AN AUG. 29 PERFORMANCE IN MIAMI BY THE GRAMMY-WINNING ARTIST. BEENIE MAN AND OTHER REGGAE ARTISTS, WHOSE SHOWS IN THE U.S. AND EUROPE, HAVE BEEN CANCELED. "WE'RE TALKING ABOUT SOMEONE WHO IS SAYING YOU SHOULD HURT GAY PEOPLE ALIVE," SAYS OUTRISE PRESIDENT PETER TAYLOR. BUT THE OUTRAGE HASN'T STOPPED THERE. BEENIE MAN IS THE FOCUS OF A CRIMINAL PROBE IN BRITAIN, WHERE IT IS ILLEGAL TO USE THREATENING WORDS TO INCITE VIOLENCE. "THIS IS THE FIRST INVESTIGATION OF ITS KIND," SAYS DEREK CLIVE, DIRECTOR OF LONDON'S METROPOLITAN POLICE. ACTIVISTS HAVE REPORTED THE ARTIST TO THE VIRGIN RECORDS. A SPOKESMAN FOR VIRGIN SAYS THE OFFENDING SONGS WERE REMOVED FROM THE UNOFFICIAL LABEL. 

— By Peter Bailey

Tabs on the Toll

MORE THAN 1,100 COALITION TROOPS HAVE DIED IN IRAQ AND THOUSANDS MORE HAVE BEEN WOUNDED. IF YOU'RE LOOKING FOR A MORE DETAILED BREAKDOWN OF THESE NUMBERS, CHECK OUT UCASUALTIES.ORG, A WEBSITE THAT PROVIDES DATA BASED ON OFFICIAL DEATH COUNTS FROM COALITION COUNTRIES, INCLUDING EACH SOLDIER'S NAME, HOMETOWN, UNIT AND DATE OF DEATH. THE NAMES OF THE DECEASED CAN BE VIEWED BY TIME PERIOD AND TYPE OF INCIDENT.

— By Patrick Stack
SINS OF THE GRANDFATHER

THE BOUSH ADMINISTRATION prevented Europe's leading Muslim intellectual, Tariq Ramadan, from taking up his new job as a tenured professor of "religion, conflict and peace-building" at the University of Notre Dame in Indiana. The Geneva-based author, named by Time last April as one of the world's 100 most influential people, was scheduled to report to work last Tuesday, but the U.S. State Department abruptly revoked his work visa, citing a Department of Homeland Security decision that he is a national security threat and "public safety risk."

Ramadan says he is being punished because his maternal grandfather, Hassan al-Banna, founded the Muslim Brotherhood, banned by the Egyptian government as an extremist organization. "Many people speak about my grandfather but forget my own life," Ramadan told Time. "For the past 20 years I've been involved in academia, mainly with people from other faiths."

U.S. officials told Time that Ramadan's travel to the U.S. was barred because intelligence files assert he has had suspicious contacts with al-Qaeda figures. Ramadan is incredulous."To hear that now I have connections with terrorists? Who's going to believe that?" he fumed to Time last Thursday, his 42nd birthday. "You can disagree with my intellectual stance but don't come with this."

--- By Elaine Shannon and Valene Wei"
MILLIONAIRE MAKEOVER

It's a shock young millionaire among aging ex-communist, but Hungary's ruling Socialists are hoping Ferenc Gyurcsany, their new Prime Minister designate, can rebuild the party's tattered image in time for elections in 2006. Gyurcsany, 43, who's moving up from Youth and Sports Minister, made his fortune by buying state enterprises at fire-sale prices in the early 1990s. In a party vote, he beat an old-guard politician named Peter Kiss by a margin of 40% after Peter Medgyessy.

Gyurcsany has been trying to soothe skittish investors
the former PM, officially quit. Although lacking in experience, Gyurcsany is not lacking in confidence. "He believes in himself and he believes he can win, and maybe that will make others believe," a senior party organizer told Time after the ballot. "It's a risk, but he is the only chance we've got."

Support for the party, perceived by many Hungarians as moribund and rooted in its communist past, is at a low of 20%, compared to 45-50% for the opposition Fidesz party. Said one strategist: "If we don't change our image, we are finished." Still, Gyurcsany's first message has been one of continuity. To soothe markets and investors worried that the political turmoil would derail efforts to rein in Hungary's 5% budget deficit, he has said he will keep the respected Finance Minister, Tibor Dreszer, in his post.

BY ANDREW PURVIN

Is It Time to Buy Shell?

Eight months after disclosing that it had massively overstated its proven oil reserves, Royal Dutch/Shell continues to be rapped by a barrage of bad news. Britain's Financial Services Authority and the U.S. Securities and Exchange Commission are still investigating the company even after announcements last week that they are fine Shell a combined $150 million for "unprecedented misconduct.", In the words of the FSA. And Nigeria's Senate passed a resolution calling on the company to pay $1.5 billion for environmental and health hazards it allegedly caused in the Niger Delta.

But with Shell stock at about $7.30 a share in London, or just over 11 times its estimated earnings this year, and other Big Oil stocks such as BP and Exxon Mobil trading closer to 14 times earnings, that suggests: buy.

"We can't help but think there is now limited downside risk," said Merrill Lynch analyst Marc Binnnoti, while upgrading his recommendation. Shell's stock isn't the bargain it was last winter after the reserves scandal broke, when it traded at around $16.30. Keeping it buoyant: plans for a big revamp of Shell's corporate structure and continuing rumors—dismissed by both sides—that France's Total might try to acquire the company.

LOSING GROUND CONTROL

A summer's time, when the livin' is easy and Europe's airlines enjoy a holiday boom—right? Not exactly,Atlantis CEO Giancarlo Cordini last week warned that the state-owned carrier faced collapse within 20 days unless unions agree to cost cuts and layoffs. But downsizing has consequences: British Airways (BA)

fast fingers

which has chopped 13,000 jobs since 9/11, lost last week grounded more than 100 flights at its Heathrow hub.

 Archibald

Will Edlington check your bag?

= BY ADAM SMITH

THE BOTTOM LINE

"This is an economy with no spare capacity.

TREVOR WILLIAMS, chief economist at Lloyds TSB, warning that Britain's second quarter GDP growth of 3.7% year-on-year, its fastest in almost four years, could stoke inflation.
President Bush and interim Iraqi Prime Minister Iyad Allawi insisted last week that Iraq would go ahead with elections slated for January, despite the continuing violence. But U.S. officials tell Time that the Bush team ran into trouble with another plan involving those elections—a secret "funding" first written seven months ago proposing a covert CIA operation to aid candidates favored by Washington. One source says the idea was to help such candidates—whose opponents might be receiving covert backing from other countries, like Iran—but not necessarily to go so far as to rig the election. But U.S. lawmakers from both parties raised questions about the idea when it was sent to Capitol Hill. In particular, House Minority Leader Nancy Pelosi "came unstuck" when she learned about what one source described as a plan for "the CIA to put an operation in place to affect the outcome of the elections." Pelosi had strong words with U.S. National Security Adviser Condoleezza Rice in a phone call about the issue. Rice spokesman Sean McCormick says, "I cannot in any way comment on classified matters, the existence, or nonexistence of findings. There have been and continue to be concerns about efforts by outsiders to influence the outcome of the Iraqi elections, including money flowing from Iran. This raises concerns about whether there will be a level playing field for all candidates." Allawi, left, and Bush at a White House briefing.

"We are safer, the region is safer, the world is safer without him."

IYAD ALLAWI, interim Prime Minister of Iraq, speaking at the White House about the war that drove Saddam Hussein from power.

"We have traded a dictator for a chaos that has left America less secure."

JOHN KERRY, Democratic candidate for U.S. President, at a campaign stop in New York City.

"I want to say personally and directly. I'm sorry... This was an error made in good faith."

DAN RATHER, news anchor on the U.S. TV network CBS, during an on-air apology in which he said CBS could no longer vouch for the authenticity of documents that supported a report questioning President George W. Bush's service in the National Guard.

"Its composition must reflect today's reality, not perpetuate the post-World War II era."

LUZ INACIO LULA DA SILVA, President of Brazil, in an address to the United Nations General Assembly, calling on member states to reform the Security Council by giving permanent seats to his country as well as Germany, India and Japan.

"I've never seen a man in my life I wanted to marry. And I'm going to be blunt and plain: if one ever looks at me like that, I'm going to kill him and tell God he died."

JIMMY SWAGGART, U.S. televangelist, discussing gay marriages on his television show. He later apologized, saying the remarks were made in jest.

"I realize now that it is no more dangerous to be here than it is to be in New York."

MADONNA, pop star, speaking about lapsed as a gathering of followers of Gaia, the Jewish mysticism she practices, during her trip there for the Jewish New Year.

"Rude, vile pigs! Do you know what that means? Rude, vile pigs! That's what all of you are!"

ELTON JOHN, musician, on being greeted by pushy photographers and TV crews when he arrived in Taipei.
NADER: NOT GOING AWAY

The current state of play in Ralph Nader's battle for ballot access.

ON THE BALLOT
- Issue settled
- Being challenged in court
- Appeals/challenges expected

OFF THE BALLOT
- No ballot access
- Write-in votes accepted
- In court

Petition pending in Hawaii. Source: www.rland.org

Playing by the Book

TWO DAYS BEFORE THE
Sept. 20 election that made him Indonesia's President-elect, Susilo Bambang Yudhoyono traveled to the campus of the Bogor Institute of Agriculture for a key meeting. Leaving a group of aides waiting outside, the 53-year-old former four-star general sat down in front of a phalanx of six professors. Over the next three hours, he parried questions about his recently completed thesis for a Ph.D. in agro-economics, entitled: "Agrarian and Rural Development as a Strategy to End Chronic Poverty and Unemployment." "We thought it was just going to be a few token questions," says Yudhoyono adviser Rachmat Witoelar. "But they really grilled him."

The story says a lot about the man Indonesians overwhelmingly chose to lead them two days later. Yudhoyono is an intellectual heavyweight—his personal library contains 13,000 volumes, and he's well read in history as well as in economics—and possesses a remarkable discipline that allowed him to finish and defend his doctoral thesis in the middle of a provincial campaign. Yudhoyono downplayed those

CONTINUES

IN JEANNE'S WAKE

The latest plague to beset Haiti, where tropical storms Jeanne left at least 1,500 dead and some 300,000 homeless, is hunger. Flood victims received free bags of water in Gonaives, while elsewhere in this northern port city U.N. troops fired truckloads of water in vain to protect food convoys that had come under attack. Meanwhile, the U.S. promised more than $2 million in disaster aid after being criticized for its initial pledge of just $60,000.

By James Carney

- Anyone would be a better President.

Then he denounced John Kerry and promised to stay in the race until Election Day.
NUCLEAR SHOWDOWN

Days after the U.N. International Atomic Energy Agency (IAEA) approved a resolution demanding that Iran suspend all uranium-enrichment activities, a defiant Tehran announced that it had started the conversion of some 37 tons of uranium oxide (yellowcake) into LEU gas—the fuel material for enriched uranium. Iran denies its enrichment efforts are part of a weapons program, claiming they are for electricity generation, which the Nuclear Non-Proliferation Treaty (NPT) permits. A senior official at Iran's Supreme National Security Council, Hossein Mousavi, told a news conference that Iran would not reverse its course if the world were to impose sanctions.

Khartoum, at a military parade in Tehran, isn't backing down, saying that Iran cannot be subjected only to the limitations of the treaty and be deprived of its privileges. President Mohammad Khatami even hinted that if his hand is forced, Iran might leave the NPT. Meanwhile, Israel agreed to buy 500 so-called bunker-busters from the U.S., which Israeli security sources said could be used against an underground Iranian nuclear facility. Tehran said it would react "most severely" to any Israeli strikes. Unless Iran makes progress in meeting IAEA requirements, its case could land at the U.N. Security Council following an IAEA meeting on Nov. 25. But such a move might not result in the imposition of sanctions. Even countries in favor of a Security Council referral agree that an isolated Tehran might simply send cooperation with U.N. inspectors altogether. A U.S. State Department official said that the Security Council would likely only require Iran to suspend its enrichment activities, much as the IAEA has already done, but with a little more clout. —By AndrewParish and MarkSkidmore

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Indonesia's Presidentelect pass cross

bookish qualities on the stump, where he touted a firmness acquired during his 29-year military career. Unlike incumbent President Megawati Sukarnoputri, he told voters, he wouldn't shy from tackling the country's social and economic problems. But some question Yudhoyono's decisiveness. Diplomats and other foreign observers are especially concerned about how Yudhoyono will deal with Islamic militancy in Indonesia. At least 10 people died in an explosion outside the Australian embassy in Jakarta on Sept. 9, an attack blamed by police on the same Muslim extremists who engineered the 2002 Bali bombings that left 202 dead. It served as a grisly reminder of the threat militants still pose.

Yudhoyono is a cautious man, and just like his predecessors, will have to tread carefully so as not to offend the powerful Muslim lobby," says Damien Kingsbury, an Indonesian specialist at Australia's Deakin University. Analysts say that many Indonesians voted for Yudhoyono because they thought he offered the best hope of turning around the faltering economy, in large part by enticing skittish foreign investors back to the country.

Such investors will want to see reforms, which won't be easy, given that Yudhoyono's party controls only 57 seats of the 550-strong parliament. If legislators block efforts to overhaul the judiciary and stem corruption, economic reform could easily stall. And it doesn't take a Ph.D. to figure out that unless the government can stop the bombings, those investors will keep heading for the exits.

—By SimonElegant

Join the Club

Turkey Ankara moved a step closer to joining the E.U. as European Commissioner for External Affairs Jan Peter Balkenende, following a meeting with Turkish Prime Minister Recep Tayyip Erdogan (above) in Brussels, announced that there were "no more obstacles" to its accession talks. Crucially, Erdogan gave assurances that a revised penal code to bring Turkey in line with E.U. human-rights law would be adopted—without a controversial clause criminalizing adultery that draws criticism from Brussels and threatens to derail the talks. Verhounig is to make a recommendation on whether negotiations on Turkish membership should start in an Oct. 6 report, E.U. leaders will make a final decision in December.

Moving Out

Syria In a partial concession to the U.N., Damascus began withdrawing some 300 of the estimated 16,000 troops it has stationed in Lebanon since 1976. A Sept. 2 U.N. Security Council resolution called for the withdrawal of all foreign troops from Lebanon. The withdrawal was part of a wider redeployment exercise involving a total of 3,000 soldiers.

The Thaw Continues

Libya In a further sign of Tripoli's diplomatic rehabilitation, E.U. ambassadors agreed to lift both trade sanctions and a ban on arms sales to Libya. The decision, which must be ratified at a meeting of E.U. Foreign Ministers in mid-October, comes two days after U.S. President George W. Bush formally lifted America's own economic sanctions. Libya remains on the U.S. list of states that sponsor terrorism.

MEANWHILE IN THE U.S. …

A Bottled Debate

The makers of Heineken tomato ketchup defended the impartiality of their product in response to a suggestion by a Republican Assemblyman in New York State that buying the stuff would benefit the campaigns of Democratic presidential candidate John Kerry, Kerry's wife Teresa Heinz Kerry was first married to the late John Heinz, a descendent of the H.J. Heinz Co.'s founder. The Pennsylvania-based company said that its ketchup is "enjoyed by Republicans, Democrats and independents alike." And that neither Kerry nor his wife holds a significant number of shares in the firm.
SAVING THE MESSANGER

 orphanis are out, journalists are in. After years of lambasting Romania for mistreating its institutionalized children, the European Commission has a new cause—media freedom. The annual Commission report on Romania's progress toward accession, due out Oct. 31, will come down hard on the country for harassment and intimidation of journalists and interference in editorial content, says a Bucharest-based diplomat familiar with the draft. The report will note that few perpetrators of violence against journalists are being brought to justice, and that growing concentration of media ownership in the hands of political and business elites leads to self-censorship. The report apparently will not cite specific media violations, but examples are not hard to find, says Mirela Toma, director of the Bucharest-based Media Monitoring Agency. By the agency's count, at least 29 journalists have been threatened or attacked in Romania since the beginning of the year.

The government denies meddling, saying Parliament controls public television and radio, and private firms everything else. But EU officials say it needs to take the criticism seriously. Last December, Prime Minister Adrian Nastase was flippant about attacks. "If a simple article would be a reason for fighting," he joked, "then I should have beaten a journalist per day." The E.U. was laughing.

—By Ian Stojkosal

Poland: New Car Sales in Free Fall

Used cars from Western Europe have been flooding into Poland since it joined the E.U. on May 1, delighting consumers but worrying authorities. New car sales since accession have dropped by almost 20% from the same period last year. Such trade used to be stymied by a ban on cars that didn't meet emission standards, and wrecks that could no longer be driven, but with EU regulations ending the restrictions, nearly 400,000 used cars entered Poland between May and August—25 times more than in the first four months of the year. With car repair costs around four times lower in Poland than in Germany, Polish buyers can import a damaged car and fix it up. "Long term, it will cause turmoil in the car market," grumbles Ponsart-based car salesman Jacek Pietrzyk. The government fears losing revenue: imported cars are still subject to a tax based on their declared values, but buyers and sellers underestimate that amount. The Finance Ministry is considering measures to stem the flow of cars, such as registration fees and technical tests, but for the moment, it's open road for used cars.

—Reported by Tatiana L. Bucharsk

OIL CRISIS? WHAT OIL CRISIS?

Rising oil prices? No problem—they won't stifle the current recovery in Europe. At least that was the soothing message delivered last week by the Paris-based Organization for Economic Cooperation and Development (O.E.C.D.). Oil prices continue to spike—last week they briefly hit $49 per barrel. "No sign of a sustained $10 rise in oil prices knocks about 0.5% off the euro zone's economic growth," Jean-Philippe Cotis, the O.E.C.D.'s chief economist, says that unlike the oil shocks of the 70s and early '80s—when the price was almost double in today's dollars—the increases aren't prompting inflationary wage demands, and so for now, haven't caused consumer demand. "The impact is modest," Cotis says. His view was confirmed by the U.S. Federal Reserve, which raised a key interest rate last week in a sign that it too believes the U.S. economy is rebounding.

—By Péter Garabdi

THE BOTTOM LINE:... were rudely greeted with a stunter more fitting of a burlesque show.

Families .... were rudely greeted with a stunt more fitting of a burlesque show. Michael Powell, chairman of the U.S. Federal Communications Commission, after hearing rumblings of a record $550,000 fine for Janet Jackson's Super Bowl breast exposure.
"Lisbon is a big failure."
ROMANO PRODI, outgoing European Commission President, on Europe raising growth target set at a 2000 summit in Portugal.

"There is only one China. Taiwan is not independent. It does not enjoy sovereignty as a nation."
COLIN POWELL, U.S. Secretary of State, after meeting with Chinese officials in Beijing last week.

"Taiwan is absolutely a sovereign, independent nation."
CHEN SHUI-BIAN, President of Taiwan, responding to Powell's comment.

"If this isn't good for my heart, I don't know what is."
BILL CLINTON, former U.S. President, on hitting the campaign trail with John Kerry seven weeks after heart surgery.

"This is not about Gaza—this is the opening of a major debate about Israel's soul."
ASHER SUSSELE, director of the Moshe Dayan Center for Middle Eastern and African Studies, responding to the vote in Israel's parliament to remove Jewish settlements from Gaza and the West Bank.

"This was the outcome of major neglect by some parts of the multinational forces."
IYAD ALLAWI, Prime Minister of Iraq, criticizing international coalition forces for the deaths of 49 Iraqi national-guard recruits who were executed at a false checkpoint outside Baghdad last week.

"It is apparent to most of us in broadcasting that your father got you your job."
HOWARD STERN, U.S. talk-radio host, in a surprise call-in to a radio show on which U.S. Federal Communications Commission Chairman Michael Powell, son of Secretary of State Colin Powell, was a guest. Stern's show has been fined twice by the FCC for obscenity.

"The Prophet Muhammad had long hair. We have no problem with it."
NAVID MAJID, spokesman for the Iranian soccer federation, after the country's players were barred from sporting hair bands and sculpted beards, which it deemed overly Western.

SAMA BIN LADEN has a flair for dramatic timing. In October 2001, he materialized on American TV's 60 Minutes just hours after bombs began falling on Afghanistan; three years later, he surfaced on videotape just four days before the U.S. presidential election. It was not exactly the Osama October Surprise that some Democrats had imagined—a perp walk in an orange jumpsuit—but it rattled America and roiled the campaign just the same.

Bin Laden's core message was familiar: if the U.S. did not change its behavior toward the Muslim world, it would get hit again. "Your security is not in the hands of Kerry or Bush or al-Qaeda," he warned. "Your security is in your own hands." He tried to rationalize al-Qaeda terrorism—and court Muslim support—by airing grievances against the West and Israel.

But the messenger was at least superficially different. Where he earlier looked tired, he now seemed healthy and well groomed, if a bit thinner. He used both hands, belting earlier reports that one of his arms had been injured in Afghanistan. Gone were the fatigue and the AK-47; bin Laden wore a golden robe, sat behind a desk and read from notes. The media-friendly terrorist leader seemed to be trying for the image not of a soldier but of a statesman—or at least a TV host.

At times, bin Laden attacked al Qaeda in language straight from the U.S. presidential campaign. "Bush is still deceiving you and hiding the truth from you," he said in denying the President's repeated charge that Islamic extremists "hate freedom." ("Let him tell us then why did we not attack Sweden," bin Laden retorted.) He likened Bush and his father to Middle Eastern despots who hand down power to their children. And in a dig described by one U.S. official as "outrageous," bin Laden accused the President of starting a war in Iraq. It was the beginning of a classroom with elementary schoolkids reading My Pet Coat after learning..."
about the 9/11 attacks. "This gave us three times the time needed to carry out the operations, thanks be to God," he said.

Although the officials said they saw no actionable intelligence in the video, there were differing opinions in Washington as to whether bin Laden had issued a new fatwa, a religious pronouncement summoning supporters to violence. Some intelligence officials downplayed this interpretation, while others sounded the alarm. "People are worried," says an Administration official. "They're trying to see if there's anything in it that is code signaling that now is the time." The setting—"in front of a well-lit backdrop"—gave no immediate clue to bin Laden's whereabouts. But the tape was at least easier to date. A reference to 1,000 U.S. dead in Iraq suggests the tape was made within the month, a date stamp on the tape read REZABORN in 2001. Bush shot back at a rally in Ohio that Kerry's criticisms were "especially shameful in light of the new tape from America's enemy."

It was impossible to determine, of course, whether bin Laden wanted to tilt the election, signal further attacks or simply enhance his standing in the Muslim world by showing up on global TV screens. "Take it as one possibility," said a well-placed U.S. official, that the al-Qaeda leader's "aim is to influence not elections but policies." He accomplished at least one thing for certain: to remind us that the winner, whoever he is, has a major piece of unfinished business to attend to.

—By James Pimlott, Reported by Timothy J. Burger and Claire Shannon

CLOSE ENCOUNTERS

Until last week, Titan's surface had been hidden behind a thick haze, but the Cassini spacecraft's first fly-by offered an intimate look at Saturn's largest moon. NASA scientists are scratching their heads over its surprisingly smooth surface, which is marked by long channels (possibly lava flows) and ridges (perhaps shaped by wind). The markings raise the possibility that the surface is more dynamic than previously thought.

How Many Have Died?

British medical journal The Lancet made a dramatic late entry into the U.S. election fray, fast-tracking publication on its website of a study saying that about 100,000 "excess" Iraqi deaths have occurred since the war began in March 2003. In the first scientific study of the human cost of the war and occupation, the deaths were attributed to "invasion violence," mostly U.S.-coalition air strikes. Although the figure is well above previously published estimates (which have ranged up to 30,000) the researchers, led by Les Roberts of the Johns Hopkins Bloomberg School of Public Health, say it is conservative.

A carchemish casualty arrives at hospital in Mosul last month

"We have been extremely careful not to exaggerate," says Roberts. His team carried out a survey to compare mortality during the 14-month period before the invasion with nearly 18 months just afterward. In September, members conducted interviews with 588 randomly selected Iraqi households in 33 statistically representative sample clusters around the country, then extrapolated for the entire population through a complex statistical process. Richard Peto, professor of medical statistics and epidemiology at the University of Oxford, and other experts have called the methodology sound. But Roberts' report comes with caveats for example, the researchers noted that their "confidential interval" (a kind of statistical measuring stick), is quite wide, giving an estimated range of 9,000 to 154,000 excess deaths. That's one reason why Roberts and his research counterparts at Al-Mustansiriya University in Baghdad and Columbia University in New York City want an independent body such as the World Health Organization to examine their findings. "This is a very interesting and a very brave study," says John Sibbald, a psychology professor and co-founder of Iraq Body Count, a British online database. While his group counts "actual Iraqis" killed, based on media reports—and gives a figure of about 15,000—Sibbald calls the Johns Hopkins study "not totally inconceivable."

The last Iraqi interviews took place on Sept. 20, and the completed study went to the Lancet on Oct. 1 and on to peer review—a fast turnaround for scientific work. Roberts concedes that he wanted the study released before the U.S. election and had hoped to prompt candidate commitments to protect civilians. "That is what we'd most like, and that was our goal in getting this out." In Iraq, meanwhile, it was business as usual: at least seven people died in a Baghdad car bomb blast on Saturday, and the hostage ranks continued to swell.

—By Maryann Bird
KARADZIC'S PAPER CHASE

THE NOVELIST GENERATING the most buzz at Belgrade's international book fair was notably absent during last week's page-turning. Former Serb leader Radovan Karadzic, who was indicted by the U.N. war-crimes tribunal for genocide in 1998, has used his years on the run to focus on writing remain- novels. The "Butcher of Bosnia" penned a 416-page bodice-ripper, titled MIRACLE CHRONICLES OF THE NIGHT, that quickly sold out all 1,200 copies.

"If we had 50,000 copies at the fair, we would have sold them all," gushed Mirislav Toholj, Karadzic's publisher. Toholj explained that his publishing company only printed a small number of copies because critics have panned Karadzic's previous books of poetry. "I'm surprised how good he is at writing fiction," says Serbian author Branislav Cernicic.

This literary makeover could have come at a better time for the Karadzics. The European Union last month ordered the freezing of Radovan's assets, and royalties for his autobiographical love story—about a wrongly-imprisoned psychiatrist in pre-war Sarajevo—will go to his wife. Although Toholj claims that he obtained the manuscript through an intermediary and doesn't know where Karadzic is, one thing is certain: with a $5 million bounty on his head, the "Butcher" won't be toting his laptop to the local cafe to write the sequel. —By Julia Rawe and Dejan Anastasijevic

A WHOLE NEW LINE

Pakistani editors invited to break the Ramadan fast last week with President Pervez Musharraf were treated to palm dates, curried pasties—and a radical new approach to Pakistan's bitter, 57-year-old dispute with India over Kashmir. Pakistan has long insisted on a plebiscite among Kashmiris to determine whether the people of the troubled Himalayan region should be part of India or Pakistan. For just as long, India has refused to hold such a referendum. To break the deadlock, Musharraf proposed that Kashmir be divided into seven regions based on geography and ethnicity—and not necessarily on religion. (Muslims are in a majority in most parts of Kashmir.) Next, he said, both India and Pakistan would withdraw troops from these mini-regions, one by one. It would then be up to the Kashmiris, along with New Delhi and Islamabad, to haggle over whether they wanted India and Pakistan to jointly administer the territories or place them under U.N. control. Could it work? Former Indian Foreign Minister Jaswant Singh said: "Mapmaking has to stop in South Asia. Such attempts would not be acceptable [even in disguise]." Still, it's a start, and if nothing else, the proposal should give momentum to talks later this month in New Delhi between India's and Pakistan's Prime Ministers. —By Tim Mccraw

Fallout Over Funds

LATVIA Prime Minister Indulis Emsis' coalition government resigned after legislators rejected his proposed 2006 budget. His coalition—the Baltic state's 10th post-Soviet government—held just 47 seats in the 100-member parliament.

Counting in Kosovo

SERBIA AND MONTENEGRO All 560,000 votes cast in Kosovo's legislative elections will be re-counted. Observers from the Organization for Security and Cooperation in Europe, acting on complaints by political parties, found irregularities in the count. Earlier partial results showed no party had enough support on its own to govern Kosovo, which has been under U.N. supervision since 1999. Serbia boycotted the poll, aiming to halt a move toward independence by the ethnic Albanian majority.

Kabul Kidnappings

AFGHANISTAN The first abductions of foreigners in Kabul in recent years, three workers for the U.N.-Afghan commission overseeing the Oct. 9 presidential

tional vote count were watched from a car. They were identified, as Amneta Flangan of Northern Ireland, Shloke Habib of Kosovos and Angelino Nayan of the Philippines. Responsibility for the abductions was claimed by a Taliban splinter group.

Suffocation Inquiry

THAILAND Prime Minister Thaksin Shinawatra pledged that an independent inquiry would investigate the deaths of 78 Muslim men who were crushed and suffocated to death in military custody, and that "wrongdoers" would be punished. Several bombs shook Thailand's mainly Muslim south, killing at least two people, following the deaths of the 78, who had been crammed into army trucks after a violent protest by separatists.

Rape Sentences

PITCAIRN ISLAND Four men on tiny Pitcairn Island in the South Pacific were sentenced to up to six years in prison for rapes and indecent assaults on women and girls over four decades. They included Mayor Steve Christian, who was sentenced to three years for five rapes. All are appealing their convictions.

MEANWHILE IN RUSSIA ...

Hunger for Art

Leningr and St. Petersburg have long been tipped, but how to fill their plinths? To get out of that cultural piddle, Muscovites have opted for a real plebe—or at least a big bronze one meant as "a monument to a truly Russian snack." Having largely missed out on Pop Art, Russians seem hungry to catch up. Other street art: spouting up a potato, a tomato and, er, a chunk of processed cheese.

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27 YEARS AGO IN TIME

The 13,000-year-old, hobbit-sized hominics found on an Indonesian island add a new branch to the sprawling human family tree first theorized by Richard Leakey and other scientists after a flurry of finds in Africa in the 1970s.

Named after the Beatles’ song Lucy in the Sky with Diamonds, Lucy was a small creature, not much more than a meter tall, with a brain capacity about a third of that of modern man. Lucy’s skeleton gave scientists their first clues yet to the proportions of Australopithecus, and revealed her to be surprisingly short-legged. But the find left no doubts that she walked erect ... As recently as a decade ago, scientists talked about a direct, unbranching line of descent ... Now all that has changed ... While his Australopithecus cousins forged or scavenged, Homo habilis began to make tools and to hunt. Both actions accelerated his evolution ... “There have been thousands of living organisms,” [Leakey] says, “of which a very high percentage has become extinct. There is nothing, at the moment, to suggest that we are not part of that same pattern.”

MORE FUN WITH ACCOUNTING

When it comes to interpreting the EU’s stability and growth pact, there are no limits to French and German creativity. With both countries at risk of breaching the pact’s rules—demanding euro zone countries’ budget deficits remain below 3% of GDP—for the fourth straight year, Paris and Berlin last week called for change. French President Jacques Chirac and German Chancellor Gerhard Schröder lauded the European Commission’s reform proposals—taking greater account of a country’s economic situation—as “not sufficient.” Instead, the duo called for states to be able to exclude from budget deficit calculations some R. and D. spending and contributions to the EU. The plans, which would have to be approved by member states, worry the Commission. “It should be possible to spend more on R. and D.,” says a spokesman, “but not outside the limits of the pact.” Berlin had other plans as well. After admitting it had altered proposals to raise billions of euros from partly state-owned Deutsche Telekom and Deutsche Post to help shrink its deficit, reports claimed Germany was considering tapping the state’s nursing care insurance fund. Is that healthy?

THE BOTTOM LINE “This is not a cosmetic change.” REcep Tayip Erdogan, Turkey’s Prime Minister, on the New Turkish Lira (TTL), which launches in January 2005. The TTL will be worth about 1.5 to the dollar, against today’s roughly 1,500,000 lira to the dollar.
OUT OF THE PICTURE?

RUMORS SWEPT through Asian financial markets last week that Kim Jong II, North Korea's egotistic leader, had been shot in the head by his nephew during a palace coup. It was quickly dismissed as pure fantasy, but reports continue to surface that the ubiquitous propaganda portraits of Kim have been mysteriously disappearing from Pyongyang's public places. In an interview with Fuji Television, influential Japanese lawmaker Shinzo Abe underscored a general sense of foreboding, saying: "I think we should consider the possibility that regime change could occur." The reports of the Dear Leader's demise are probably exaggerated: Kim was on the job as recently as Nov. 22, when he visited a unit of the Korean People's Army and listened to soldiers reciting poetry, according to the Korean Central News Agency.

Still, pressure on Kim's regime is increasing. North Korea's refusal to continue nuclear disarmament talks with neighboring countries and the U.S. makes the North an international misfit, and there are signs that Kim faces unprecedented challenges at home. He recently purged his brother-in-law, Jang Song Taek, for trying to set up his own power base in the military, according to South Korean intelligence testimony to Seoul lawmakers. And the country will require outside help to feed more than a quarter of its estimated 20 million people next year, the World Food Program warned last week. Professor Ruelliger Frank, a North Korea specialist at the University of Vienna, suggests that trimming Kim Jong II's personality cult could be a sign that the country is paving the way for economic reforms and possibly for a more collective form of leadership. That might be true, but it's unlikely to stop the rumor mill anytime soon.

"If we are tough on crime and on terrorism as Labour is, then I think Britain will be safer under Labour."  

PETER HAIN, Leader of Britain's House of Commons, following the annual Queen's speech to Parliament, which this year was dominated by crime and security issues.

"If he goes around saying we are safe from terrorism under Labour, that is a challenge to the terrorist."  

MICHAEL ANCRAM, Britain's Conservative Party's Shadow Foreign Secretary, in response to Hain.

"Unrest and terrorist acts as well as insufficient preparations at the administrative, technical and political levels necessitate the date be reconsidered."  

PETITION, signed by 13 of Iraq's leading political groups, demanding a six-month postponement of the elections scheduled for Jan. 30, the electoral commission says the vote will go ahead as planned.

"I don't think it's a failure; it's a success. In this case, it was just something that worked better than other alternatives."

DONALD TRUMP, real-estate mogul, on his casino filing for bankruptcy for a second time.

"Some of you people have been illegal for a long time."

THOMAS MENINO, mayor of Boston, to a group of Haitian Americans in a ceremony at which he requested the repeal of a 1675 law authorizing the arrest of any freeman found within city limits.

"If I didn't want to support the President's position, I wouldn't be in the Administration."

DONALD RUMSFELD, U.S. Defense Secretary, responding to a New York Times editorial that accused him of lobbying against a controversial intelligence reform bill backed by President George W. Bush.

"If we are not recompensed, other countries will not follow our example."

MUAMMAR QADDAFI, leader of Libya, claiming that his country has not been adequately rewarded for abiding to renounce its weapons program.

Sources: Times (2), Agence France-Presse, Associated Press, Boston Globe, Reuters (3)
F or two weeks, it looked as if a delicate cease-fire might mark a turning point in Sudan's bloodletting. But the calm broke on Nov. 23—a long day full of just the kind of killing, hypocrisy and indifference that has defined the conflict since it began in February 2003. First, rebel fighters attacked police stations in Tawila. In response, a government plane bombarded the town, forcing hundreds of civilians and aid workers to flee. To date, most of the violence, which has killed an estimated 70,000 people and left more than 2 million homeless, has been carried out by members of the Janjaweed, an Arab militia that has received financial and military support from the Sudanese government to quell an insurgency by the region's non-Arab Muslims.

The day the cease-fire ended, Sudan's President Omar al-Bashir met with Vice at his palace in Khartoum and insisted that the international outcry over his country's war was a misunderstanding. There is "no reality," he said, to claims that the conflict is genocidal, as U.S. President George W. Bush and Secretary of State Colin Powell have said. It is "a tribal conflict," said al-Bashir, who came to power in a 1989 coup. The Janjaweed are merely "outlaws or gangsters who are used to being on horseback and holding arms or guns. They are bandits," he said. "It was started by this rebel group that tried to average losses against another tribe. And naturally, when one tribe attacks another tribe, there will be losses."

Two days later, the U.N. suspended much of its relief efforts in Darfur because of the continued violence. —By Sam Dealey

Epic complaints

Legend has it that Alexander the Great, who conquered the fabled Babylon and India in the 4th century B.C., was a fabulous warrior. But was he also bisexual? In Oliver Stone's $150 million Alexander, the Greek hero, played by Colin Farrell, has a gay lover and is seen kissing several men on the lips. The depiction has outraged the Greeks. A team of lawyers who have appointed themselves guardians of Greece's classical heritage has threatened to sue Stone if he doesn't add a disclaimer stating that the movie, which opens around Europe this week, is fictional. "This isn't an anti-gay protest," says the group's spokesman, Vassilis Vartholos, who admits he has yet to see Alexander. "It's about distorting history." Stone has defended the film, which also stars Angelina Jolie as the young emperor's mother, saying that Alexander's bisexuality "may offend some people, but sexuality in those days was different, too."

It's not the first time Hollywood has engaged Greeks by playing their history for the big screen. Troy, which starred Brad Pitt as Achilles, was panned by the Greeks when it came out earlier this year; critics said the film's plot was a travesty of truth—the poem on which the legend is based—and that it bore little resemblance to the ragged hill town believed by Greeks to be the real Troy. Disney's 1997 animated Hercules was lambasted for historical inaccuracies such as its protagonist's soaking of the Muses—in fact normally attributed to the Muses. However, it seems unlikely that Hollywood will give up artistic license—such as even the face of Hercules bearing wrinkles. —By Adelle Carreras

NOTEBOOK

A group of rebel fighters patrol in Sudan.
ARNOLD’S GROUPIES

NATURALLY, CALIFORNIA Governor Arnold Schwarzenegger supports a constitutional amendment allowing foreigners to be President. But he’s not actively campaigning for it; he doesn’t need to. On Nov. 15, a year after he was sworn in, a $80,000 television ad ran in five California cities cheerfully urging residents to “help us amend for Arnold!”

Who is behind this compassionate crusade? Not the Republican machine or the Austrian government, but former college roommates named Lissa Morgenstaller-Jones, a philanthropist in Woodside, California and Mimi Chen, a stay-at-home mom in Los Angeles, who just cannot get enough of the Governor. The women graduated from Princeton in 1979 and went on to have careers well suited to championing a cause: Morgenstaller-Jones was a money manager and Chen was a DJ. When Schwarzenegger ran for Governor, both women, who by then had left their jobs, volunteered to help. In August they launched ArnoldforArnold.com. The battle has been joined. After seeing the ads, Alex Jones, a Texas-based radio-talk-show host, launched ArnoldExposed.com. His group Americans Against Arnold alleges that the Governor is “...a megalomaniac with aspirations of being a dictator.” Just a matter of time until Weight Lifters for Truth gets into the game.

By Perry Bacon Jr.

WINDOW OF OPPORTUNITY

When British Foreign Secretary Jack Straw visited Ramallah last week to leave a wreath at Yasser Arafat’s grave, many observers expected the government of Ariel Sharon to protest, but Israeli officials were resigned. “We snubbed officials who went to talk to Arafat when he was alive,” sighed one. “We can’t very well do that to those who want to talk to him when he’s dead.” That tempered response reflects a new mood of conciliation. With Palestinians preparing to vote on Jan. 9 for a new President, Israeli leftists last week signaled that it will allow Palestinian residents of East Jerusalem to vote. Israeli President Moshe Katsav Arafat, but the signs of progress are still fragile.

POTUGAL. The trial opened in Lisbon of seven people charged in relation to an alleged child sex ring in state-run children’s homes. Revelations by a whistleblower in September 2002 outraged the nation when it emerged that reports of abuse spanning decades were ignored by authorities.

ZIMBABWE. The England cricket team arrived in Harare for a 10-day tour after authorities— in a surprise turnaround—lifted a ban on 13 British journalists. The England cricketeters had delayed traveling to the country because of the ban.

WINDBREAKER

By Perry Campbell

Long Road to Justice

AFGHANISTAN. Officials denied the government had made a deal to secure the release of three U.N. workers freed after nearly four weeks in captivity.

No Bargaining

INDONESIA. Police arrested four suspects in the Sept. 9 bombing of the Australian embassy in Jakarta, which killed at least 10 people. Officials say the arrests could lead them to the blast’s alleged mastermind, Malaysian Azahari bin Husin.

Closing In

MEXICO. Riot police arrested more than 30 people in connection with the murder of two undercover policemen, who were beaten and set on fire by a mob that suspected them of kidnapping children. A third officer was hospitalized in critical condition.

Burning Question

Colombia. Some 450 members of the paramilitary United Self-Defense Forces (AUC) disarmed as part of the ongoing peace process. Authorities suspended arrest warrants against AUC leader Salvatore Mancuso, although the Supreme Court earlier authorized his extradition to the U.S. on drug trafficking charges.

Meanwhile in the U.S.

Poetic Justice

Laying Down Arms

To receive World Watch by e-mail, go to www.timeeuropa.com/www/subscribe

Abbas, favored by Israel to succeed Arafat, and the imprisoned Barghouti, Israeli said Israel might suspend construction of its separation wall if the Palestinians halt terror attacks. And the Fatah wing of the Palestine Liberation Organization gave its presidential nomination to Mahmoud Abbas, favored by Israel and the West to succeed Arafat. But the signs of progress are still fragile.

Palestinian officials are concerned about supporters of imprisoned Palestinian activist Marwan Barghouti, who lost his bid to be Fatah’s presidential nominee. Senior Fatah officials told TIME that as many as 40% of the party’s members may now boycott the election. The absence of a credible alternative to Abbas could also undermine the militant group Hamas to attempt to derail his election by attacking Israel. “There is a real sense that this is a moment of opportunity,” says a senior U.S. official. “But everyone realizes that it might not last forever.”

—By Ramsh Rubenesar and Arman Harrov
REALITY BYTES

HE, MOM AND DAD'S VIDEO games are achieving even higher shock value by pairing the latest in computer-generated gore with real-life violence!

JFK RELOADED A Scottish firm launched this so-called docudrama on the anniversary of the assassination last week. The game's website (jfkodyssey.com) is offering up to $100,000 to the player who most closely recreates the shots Lee Harvey Oswald fired.

JFK Reloaded

JOHN KERRY'S SILVER STAR Players at kumau.com can try to re-enact Kerry's much-publicized swift-boat mission. The site features games—a La Uday and Qusay's Last Stand—that are so realistic, the U.S. Army is starting to use them for training.

GRAND THEFT AUTO: SAN ANDREAS Politicians and parents' groups condemn the No. 1-selling video game for glorifying street culture. Players can hire prostitutes; the hardest of tasks is to simulate an orgasm.

SHELLSHOCK, NAM '67 This brutal game lets characters take drugs and watch a commune chop up a hooker.

TOM CLANCY'S GHOST RECON 2 This new release has been as assailed by Pyongyang for depicting multinational forces invading North Korea amid food riots. A government-run newspaper there noted that U.S. video games featuring invasions of Afghanistan and Iraq preceded actual wars. —By Julie Reave and Logan Orlando

ANYONE SITTING HERE?
Percentage of directors who have refused boardroom posts due to perceived risk

<table>
<thead>
<tr>
<th>Country</th>
<th>2003</th>
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<tbody>
<tr>
<td>Germany</td>
<td>11%</td>
<td>15%</td>
</tr>
<tr>
<td>Britain</td>
<td>35%</td>
<td>40%</td>
</tr>
<tr>
<td>France</td>
<td>23%</td>
<td>33%</td>
</tr>
<tr>
<td>Spain</td>
<td>35%</td>
<td>40%</td>
</tr>
</tbody>
</table>

BIZ WATCH

By Adam Smith

Empty Seats at the Table

M

aybe it's time to feel sorry for Europe's top executives. Last week, Los Angeles-based headhunters Korn Ferry International revealed that high—and in some cases increasing—numbers of European directors are declining invitations to sit on company boards (see chart). The reason? The pressures and costs involved in uploading aspiring corporate governance standards in the wake of high-profile blunders such as Enron and Parmalat. The scandal is "having brought to the greater extent the importance of quality contributions" from board directors, says Mino Quirion, head of U.K. Board Services at Korn Ferry. Translation: nobody wants those jobs anymore, so directors might soon be in short supply. "Public companies are worried in Britain that the gene pool for recruiting directors is becoming shallow," warns Digby Jones, director general of the British employers' group the CBI. For European firms listed in the U.S., compliance with America's Sarbanes-Oxley Act—the 2002 law that introduced tough new rules on how public firms report their numbers—is adding to the burden of compliance. Jones claims at least a quarter of his 72 British members listed in the U.S. have said privately: "We've had enough" of such U.S. rules. Meanwhile, the Financial Times reported that a majority of Germany's 15 U.S.-listed firms wanted out of the hassle and cost of U.S. regulation. After meeting with German employer groups last week, Jones says British and German firms will be pushing U.S. regulators to make it easier to withdraw their U.S. listing. Directors, loosen those seat belts.

RELINQUISHING POWER

The French government unveiled plans to privatize up to 30% of EDF, the world's largest power company, in a share offering next year set to raise up to €1 billion. The sale—the biggest-ever stock offering in France—would fund development of the heavily indebted utility's European operations.

CULTURAL REVOLUTION

Caving in to state pressure, Wal-Mart said it would allow trade-union representation for its workers in China, if they requested it. The world's largest retailer—known for its hostility toward labor unions—has some 20,000 employees and 40 stores in the communist country.

TRADE BODY BLOW

The World Trade Organization granted the E.U., Japan and five other countries the right to impose $150 million in trade sanctions on the U.S. in retaliation for an antidumping law ruled illegal by the global trade body. The law, which tightens U.S. firms the proceeds from antidumping duties collected from imported goods sold below market price. Washington said it would work to resolve the issue.

TOO CLOSE FOR COMFORT

After only three days in the role, Neelie Kroes, the E.U.'s controversial Competition Commissioner, recused herself from five of Brussels's antitrust investigations, citing conflicts of interest stemming from her past business links.

DVD KILLED THE VHS STAR

Deccos, Britain's leading electrical retailer, called on end to its sales of the video cassette recorder. The high-street chain said sales of DVD players, now outsold new-generation VCRs by 40 to 1. We'd almost learned to program it.

THE BOTTOM LINE "Lunch at KLM meant milk and sandwiches. Now we all drink French wine and eat foie gras."

JEAN-CYRIL SPINETTA, CEO of Air France-KLM, on corporate culture at the national airline, which posted a 4% jump in second-quarter net profit.
ROME'S NEXT CHOICE?

JOSEPH CARDINAL RATZINGER, the chief architect of Pope John Paul II's traditionalist moral policy, has long been a bogeyman for liberal Catholics. But they had stopped worrying that the German might one day succeed John Paul to St. Peter's throne. The hard-line views and blunt approach that got him dubbed "pope-emeritus" had earned him too many enemies. Well, they can start worrying again. Sources in Rome told TIME that Ratzinger has recently re-emerged as the top papal candidate from within the Vatican hierarchy in the event of John Paul's death or retirement, joining other front runners such as Dignole Tettamanzi of Milan and Claudio Hummes of São Paulo. "The Ratzinger solution is definitely on," said a well-placed Vatican insider.

There are no immediate signs that the 84-year-old John Paul's health has worsened, and he has publicly ruled out becoming the First Pope in eight centuries to voluntarily retire. But as his long papacy grows ever longer, some feel the next conclave will seek a shorter-term "transitional" figure. Ratzinger, 77, is a prominent and respected Cardinal who may fill that bill. His doctrinaire ways, moreover, have been tempered of late by a defer and more pragmatic approach to issues such as rising Western secularism and Islamic fundamentalism. During the U.S. election-year controversy over whether pro-choice candi-

"Any reported death toll would be understated. Whole families are missing. Who would report them?"

SYAFUDDIN ABDULLAH, an all-company project manager who lost loved ones in Indonesia's Aceh province during the tsunami

"We worked eight months on this, two shifts per day, 3,000 workers ... it is all gone in five minutes."

EXASAKI THONGTHAIWES, architect and builder of the Sofitel Magic Lagoon in Khao Lak, Thailand

"One of the problems is that if you tell untrained people, 'Listen—there's a tsunami coming,' half of them go down to the beach to see what a tsunami looks like."

PHIL MCFADDEN, chief scientist at Geoscience Australia, an agency that monitors earthquakes, on the difficulties of issuing tsunami warnings

"I have never seen such an outpouring of international assistance in any natural disaster. We are now counting new pledges by the hour."

JAN ECELAND, U.N. emergency relief coordinator, on the global response to the tsunami. Earlier, he had accused the U.S. and other rich nations of being "stingy." In the course of the week, the U.S. pledged new from $44 million to $355 million to $200 million

"In the balance of Islam, this constitution is infidel and therefore everyone who participates in this election will be considered infidels."

OSAMA BIN LADEN, on the upcoming Iraqi election, according to a news tape broadcast by the TV station Al-Jazeera.

"His vision of the world is one in which there is no freedom of expression, freedom of religion and/or freedom of conscience."

PRESIDENT GEORGE W. BUSH, in a rare direct response to Bin Laden's statements

"It's just going to be too dangerous on voting day. If I go, I don't think I will return safe."

IHSAN AL-SAMARRA'I, Iraqi civilian, responding to the increased violence aimed at disrupting the Jan. 30 election

By Jeff tersely
The Men Who Would Be Spooks

There's nothing like topping off a national celebration with some vindictive settling of scores. Within hours of the Dec. 21 release of two French journalists who had been held hostage in Iraq for four months, politicians, security officials—and even former abductees Georges Malbrunot and Christian Chesnot themselves—were trading accusations over the efforts to free them from their captors. The main target: conservative legislator Didier Julia and his team of dilettante plotters, who sought to bypass official attempts to secure the pair's freedom by dealing with shadowy Middle Eastern contacts of their own. Their media-hyped campaign went belly-up in early October after Julia's minions claimed they'd not only seen the hostages but secured their impending release. Once freed, Malbrunot rejected these claims, and confirmed French intelligence accusations that the bungled initiative had angered the pair's captors. Malbrunot said he was "shamed" by Julia and his sycophants, who "played with the lives of comparators."

Last week French justice officials placed two Julia aides, Philippe Brett and Philippe Evarano, under investigation for intelligence work "undermining the fundamental interests of the nation" in their purported contacts with Syrian secret services and Iraqi insurgents. The officials will question Julia himself later this month—and may even ask legislators to lift his parliamentary immunity so he can be placed under formal investigation. "If the vote were today, the immunity would not only be lifted, but Julia would be excluded from our party," warns an official in the ruling conservative Union for a Popular Movement (UMP). Why turn on a fellow rightist? In part due to Julia's attack on the government during the hostage affair: he accused it of negligence, of using him as "a scapegoat," and said Foreign Minister Michele Barnier had been "completely useless" in a crisis "that should have been solved in four days, not four months." Julia says he's happy to answer questions, but is also demanding a parliamentary inquiry so he can go public with what he says is proof his initiative had official backing. "If Julia were smart, he'd shut up and play along until the storm calms down," says the UMP official. "He won't take anyone down but himself this way."

NEW DIRECTIONS IN CHARITY

The holiday charitable-giving season is over (and U.S. donations for 2004 are expected to be up slightly compared with 2003), but for the homeless in frigid U.S. and European cities, the long winter has just begun. While local governments continue to chafe under tight budgets, some organizations have come up with creative ways to help.

Luxury Duds
After decades of guilting the rich out of their mink coats and fox stoles, People for the Ethical Treatment of Animals is taking funs turned in to the group and donating them to the homeless in several U.S. cities, as well as in Iraq and Afghanistan.

Bullwinkle: The Other Red Meat
Hunters are also helping, if inadvertently. New Hampshire Fish and Game officials have given food pantries more than 450 kg of meat from moose and deer shot illegally this season.

Walking Ads
Homeless men in Amsterdam now have corporate sponsors: they're sporting winter jackets with ad space to raise money for local noir who aids the needy. Ice creamer Ben & Jerry's bit first, giving more than $20,000 to put its logo on the coasts.

If You Teach a Man to Surf...
A Dallas man who lived under a bridge and had no computer skills got help from an online facilitator to post on eBay a plate he says his great-uncle took from the Titanic. It sold for $10,000.
REASON TO BE CHEERFUL

The people of Sudan had cause for celebration on New Year's Eve. Negotiators in Naivasha, Kenya, announced that after 21 years of civil war, Sudan's Islamic government and rebels from the largely Christian and animist south had hammered out the final details of a peace deal. The agreement, to be signed on Jan. 9, will give the rebel Sudan People's Liberation Movement a share of political power and oil wealth during a six-year transition period, after which the south can hold a referendum on whether to secede. "Africa begins the year 2006 on a very good footing," said South African President Thabo Mbeki, who helped close the deal. "Let's party!" But few believe this will end Sudan's problems. Two decades of fighting have turned southern Sudan into a wasteland, yet nearly a third of the 5.5 million people displaced by the war are expected to return there this year. The deal doesn't address the conflict in the Darfur region of western Sudan, which some have called genocide.

NO EXIT

Argentine police arrested the owner of a night-club in downtown Buenos Aires after a blaze killed at least 175 and injured more than 700. Interior Minister Aebal Fernandez said that four of the disco's six doors had been wired shut, snaring the mostly young clubgoers in what he called "a mortal trap." Fernandez also warned that the death toll was likely to rise. Thousands of people, many in their teens and 20s, had packed into the Cramagorn Republic disco to celebrate the end of the school year. The Argentinian rock band Los Callejeros was playing when the fire broke out. City and thick smoke. "People were pushing and jumping over each other to get out," concertgoer Josel Maria Goce said. "It was like a human wave. As people fell down running to the door, others just simply ran over them or pushed them down." With the victims reportedly including some babies and toddlers—part of the club was used as a creche—anguished parents searching for their children crowded the city's hospitals and morgues. The fire was South America's worst since a blaze in a Paraguayan shopping mall in August killed more than 400—yet another tragedy also blamed on blocked exits.

Immigrant Amnesty

Spain The government approved new regulations on immigration, giving amnesty to any of the country's estimated 800,000 illegal immigrants who can prove at least six months' employment and evidence of residence in Spain for at least six months. The move is expected to increase social security payments and generate new tax revenues for Spain, which has a thriving underground economy.

Youth to Power

Romania The youthful Cabinet of new Prime Minister Caisn Tăriceanu—with six Ministers under 40—was sworn in in Bucharest. The youngest nominee, 29-year-old former primary-school teacher Cristina Pintilie, was dropped as the candidate for Minister for European Integration after failing to identify the governing body of the E.U. during questioning in parliament. Opposition politicians predicted early elections.

Terror Resurgent

Saudi Arabia Despite government assurances that al-Qaeda sympathizers in the kingdom have been greatly weakened by a 15-month crackdown, two suspected suicide bombers targeting the Interior Ministry and a special forces base injured more than a dozen. Police investigating the attacks, later killed 10 alleged al-Qaeda militants, including two of the kingdom's most wanted terrorists.

A Fresh Start

Afghanistan The Cabinet of President Hamid Karzai met for the first time, a week after being sworn in. Karzai, the country's first elected leader, asked his Ministers to enshrine party politics and focus on rebuilding the war-ruined nation.

Injured blaze survivors being treated outside the Buenos Aires club authorities said they could not confirm the cause of the blaze, but a number of witnesses said that it started when one of the audience launched a flare—widely available over the holiday season—at the ceiling. Survivors spoke of a stampede; desperate teenagers scrambled to escape from the flames.
**NUMBERS**

**20 million lira** Cost of a night out at the movies with popcorn on Dec. 31 in Turkey.

**20 lira** Cost of a night out at the movies with popcorn on Jan. 1, after Turkey dropped the last six zeros from its inflated currency (the exchange rate will not be affected).

**$2 million** Amount the U.S. Army is spending to try to save the marriages of its soldiers; programs include couples counseling and romantic getaways.

**21%** Divorce rate within two years in couples when one spouse is sent to war.

**1.6 million** Number of Britons who expected to get into a fight on New Year’s Eve, according to a survey.

**140,500** Number of U.K. babies conceived on New Year’s, according to the same survey.

**15%** Proportion of Americans who cite quitting smoking as their 2005 New Year’s resolution, this year’s most popular pledge.

**4%** Proportion of Americans whose resolution is to be kinder to others in 2005.

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**NOTEBOOK**

**Numbers**

**Putin and China’s President Hu Jinta might be oil partners.**

**Watch the Hands**

Will oil unite Russia and China in a way that communism never did? Yukos watchers assume that the Russian oil giant, battered by massive tax bills and the jailing of its CEO, would end up in the hands of the Russian government. But last week Russia’s Energy Minister, Viktor Khristenko, announced that a 20% stake in the new business would be sold to China’s state-owned company CNPC. In late December, the Russian government shut out rival bidders for Yukos’ core oil division, the million-barrel-a-day Yamburgsko-Ketgaz. Their state oil firm Rosneft grabbed it up, using a shell company, for a bargain $0.4 billion. That drew howls even from Vladimir Putin’s own economic advisor, Andrei Illarionov. Managers at Rosneft turned up on New Year’s Eve at Yamburgsko-Ketgaz’s Siberian HQ to claim the keys. Meanwhile, in Houston, Deutsche Bank is challenging the temporary bankruptcy protection won earlier by Yukos lawyers hoping to scavenge off the sale. The bank argues that Texas law has no place in a Russian dispute. The ruling prompted Putin to crack: “I am not even sure the judge knows where Russia is.” But a procedural hearing this week, Yukos’ lawyers say that even if the sale is a done deal, the company would seek damages against anyone helping in the sale of assets they insist are under protection of the bankruptcy court. But who to sue? Mike Lake, a spokesman for Yukos’ Houston lawyer firm Fulbright and Jaworski, said, “It’s like following the money under the mattress. You never know where it will wind up.” —With reporting by Cathy Booth Thomas.

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**THE BOTTOM LINE**

*We used to see street hustlers do this kind of thing.*

Now officials are doing it. **Andrei Illarionov**, President Vladimir Putin’s top economic advisor, as he nominated the Yukos sale for “Swindle of the Year.”

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**SAMSUNG’S A NO-SHOW**

Mobile phones rang a merry tune this Christmas—especially stylish varieties like NEC’s “cinnamon,” Britain’s top seller. Good looks and funky features helped South Korea’s Samsung Electronics grab 13.8% of the global market in the third quarter of 2004, ousting Motorola as the world’s No. 2 behind Nokia (see chart). But Samsung doesn’t want to show off about it. The company announced that, for fear of copycats, it will no longer demonstrate its cutting-edge handsets at trade shows like the CeBIT fair in Hanover in March. Samsung values “protecting state-of-the-art technologies and innovative designs over winning design contests,” says executive director Yoon Ji-hong. Rivals are perplexed. “We haven’t perceived a problem,” says Mari-anne Holm Lund, communications director of Nokia. So now will people learn about Samsung’s new phones? If you figure that out, send us a text message.

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**GLOBAL POSITIONING**

Percentage share of the world’s mobile-phone market

<table>
<thead>
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<th>Company</th>
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<th>2002</th>
<th>2003</th>
<th>2004</th>
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<tr>
<td>Sony Ericsson</td>
<td>10%</td>
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**INDICATORS**

**Symptoms Return**

The British Medical Journal published details of clinical trials by Eli Lilly of its antidepressant Prozac, which suggested that the company may have withheld evidence of a link between the drug and violent behavior. The documents had reportedly gone missing during a 1994 civil suit against the company, but were sent to the journal anonymously and are now being reviewed by U.S. drug regulators.

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**The Year in Spam**

The U.S.'s year-old CAN-SPAM laws, meant to curb unsolicited e-mail, have had little impact, according to antispam company Max Logic, which tracks 95% of all e-mail spam. Feedback by users of America Online show that 2003's ten most spam subjects: Oprah Winfrey, teens and Viagra, were overtaken in 2004 by identity theft, scammers, mortgage deals and substitutes for withdrawn arthritis pain-killer Vioxx.
TOO GOOD TO BE TRUE?

A Palestinian President Mahmoud Abbas inched toward a cease-fire deal with Hamas last week, he was rewarded with an Israeli commitment to scale back its assassinations of Palestinian extremists; under new guidelines, Israeli will only hit "hitting bombs"—operatives on their way to carry out a terror operation. This is the first real breakthrough in peace negotiations for four years, yet it's still only a fragile one. Hamas continued to insist on security cooperation and the exchange of intelligence information with Palestinian police. But there are hurdles ahead, too. Many observers believe Hamas may be stringing along Abbas to avoid accusations that they are blocking an opportunity for peace. Hamas doesn't want to lose its popularity, particularly in Gaza where last week it took about two-thirds of the vote in 10 municipal elections. There is also skepticism among Palestinians about stories of Israeli that Israel join the truce before it would finalize an agreement. Even Israeli Prime Minister Ariel Sharon acknowledged progress, saying "the conditions have been created that will enable us and the Palestinians to reach a historic breakthrough in our relations." By Saturday, the two leaders had agreed to meet this month—the first time since Abbas' Jan. 9 election. The new Palestinian President also sent his aide to parts of Gaza that have been in the hands of Hamas and the gunmen of the PLO militia, the Al-Aqsa Martyrs Brigades, for the past few years. It's a good start for Abbas. Within 10 days, Israeli officials expect to resume security concessions. Palestinian officials announced last week that Israel had agreed to the speedy withdrawal of troops from Ramallah and three other Palestinian towns but, as residents of those towns know, there aren't any Israeli soldiers to withdraw. U.S. Secretary of State Condoleezza Rice will visit the region this week—a sign the White House is hopeful. Meanwhile, Israeli Defense Minister Shaul Mofaz says that the Lebanese Islamic group Hizbollah has increased its funding for the Al-Aqsa Martyrs' Brigades. If that money pays for terror strikes, Sharon and Abbas will be back to square one.

"The Holocaust is not only a tragedy of the Jewish people. It is a failure of humanity as a whole."
MOSHE KATZAV, Israeli President, at a forum in Kosovo before ceremonies to commemorate the 60th anniversary of the liberation of the Nazis' Auschwitz-Birkenau extermination camp in Poland.

"We've spent $200 billion destroying Iraq. Now we've got to spend $200 billion to rebuild it, if they'll let us. And all to find a nut in a foxhole—one guy."
TED TURNER, founder of CNN, in a speech in Las Vegas to the National Association of Television Program Executives.

"It seems like most of the leadership there understands that there will be a need for coalition troops at least until Iraqis are able to fight."
GEORGE W. BUSH, U.S. President, when asked whether the U.S. would withdraw its troops if asked to do so by a newly elected government in Baghdad.

"We shouldn't have to rely on a faith-based initiative for health care."
JOHN KERRY, U.S. Senator and former Democratic presidential candidate, in a speech criticizing Bush's health-care policies.

"I think I made the wrong career choice."
TONY BLAIR, British Prime Minister, to Irish rock star and anti-poverty campaigner Bono, observing the well-heeled participants at the World Economic Forum in Davos, the Swiss ski resort.

"Lula! Come back to reality!"
PROTESTERS at the World Social Forum in Porto Alegre, Brazil, heckling the country's President, Luiz Inacio Lula da Silva, for his alleged failure to push for the social reforms he promised when he took office two years ago.

"Poverty is a man-made tsunami. The biggest tyranny in the world is the tyranny of an empty stomach."
JOHN SAMUEL, a founding member of Global Call to Action Against Poverty, launched at the World Social Forum.

Will Chávez’s Oil Still Flow?

Whether or not Venezuelan President Hugo Chávez is the next Fidel Castro, the leftist firebrand has muddled the Cuban’s art of pushing the U.S. buttons—building the ones on American gas pumps. Venezuela is the U.S.’s fourth-largest oil supplier (15% of U.S. imports), a costly and reliable source that few in Washington want to alienate. But thevisit to Caracas last week by Chinese Vice President Zeng Qinghong was the latest reminder that Chávez, a sharp critic of U.S. foreign policy, wants to cut Venezuela’s dependence on the U.S. market and start exporting to his oil-thirsty ideological ally, China. Talks are under way to build pipelines to pump Venezuelan crude to Pacific ports in Colombia and Panama for that very purpose. Analysts question whether Chávez can profitably ship oil all the way to Asia, and Venezuelan officials insist that U.S. supplies will remain steady even if he does. But given Chávez’s anti-Bush fervor—and the leverage that sky-high oil prices afford him—Washington is nonetheless starting to worry that the flow of Venezuelan oil might shrink significantly by the end of this decade.

Indiana Senator Richard Lugar has asked the U.S. Government Accountability Office to study what “contingencies are in place to mitigate the effects” of a sharp Venezuelan shortfall, “as this could have serious consequences for our nation’s security.” Other Senators are urging the Bush Administration to mend fences with the democratically elected Chávez, whom it accuses of trying to destabilize Latin America, as Castro once was. But Secretary of State Condoleezza Rice, at her confirmation hearings, showed no signs of softening on Chávez, calling him a “negative force” in the hemisphere. Chávez, who claims that Bush backed a failed 2002 coup attempt against him (the Administration denies it), called Rice “an illiterate” who “seems to dream about me.” Washington’s bigger fear is that U.S. consumers may someday see Chávez in their nightmares.

—By Tim Padgett

BREMER’S NEXT INSURGENCY: AUDITORS

Less than two months after former Coalition Provisional Authority (CPA) administrator L. Paul Bremer received the U.S. Presidential Medal of Freedom, a scathing audit by a longtime confidante of George W. Bush is embarrassing Bremer’s agency for failing to establish “adequate financial controls,” leaving some fiscal reporting systems “either weak or nonexistent.” The audit charges that the CPA, left large portions of the $86.8 billion Iraqi treasury “open to fraud, kickbacks, and misappropriation of funds,” according to a draft obtained by TIME. The report was written by Stuart Bowen, a lawyer from Texas who became special inspector general for Iraq reconstruction. His audit cites Bremer for lax accounting (one payroll, for instance, only 662 of the 8,905 names could be confirmed, with no paper trail for the rest of the cash) and inadequate disclosure (the CPA allowed Iraqi officials to delay reporting the $2.2 billion the interim government received in oil-for-food money last spring).

Bremer, in an angry eight-page reply appended to the draft, rapped Bowen for “misconceptions and in-accuracies” and for expecting the CPA, amid postwar chaos, to follow accounting standards that “even peaceful Western nations would have trouble meeting within a year.” Among the details Bremer may have trouble explaining: at a press conference last spring, he said the CPA had approved “fundamental” internal controls for the Health Ministry before handing it over to the interim government. But, the report notes, his staff members said they were “unaware of the basis” for that assertion.

—By Timothy J. Weiner

BREMER, right, called to accounting
RULES OF ENGAGEMENT

RISING YOUNG EGYPTIAN screen star Ahmed El Fishawi is used to being the center of attention, but now he’s attracting it for all the wrong reasons. And if a Cairo family court ruled this month that he must take a DNA test to prove that he’s the father of a three-month-old baby girl, he might wish for a little less of the limelight altogether. El Fishawi is the subject of a suit that—with its revelations about how women, men and religion interact—has transfixed Egypt.

The saga began in February 2002 when, according to interior decorator Hind El Henrawi, 27, she and El Fishawi, 24, had an urfu marriage, a secret but legal and increasingly popular form of Islamic union that allows couples to have sex without the obligations of a more formal wedding.

El Fishawi denies the marriage took place, and says he’s not the father of El Henrawi’s child. The convention in such cases is for the woman to have an abortion, but El Henrawi refused to do that. Now it’s up to the court to decide. The ruling is bound to be controversial in a case that has already split society. “A ruling in El Henrawi’s favor may make young people take urfu marriages more seriously and reconsider the consequences,” says Madhia El Safi, a sociologist at the American University in Cairo.

—By Asmaa Radwan

THE ENEMY WITHIN

Two senior police or military officers are being sought in connection with the Beslan school siege, the Russian government’s chief investigator, Alexander Torshin, announced. At least 330 people, many of them children, died last September during the storming of School Number 1 in Beslan, where guerrillas loyal to the Chechen rebel Dzhokhar Dudayev were holding more than a thousand hostages. The two men, whose identities were not revealed, are “little above the rank of major or lieut. colonel,” Torshin declared. If the men are guilty, their high rank would be more surprising than

El Henrawi, above, insists El Fishawi is the father of her child.

Barrosso’s Vision

The European Union Commission President José Manuel Barrosso called for a period of “European renewal” as he outlined his five-year work program. Barrosso told the European Parliament that his main focus would be promoting economic growth and job creation.

Terror Tactics

The Netherlands: In a pretrial hearing in the case against Mohamed Bouyeri, the alleged killer of controversial film maker Theo van Gogh, judges were told that Bouyeri once ignored Van Gogh’s pleas for mercy. Prosecutors said that Bouyeri shot Van Gogh dead, then slit his throat, and that the gruesome slaying was intended to terrify the Dutch population. Bouyeri, who faces charges ranging from murder to inciting democracy, walked his right to attend the court. His trial is expected to start before the summer.

The Last Word

China: Thousands of mourners attended the tightly controlled funeral in Beijing of ousted Communist Party leader Zhao Ziyang, who died Jan. 17. After the ceremony, the official Xinhua News Agency released an obituary referring to Zhao’s “serious mistakes” in dealing with the 1989 student protests. Zhao was deserted after opposing that summer’s Tiananmen Square crackdown.

Sudan: U.N. Secretary-General Kofi Annan said he was “deeply disturbed” by an attack near the town of Shendi in the western Darfur region in which more than 100 people were believed to have been killed. African Union monitors said the Sudanese air force was responsible for the aerial bombardment, in breach of a truce agreed between the government and local rebel factions last year. Annan said the incident was “the latest in a series of grave cease-fire violations.”

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MORE BAD MEMORIES

As the world commemorated the liberation of the Auschwitz death camp in Poland 60 years ago last week, the hatred that conceived it continued to erupt. The far-right National Democratic Party (NPD) walked out of the Saxony state parliament during a silence for Holocaust victims. “It is the common duty of all democrats to confront the disgusting propaganda of neo-Nazis,” said German Chancellor Gerhard Schröder, whose government has tried and failed to ban the party. The Interior Ministry is now formulating proposals to stop far-right groups from demonstrating near Holocaust memorials.

Their Country Needs You

Maybe the Atlantic Ocean is getting narrower—or so it seemed last week, with America and Europe professing commercial interdependence. With a nod to European firms irritated by tough financial reporting rules imposed by the 2002 Sarbanes-Oxley Act, U.S. Securities and Exchange Commission chairman William Donaldson said the regulator was mulling over changes to make it easier for foreign firms. Why the pleasantry? Sarbanes-Oxley has helped cut the number of new foreign listings on the New York Stock Exchange by nearly half. With the Big Board looking to boost income, CEO John Thain confirmed the N.Y.S.E. was considering opening an hour earlier, to boost European trading. Is Europe worth getting out of bed for? “We're truly in the era of global markets,” says Dan Michelli of the U.S. Securities Industry Association. But it wasn’t all one-way traffic. The U.N. called on Europe’s economies to help battle the U.S.'s twin deficits by kick-starting domestic growth. Talk about win-win.

FOLLOW THE BOUNCING CZECH

How affordable is Prague housing? Ask Czech Prime Minister Stanislav Gross. The leader originally claimed to have financed the $1.185 million purchase of his $1.185 million apartment from his savings and a mortgage. When the Czech daily Mlada fronta Dnes discovered in mid-January that he could not have had enough money to cover the $1.080,000 down payment, Gross said that he borrowed nearly half the money from a well-to-do uncle. The 76-year-old retired military officer initially confirmed that, but changed tack when other relatives started questioning his financial situation. Last week, he explained that the money he loaned Gross came from relatives abroad. Confusingly, a day later he refused to confirm the story, calling media coverage of the loan “slanderous.” So where did the money come from? Gross has nothing to add. “The Prime Minister cannot answer for anybody else’s comments,” says spokeswoman Vera Dusilova. He’d better keep up his mortgage payments.

INDICATORS

BROKEN BONDS?

German financial markets watchdog BaFin accused six Citigroup traders of manipulating the German government bond futures market last August. The bank dumped €1.1 billion of the bonds, only to buy back a portion soon after, netting an estimated €17 million. Frankfurt prosecutors are considering a formal probe.

CONTROL SHIFT

Microsoft said it would not appeal an E.U. court’s December ruling that it comply immediately with antitrust sanctions imposed by Brussels last March. The firm had hoped to stall the penalties—including a requirement that it offer a version of Windows stripped of its Media Player—until its full appeal is considered.

COLD TURKEY

JD Wetherspoon became the first British pub chain to ban smoking, forbidding patrons from lighting up in its 950 bars from May 2006.

THIRSTY WORK

Sacre bleu! The U.S. will overtake France as the biggest wine-consuming nation by 2006, according to a British study.

RED INC.

Exportation percentage of firms declared insolvent last year

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GROUNDING BIRD FLU

Cambodia recently became the third nation since 2004 to suffer a human fatality from bird flu, intensifying fears that it will keep spreading. But in a Phnom Penh market stall encrusted with chicken excrement, 30-year-old San Ngam says that the birds she sells are exposed to the sunlight and can eat from the earth, so the disease does not affect them.

Besides, she adds, “only foreign chickens are affected, not the local ones.”

She’s wrong, of course. “The world is now in the gravest possible danger of a pandemic,” warned Dr. Shigeru Omi, Western Pacific regional director of the World Health Organization (WHO) last week. “The longer the virus is circulating in animals, the greater the risk of more human cases.” Since the virus known to scientists as H5N1 first emerged as a major concern in 1997, more than 140 million chickens and ducks across Asia have either died or been culled in vain attempts to eradicate the disease. Bird infections lead directly to human infections—most recently a 21-year-old Vietnamese man who was confirmed with bird flu Friday. With no vaccine available as yet, humans could be defenseless if the virus gained the ability to transmit easily from person to person. To contain it, Cambodia and its neighbors would need to radically modernize their animal husbandry practices. Such measures would require hundreds of millions of dollars to educate and equip poor farmers-money that developing countries can ill afford. And producing a vaccine is tricky, because in a pandemic the virus could mutate. The U.S. has just begun clinical tests on an experimental human vaccine for bird flu, and has made plans to stockpile 4 million doses. “A problem in a remote part of the world becomes a world problem overnight,” Dr. Julie Gerberding, the director of the U.S. Centers for Disease Control and Prevention, said last week. That’s why the blind faith of a Cambodian chicken seller is ample cause for international concern. —By Bryan Walsh. With reporting by Kevin Dayle and Kay Johnson

This act harms our interests, our path and our goals, and we will not hesitate to track them down and punish them.”

MAHMoud Abbas, Palestinian leader, warning to find those responsible for the suicide bombing outside a Tel Aviv nightclub that killed four and ended a lull in Israeli-Palestinian violence.

“This notion that the United States is getting ready to attack Iran is simply ridiculous. Having said that, all options are on the table.”

GEORGE W. BUSH, U.S. president, speaking to European allies at NATO and E.U. headquarters in Brussels.

“I have come to realize that personal relationships are more important than history.”

DOUG WEADE, motivational speaker and author, in a letter to the host of a U.S. political TV talk show, following an outcry over Wead’s release to journalists of secretly recorded conversations he had with George W. Bush before he was elected president.

No doubt I will not always get things right. But I am determined to set a different tone.”

LAWRENCE H. SUMMERS, president of Harvard University, responding to a meeting of faculty members still angry over his remark about women lacking “innate ability” in science.

“We have moved a mountain.”

RIFAT EL-SAYED, leader of the Egyptian opposition Tagarama party, on President Hosni Mubarak’s surprise announcement, made on his 80th birthday, that he will run for reelection in 2012.

Many of them don’t say who they are anymore because the culture has said it’s not socially acceptable to be a Democrat.”

HOWARD DEAN, new chairman of the U.S. Democratic National Committee, asserting the country has plenty of “aliens” in the Democrats.

“I’m so overexposed, I’m making Paris Hilton look like a recluse.”

U.S. SENATOR BARACK OBAMA, Democrat of Illinois, on the torrential media attention he has received. A rising political star and currently the only black U.S. Senator, Obama is the son of a Kenyan-born man who grew up herding goats.

MICHAEL MEETS HIS PEERS

THE JURY selection in the child molestation trial of Michael Jackson included some surprises—most notably how quickly it was completed. Expected to last a month, it took just six court days for lawyers to settle on 12 jurors and eight alternates. There were other surprises. Though polls have shown that blacks tend to be more sympathetic to Jackson, of the eight women and four men sworn in as jurors, none are African-American. But jury consultants scoring the panel say there some members could be sympathetic to the pop star. One 21-year-old man in a wheelchair, who said he had visited Jackson’s Neverland Ranch as a child, expressed disgust at discrimination lawsuits brought against local restaurants by a disabled man. Says jury consultant Sarah Murray, “He’s somebody who doesn’t like it when people play the victim.” Another potential prosecution obstacle is the self-assured great-grandmother, 79, who is a fan of her grandchildren’s attempts at moonwalking. “If she’s a rock in the middle of the jury who refuses to move,” says Murray, “that could be enough for the defense.” —By Matt Kettle

DARFUR DILEMMA

Debate over the slaughter in Darfur is moving into the crunch phase. As the U.N. Security Council struggles to decide what to do next about the murders and abuse engulfing the western Sudan province, the U.S. is circulating a draft resolution that cells for more peacekeepers on the ground in Darfur, imposes an arms embargo on all parties to the violence, including the Khartoum government, freezes the assets of, and bans travel by, individuals suspected of war crimes; and restricts offensive military flights. “We want a strong, resolut-

Food Fright

BRITAIN A U.K. food scare involving the banned dye Sudan 1 shown to be carcinogenic in rats speeded to 15 other, mostly European, countries. Britain issued an alert on Feb. 15 when Premier Foyles reported that it found traces of Sudan 1 in a batch of chip powder in its Worcester Sauce. The alert led to the recall of more than 400 products. The other countries affected are importers of foodstuffs from Britain.

Tarnished Temple

GREECE Archbishop Christodoulos, the head of Greece’s Orthodox Church, rejected calls by several senior clergyman to step down amid a corruption scandal that has seen a number of clerics facing allegations of bribing judges, drug dealing and theft. Christodoulos did announce the suspension of two close aides, but said he was “called upon to lead a cleanup of the church.”

Apportioning Blame

RUSSIA The Prosecutor General’s office formally charged Muslim Ibragimov, a Chechen native, with “a murder conspired and conducted by a group of people” in connection with the death of Forbes Russia journalist

While nations argue, the suffering goes on in Darfur with the widest possible support but which also makes a real difference on the ground for the Sudanese people,” says a State Department spokesman. “We want to identify perpetrators and have them brought to justice by internationally accepted means,” and therein lies a dilemma. While European nations and human-rights groups broadly support a U.N. commission’s recommendation that Sudanese war-crimes cases be referred to the International Criminal Court in the Hague, the U.S. remains vehemently opposed. Washington prefers that a new, hybrid court be impaneled by the U.N. and the African Union. But with the I.C.C. set up and already analyzing other African cases, human-rights officials are urging the U.S. not to stand in the way of a Security Council referral. Could the U.S. turn a blind eye to jurisdiction by the I.C.C., which is, after all, on “internationally accepted means”? “You can do that,” says the U.S. spokesman. While the U.N. debates, hun-

A Fresh Start

SOMALIA Hundreds of cheering Somalis in the northern town of Jowhar greeted President Abdullah Yusuf Ahmed and Prime Minister Mohamed Ali Gedi as they arrived on a six-town visit from exile in Kenya, their first since the formation of a power-sharing government last year. Yusuf and Gedi are promising conditions for the permanent relocation of the transitional government to Mogadishu.

MEANWHILE IN BRITAIN ...

Cold, Cold Art

There have been many attempts to promote peace in Northern Ireland, but artist Rita Duffy’s effort is unique. Duffy plans to tow an iceberg from Norway to Belfast, the city where the ill-fated Titanic was built and from which it set off on its fatal maiden voyage in 1912. Duffy said she hoped the iceberg would be a “symbol of hope” for the province’s divided community. Also, like so many peace agreements before it, the work is bound to melt down.
STRANGE BRANDFELLOWS

Corporate marketers seem to be coupling oddly these days. We have Shell-flavored sugar, Starbucks-sweetened milk—even a Bulgari-brand hotel. The latest corporate marriages are carrying cross-promotional synergy into new frontiers of commerce. —By Jeremy Caplan

ACER + FERRARI This laptop has nothing to do with the auto world, but why not slap on a snazzy car logo anyhow? Paired into candy-red casing, the Ferrari 3400's style is its strength.

ADIDAS + GOODYEAR The tire giant did more than just rubber-stamp these Adidas Tuscany shoes. The company used its Eagle F1 tire treads to inspire a new design for the soles of this trendy model.

APPLE + SWAROVSKI Basked with 1,000 crystals (one for each of the 1,000 songs it stores), this iPod mini joins a piano, cell-phones and other new "Cristalized with Swarovski" products.

INFORMATIONAL MEDICINE

What's the remedy for growing pains in the global pharmaceutical sector? For Novartis, it's generic: the Swiss firm last week swallowed Germany's Hermal and America's Eon Labs for $8.4 billion, forging them into its existing Sandzuc unit to create the world's largest manufacturer of off-patent, copycat drugs. A slide in blockbuster drug approvals in recent years—combined with the expiration of patents protecting a wave of branded drugs introduced in the '80s—has helped make generics big business.

Government encouragement of the sector means off-patent drug accounts for more than half of the U.K. and U.S. markets by volume. Novartis CEO Daniel Vasella reckons the sector will be worth $100 billion by 2010. But other Big Pharma firms have sold out of the low-margin generics business in recent years—so is Novartis taking an overdose? In a sector where "the cost of production is really important," says Francois Cloud, senior pharmaceutical analyst at Nomura in London, at least "being big does help."

THE BOTTOM LINE "We believe we have the potential to earn more out of Macau than from Las Vegas." William Weidner, president and CEO of Las Vegas Sands, which is planning to open its second casino in the Chinese territory in 2007
Emergency services carry out a victim of the Tel Aviv bombing.

forces to find out which group was behind it; and Palestinian security officials confirmed that the bomber, Abdullah Badran, was a member of Abbas's own Fatah faction of the PLO. But Fatah's Arab Martyrs Brigades militia denied involvement, as did Hamas. Suspicions fell on Hizballah, the Lebanese fundamentalist group, but on Saturday Islamic Jihad claimed responsibility. Palestinian observers say Islamic Jihad—which like Hizballah gets backing from Iran—may have been pressed by the Lebanese group to claim the attack. Officials say Hizballah wants to kill the trust between Abbas and the Israelis. Abbas didn't accuse Hizballah directly, but said "there is a third party that is interested in sabotaging this period of quiet."

Israeli politicians have thus far restricted themselves to urging the Palestinians to track down these responsible. (Late Saturday, Defense Minister Shaul Mofaz accused Syria of involvement; Damascus denied the charge.) If that restraint holds, perhaps the spirit of co-operation still has a chance to survive. — By Matt Rees and Janil Hamad

Unwelcome Return

It was no doubt inevitable, but that only made it more depressing. A Palestinian suicide bomber shattered the region's three-month period of calm Friday night by killing four Israelis and injuring 20 outside a crowded Tel Aviv nightclub. The bomber, a 21-year-old student from a village near the West Bank town of Tulkarem, was the first since the November death of Yasser Arafat; he hoped to destroy the tenacious trust that took root at a Feb. 8 peace summit in Egypt.

To keep him from succeeding, Palestinian security forces—which in the last four years have done little or nothing to apprehend these involved in such strikes—reacted energetically. The Palestinian police arrested two people in the West Bank; Palestinian President Mahmoud Abbas ordered his...
BANNED IN BEIJING

Despite the embargo, China is still the world's biggest weapons importer as its military huddles to modernize—over $3 billion dollars' worth between 1999 and 2004, mostly from Russia, according to the Stockholm International Peace Research Institute. Can Europe sell China what it wants while still satisfying the U.S.? Last week, British MPs suggested that a new EU code of conduct being developed to replace the embargo might break the

“Freedom has finally come to us.”

KURINGBEK BAKIEV, Kyrgyzstan's new acting Prime Minister and President, in an interview with Yeltsin that led Kyrgyzstan to elect the Central Asian republic after being accused of committing election fraud.

“We used to be under sanctions and the economic conditions were dire, but never was the city so ugly. Between the chopped trees and the burned houses, it's a total mess.”

PAMILA DAWODI, Iraqi school teacher, on the physical state of Baghdad.

“The D word is the farthest thing from my thoughts.”

FRANCIS HARVEY, U.S. Secretary of the Army, discounting the possibility of a draft, despite the likelihood that the army will fail short of its recruitment goals for March and April.

“I do not want to end up with an American style of politics with us all going out there beating our chest about our faith.”

TONY BLAIR, British Prime Minister, discussing the role of religion in his country's politics.

“I formally and categorically deny any personal implication, or implication of the patriarchy, in this alleged transaction, the details of which we know nothing.”

JEROME Dathan, Patriarch of the Greek Orthodox Church, on the alleged sale of church land in Jerusalem's Old City to Jewish investors.

“Have you ever heard the thunder real loud? It was like 10 times that.”

CHARLES GREGORY, oil refinery worker, on the deadly explosion at a BP refinery in Texas City, Texas, that claimed 18 lives.

“I can't even count how many gunshots I heard; there were over 20... There were people screaming, and they made us get behind the desk.”

ASHLEY MORRISON, student at Minnows' Red Lake High School, where fellow student Jeff Weier, 18, killed eight people in the deadliest U.S. school shooting since the 1966 attack at Columbine High School in Colorado. Two others were killed nearby.
HOW ROYALS SHOW RESTRAINT

March madness has taken on a different meaning in Britain, where the public is fixated on every new development concerning Prince Charles’ impending marriage to Camilla Parker Bowles.

From royal memorabilia to the missing mum, here’s a guide to the muted extravaganza they’ll be serving up on April 8.

—By Julie Rawe

Will we get to watch? The only part of the wedding the couple have agreed to television is the 45-min. religious blessing—a far cry from Charles’ last TV wedding extravaganza.

How will the couple make their getaway? They will leave the civil ceremony in a 1962 Rolls-Royce Phantom V previously used by the late Queen Mother.

How will we remember it? So far, the few commemorative items include stamps, right, that were approved by the Queen, and unofficial tea towels.

PERFORMANCE OF THE WEEK

After decades of experimentation, the world’s first black balloons, MIGHTY MYSTIQUE, has arrived. The three “cannister” balloons whose gases helped create the dusky shade of bell-shaped flowers were bought for over $93,000 each. But the fashionable flower promises to replace those expensive and then some. Balloons will sell for $15 each—over 10 times the norm for hydrangeas—and gardeners worldwide are already clamoring for the dark side of the blooms.

Do-It-Yourself Border Patrol

Fewer than 16 kilometers from the Mexican border, a vacant lot in Sierra Vista, Arizona, looks like a trash dump. Between the chaparral and scrub oaks are backpacks, sweatshirts, jeans, sneakers, used toilet paper and water bottles.

Simcox, right, with a colleague, bristles at the term “vigilante.”

More than $50,000 illegal aliens were caught last year in southern Arizona alone; some 52% of all undocumented migrants detained in the U.S. in 2004. Simcox, led up with what he sees as government inaction in the face of lawlessness and a threat to national security, plans to do something about it. As head of a two-year-old group called the Civil Homeland Defense Corps, he is spearheading a new Minuteman Project that will place volunteers at half-kilometer intervals to watch a busy 80-km stretch of border for the entire month of April. The goal, he says, is not to confront migrants but to report their locations to the U.S. Border Patrol.

The movement has aroused fears of vigilantism. Mexican President Vicente Fox has called groups like Simcox’s “immigrant hunters,” and U.S. President Bush said last week, “I’m against vigilantes.” Jennifer Allen of the Border Action Network says she is preparing a human-rights complaint against the U.S. government for “failing to prosecute vigilante groups.” Local officials in Arizona are nervous about hundreds of Minuteman volunteers coming in from out of state, and Michael Nicely, head of Border Patrol’s Tucson sector, says the Minuteman Project will “hamper border safety.”

Simcox bristles at the term “vigilante,” saying that his group is not detaining anyone, only fulfilling the President’s post-Sept. 11 request that all Americans remain vigilant—and, in the process, providing a release valve for popular outrage. U.S. Customs and Border Protection officials, meanwhile, told Time they would announce a “significant increase in resources” to address the influx of illegal immigrants still crossing by land into Arizona.

—By Brian Beemet
Bushwhackers' Birthday

LAUNCH A LEFT-WING TALK RADIO NETWORK IN A MEDIUM RULED BY AMERICA'S DAILY PULPITORS OF THE RIGHT? THEY SAID IT COULDN'T BE DONE. AIR AMERICA RADIO EXEC JON SINTON REMEMBERS THE KNOCK ON THE DOOR. "WE WERE ALL HERE IN REHAB, SCREAMING TELEVISION NEWS anchors ZAK ROSS AND STEVE UNITA, AMERICAN FOUNDATION FOR THE STRUGGLE AGAINST HUMAN TERRORISM, "BUILD A LIBERAL NETWORK."

UNFURLED PASSION

TURKS HAVE BEEN GIGGED BY PATRIOTIC FEVER. THE NATIONAL FLAG IS DISPLAYED ACROSS THE COUNTRY—FLYING FROM HOMES, TAXIS, CITY BUSES, BARS, AND STORE FRONT—SHOWING THEIR SUPPORT FOR THE NEWLY ELECTIONS IN TURKEY. "WE WANT A FREE TURKEY," SAID A SUPPORTER. "WE WILL FIGHT FOR OUR RIGHT TO FREE SPEECH AND FREEDOM."}

Hard Times

UNITED NATIONS: Secretary General Kofi Annan proposed reforms to the global body, including changing the Security Council and establishing new rules for authorizing military force. The proposals were met with mixed reactions, with some seeing them as a step forward, while others were critical of the process.

War Stories

BRITAIN: Information Commissioner Richard Thomas is to review the government's decision not to disclose advice from Attorney General Lord Goldsmith on the legality of the war in Iraq. The review follows increasing pressure on Prime Minister Tony Blair to reveal why the Attorney General, who reportedly warned of the legal risks of the war in late January, was allowed to keep his advice confidential.

Open Verdict

LEBANON: President Emile Lahoud signaled support for an independent investigation into the Feb. 14 assassination of former Prime Minister Rafik Hariri as a U.N. report concluded that Beirut's own inquiry was flawed and inconclusive. The U.N. report did not name a culprit in the bombing but cited Lebanese security failures and polarizing tensions.
UNDER PRESSURE

B German Chancellor Gerhard Schröder's coalition government in danger of falling apart? A lot depends on negotiations this week in the northern state of Schleswig-Holstein, where neither the ruling Social Democrats (SPD) nor the opposition Christian Democratic Union (CDU) managed to win a majority in a February state election. After incumbent SPD state premier Heide Simonis failed to build a minority government, the SPD and CDU have opened talks on a possible "grand coalition." The CDU has the advantage: by

writing away, it would trigger new state elections and almost certainly win. Failure to strike a deal could even force national elections—the last thing Schröder wants right now. The SPD popularity slumped to 29% in a Forsa poll published in Stern magazine last week, while the CDU rose to 40%. Crucial elections take place on May 22 in North Rhine-Westphalia, and recent polls show the SPD could lose that traditional stronghold to the CDU. Defeats in both states would give the CDU control of the upper house, the Bundesrat, putting a stranglehold on government legislation. Still, Jürgen Falter, a political scientist at the University of Mainz, thinks Schröder and his Green partners "have absolutely no alternative" to sticking together—and hoping the economy picks up. —By Charles M. Walter

The Rebate Debate

Can the European Union avoid another damaging bout of budgetary handshake? That's the big question following last week's E.U. summit in Brussels, at which French President Jacques Chirac questioned whether Britain should continue to receive a €4.5 billion annual rebate on its payments. In 1994, then Prime Minister Margaret Thatcher won the rebate for Britain by demanding: "I want my money back," and holding up E.U. businesses for months until she got it. E.U. leaders are supposed to fix a new budget framework this year for 2007-2013, and already there's disagreement over whether to increase the current €100 billion total by 15%—as France, Germany, and some other fiscally-strapped members want—or by substantially more, as new members such as Poland are demanding. On the continent, the rebate is considered anachronistic: Britain is no longer a relatively poor member state, as it was then, but one of the richest. Britain is set to take over the rotating six-month E.U. presidency in July, so optimists are hoping that current president, Luxembourg, can craft a workable compromise before then. Don't hold your breath.

Cross-Border Bank Raid

Italian banks are suddenly under assault from European rivals. ABN Amro of the Netherlands is expected to announce a bid for Banca Antonveneta, Italy's ninth-largest bank, as early as this week. That follows this month's €8.5 billion bid by Spain's Banco Bilbao Vizcaya Argentaria for the 85% of Banco Nazionale del Lavoro it doesn't already own. The move amounts to an earthquake for Italian banks, which are all firmly in Italian hands and have until now been able to count on the Bank of Italy to protect them from foreign takeovers. But the European Commission questioned that policy this year, putting Banca Italiana per le Imprese on the defensive. The attraction for foreigners: Italy's banking sector is highly fragmented and not very competitive, according to

The Bottom Line: "No one can go it alone any longer." Wolfgang Mayrhuber, Luftfrịhansa CEO, on the pressure to consolidate within Europe's airline sector

The German carrier last week agreed to a takeover of struggling Swiss International Air Lines.
WAVING OR DROWNING?

It was like a return from the bad old days of Italian politics, when governments came and went at the rate of more than one a year. Prime Minister Silvio Berlusconi resigned last week after a disastrous showing by his centre-right coalition in local elections. One partner, the Union of Christian Democrats (UDC), withdrew its ministers, another, the National Alliance (AN), threatened to do likewise. So Berlusconi quit, but give more power to Italy’s regions. Voters in the underdeveloped south, where the UDC and the AN drew much of their support, fear that will mean cuts in state subsidies. But another coalition partner, the Northern League, vows devolution as a way to lower taxes on the prosperous north. Berlusconi has tried to satisfy these divergent interests by giving something to everyone, including €6 billion in income tax cuts along with increases in public spending.

"The federal budget is on an unsustainable path."  
ALAN GREENSPAN, Federal Reserve chairman, warning that unless lawmakers come to grips with spiraling U.S. deficits, the economy is at risk of stagnation or worse.

"We dropped the ball, but we're not trying to cover anything up."  
WALTER WEBER, town clerk of Monticello, Wisconsin, on the town officials’ forgetting to hold a spring election as required by law.

"If we can achieve it, it will be a model for the rest of the world."  
JOHN HOWARD, Australia’s Prime Minister, on his nation’s proposed free-trade agreement with China—the first between China and a developed country.

"I would have thought his advanced age and unstable health [were] reason enough for the Cardinals to pick someone else."  
FATHER GEORG RATZINGER, brother of Benedict XVI, on the College of Cardinals’s choice of his younger sibling as pope.

"I’d like one of those big papal hats, and maybe three days/two nights at the Vatican hotel they built for the conclave."  
ROGERS CADENHEAD, blogger from Florida, on what it might cost the Vatican to take over the Internet domain name benedictxvi.com he registered in the days before the papal election.

"A new member of your editorial staff called Tenfel—Mr. Devil—must have slipped in. Your headlines stink of him, of sulphur, of rotten eggs."  
FRANZ JOSEF WAGNER, columnist for Germany’s Bild newspaper, writing in response to British tabloid headlines—such as the Sun’s “From Hitler Youth to Papa Batsi”—that greeted the new pope.

"I think that fellow is still writing for the Times."  

"I didn’t want to end up being Governor of California."  
BILL RICHARDSON, Governor of New Mexico, when asked why he did not use steroids during his career as a baseball player.

Sources: Reuters, Milwaukee Journal Sentinel, International Herald Tribune; AP; Reuters, Bild, New York Times; AP.
The public spat between Raffarin, at right, and de Villepin is hurting the French government.

Trouble At the Top

 Punch and Judy have nothing on Jean-Pierre and Dominique, France's pugnacious conservative politicians. Prime Minister Jean-Pierre Raffarin and his Interior Minister Dominique de Villepin have been long-disputed press reports that de Villepin is after his boss's job. But last week the gloves came off when de Villepin took to the radio and declared that France needed new policies and direction—and indicated he'd be available to provide that leadership, confessing he was one of the "who all their lives prepare to fulfill missions." Change, he said, should "take ... into account the feelings, hopes, and frustrations being expressed" by a fearful French nation that requires "policies more proactive, bolder and more socially aware." Though never explicitly denying himself heir apparent to Raffarin, de Villepin's ambitions seemed obvious when he indicated his comments had been cleared by his mentor, President Jacques Chirac.

The spat comes at an awkward time for the government. Chirac has been unable to halt the advance of the no campaign ahead of the May 20 referendum on the European constitution—according to a poll by Iri, 58% reject the document—and many people are angry over unpopular reforms and the stalled economy. Speculation is rife that Raffarin will be pushed aside after the vote. But he was quick to respond to de Villepin's remarks, saying he'd received the full backing of the Elysée and had put the dapper Interior Minister "back into place." Though the Prime Minister may have saved face, the fight has left the ruling party with a black eye. "De Villepin is right that Raffarin's gone after the referendum, but saying so may have cost him the job," predicts an official of the ruling conservative Union for a Popular Movement (UMP) party. "With public opinion as negative as it is, the last thing we needed was a fight in our own locker room."

By Bruce Grundy

IS ARNOLD IN PERIL?

Could Arnold Schwarzenegger's honeymoon finally be ending? It seemed that way last week, when the Californian Governor responded to a question about illegal immigration by saying the U.S. should "close the borders" with Mexico to stop "hundreds of thousands of people coming across." The gaffe infuriated the state's Hispanic voters, and Schwarzenegger rushed to explain he had meant to say "securing our border," blaming the misunderstanding on a "language problem." But suddenly, the Governor's heavily touted bi-partisan approval rating has plunged from 65% last year to 49%, may have lost his groove.

To complicate matters, a power struggle divides his staff. A conservative faction, including Schwarzenegger's chief of staff, is at war with a liberal one.
Like Father, Like Son

Lebanon seems to have stumbled into the art of overt crisis. Prime Minister-designate Najib Mikati formed a caretaker government last week, and gave notice that parliamentary elections will be held by the May 31 constitutional deadline. At least for now that seems enough to head off another round of mass demonstrations planned by opposition leaders, who had accused the Syrian government of seeking to delay balloting that its Lebanese allies are almost certain to lose. In a further sign of Syria’s diminishing influence, Jumblatt al-Ayyubi, Lebanon’s feared pro-Syrian intelligence chief, and Ali Haji, head of the country’s internal security forces, stepped aside. Meanwhile, Syria was expected to complete the withdrawal of its 15,000 troops in Lebanon in time to witness that parliament in a United Nations report due out this week. With a new political era dawning, citizens learned the name of the man who may be their future Prime Minister: Saad Hariri, son of Rafik Hariri, the billionaire tycoon and popular politician whose assassination on Feb. 14 triggered the mass protests and international pressure that forced Syria to pull out its forces. Last week, the Hariri family formally announced that Saad, 33, one of Hariri’s four sons from two marriages, would take up his late father’s political role. Saad, who until now has run his father’s business empire in Saudi Arabia, seems a virtual shoo-in for Prime Minister if he chooses to run. Many hope that Saad can finish the job of rebuilding and reuniting Lebanon his father began. “He is very capable and very serious,” says Marwan Hamade, a leading opposition MP. “He has the knowledge and the guts. From where he is now, Rafik Hariri should be satisfied.” —By Scott MacLeod

REELING IN THE TOURISTS

Just when you thought it was safe to spend the summer watching reruns, Martha’s Vineyard is launching its first annual Jaws Fest, to lure movie buffs to the Massachusetts resort island where the shark tale was filmed. The three-day event in early June will mark the 30th anniversary of Steven Spielberg’s first blockbuster with an outdoor screening and appearances by Jaws novelist Peter Benchley and co-screenwriter Carl Gottlieb, along with displays of movie props and behind-the-scenes photographs. (Universal Studios’ commemorative DVD set won’t be available for a couple more weeks.) The reunion won’t be complete: actors Roy Scheider and Richard Dreyfuss have not yet agreed to come, and the director has already said he will be tied up in Los Angeles completing his latest thriller, War of the Worlds. Also absent from the festivities will be the three mechanical sharks used in the picture, all of which were nicknamed “Bruce”—after Spielberg’s attorney—and have long since fallen apart. Unlike the film’s fictionalized Amity Island, Martha’s Vineyard has never been plagued by unprovoked shark attacks, although a great white was spotted off the coast of a nearby island last year. “We’re celebrating the arrival of Hollywood, not any predators,” says a rep from the local Chamber of Commerce, who spoke without irony. —By Jeffrey Rossner
IRAQ’S NEXT FAULT LINE

The Bush administration has hailed the new Iraqi government as a major step toward bringing stability to the country. But some U.S. officials are fretting about Iraqi plans to remove as many as 9,000 members of the security, intelligence and police services identified as former members of Saddam Hussein’s Baath regime. Such a move could wreak the forces that the U.S. has spent two years and $8 billion training, according to U.S. officials in Baghdad and Washington. sidelining thousands of former mid-level men now fighting the insurgency.

“We want to see the Iraqi security forces take a bigger role,” says a U.S. official in Baghdad. “Purging these people without reference to their loyalty now or their competence will set that back.”

The de-Baathification push is led by the Shi’ite-dominated United Iraqi Alliance, the biggest bloc in the new government, which accuses outgoing Prime Minister Iyad Allawi of packing security forces with ex-Baathists. Defense Secretary Donald Rumsfeld has privately warned Prime Minister Ibrahim al Jafari against a mass purge.

With the insurgency raging, some Iraqis fear the plan will drive newly unemployed officers to join the rebels. Says one Iraqi captain: “If the government has 1,000 enemies, they will have 10,000 enemies.”

Notebook

Will phones fail to online requests?
Searching the Web can bring the world to your door. But if you only want a tap trad or a pizza delivered, you can end up wishing the world would just go away. Business directory providers have been struggling for years to make money from their local online listings for small businesses, most pizzerias and plumbers don’t need the global reach of the most popular search engines and are reluctant to pay to advertise on the less used, local ones. But the arrival in the U.K. last week of Google Local (local.google.co.uk), could be the answer. Google’s new service, which has only been available to U.S. consumers for a year, presents users with two search boxes: what and where. The results are drawn from the 2 million business listings held by yell.com, the online version of the U.K.’s yellow Pages, and augmented with detailed maps showing the precise location of the desired establishments. Follow a link and Google Local will even draw the double its turnover for the same period last year.

“Search is integrating itself into every part of our lives,” says Danny Sullivan, editor of Search Engine Watch. “And local is one of the big things the search engines are targeting, because they know there is a lot of money in there.” In Europe, search engine marketing — paid for listings and services that boost online visibility — will generate $3.9 billion this year, according to a survey last month by Forrester Research. Germany and France are the next likely markets for Google Local, but it takes time to get the details right. Keywords like “pubs” and “curry,” and visual cues like making the map motorways blue to match the road signs, were important in England, says Kate Burns, Google’s managing director of U.K. sales. “One thing we’ve learned as a company is to act locally and to treat each market as idiosyncratically as its demands,” she says. As they say in France, “Cherchez la ... pizzas?”

BIZ WATCH

By MICHAEL BRUNTON

LOWER TAXES, FASTER TRACKS

Low-cost airlines are not the ultimate word in cheap transport, it turns out. Easyjet has halted its twice-daily flights from Paris to Marseille because the discount carrier was losing a battle for customers with the French railways. The high-speed TGV train can now do the 660-km trip in just three hours, about the same as flying if you include early check-in times and travel to the airport, and has been offering one-way fares as low as C73.

France’s TGV takes flight

Chairman of Air France, says that airport taxes on that route alone come to E531, so there’s no way airlines can compete on price. "Is it legitimate that this can happen?" Spinetta asks, pointing out that the French national railway continued to receive huge subsidies—while European Union rules now ban all lines from taking state handouts. An EasyJet spokesman says the airline took on the route two years ago as a trade off for getting slots at Paris’ Orly airport. It still flies from Paris to Toulouse and Nice, two destinations where the TGV doesn’t travel at all right yet.

RAISES APPRAISED

Average collectively agreed pay increases in 2004

- Netherlands 1.3%  
- Germany 2%  
- Britain 3%  
- Euro zone 3.1%  
- Poland 5.1%  
- Romania 12%  

THE BOTTOM LINE

"We cannot compete with China on lower wages, so we must be better, not necessarily cheaper."  
— GUNTER VERHEUGEN, European Commission Vice President, calling for more investment in research and development.
AN X FOR AL-ZARQAWI?

Mystery has always surrounded Abu Mousab al-Zarqawi, the leader of al-Qaeda in Iraq. But the latest puzzle is whether he's still in the picture. After an initial report on an Islamic website asked Muslims to "pray for the recovery of our

demise do much to quell the mounting insurgency? "When you start putting out large numbers of their experienced leadership, you significantly damage the effectiveness of the organization," says U.S. House Intelligence Committee chairman Peter Hoekstra. A Western diplomat in Baghdad says al-Zarqawi's death would be a "very important thing" and would hurt funding and

Sheik Abu Mousab al-Zarqawi from an injury he suffered for the sake of God," reports flew rapidly: he had been wounded by gunfire in the lungs, or shrapnel hit his stomach and legs; he was hurt in a clash with U.S. forces a month ago and spotted at a hospital in Ramadi, or he was injured a week ago and was out of the country. Some suggested he had already died; a later report insisted he was "in good health and running the jihad himself." Officials in Iraq and Washington expressed hope that the man blamed for many of the kidnappings and assassinations, and the latest wave of bombings that has left more than 600 dead in the past month, might be history.

But would al-Zarqawi's recruiting, especially for the "high-end suicide bombings" usually attributed to non-Iraqis. But others point out that the foreign fighters al-Zarqawi is said to command seem to represent only a small percentage of the rebels in Iraq: the bulk of the insurgency, made up of displaced Iraqis, Sunni, runs itself. "We face a thinking, adaptive enemy," says U.S. Marine Commandant General Michael Hagee, "and they have a seemingly inexhaustible supply of manpower." Says a foreign military commander familiar with the region: "There are hundreds to replace al-Zarqawi." —By Apollon Ghosh, with reporting by Christopher Alfredson, Timothy J. Bergan and Safy B. Donnelly

"The idea of people expressing themselves in opposition to government, then getting beaten, is not our view of how democracy ought to work. It's not the way that you have free elections." —GEORGE W. BUSH, U.S. President, criticizing the violence surrounding the Egyptian referendum, which asked —for the first time— whether multicandidate presidential elections should be allowed. Police beat protesters who believe the vote is superficial.

"There is little doubt that China will be in deep trouble if the [avian-flu] pandemic were to strike in the next few years. It has a moral obligation to its own people, and to the world, to rectify the situation as soon as possible." —DR. DAVID HO, U.S. AIDS researcher, warning in an article in the medical journal Nature that China is dangerously unprepared for an outbreak of the H5N1 virus

"U.S. warmongers' rackets reflect their dark intent to find an excuse to launch a pre-emptive nuclear strike against our republic." —KOREAN CENTRAL TELEVISION, North Korea's national TV network, responding to U.S. warnings that the country may be preparing to conduct its first nuclear test.

"The defense rests." —THOMAS MESERVEAU, defense attorney for Michael Jackson, surprising court watchers by closing his case just minutes after the prosecution showed jurors an hour-long videotape of the accused's initial interview with police over the child-molestation allegations.

"Google is still, you know, perfect... you should buy their stock at any price." —BILL GATES, chairman of Microsoft, sarcastically expressing skepticism over the perceived infallibility—and high share price—of the world's leading search-engine company.

"In Nepal there is an ethnic group for whom climbing Mount Everest is as easy as eating breakfast. Maybe we'll go up with them." —LIU JINGMIN, executive vice-president of the Beijing organizing committee for the Olympic Games, says officials are considering taking the Olympic flame to the top of Everest during the torch relay.

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The U.N.'s Hot Video Game

What's the most effective way to get First World kids caring about Third World problems? The answer, according to the United Nations' World Food Programme (WFP), is an action-padded humanitarian video game that lets players rack up points for air-dropping food rations and surveying war-torn populations on the fictitious island of Sheyla. "The gaming market is saturated with blood and guts and gore. Ours isn't like that," says Justin Froche, the game's project manager at WFP headquarters in Rome. "We've turned the concept on its head by addressing the urgency and immediacy of a real crisis situation." The agency spent some $400,000 developing the game, which in its first six weeks has been downloaded—free—for more than 500,000 times at food-force.com. (It was among the top five action/adventure downloads on Apple.com.) The site includes lesson plans for teachers and background info on the fictional Food Force aid workers, like a mustachioed Brazilian who, his bio reveals, joined 15 years ago after reading about the WFP's work on its website. After a gamer pointed out that the Web barely existed in 1990, the Brazilian replied diplomatically. "The game is set in the year 2026; it was back in 2011 that I signed up." —By Wendy Cole

Attack of the Locusts!

Not long ago, going public was the hottest move a company could make. These days, it's going private. Private equity funds are scouring worldwide, particularly in Europe, where the value of buyouts rose by 23% last year to $90 billion, according to the U.K.-based Centre for Management Buy-Out Research, and seems likely to keep rising. Not everyone likes the trend; German officials have likened the firms to "locusts." But U.S. funds alone have trebled their investments in Europe over the past four years. Many of them are currently raising huge war chests for further acquisitions. They include Goldman Sachs, which last month raised a further $8.5 billion, and the Blackstone Group.

LEAPFROGGING ROCK STARS

When British rockers Coldplay released the first track off their new CD last week, you could almost sense the relief at record label EMI. Chairman Eric Nicoli partly blamed a 13% dip in annual profits on the delay of the group's latest album. All the more irritating, then, that Crazy Frog's Axel Rosing loosed the ring tone that makes the theme tune from the Beverly Hills Cop movie, with an interlacing mobile-phone ringtone—think two-stroke scooters voiced by an animated frog—outsold Coldplay's single fourfold last week, according to music retailer HMV. Explaining Crazy Frog's appeal, the ring tone is sold across Europe, the U.S. and Australia, the trunkless set to top the British singles chart this week, a first for a ring tone. That "might be a little embarrassing" for Coldplay, admits HMV spokesman Gennaro Castaldo, but it's a hit with James McVicker, the London-based mobile-phone entertainment firm that's already earned millions in Crazy Frog ring-tone sales...James McVicker, which is owned by U.S. software firm Verisign, receives a slice of sales of the CD single, due for release in France this week. Will ring tones soon rival commercially cut and sell rock stars? Do the French like frogs' legs? —By Adam Smith

THE BOTTOM LINE "Any place where there are more than 50 investment bankers per square foot is a great place to be." BRENT HOBREYMAN, CEO of last minute.com, at networking at the Chelsea Flower Show, an event popular with the U.S. business elite
Trial and Error

FORMER LIBERIAN LEADER Charles Taylor was sent into exile nearly two years ago after eight years of leading a brutal insurgency and another six years of bloody rule—but he has apparently rejected the idea of a quiet retirement. Officials at the U.N.-backed Sierra Leone war-crimes tribunal told the Security Council in New York City last week that Taylor is now working closely with representatives of al-Qaeda to try to destabilize the region. "Al-Qaeda has been in West Africa. It continues to be in West Africa, and Charles Taylor has been harboring members of al-Qaeda," tribunal prosecutor David Crane told a press conference after the president of the tribunal appeared before the Security Council. Chief court investigator Alan White said he has evidence that Taylor and "and others" were behind a January assassination attempt on Guinean President Lansana Conte. In addition, he said, Taylor had funneled money from al-Qaeda to a man who later announced his candidacy for Liberia's presidency. Through a spokesman, Taylor, who now lives in Nigeria, denied the allegations. The Sierra Leone court, Western governments and human rights groups are cracking up pressure on Nigeria to hand Taylor, who faces 17 counts of war crimes and crimes against humanity for his role in the brutal conflict in Sierra Leone, over to the court for prosecution. But Nigerian President Olusegun Obasanjo says that, short of "irrefutable evidence" that Taylor has committed crimes from Nigeria, he will extradite Taylor only to Liberia. "The President keeps asking to see the evidence," says Obasanjo spokesman Remi Oyo, who points out that Nigeria agreed to grant Taylor asylum under pressure from Western nations. "All we get is statements and soundbites on television. But we need to see evidence, or we will not be seen as credible and honorable members of the international community." Nigeria may have a point, but don't expect the war-crimes tribunal to let up until it snare the biggest name on its list.—By Simon Robinson

GREAT LEAP BACKWARDS

Zimbabwe's President Robert Mugabe trying to set an African record for mass arrests? It certainly looks that way. Two weeks ago, police launched a violent crackdown on illegal traders in Zimbabwe's biggest cities—the government blames them for fueling inflation, now at 129%. Operation Restore Order has so far netted more than 15,000 people for hoarding maize and dealing in foreign currency. Many Zimbabweans believe there are darker reasons for the sweeps, which have included incidents of police brutality and destruction of property. Most of those targeted live in urban areas that overwhelmingly backed the opposition Movement for Democratic Change (MDC) in parliamentary elections last March. Many believe the arrests are payback for perceived disloyalty and a warning that anti-government unrest will not be met with force. But the arrests may also be a way for Mugabe to make nice with his new patrons in China. As he tries to cope with the world's fastest-shrinking economy, he has developed a Look East policy designed to curry favor with Asian powers, especially Beijing. China has begun to give arms and planes to Zimbabwe; in return, the MDC charges, Zimbabwe is giving China land. The Chinese government is helping to build Mugabe a new mansion on the outskirts of Harare, the capital. And Chinese traders are flooding the country with cheap shoes and clothes—and immigrants to sell them, too. The crackdown on Zimbabwean sellers will remove competition in this sector, alleges MDC leader Morgan Tsvangirai. "The Chinese are not so interested in short-term material gain; they're after long-term influence and power in the region," says Iancu Mogosanu, director of Zimbabwe Institute, an opposition-aligned think tank. "But Mugabe has to look like he's thinking of them after all the help China's given him."

—By Simon Robinson
A whip-wielding guard controls a crowd outside a grocery store in Harare last month

MEANWHILE IN RUSSIA

Putting up their pigs for slaughter is not enough; some Russian farmers are giving new meaning to the term "smokey bacon" by training and breeding them for speed. The sport of PIG RACING is back in Russia after a century-long hiatus. "These swine are long-legged, lean, nimble, in good sporting form and craving victory," says the president of the newly-formed Federation of Sport Pig Breeders. More likely craving victory's spoils is a basket of carrots at the finish line.—By Jessica Carsem

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A Bloody Holiday in Pakistan

Last week, Sunni and Shia Muslims traveled to Islamabad’s Buri Imam shrine to commemorate the life of Shah Abdul Latif Bhitai, a 17th-century Sufi saint—and rebuke the deadly sectarianism bedeviling Pakistan. Instead, Friday’s gathering became a bloodbath when a terrorist blew himself up in a tent full of Shia celebrants, killing at least 20.

President Pervez Musharraf responded with a call to oppose “anyone trying to incite hatred.” But sectarian violence has worsened under his reign. Musharraf has been reluctant to act against militant groups, largely to avoid alienating the fundamentalist parties keeping his secular political opposition at bay: “The government does not recognize the threat homegrown terrorists pose to Pakistan’s stability,” says Sunna Ahmed of the Brussels-based NGO International Crisis Group.

A week earlier, 58 clerics in Lahore had signed a fatwa condemning suicide bombings against Muslims. But many hard-line Sunni militants, whose authorities suspect are behind the bombing, do not consider Shiites, Sufis and moderate Sunnis “real” Muslims at all. “There is no place in Islam for such acts,” insists Mufti Munirah Rehman, who signed the fatwa. Sadly, there seems to be a place for them in Pakistan. —By Phil Zobrist and Gulamar Hossain

EVERYONE KNOWS IT’S WINDY

The party in late May on the tiny, remote Shetland Island of Unst, Britain’s northernmost inhabited chunk of rock, was a real gas—literally. Islanders hopped to an enthusiastic set of ‘50s and ‘60s favorites performed by the licensees, perhaps the only rock band powered by a hydrogen fuel cell. The electricity that amplified their guitars and keyboard came from a hybrid wind-hydrogen system that is part of the world’s first community-owned hydrogen production plant, built on this island of 700 inhabitants. “Despite all the hype around the hydrogen economy, there appeared to be very little to show for it in practice,” says Sandy Maccluskey, project manager for PURE (Promoting Unst Renewable Energy) and Bonitas lead guitarist. Two 15-kW wind turbines provide cheap and clean electricity to the island’s industrial estate. Surplus power goes through hydrogen production and storage equipment, and the zero-carbon gas is bottled for future use. PURE hopes to expand its applications beyond powering and heating the small industrial estate and running Scotland’s only road-licensed hydrogen car. “Up to five days’ worth of power can be stored, says technical director Ross Gaze. Could that run out after five days of no wind? “With weather like we have here,” says Gaze, “that’s never going to happen.” —By Maryann Bird

SILENCE AFTER THE STORM

The government of Uzbekistan violently quelled an uprising in Andijan in mid-May; now it’s harassing those who criticized the official version of events. Late last month, Uzbek President Islam Karimov’s security police arrested human-rights campaigners across the country, including lawyer Saidjon Zainabitsinov. It was Zainabitsinov who alerted international human-rights monitors that the government might not be telling the whole story about what happened in Andijan.

Uzbek authorities claimed that 173 people died, mostly militants. But based on first-hand experience and other eyewitness accounts, Zainabitsinov said the death toll could be as high as 1,000—and demanded an international inquiry. The government answered with slander charges that could mean up to five years in prison. Said Muzaffarrazm Ishkisairov, the Andijan chair of the Esgulik (Goodness) human-rights group: “They did not let his family see him, or even send him some food.”

Surat Ibramov, chair of Uzbekistan’s Initiative Group of Independent Human Rights Defenders in Tashkent, told TIME that police have subjected more than 40 protesters in the Uzbek capital to repressive measures, including detention in unknown locations and home arrests. And he says other activists have been harassed or arrested in the country’s Fergana region.

Zainabitsinov could face five years in jail

Kashkadonovskiy and Djizk regions. Karimov’s government has repeatedly rejected calls for an independent inquiry, despite mounting international pressure. “Karimov is digging his own grave,” says Oleg Paninov, a Central Asia expert in Moscow. “The tragedy is he’s dragging his entire country along.” —By Yuri Zarhovich
NOTEBOK

VERBATIM

"Conservatives saw the savagery of 9/11 in the attacks and prepared for war. Liberals saw the savagery of the 9/11 attacks and wanted to prepare indictments and offer therapy and understanding for our attackers."

KARL ROVE, White House advisor, in a speech at a Conservative Party fund raiser in Manhattan, prompting calls from Democrats for his resignation or an apology, which the Administration dismissed

"Isn’t it time for you to resign?"

SENATOR EDWARD KENNEDY, Massachusetts Democrat, questioning U.S. Defense Secretary Donald Rumsfeld during a Senate hearing on the Iraq war about the "series of gross errors and mistakes" made on his watch

"They’re very well treated down there. They’re living in the tropics. They’re well fed."

U.S. VICE PRESIDENT DICK CHENEY, defending the treatment of prisoners in Guantánamo Bay, Cuba

"The Constitution this week is being nibbled to death by small men with press secretaries."

REPRESENTATIVE GARY ACKERMAN, New York Democrat, speaking on the House floor against a constitutional amendment that would allow Congress to overturn the U.S. flag

"Nothing is to prevent the State from replacing any Motel 6 with a Ritz-Carlton, any home with a shopping mall, or any farm with a factory."

JUSTICE SANDRA DAY O’CONNOR, U.S. Supreme Court, in a dissenting opinion in the 5-4 ruling that local governments in the U.S. may force property owners to make way for private development when officials decide it would benefit the public, even if the property is not blighted and the project’s success is not guaranteed

"I kept my promise."

MICHAEL SCHIAVO, in an inscription on the grave marker for his wife Terri, whose ashes were buried last week after an epic legal battle over her end-of-life wishes, referring to a pledge he made, before she suffered brain damage in 1990 and lapsed into a coma, that he would never keep her alive artificially

"You don’t know the history of psychiatry. I do."

TOM CRUISE, actor and Scientologist, criticizing Matt Lauer after the morning-newscaster had questioned the film star’s earlier disapproval of actress Brooke Shields for taking antidepressants

Iran’s New Hand

Hardliner is not a nice word, even for hardliners. So, immediately after his stunning landslide last week, Mahmoud Ahmadinejad declared that as Iran’s new President, he would not be shutting Iran off from the rest of the world or curtailing the Internet or taking the country back to the 9th century. His Iran, said the erstwhile mayor of Tehran, would be modern and strong (meaning nuclear powered) and rich, with prosperity to be shared among all classes, not just the elite. Still, the streets of Tehran’s better-off northern districts were like a ghost town full of zombies, with residents in shock over the accession of a little-known revolutionary and Islamic zealot. "We are doomed," said Nasser Soroudi, 33, a salesman at a photo shop. He, like many of his countrymen, believes that the new President will turn their country into "Iranian-Irland."

The unassuming Ahmadinejad, 48, defeated the wily political veteran Ayatollah Ali Akbar Hashemi Rafsanjani, 70, who ran on a pragmatic platform that promised accommodation with the West. But Rafsanjani could not consolidate support from the country’s liberal and progressive voters who were wary of his family’s largely unexplained wealth and unhappy about the corruption that grew under his watch as President from 1989 to 1997. So while Iran’s economically disadvantaged classes, Islamic militias and web of religious social-action groups provided Ahmadinejad with 62% of the votes, Rafsanjani could muster only 36% in a country almost evenly split along ideological lines and where many younger people—more than 50% of the population—want liberalization. "I know a government by Ahmadinejad will mean regressing to the foxy days of the revolution," says Sepideh Ahmadlou, 24, who works for a software company. "But I couldn’t bring myself to go and vote for Rafsanjani."

The biggest winner in this election is Iran’s Supreme
Leader Ayatollah Ali Khamenei. Since succeeding to the head of theocracy with the death of Ayatollah Ruhollah Khomeini in 1989, Khamenei has always had to contend with rival conservatives like Rafsanjani or with reformist Mohammed Khatami, who has held the presidency since then. While that office has always been much less powerful than that of the venerable Supreme Leader (Khamenei, while theoretically above politics, runs Iranian foreign and nuclear policy from behind closed doors), the presidency has been a strategic bully pulpit for those with ideas different from the theocracy. Now with Rafsanjani humiliated at the polls and reformists crying in the wilderness, Khamenei has an acolyte as President: Ahmadinejad, says a political scientist based in Tehran, will effectively function as Khamenei’s “executive secretary.” The opposition in Iran grumbles that Khamenei’s hand—and funds—may have given the modest Ahmadinejad’s campaign a huge and unfair boost. The former mayor’s supporters say otherwise. Says one: “We believe God’s hand is higher than everything else and it was his hand that made the people go and vote.” Still, says Sadeq Zibakalam, a political analyst at Tehran University, “The people of Iran would be naive to believe that Ahmadinejad was one of them, a simple man with no backing. Ahmadinejad is just the tip of the iceberg. Behind him are the regime’s most powerful political and military institutions.”

The Bush Administration has never been swayed by the reformist face of Iran over the past few years and remains unmoved by Ahmadinejad’s soothing words after the election. “We will judge the regime by its actions,” said Joanne Moore, a State Department spokeswoman. Relations between Washington and Tehran are unlikely to be warmed by the new lineup. “With neoconservatives in power in Washington, it is dangerous to have neocconservatives in power in Tehran,” says an Iranian political scientist.

The hard-line triumph in Iran is already causing deep anxiety in neighboring Iraq, which is riven by Sunni and Shia’s factionalism. Now some Iraqis worry that whatever remains of their fragile détente may be shattered by pro-Shia Iranian interventionism. Says Ibrahima al-Rawi, an outspoken Sunni cleric in Baghdad: “Ahmadinejad is a man with narrow religious views, and he wants to export these.” But Iraq’s Shia’s establishment, which has deep ties to Iran, is nonplussed. “Ahmadinejad is a young man, a new player,” says Fadl Jawaad Tani, a Shia member of Iraq’s interim National Assembly. “We have no relationship with him at all, but we have to build one now.” — By Apar sperm Ghosh, Scott Macleod, Elaine Shannon and Nahid Siamdoust

SELLING SECURITY CLEARANCE

In the hopes of speeding up unpredictably slow lines at airports, more than 1,000 travelers at Florida’s Orlando International Airport signed up within 24 hours of last week’s rollout of Clear Card, the first privately run prescreening security program. Customers who pay a $79.95 annual fee and submit to fingerprint and iris scanning—plus a background check by the U.S. Department of Homeland Security—can be ushered through a dedicated fast lane at airport security checkpoints, with the clearance from secondary searches. Verified Identity Pass Inc. is trying to reassure civil libertarians, who are concerned that the system could be used to spy on consumers, with a promise not to track cardholders’ movements or sell their personal information. But the company, which relies on Lockheed Martin technology for its biometric identification cards, is not pitching itself as a cure-all. Says VIP founder Steven Briel: “This is not risk elimination. It’s risk management.”

By Barbara Liston

NASCAR: THE U.S. ARMY’S UNLIKELY ADVISER

NASCAR engineering to reduce rollovers for the next generation of vehicles that will replace the 20-year-old humvee. One piece of NASCAR ingenuity already deployed in Iraq: the layers of clear plastic sheets on the front of race-car windshields, which crows can quickly tear off each time out or go to obstruct the driver’s view. Similar Mylar sheets are now used on Black Hawk helicopters, whose windshields in the past had to be routinely replaced after getting pitted by desert sand. A set of layered sheets, which costs $1,100, is a lot cheaper than the $15,000 windshields. Could an invasion of flashy logos be far behind?

—By Douglas Weller

The U.S. Army may borrow some of NASCAR’s technology
Spy Games

Not even the closest allies, it seems, always work together. Italian prosecutors have issued warrants for the arrest of 13 alleged American CIA operatives suspected of abducting Osama Mustafa Hassan, an Islamic cleric in Milan, in order to take him to Egypt. Prosecutors allege that the 2003 operation was an "extraordinary rendition," in which terror suspects are seized and sent to other countries for interrogation and, in some cases, according to former captives, torture. At the time of his abduction, Hassan was under investigation by Italian authorities for alleged links to al-Qaeda. The Italians say they have photocopies of the Americans' passports placing them in Milan and mobile-phone records showing calls to each other and to Egypt. The CIA and the U.S. embassy in Rome declined to comment. Depending how it's resolved, the episode could add to Italian disenchantment with U.S. foreign policy.

"This was not only gravely illegal, but also very damaging in the battle against terrorism," prosecuting magistrate Armando Spataro told Time.

—By Jeff tersely

THE RIGHT STUFF

Having laid low while President Jacques Chirac took the heat for losing France's referendum on the European constitution, Nicolas Sarkozy is back, in the guise of a self-styled crimebuster. After an 11-year-old boy was killed by a stray bullet while washing the family car in La Courneuve, a desolate banlieue outside Paris, France's newly reappointed Interior Minister vowed that "the thugs will disappear" and that he'd "cleanse" the quarter. Two days later, Sarkozy decreed that a man who had been granted early release from life imprisonment is now implicated in the June murder of a 37-year-old jogger. "The judge must pay for his mistake," Sarkozy fumed before an assembly of gendarmes at the Interior Ministry. The combative tone suggested to many that Sarkozy, who as head of the governing Union for a Popular Movement (UMP) is already eying the 2007 presidential elections, is gunning for the hard-right voters of Jean-Marie Le Pen's National Front. If so, he'll have to contend with his own government first. Justice Minister Pascal Clément noted that "the law, all of the law, was respected" in the prisoner's early release, and Prime Minister Dominique de Villepin lectured that "nothing should put in question the independence of the judiciary." For his part, the judge in question accused Sarkozy of "demagoguery," and the Superior Council of Magistrates filed a formal complaint with Chirac. UMP parliamentary deputy Jean-Michel Forgues said the intense reaction shows that for Sarkozy, "the threat comes from Chirac's people, not the National Front." But it's with Chirac's people that Sarkozy governs. "He knows that his brand of economic liberalism isn't popular in France, so he's compensating with a dose of moral conservatism," says Stéphane Routin, director of the French polling firm CSA Opinion. "But he can't go much further in that direction without having to choose between the government and his own ambitions."—By James Graff

MURDER AND TURMOIL

The Lebanese elections that ended on June 19 were supposed to herald a new era of independence from Syrian control. But the killing of another prominent anti-Syrian figure has overshadowed the opposition's success in securing a majority in the new parliament. George Hawi, a former secretary-general of the Communist Party and a critic of Syria's domination of Lebanon, died when a bomb exploded beneath his Mercedes in a busy Beirut street. Hawi was the second anti-Syrian activist to die in June, and many in Lebanon blame the murders on Syria and its allies in the Lebanese intelligence services, though Syria denies involvement.

Rising tensions seem unlikely to abate unless Emile Lahoud, the pro-Syrian President, resigns, but he refuses to do so and the opposition bloc is short of the two-thirds majority required to begin impeachment. That portends a potential deadlock between a President determined to see out his term and an opposition-dominated government that believes Lahoud was involved in the murder of former Premier Rafik Hariri. "How can you have Lahoud sitting around the same Cabinet table with ministers who are united by the one thought that he is responsible for the death of their historic leader?" asks Chibli Mallat, professor of international law at St. Joseph University in Beirut. And as this stalemate deepens, Lebanese fear that another assassin's bomb will be used to try to break it. Walid Jumblatt, leader of Lebanon's Druze sect and a senior opposition figure, who rarely leaves his heavily guarded home south of Beirut. Some opposition activists are taking extra security measures but many of them feel dangerously exposed.

"I'm trying," says Ziad Majed of the opposition Democratic Left movement, "but if they want to get you, they can."—By Nicholas Blanford

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Betting On a Fall

Warren Buffett may be the greatest investor ever. But his long-term philosophy, which was ridiculed as he avoided the dot-com boom—and vindicated as he avoided the bust—is being scrutinized once more. The buy-and-hold billionnaire is up to his ears in exotic investments known as derivatives, which are used to bet on things like the weather and the direction of interest rates. Derivatives were at the core of the 1994 bankruptcy of California’s Orange County and the 1998 demise of hedge fund Long-Term Capital Management.

Buffett once called them “financial weapons of mass destruction,” so you’d think he’d steer clear. But his company, Berkshire Hathaway, has acknowledged a $307 million pretax loss in the first three months of this year due to a $21.4 billion position in “currency contracts,” which are derivatives that in this case hit pay dirt when the dollar falls. Problem is, the dollar is rallying. The greenback up 4% against the euro in the first quarter and an additional 8% since then—showing signs of stalling, and Jim Bianco of Bianco Research estimates that Buffett’s losses this year have surpassed $1 billion. Sweden has just surprised the world by cutting interest rates, which could trigger rate cuts throughout Europe and a further euro slump. Yet Buffett is sticking with his bet. “There’s no change in the underlying factors affecting currencies,” he said, adding that in the long run, the U.S. trade deficit has to weaken the buck. But it’s not all bad news for Buffett fans. He first bet against the dollar as it was falling in 2002 and remains in the money overall.

—By Daniel Kadlec

A Spoonful of Reform

Europe’s sugar beet growers have been dumped on world markets, but that’s going to change world production. Shares in Britain’s Tate & Lyle tumbled after it warned that profits could be reduced by more than $150 million over the next two years. Other losers are the least efficient E.U. sugar growers, mainly in Greece, Ireland, Italy and Portugal, as well as 18 countries in the Caribbean that have a duty-free deal with the E.U. that allows them to sell raw sugar at fixed prices. “This is a devastating proposal that must be fought tooth and nail,” said Ian Donald, chief executive of the Sugar Association of the Caribbean. The Commission’s proposal must still be approved by the E.U. governments, but Fischer Boel insists there’s no alternative. Any failure to act, she said, “would mean a slow and painful death for the European sugar sector.” One consolation: European confectionery and biscuit-makers say the new prices will make them more competitive. How sweet it is.—By Peter Gamber

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Getting Posh in Prague

Thank you to the likes of EasyJet and Sky Europe, the flow of budget-conscious tourists into Central and Eastern Europe is becoming a flood; visitors to Budapest are up 37% during the first quarter of 2005; international arrivals in Warsaw in March were up 35% to 509,000; and Serbia has announced $2.8 billion in subsidies to kick-start tourism there. But having skimped on the fares, it seems many tourists want to splurge it up in style. Warsaw now has eight five-star hotels—twice as many as in 2002. Hungary is building two of them a year and Bulgaria already has 23. Particularly popular are the five-star spas and “wellness” centers. For now, supply is outpacing demand, meaning typical room rates of $200 a night can be halved by package deals. “They aren’t typical Hilton guests in jackets and ties,” says Paul Koyavos, spokesman for the Hilton Budapest, which gets heavy weekend traffic. “These are young people, 25 to 40, mainly couples. They go on travel tours. They drink beer. It’s leisure,” he says. Look out, though, when the British stag parties start arriving, says Marketa Sebrlova of the Hilton in Prague. “They are loud. They get drunk.” On fine champagne, no doubt.—By Michael Bruton

The Bottom Line

“I oil prices aren’t really going to turn down until the global economy turns down. I could see oil at $90 a barrel,” says Philip K. Verleger, Jr., senior fellow, Institute for International Economics in Washington, as oil prices neared $90 a barrel.
WHEN THEY KNEW

As the investigation tightens into the leak of the identity of covert CIA operative Valerie Plame, sources tell TIME some White House ofcials may have learned she was married to former ambassador Joseph Wilson weeks before his July 6, 2003, Op-Ed piece criticizing the Bush Administration. That trip from Carl Ford, head of the U.S. Department of Intelligence and Research. Sources familiar with the memo, which disclosed Plame’s relationship to Wilson, say U.S. Secretary of State Colin Powell read it in mid-June. U.S. Deputy Secretary of State Richard Armitage may have received a copy then too.

When Plame’s article ran on June 12, the circle of senior officials who knew about the identity of Wilson’s wife expanded. “After Plame,” a former intelligence officer says, “there was general discussion with the National Security Council and the White House and State Department and others” about Wilson’s trip and its origins. A source familiar with the memo says neither Powell nor Armitage spoke to the White House about it until after July 6. John McLaughlin, then deputy head of the CIA, confirms that the White House asked about the Wilson trip, but can’t remember exactly when. One thing he’s sure of; says McLaughlin, who has been interviewed by prosecutors, is that “we looked into it and found the facts of it, and passed it on.” —By Massimo Carrubba, with reporting by Timothy J. Burger, Michael Duffy and Viveca Novak

“Sept. 11 for me was a wake-up call. A lot of the world woke up for a short time and then turned over and went back to sleep again.”

TONY BLAIR, British Prime Minister, speaking during a news conference prior to the arrest of the suspected July 21 bombers

“I didn’t say nuke anything. I just said, ‘Take out their holy sites.’”

TOM TANCREDI, Republican Congressman from Colorado, clarifying his comments on how the U.S. should respond to a nuclear attack by Islamic terrorists

“It isn’t just a matter of faith. It’s a matter of science.”

BILL FRIST, U.S. Senate majority leader and an anti-abortion physician, supporting federal funding for stem-cell research on frozen embryos left over at fertility clinics, in a bill opposed by President George W. Bush and religious conservatives

“Mr. Mugabe is a man of strong convictions, a man of great achievements, a man devoted to preserving world peace and a good friend of the Chinese people.”

AN YONGYU, Communist Party secretary of the China Foreign Affairs University, which is controlled by the Foreign Ministry and last week named the Zimbabwean President an honorary professor

“It was bigger than my village.”

ALI AL-SIROWIT, father of a 13-year-old Iraqi boy who underwent facial-reconstruction surgery in the U.S. for injuries caused by a U.S. cluster bomb, after he and his son visited Wal-Mart

“Our family is under constant pressure from all sides. It’s painful and hard but I beg you, with all my heart and soul, to surrender.”

LILANA KARADZIC, wife of fugitive Bosnian Serb war-crimes indictee Radovan Karadzic, during an emotional televised appeal for her husband to give himself up

“I promise I will become a spokesperson if you allow me to… I will defend you and try to get rid of any stereotypes.”

RICKY MARTIN, the Puerto Rican singer, offering to help change Westerners’ negative perceptions of Arab youth.
ALL FIRED UP

In much of southern Europe, desiccated by one of the worst droughts of the last 60 years, wildfires are raging—and tempers are rising. All of Portugal, where fires are consuming an estimated 1,000 hectares a day, has been declared a severe drought zone. Spain, where rainfall in the first half of the year was 33% below average, is still in a political clinch over a July 26 blaze that killed 11 firefighters; the opposition Popular Party claims the Socialist government didn’t act quickly enough to bring the situation under control. Such political battles could intensify, since experts warn that drier conditions are here to stay. Earlier this year, European Commission researchers reported that while precipitation has increased in northern Europe over the past 100 years, it has decreased by as much as 20% in parts of southern Europe and the Mediterranean countries. The combination of diminished supply and increased demand for water is already causing sparks over who gets what.

Last week the environment ministers of Spain and Portugal agreed on how to meet out scarce supplies. Portugal said it would use 15% less water from the Douro River, which flows from central Spain into the Atlantic at Porto. But such comity was met with bafflement by some; Portuguese farmers complained that while their Spanish counterparts can profit from the recently completed Algave Dam in southern Portugal, close to the Spanish border, no irrigation system yet exists to get water to their own parched fields and livestock. “They are going to give the Spaniards water to irrigate their crops and then the Spaniards will sell their crops back to us,” says Diogo Morgado, president of an agricultural association on the south bank of the river.

In the long term, consumption will have to be scaled back if water is not to become a flashpoint in Europe, where governments “still try to manage the supply rather than solving the demand problem,” says Michael Scoullos, chairman of the Mediterranean section of the Global Water Partnership. Golf courses are an obvious target, but agriculture, which soak up more than 70% of supply in the region, won’t be spared. —By James Graft and Martha de la Col

A FAREWELL TO ARMS

A the four men suspected of trying to bomb London’s transport system on July 21 were apprehended last week, another group of terrorists said it was laying down its weapons. In a DVD video, I.R.A. veteran Seanne Walsh—who spent 23 years in prison for munitions offenses—stood before an Irish flag to read a statement formally ending the organization’s 36-year armed campaign to force Britain out of Northern Ireland. By ordering its members to “dump arms” and adopt “exclusively peaceful means,” the I.R.A. leadership signaled that their decades-long quest for Irish unity now rests in the hands of their political counterparts in Sinn Fein. The statement prompted a sudden surge forward in the peace process. The British army began demolishing some of its remaining installations, and the I.R.A. said it was ready to dispose of all its weapons with witnesses from the Protestant and Catholic churches present.

But can Northern Ireland’s troubles end that easily? Unionists, led by Ian Paisley, a fiery Free Presbyterian preacher, point out that the I.R.A. has made lots of promises in the past without ever fully giving up violent and criminal activities—or intimidating witnesses so that no one is ever prosecuted. “Does [the statement] mean that if they’re involved in crimes, the rule of law applies to them the same as everybody else?” asks Paula McCartney, whose brother Robert was murdered by I.R.A. members in January in a bar brawl. One man is awaiting trial for the killing, but police suspect at least nine people were involved in the attack. “It’s time to put some meat on the bones,” says Alan McBride, whose wife and father-in-law were killed by an I.R.A. bomb in 1993. “People judge them on what they do.” To address the skepticism, leaders in London and Dublin asked a watchdog body to report next January on whether the I.R.A. is sticking to its vow.

Many of the approximately 1,900 I.R.A. members could well enter the political struggle for a united Ireland by working for Sinn Fein. In the seven years since the Good Friday Agreement brought a fragile peace, Sinn Fein has grown while the I.R.A.’s influence waned. Led by Gerry Adams, Sinn Fein is now the biggest nationalist party in Northern Ireland, with 24 seats in the Northern Ireland Assembly. And they have gradually become an influential political force in the Irish Republic, too, where they even threaten Irish Prime Minister Bertie Ahern’s hold on working-class North Dublin. But there’s also a risk that splinter groups could keep the violence going. “Nothing has changed,” a defiant source from the Continuity I.R.A. told TIME. “There is still a British presence that has to be removed.” To counter that threat, I.R.A. members will need to show the same determination to keep the peace as they once displayed to wage war. —By Chris Thornton/ Belfast.

With reporting by Malvad Cary/Dublin and Andrea Garlito/London
BACK TO THE TABLE

When negotiating with enigmatic, totalitarian North Korea, progress can be maddeningly hard to achieve. That’s why, when the on-again, off-again six-party talks restarted last week after a 13-month hiatus, U.S. Assistant Secretary of State Christopher Hill warned reporters not to expect the impasse over North Korea’s nuclear-weapons program to be resolved soon. “I want to caution people not to think we are coming to the end of this,” said Hill, who is the U.S. point man for the talks being held in Beijing.

For a world made uneasy by North Korea’s claim that it possesses atomic weapons, it was heartening that negotiations were taking place at all. Three previous rounds of talks—which began in 2003 and include the participation of China, South Korea, Japan and Russia—ended without a positive result; diplomats feared the process might break down completely. But there was evidence of modest progress last week. For one thing, there was a series of private discussions between the two main players, the U.S. and North Korea, that seemed to indicate a softening of the Bush Administration’s stance that it would not deal directly with Pyongyang.

Considering the high stakes involved, neither Pyongyang nor Washington want to be blamed for having things break down,” says Peter Beck, Seoul-based head of the International Crisis Group, an independent think tank.

While negotiations continued over the weekend, little headway appeared to be made on substantive issues. There was general agreement that the Korean peninsula should be “de-nuclearized,” but no accord on what that meant. North Korea, which has stated it needs nuclear weapons to defend itself against a “hostile” U.S., is arguing that a deal must include removal of any U.S. nuclear threat in the region—a non-starter with Washington. The North also wants to keep its nascent civilian nuclear program, but the U.S. fears that withdrawing from the nuclear weapons program might mean Pyongyang could still sell the building blocks of nuclear weapons to terrorists and rogue nations. The two countries also remain at loggerheads over the timing of aid given to the North in exchange for verifiable disarmament.

Negotiators appeared willing to declare the fourth round a success if the parties simply signed a statement of “agreed principles.” The details were not made public. “It’s hard to talk about progress until you have an agreement,” said Hill on Saturday.

Dates.com is so 2004

Online dating has boomed into a $900 million industry. But as sites for singles multiply, the old one-size-fits-all approach seems hopelessly outdated. Here’s a look at some new trends in digital romance.

• “SM 1 4 U!” A new U.S. service called Match.com Mobile enables online-daters to transfer their profiles to cell phones, which they then use to search for—and send text messages to—nearby singles. In Britain, the 3G Dating Agency takes things a step further, enabling video messaging on high-tech phones.

• DATE RATERS If you’re wondering whether Gelish279 is really the L.A. m-tall Gap model he claims to be, sites like Lomondate.com and Truedater.com offer consumer protection. Posting reviews of online-dating candidates by people who have met them, the sites help you avoid mistakes. A married man for an eligible bachelor.

• NICHE MARKETS Need to narrow the choices? E-daters this summer are flocking to a growing number of super-specialized singles sites. Bikers, smokers, Democrats, NASCAR devotees and people with sexually transmitted diseases can surf sites of their own.

—By Jeremy Caplan

THE BEDOUIN CONNECTION

When suicide bombers killed 88 people in the Egyptian resort of Sharm el-Sheikh on July 23, many assumed it was the work of al-Qaeda. That connection is not being ruled out, but Egyptian officials are also focusing their investigation on Bedouins who may have had a very local motive: payback. The theory, says Egyptian political analyst Amr el Choubaksi, is that the bombers may have been lashing out at the government for its aggressive pursuit of suspects in the October 2004 terrorist attacks that killed 34 in Taba and another Sinai resort. Egyptian officials blamed the 2004 attacks on a gang of local Bedouin led by a Palestinian extremist. Bedouins were enraged when security forces rounded up some 3,000 locals and allegedly tortured some of them in the hunt for the Taba terrorists. Though Choubaksi thinks the Sharm el-Sheikh attacks were probably orchestrated by a group related to al-Qaeda, he says, “It may be that some Bedouins participated as revenge” for their treatment after Taba. Last week, President Hosni Mubarak floated plans for tougher counterterrorism measures. Announcing his candidacy for a fifth term, Mubarak proposed replacing Egypt’s draconian emergency laws, which have been criticized for encouraging human rights abuses, with measures more streamlined to fight terrorism. Activists worry that the move could thwart political change. “I don’t think Mubarak has any intention to reform,” says Hisham Kassem, chief of the independent newspaper Al Masry Al Youm. “He just needs something to embellish his presidential campaign.” It will take more than words to prevent another atrocity. —By Scott MacLeod and Lindsay Wise
PLAYING THE FIELD

A nother summer, another Asian fundraising tour by Europe's top soccer clubs. Cash is on the game's popularity in the region, Real Madrid and Manchester United between them last week kicked their way through Hong Kong, Bangkok, Tokyo and Beijing, racking up multimillion-dollar appearance fees along the way. Lesser teams, too, are pandering before Asian fans. Rotterdam's Feyenoord went to work in Nanjing late last month, and even Sheffield United, from England's second division of clubs, rounded off its own three-game tour of China last week. The team's big attraction? Veteran Chinese star Hao Haidong. "We're looking at [China] as a long-term enterprise," says Tony Robinson, Sheffield United's vice-chairman. The perception has been that Chinese fans are easily pleased, but expectations are rising. Beijing's Workers' Stadium was two-thirds empty for Man U's game; fans in the same arena jeered Real Madrid's halfhearted showing. Players will only "do Beijing" if they have to drive the interest," suggests Rob Mason, managing director of London-based sponsorship consultant firm SBI. "There are signs fans are getting wise to this." That's something to tackle next summer.

—By Adam Smith

NOT BUSINESS AS USUAL

German business has always had a spotless reputation for moral probity. Lately, however, a succession of corruption scandals has dented the country's corporate self-image. In June and July, fraud and bribery charges were leveled against top executives at carmaker Volkswagen and at Infineon, Europe's second-largest computer-chip maker. Now another iconic national brand, BMW, is making unsavory headlines. Last week, one of the firm's sales managers was arrested on allegations of taking up to €100,000 in bribes from an east German supplier for funneling orders its way. So far, the executive hasn't commented. Even the media are tainted. In July, public television network ARD sacked two of its top sports editors who, prosecutors charge, were stealing money. "The country's corporate sector, together with its public authorities and political institutions, is actually becoming less dodgy," the latest corruption index published by Transparency International (TI) rates Germany as the world's 15th cleanest country—up five places since 2003. Since corruption costs the alluring economy €350 billion a year, the government—no matter who's running it after the election in September—had better keep this development going. —By Ursula Sautter

NEXt YEAR’S MODEL

The average working life of a car, statistics say, is 16 years. Jürgen Schrempp, head of DaimlerChrysler since 1995, didn't last quite that long. Schrempp is the architect of the controversial 1998 tie-up of Daimler-Benz and Chrysler, the biggest between two firms in industrial history. The merger, he expected, would combine the strengths of the powerful, complementary automotive firms and create a competitive, international corporation. Since then, he has been criticized for expanding at a time of dwindling demand and stiff competition. Last week, DaimlerChrysler's supervisory board unexpectedly announced that the 60-year-old executive will step down at the end of 2005, more than two years before his contract ends. His successor, Dieter Zetsche, 52, who's credited with turning around the ailing Chrysler business in the U.S., will be hoping he can work a similar feat with Daimler. A new, streamlined strategy would help. Instead of continuing to treadle with too many products in too many markets, they need to concentrate. Schrempp ran out of gas at Daimler.

THE BOTTOM LINE "Prodi's euro screwed everybody." Silvio Berlusconi, Italian Prime Minister, blaming Italy's economic woes on the terms negotiated by former Premier and now opposition leader Romano Prodi, for entry into the single currency.

COMING CLEAN

Germany rounds up well in an index of perceived corruption (Transparency International).

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SHOCK AND AWE

The earthquake and its aftershocks caused heavy damage in Niigata.

Throughout the week, Japanese television networks showed dramatic footage of the devastation. In one of the most riveting—and miraculous—moments, rescuers found a car containing a mother and two of her children entombed under a pile of rubble. After being buried for four days, the 59-year-old mother and three-year-old daughter were dead, but the two-year-old son, Yuta Minagawa, emerged, dehydrated and hypothermic, but alive.

The relief distribution center at Tokamachi was feeding about 12,000 people nearly a week after the first quake. It had sufficient rice and water, but other centers ran short of food, clothing and medicine, and officials admitted that temporary housing units for people whose houses were destroyed were still weeks away from being completed. Such snafus raised concerns about whether Japan had learned any lessons following the Great Hanshin Earthquake of 1995, when more than 6,000 people died, highways were toppled, and bureaucratic delays kept soldiers, supplies and rescue dogs from reaching the region. As the week wore on, Tokyo residents turned edgy, openly wondering if the Big One was imminent.

By Tim Frederick
Tokyo. With reporting by Hanna Kite/Niigata

Sources: Washington Post, New York Times, Reuters, BBC

NUMBERS

142 Number of U.S. newspapers that have endorsed Democratic presidential candidate John Kerry, including The New York Times and The Washington Post, compared with 123 endorsements for George W. Bush

$25 million Bounty offered by the U.S. for the capture of Jordanian militant Abu Mousab al-Zarqawi, the same amount offered for Osama bin Laden

25% Portion of Indian parliamentarians facing criminal charges, including murder, extortion and rape, according to the Bangalore-based watchdog Public Affairs Centre

3 Number of foreign U.N. election workers kidnapped last week—in broad daylight—in Kabil, the first foreigners to be abducted in Afghanistan

$30 billion Revenue from opium production in Afghanistan so far this year. 90% of the heroin used in Europe comes from Afghanistan

$7 Daily wage for an opium laborer in Afghanistan, twice the average pay for an unskilled worker in the country.
Dinosaurs for Creationists

The new Museum of Earth History that opened last week in Eureka Springs, Arkansas, isn’t nearly as big as more famous natural history museums in Chicago, Washington and New York City; in fact, the whole thing would probably fit neatly inside one of their exhibition halls. And its nine replicas of dinosaur skeletons and skulls don’t quite measure up to the rich fossil collections on display elsewhere.

But it’s got something the others don’t: an account of Earth’s history that hews to the most literal version of biblical creationism. Nestled close to the 20-ft-tall Christ of the Ozarks statue, the museum is the latest addition to a theological theme park established almost four decades ago by the late Gerald L. K. Smith, a right-wing zealot and notorious anti-Semite. So if you come here, you will walk through exhibits depicting Eden and the Tower of Babel and learn that all life on Earth was created at once about 6,000 years ago (no mention of evolution), that dinosaurs and humans walked the earth at the same time, and that the terrible lizards perished under human pressure and habitat loss.

Scientists, naturally, won’t be rushing for a visit. William Eges, an evolutionary biologist at the nearby University of Arkansas at Fayetteville, dismisses the museum’s version of history as “utterly irrelevant to what we actually know and understand about our world.” But the museum’s president, C. Thomas Sharp, whose doctorate in the philosophy of religion and science was awarded by a Florida seminary, says the exhibit is intended to counter a lamentable shift in public education to what he calls “a very secular, paganism,” arguing that “the biblical explanation to earth science is very feasible and very satisfying.” At least for some people: the museum expects from 35,000 to 50,000 visitors a year.
—by Steve Barnes

STICKY SITUATION

Gum control is popping up high on the priority list of a growing number of cities around the world fed up with the gunk on their sidewalks. Last week in England, Liverpool City Council called for a citywide tax on every pack sold to help cover the huge costs of cleanup. “We are not prepared to stand by and let Liverpool be disfigured by the inconsiderate actions of a minority,” said council leader Mike Stonor. In London, representatives from Belfast, Cardiff and other British cities gathered in February for a summit on gum pollution. London’s Oxford Street alone is smeared with 300,000 bits of used gum; cleanup costs Britain an estimated 5.290 million a year. A new bill in Parliament would fine gum droppers 514.5.

In Toronto, public complaints led the city to measure gum growth last year for the first time. In the 2004 litter audit, 2,000 pieces of gum dotted one typical stretch of sidewalk, compared with just 200 pieces of other litter. In response, the city is trying out trash cans that let users toss gum without having to touch the bin itself. U.S. researchers are working on scientific solutions. Gradela Pochan, a food scientist at the University of Illinois, has developed a biodegradable gum made of zein, a corn derivative. It’s costly to make but doesn’t stick to surfaces. And its flavor? “It tastes plain,” she admits, “but you can blow big bubbles.”

—by Jervy Caplan

There’s at least one place in Iran where citizens dare to speak their minds. It is referred to as Weblogistan, and in this rapidly expanding virtual terrain—with an estimated 100,000 active Iranian weblogs, Persian ties with French as the second most used language in the blogosphere—Iranians generally use pseudonyms to discuss taboo topics and criticize the government in a way no other news outlet allows. Even some high-profile politicians have joined in, such as President Mohammad Khatami’s former Vice President, Mohammad Ali Abtahi, who offers candid insights into the Iranian government on his blog, accompanied by photos taken with his cell phone. But crackdowns are always looming. More than 20 online activists were detained last year for several weeks and beaten for anti-government criticism. In response, dozens of bloggers have sprung up offering instructions on how to remain anonymous and circumvent government filters. With the June presidential elections approaching, some bloggers are campaigning for a boycott, while others support reformist candidates and argue for participation. “Weblogs are one weapon,” says a blogger known as Saeen, “that even the Islamic republic cannot beat.”

—by Nabil Soroush