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Global crisis presents an opportunity for China

Stimulus bolsters a competitive edge

By Keith Bradsher

GUANGZHOU: The global economic downturn, and efforts to reverse it, will probably make China an even stronger economic competitor than it was before the crisis.

China, the world's third-largest economy behind the United States and Japan, had already become more assertive; now it is exploiting its unusual position as a country with piles of cash and a strong banking system — at a time when many countries have neither — to acquire natural resources and make new friends.

Last week, China's prime minister, Wen Jiabao, even reminded Washington that as one of the biggest creditors of the United States, China expected Washington to safeguard its investment.

China's leaders are turning economic crisis to competitive advantage, economic analysts said.

The country is using its economic stimulus package of nearly \$600 billion to make its companies better able to compete in markets at home and abroad, to retrain migrant workers on an immense scale and to expand subsidies rapidly for research and development. Construction has already begun on new highways and rail lines that are likely to reduce transportation costs permanently.

And while American and European leaders struggle to revive lending — in the latest effort with a \$15 billion program to help small businesses — Chinese banks lent more in the past three months than in the preceding 12 months.

"The recent tweaks to the stimulus package indicate a sharper focus on the long-term competitiveness of Chinese industry," said Eswar S. Prasad, a former China division chief at the International Monetary Fund. "Higher expenditures on education and research and development, along with amounts already committed to infrastructure investment, will boost the economy's productivity."

The international economic slowdown is also doing some things that the Chinese authorities tried and failed to do for four years: slowing inflation, reversing what had been an ever-growing dependence on exports and popping a real estate bubble before it could grow even bigger.

The recession in most of the large economies in the world is inflicting real pain here — causing a record plunge in Chinese exports, putting 20 million migrant workers out of their jobs and raising the potential for increased and sustained social unrest. But as President Hu Jintao told the National People's Congress last week, "Challenge and opportunity always come together — under certain conditions, one could be transformed into the other."

To that end, Chinese companies are shopping for foreign businesses to acquire. The Commerce Ministry announced late Monday that it was

CHINA, Continued on Page 12

A GLIMPSE OF CHINA'S GILDED AGE

A banking center sprang up overnight, and collapsed just as quickly. Page 3

BALLOON FOR BANKERS Goldman Sachs is offering loans to employees who are mired in debt. Page 11

CHRYSLER'S FIGHT Chrysler's chairman puts in long hours as he tries to save the troubled company. Page 11

THE BEAT GOES ON Why no one panicked on China's U.S. comments. James Saft, Page 14

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Philippe Huguén/Agence France-Press

Europe's military ambitions bolstered by success in Chad

Sudanese children at the Djabal Refugee Camp in Chad. Over the past year, life in the camp has been relatively stable and comparatively safe for the nearly 17,000 refugees who live there, and much of the credit for that calm goes to the presence of a European Union force of 3,300 soldiers from 26 countries. Page 5

Off to war with a joystick: Pentagon turns to drones

By Christopher Drew

Despite flaws, a key role in fighting Qaeda

A missile fired by an American drone killed at least four people late Sunday at the house of a militant commander in northwest Pakistan, the latest use of what intelligence officials have called their most effective weapon against Al Qaeda.

And Pentagon officials say the remotely piloted planes, which can beam back live video for as long as 22 hours, have done more than any other weapons system to track down insurgents and save American lives in Iraq and Afghanistan.

The planes have become one of the military's favorite weapons, despite many shortcomings resulting from

the rush to get them into the field.

An explosion in demand for the drones is contributing to new thinking inside the Pentagon about how to develop and deploy new weapons systems.

Air force officials acknowledge that more than a third of their unmanned Predator spy planes — which are 27 feet, or 8 meters, long, powered by high-performance snowmobile engines and cost \$4.5 million apiece — have crashed, mostly in Iraq and Afghanistan.

Pilots, who fly them from trailers halfway around the world using joy-

sticks and computer screens, say some of the controls are clunky. For example, the missile-firing button sits dangerously close to the switch that shuts off the plane's engines. Pilots are also in such short supply that the service recently put out a call for retirees to help. But military leaders say they can easily live with all that.

Since the height of the Cold War, the military has tended to chase the boldest and most technologically advanced solution to every threat, leading to long delays and cost overruns that result in rarely used fighter jets that cost \$143 million apiece, and

plans for a \$3 billion destroyer that the Navy says it can no longer afford.

Now the Pentagon appears to be warming up to Voltaire's saying, "The perfect is the enemy of the good."

In speeches, Defense Secretary Robert M. Gates has urged his weapons buyers to rush out "75 percent solutions over a period of months" rather than waiting for "gold-plated" solutions.

And as the administration of President Obama

DRONES, Continued on Page 8

U.S. DOWNED IRANIAN DRONE The vehicle was alleged to have been in Iraqi airspace for 90 minutes. Page 4



Christoph Bangert for The New York Times

The recent popularity of hiking naked in the Alps has been met coolly by the townspeople of Appenzell, Switzerland, who plan to vote on a ban of the practice.

Forget the lederhosen

Nude hiking alarms Swiss farm towns

By John Tagliabue

APPENZELL, Switzerland: The Swiss like their secrecy, particularly in banking. At other times, they are more open. Take hiking.

In recent years, it has become fashionable for a growing number of Swiss and some foreigners to wander in the Alps clad in little more than hiking shoes and sun screen. Last summer, the number of nude hikers increased to such an extent that the hills often seemed alive with the sound of everything but the swish of trousers.

In September, the police in this mountainous town detained a young hiker, whose friends will identify him

only as Peter, wandering with nothing on but hiking boots and a knapsack. But they had to release him, because in Switzerland there is no law against hiking in the nude.

The experience alarmed the city fathers of Appenzell, population 5,600, who worried that the town might become a Mecca for the unclad. Like most remote mountain regions, this is a conservative area.

For centuries the farmers here lived off their famed Appenzeller cheese and a bitter liqueur that most, except fervent admirers, say tastes like cough medicine gone bad. Not until

SWISS, Continued on Page 4

Airlines cut fares, but it won't last

The carriers are scrambling to fill seats as travel has fallen off in the global economic crisis. Sales on airfare are notable, not only for the discounts themselves but for the fact that some are lasting into the summer months. But airlines are cutting capacity, and the addition of fees for many services is becoming the standard model. Joe Sharkey, Page 12



Police station bombed in Tibetan area

A bomb was hurled into a government building in a predominantly Tibetan area of western China amid growing concern over a period of unrest that has caused China to increase its police and security presence in Tibetan regions. China's state-controlled news media said Tuesday that no one was injured in what it called a terrorist attack. Page 3

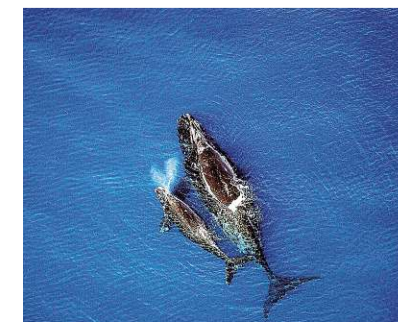
U.S. colleges' goals crash into budget realities

The economic crisis is forcing U.S. universities to slash their budgets and raising questions about whether those schools have stopped focusing on their mission to give students a solid education. Page 4

Seattle newspaper ends print publication

The Post-Intelligencer became an online-only news source. It is by far the largest newspaper in the United States to have made such a move and offers a possible hint at a path for future newspaper closings. Page 13

Signs lend hope for the right whale's recovery



A North Atlantic right whale and calf off Florida. The whale remains endangered, but its population has more than tripled in a century. Page 2

Researchers are beginning to hope that for the first time in centuries things are looking up for the North Atlantic right whale.

A record 39 calves have been born this year, and recent changes in shipping lanes, some compulsory and others voluntary, seem to be reducing collisions between whales and vessels. It has been illegal to hunt the right whale since 1935.

Though it is too soon to say that the whales, numbering around 325, are out of danger, researchers say the species offers proof that simple conservation steps can have a big impact, even for species that were driven to the edge of oblivion. Page 2

One crisis, but not all, averted in Pakistan

Deal between rivals is a sign of hope but adds to uncertainty

By Jane Perlez

ISLAMABAD: It was a signal moment in Pakistan's political development: A huge demonstration forced the restoration of a dismissed chief justice, Iftikhar Muhammad Chaudhry, a symbol of democracy and the rule of law. The army did not stage a coup but insisted that the government accept a compromise.

The deal this week between President Asif Ali Zardari and Nawaz Sharif, the leader of the main

opposition party, does not herald a solution to the

instability of this nuclear-armed nation. Nor does it ensure the Obama administration's primary objective of tamping down the powerful Islamic insurgency that threatens both Pakistan and Afghanistan.

How the two Pakistani politicians will resolve their rivalry is but one of many uncertainties. Another is whether the domestic political struggle will allow them — or the military — to focus on their country's deteriorating security situation.

Mr. Zardari has been severely weakened by his efforts to squelch a national protest and faces defections from the usually cohesive Pakistan People's Party. His opponent, Mr. Sharif, emerged as a leader in waiting, but has no clear path to power.

The way ahead is likely to be messy for everyone, including the United States, and could turn out to be a major distraction from efforts to counter the insurgency, which is spreading closer to the main population areas.

But there is hope, American and Pakistani officials pointed out. For a country that has more experience with military rule than with democratic government in its 61 years, there is the possibility that the outpouring of civil society on the streets of Lahore over the weekend presaged a strengthened two-party democratic system and the beginnings of an independent judiciary.

Mr. Sharif, often held in suspicion in Washington because of his leaning toward Islamic conservatives, was more cooperative than had been thought, some U.S. officials suggested.

In Washington, there was an awareness that Mr. Sharif's reputation from the Bush administration of being too close to the Islamists might be overdrawn and that his relationships with some of the Islamic parties and

PAKISTAN, Continued on Page 8

REINSTATED JUDGE Chief Justice Iftikhar Muhammad Chaudhry could have more authority than ever. Page 8

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