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VOL. XXVI NO. 82 — THURSDAY, MAY 29, 2008

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■ **Deutsche Post plans** to transfer DHL's U.S. air-parcel deliveries to UPS and cut its ground capacity there by a third. Page 1

■ **The U.S. filed** a WTO complaint over EU tariffs on three kinds of high-tech devices, saying a 1997 WTO treaty exempts them. Page 2

■ **EADS ex-CEO Noël Forgeard** was detained amid a probe into alleged insider trading of the Airbus parent's shares. Page 6

■ **Airbus expects** high fuel prices to spur airlines to cancel and defer jet orders but will stick with plans to raise output. Page 6

■ **U.S. stocks advanced**, amid a report durable-goods orders fell less than expected in April. European shares climbed. Pages 11, 20

■ **Exxon shareholders rejected** a proposal to create an independent chairman, handing management a shaky victory. Page 3

■ **Atos ended** its dispute with its two largest shareholders after the French company's chairman stepped down. Pages 4, 19

■ **Ford is looking** to cut 2,000 white-collar jobs amid a slide in U.S. truck sales. GM's lead independent director said the board supports management. Page 6

■ **Burberry reported** its fiscal-year net rose 23% on a 17% rise in sales and said it is sticking to its expansion plans. Page 8

■ **German consumer prices** rose 3% year to year in May, fueling expectations for an acceleration in euro-zone inflation. Page 11

■ **Bear Stearns will give** documents to the SEC showing that several financial titans cut their exposure to Bear in the weeks before its collapse. Pages 16, 21

World-Wide

Top oil producers are proving unable to put more barrels on world markets despite high prices, in a trend that looks set to continue. Rising profits have fueled a boom in demand in the Mideast, leaving less oil for export. At the same time, aging fields and sluggish investments have caused exports to drop sharply in other nations. Page 1

■ **The U.K. will exempt** about 30 North Sea crude-oil and natural-gas fields from some taxes and approved the development of two new oil fields. Page 3

■ **Oxford University is** launching a drive to raise more money from private donors, signaling that Europe's largely state-funded universities are struggling to cover costs. Page 2

■ **Serbian nationalists signed** a coalition agreement with Milosevic allies to form the city government in Belgrade, likely ensuring a right-wing mayor.

■ **Lebanon's new president** reappointed Siniora to head the cabinet, despite reservations by the Hezbollah-led opposition.

■ **A Sunni bloc suspended** talks on ending its boycott of Iraq's government, just as Maliki arrived in Sweden for a U.N. conference on progress in Iraq.

■ **Pakistan's prime minister** urged the U.S. to increase its economic and defense assistance to help the newly elected democratic government. Page 10

■ **Israel's defense minister said** he will pull out of the governing coalition unless Olmert resigns amid a corruption scandal.

■ **Nepal's Parliament voted** to make the world's last Hindu kingdom a republic. Page 12

■ **Diplomats meeting in Ireland** agreed on a treaty to ban current designs of cluster bombs and require the destruction of stockpiles within eight years.

■ **A U.S. lawyer** who is an expert on money laundering in the ex-Soviet Union was charged with drug smuggling in Belarus.

■ **South Africa will set up** shelters for displaced victims of recent attacks on foreigners.

■ **A French court convicted** Michel Fourniret of killing seven young women and sentenced him to life in prison.

Markets 4 p.m. ET

MARKET	CLOSE	NET CHG	PCT CHG
DJIA	12594.03	+45.68	+0.36
Nasdaq	2486.70	+5.46	+0.22
DJ Stoxx 600	320.15	+2.96	+0.93
FTSE 100	6069.6	+11.1	+0.18
DAX	7033.84	+75.18	+1.08
CAC 40	4971.11	+64.55	+1.32
Euro	$1.5632	-0.0090	-0.57
Nymex crude	$131.03	+2.18	+1.69

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EDITORIAL&OPINION

Get personal

Hillary's only weapon against Obama. Wonder Land column

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Banks help make Libor an erratic barometer

Analysis by Journal shows rates are lower than market suggests

BY CARRICK MOLLENKAMP AND MARK WHITEHOUSE

LONDON—Major banks are contributing to the erratic behavior of a crucial global lending benchmark, a Wall Street Journal analysis shows.

The Journal analysis indicates that **Citigroup** Inc., **WestLB**, **HBOS** PLC, **J.P. Morgan Chase** & Co. and **UBS** AG are among the banks that have been reporting significantly lower borrowing costs for the London interbank offered rate, or Libor, than what other market measures suggest they should be. Those five banks are members of a 16-bank panel that reports rates used to calculate Libor in dollars.

That has led Libor, which is supposed to reflect the average rate at which banks lend to each other, to act as if the banking system was doing better than it was at critical junctures in the financial crisis.

Faced with suspicions by some

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In a reversal, DHL taps UPS for help in U.S.

BY MIKE ESTERL AND COREY DADE

When Germany's **Deutsche Post** AG tried to expand into the U.S. express-delivery market with its DHL unit a few years ago, it ran a prominent ad campaign boasting "Yellow is the new brown," a swipe at the chocolate-colored **United Parcel Service** Inc. delivery trucks that for decades have been a feature on American roads.

Since then, DHL has hemorrhaged billions of dollars in the U.S. and has signed up few customers. Wednesday, the deep-pocketed former German mail monopoly signaled a retreat, scaling back its ambitions and turning to archrival UPS for help.

In a broad restructuring of its flailing U.S. delivery business, Deutsche Post unveiled plans to transfer DHL's North American air-parcel deliveries to Atlanta-based UPS and slash its network capacity on the ground by about a third to stanch the bleeding.

The overhaul represents a tacit acknowledgement by Deutsche Post that it can't go it alone in the highly competitive U.S. market, even as its DHL unit enjoys market leadership positions in Europe and Asia. It also could herald more tie-ups between

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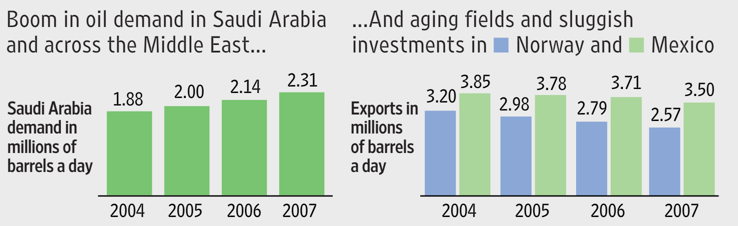
Shipping less

Net oil exports from the world's top 15 exporters, which account for nearly half of all the world's supply, fell nearly one million barrels a day in 2007.

Country	Net exports in thousands of barrels a day 2006	2007	Net change in exports in thousands of barrels a day
Saudi Arabia	8,525	7,923	–602
Russia	6,866	7,018	152
UAE	2,564	2,548	–16
Norway	2,542	2,321	–221
Iran	2,463	2,298	–165
Kuwait	2,341	2,268	–73
Nigeria	2,130	2,040	–90
Venezuela	2,182	2,024	–158
Algeria	1,842	1,862	20
Angola	1,379	1,707	328
Libya	1,530	1,552	22
Iraq	1,437	1,484	47
Mexico	1,711	1,456	–255
Kazakhstan	1,144	1,193	49
Qatar	1,032	1,011	–21
Total	**39,688**	**38,705**	**–983**

Reasons for the export slump:



Source: U.S. Energy Information Administration

Oil exporters are unable to keep up with demand

BY NEIL KING JR. AND SPENCER SWARTZ

The world's top oil producers are proving unable to put more barrels on thirsty world markets despite sky-high prices, a shift that defies traditional market logic and looks set to continue.

Fresh data from the U.S. Department of Energy show the world's top oil exporters last year shipped 2.5% less petroleum products than in 2006, despite a 57% increase in prices, a trend that appears to be holding true this year as well.

There are several reasons behind the net-export decline. Soaring profits from high-priced crude have fueled a boom in oil demand in Saudi Arabia and across the Middle East, leaving less oil for export. At the same time, aging fields and sluggish investments have caused exports to drop significantly in Mexico, Norway and, most recently, Russia. The Organization of Petroleum Exporting Countries also cut production early last year and didn't move to boost supplies again until last fall.

In all, according to the Energy Department figures, net exports from the world's top 15 suppliers, which account for 45% of all production, fell by nearly a million barrels to 38.7 million barrels a day last year. The drop would have been steeper if not for heightened output in less-developed countries such as Angola and Libya, whose economies have yet to become big energy consumers.

For all the attention paid to China's increasing energy thirst, rising energy demand in the Middle East may pose the greater challenge. Last year, the region's six largest petroleum exporters—Saudi Arabia, United Arab Emirates, Iran, Kuwait, Iraq and Qatar—curbed their output by 544,000 barrels a day. At the same time, their domestic demand increased by 318,000 barrels a day, leading to a loss in net exports of 862,000 barrels a day, according to the U.S. Energy Information Administration.

Demand in the Middle East is a major factor right now, said Adam Robinson, an oil analyst at Lehman Brothers in New York. Mr. Robinson predicts that the region will constitute more than 40% of increased demand next year.

Saudi Arabia in particular has become a major energy consumer as the country pushes to put its oil riches to greater use. The kingdom

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LEADING THE NEWS

Oxford solicits donations

Fund-raising plan signals fiscal stress at European schools

BY JEANNE WHALEN

LONDON—Oxford University said it is launching a drive to raise £1.25 billion ($2.47 billion) from private donors in what it called the biggest-ever fund-raising campaign by a European university.

The effort is one of the strongest signals that Europe's largely state-funded universities are struggling to cover their costs. Unlike in the U.S., they don't have a tradition of alumni and others donating money to universities, something Oxford will need to change.

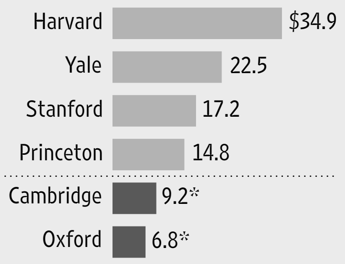
The British have traditionally viewed university funding as the government's responsibility. Until recently, British universities hadn't really carried out coordinated fund-raising campaigns or held large-scale fund-raising events such as alumni reunions, which alumni have generally organized themselves on a small scale.

Oxford, a popular destination for tourists with its Gothic spires and grand courtyards, says a lack of public funding leaves it unable to cover its total teaching and research costs each year. It has covered its shortfall of about £150 million a year by tapping Oxford University Press, which the university owns.

The endowments at Oxford, Cambridge and Britain's other main universities pale next to those of their U.S. rivals. Oxford and its colleges have a current endowment of about £3.4 billion. Harvard University's endowment is $34.9 billion.

Poor relations

British university endowments are far smaller than those of their U.S. rivals. Figures in billions:



*Converted to dollars at current rate
Source: the universities

A key goal for Oxford and rival Cambridge is to increase alumni contributions. In a phone interview, Jon Dellandrea, pro-vice-chancellor at Oxford, said about 12% of Oxford's alumni, called "old members," give to the university, a percentage he aims to double. By contrast, about 40% of Ivy League graduates donate to their alma maters, Mr. Dellandrea said. Yale University is currently trying to raise $3 billion; Cornell University is trying to raise $4 billion.

Without U.S. levels of private funding, British universities say they find it harder to attract star faculty and finance world-class research. Emerging Asian universities are also stepping up the global competition for the best faculty and students.

Oxford plans to use the money to augment scholarships for its 20,000 students, create new academic posts and increase funding for current posts and build new infrastructure.

Oxford's fund-raising goal tops the £1 billion effort Cambridge University announced in 2005. Cambridge has raised more than two-thirds of that money so far, Peter Agar, director of development and alumni relations, said in a phone interview Wednesday. Oxford has doubled its fund-raising staff of late to about 125 and hosted its first alumni reunion weekend last year.

In November, it opened an office in Hong Kong to expand contacts with alumni and other potential donors in Asia. It is also stepping up the work of Oxford's New York office, which is already a major contributor: about 25% of private gifts to Oxford last year came from North America, Mr. Dellandrea said. "The point that's been made by a couple of now donors when we first talked to them was, where have you been? Where has the university been, where has my college been?"

Cambridge, meanwhile, is increasing its telephone and mail contact with alumni, encouraging them to make regular donations of £20 a month. The university's top brass are also traveling more often to the U.S., India and Hong Kong to raise funds, says Mr. Agar.

"We want a much higher proportion of alumni contributing, even if only small amounts. We've still got some ways to go to get to levels that the Ivy League would normally expect," he said.

Oxford says it has already raised £575 million during the "prelaunch phase" of the current campaign and aims to raise at least another £675 million, for a total of £1.25 billion. Oxford hasn't set a time limit on the campaign. Many universities quietly gather initial donations before officially announcing a fund-raising campaign because it helps motivate others to give.

U.S. brings suit against EU on electronic-gadget tariffs

BY JOHN W. MILLER

BRUSSELS—The U.S. filed suit against the European Union over tariffs on three kinds of popular high-tech gadgets.

The EU taxes imports of set-top boxes, used to convert outside signals into sound and images on a television; flat computer screens; and so-called multifunctional appliances such as printer-fax machines. U.S. companies such as **Hewlett-Packard** Co. and American trade officials say those goods should be covered under a 1997 World Trade Organization treaty that guarantees tariff-free access for all information-technology products.

Though the U.S. and EU recently pledged to patch up trade differences, the case, filed with the WTO in Geneva, is likely to add tension to continuing trans-Atlantic disputes, including fights over subsidies for airplane makers, U.S. tax credits for biodiesel and U.S. chicken exports.

EU imports of the three high-tech products totaled $11 billion last year. It isn't clear exactly how many U.S. products are affected by the higher duties, according to a spokesman for Hewlett-Packard. "That doesn't matter," said Robert Novick, a lawyer representing the U.S. technology industry. "The EU is clearly...taxing products covered under" the 1997 Information Technology Agreement, meant to spur global high-tech innovation. The EU says the products aren't covered under the 1997 deal and shouldn't be considered truly high-tech because they compete with traditional media. For example, EU officials say, flat screens can be used as TV sets.

The case also highlights the complexity of modern supply chains. Though U.S. companies design and sell most of the products affected by the tariffs, they make them in Asia. Unless the EU and U.S. reach a compromise, a WTO panel will rule on the dispute in about nine months. It could order the EU to withdraw the tariffs or face U.S. trade sanctions.

CORRECTIONS & AMPLIFICATIONS

Vietnam's dong currency is still limited to rising or falling 1% around the official daily rate against the U.S. dollar. An Economy & Politics article Wednesday incorrectly said the central bank doubled the currency's daily trading band. In addition, a statement from Nguyen Quang Huy, director of the central bank's foreign-exchange management department, said the exchange rate "continues to be managed in a stable direction, with the level of fluctuation in 2008 at plus and minus 2% as approved by the prime minister." The article incorrectly translated the statement as saying that the central bank had adjusted the rate to plus- or minus-2%.

Japan allows the yen to float freely, South Korea occasionally intervenes in currency markets and North Korea sets official exchange rates for its currency. A map that accompanied a Money & Investing article Tuesday about currency pegs incorrectly identified the three countries as nations with heavily managed currencies that investors expect to strengthen.

A possible cost of carbon allowances could be $25 per metric ton of emissions. A May 20 Corporate News page article about carbon caps and nuclear power incorrectly gave the value as $25 per million metric tons of emissions.

A Money & Investing article on May 22 about say-on-pay proposals at Wall Street firms used executive-compensation figures compiled by Standard & Poor's ExecuComp. The article didn't give the full name of the source of the data.

INDEX TO BUSINESSES

This index of businesses mentioned in today's issue of The Wall Street Journal Europe is intended to include all significant references to companies. First reference to these companies appear in boldface type in all articles except those on page one and the editorial pages.

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INDEX TO PEOPLE

This index lists the names of businesspeople and government regulators who receive significant mention in today's Journal.

For more people in the news, visit CareerJournal.com/WhosNews

LEADING THE NEWS

Reuters

Environmentalists protested against **Exxon** outside its shareholders meeting. The Rockefeller family's push for an independent chairman didn't win enough votes.

Exxon wins shaky victory in vote on splitting top jobs

By Russell Gold

Exxon Mobil Corp. shareholders rejected a proposal to create an independent chairman, handing management a shaky victory but not the strong vote of confidence they sought.

At the Irving, Texas, oil company's annual meeting, 39.5% of shareholders voted to create an independent chairman, almost exactly the 40% margin the proposal received last year.

Rex Tillerson holds both the chairman and chief executive jobs. Exxon management opposed the proposal, stating that "there is no single best organizational model that would be most effective in all circumstances."

The issue, which has been on the Exxon proxy for several years, gained considerable attention in recent weeks when members of the Rockefeller family said they were supporting the measure. Fifteen members of the family, descendents of John D. Rockefeller, the founder of Exxon-forerunner Standard Oil, signed on as either filers or co-filers of this and other proxy proposals related to global warming and alternative fuels.

Other measures they supported received support from numerous institutional investors, including state pension funds. A proposal to require Exxon to set goals to reduce greenhouse-gas emissions received 30.9% of the vote. Another requiring Exxon to do set a policy to increase support for renewable-energy research received 27.4% of the vote.

While the proposals didn't garner a majority of the vote, members of the board of directors were warned that some shareholders would keep an eye on them. A deputy to California Controller John Chiang said at the meeting that she wanted to see the board do a better job of overseeing management and developing an alternative-fuels strategy. If not, she warned, Mr. Chiang's support for current directors could end. Mr. Chiang is a trustee of the California Public Employee's Retirement System, the largest public pension in the U.S.

U.K. cuts taxes on oil fields, opens areas to development

By Laurence Norman And James Herron

LONDON—The British government, pressed for solutions to soaring fuel prices, said it will exempt about 30 existing North Sea crude-oil and natural-gas fields from some taxes and approved the development of two new North Sea oil fields, which could begin production in early 2009.

But the measures, announced as U.K. Prime Minister Gordon Brown and Chancellor of the Exchequer Alistair Darling met with U.K. oil-industry executives to explore ways to increase oil and gas production, seemed unlikely to significantly alter Britain's fuel-price problems.

The British government, like others in Europe, has come under fire in recent weeks from groups that are severely affected by high fuel prices. Tuesday, transport companies sent hundreds of trucks into London to protest high fuel prices, while French President President Nicolas Sarkozy urged countries in the European Union to consider capping fuel taxes.

The measures adopted by the British yesterday will do little to ease those concerns.

Tax changes to certain North Sea production operations will allow new oil and gas fields to be carved from unprofitable parts of 30 existing fields. This potentially will add 20,000 barrels a day of new production at the fields' peak, the Department of Business, Enterprise and Regulatory Reform said in a statement.

U.K. oil fields produced about 1.5 million barrels of oil a day in 2007, according to government figures.

The 30 fields will be exempted from the Petroleum Revenue Tax, which is levied at 50% of cash flow after capital expenditures and operating costs on oil produced in the North Sea above a specific allowance for each field. It applies only to fields that received development consent before March 1993.

The U.K. Secretary of State for Business, John Hutton, also gave approval to **Petrofac** Ltd. for the development of the West Don and Don Southwest fields in the North Sea.

Windows 7: a sneak peek

New Microsoft system with touch screen exposes Vista's flaws

By Robert A. Guth

CARLSBAD, California—**Microsoft** Corp. offered a glimpse of the next version of its Windows operating system, demonstrating a touch-screen technology that could spawn a new class of personal computers in coming years.

But the demonstration, coming at least 20 months before the software is expected to be released, also highlights the perception that the current version of the Microsoft software, Windows Vista, isn't living up to the company's expectations.

The new technology, which Microsoft calls multitouch, allows a person to use fingers to manipulate software through a touch-sensitive display screen, similar to those used on **Apple** Inc.'s iPhone.

A key feature of the Microsoft technology allows for multiple touches simultaneously; for instance, dragging five fingers across a screen would draw five separate lines.

Microsoft executives said the touch technology would be well-suited for editing digital photos and navigating Internet-mapping services. They demonstrated the software Tuesday at the D: All Things Digital conference here.

Details about the software, informally called Windows 7, have been sparse. Microsoft executives remained tight-lipped about other details, including exactly when it will go on sale. They would say only that their goal is to begin selling Windows 7 around three years after the launch of Windows Vista—or about January 2010.

In an interview, Microsoft Senior Vice President Steven Sinofsky said the company is on track to deliver the software then.

Any details that emerge about the next version of Windows are closely watched because the software generates Microsoft's largest single source of revenue and profit and because a host of PC makers and software companies depend on it for their products.

By showing a feature of the product now, Microsoft risks diverting attention from Windows Vista, which though it has sold well, has received lackluster reviews. Microsoft executives have repeatedly pointed to 2008 as an important year for corporate adoption of Vista, yet many businesses say they aren't ready to make the move.

Mr. Sinofsky expressed confidence that the development process he is following will assure that Windows 7 arrives on schedule with new features such as multitouch intact.

Over the years, the complexity of Windows has grown, making the creation of new versions a monumental and risky endeavor.

Windows Vista, which went on sale in January 2007 after several delays, took five years to make, years longer than expected. Microsoft says that as of March 31, it had sold 140 million Vista licenses.

Dow Chemical to raise its prices

By Christopher Hinton

Dow Chemical Co., citing the crush of rising energy costs, said it will raise prices on its products by as much as 20% beginning June 1.

The company makes ingredients used in paints, textiles, glass, packaging, pesticides and cars, and any sizable price jump would likely affect a wide range of industries.

The Midland, Michigan, chemical company also criticized government inaction for the current "energy crisis," saying a lack of leadership in Washington, D.C., is harming America's manufacturing sector.

"The government's failure to develop a comprehensive energy policy is causing U.S. industry to lose ground when it comes to global competitiveness," said Chief Executive Andrew Liveris.

For 2008, Dow Chemical said it expects to spend about $32 billion on energy and hydrocarbon-based chemical feedstocks. By comparison, those costs totaled $8 billion in 2002.

CORPORATE NEWS

AUTOMOBILES

Sanyo to start production of lithium-ion batteries

SANYO Electric Co. plans to start mass-producing lithium-ion batteries used in automobiles by the end of next year, throwing its hat into the ring in the promising next-generation automobile-battery business.

The Japanese company also agreed to jointly develop the batteries in conjunction with **Volkswagen** AG for use in the German auto maker's Audi-brand vehicles. Mitsuru Honma, executive vice president at Sanyo, said the advanced battery has about a 25% longer life than the company's mainline nickel-metal hydride battery and weighs about half as much. *—Yoshio Takahashi*

HOTELS

Many rooms are available during Beijing Olympics

THE HOTEL-ROOM crunch that was predicted for the Beijing Olympics doesn't seem to be happening, said Zhang Huiguang, director of Beijing's Tourism Bureau. She said about 500,000 foreigners are expected for the Games, a figure Beijing officials have long been predicting.

Only 77% of capacity at Beijing's five-star hotels has been booked for the Aug. 8-24 Games. The four-star hotel rate is 44%, she said, adding the rate is even lower for three- and two-star facilities.

One reason could be China's crackdown on visa procedures. Also, prices are rising, Ms. Zhang said. *—Associated Press*

ENERGY

Germany looks at pricing in gasoline, diesel markets

GERMANY'S Federal Cartel Office said it was investigating the gasoline and diesel markets to "identify possible distortions of competition," including price-fixing.

The office said the probe follows "numerous complaints from consumers and independent gas-station operators." It said five companies—**Royal Dutch Shell** PLC, **BP** PLC, **ConocoPhillips**, **Exxon Mobil** Corp. and **Total** SA—account for about 73% of gasoline and diesel sales in Germany, but said individual companies aren't targeted. A spokeswoman for Exxon Mobil's German operations said the company hasn't been officially notified. Shell, BP, ConocoPhillips and Total weren't available. *—Jan Hromadko*

Can InBev overcome Anheuser resistance?

Workers, politicians in U.S. could derail deal for King of Beers

BY DAVID KESMODEL, MATTHEW KARNITSCHNIG AND JOHN W. MILLER

INVESTORS HAVE BEEN giddy about the prospect of **InBev** NV's buying **Anheuser-Busch** Cos., but it could be a lot harder for the Belgian company to swallow the King of Beers than many imagine.

A host of factors could derail a bid: the cultural differences between the two brewers; potential unrest from Anheuser employees and distributors; and even protests by politicians over foreign ownership of a U.S. icon during an election year.

"We would like to see it remain an American company," says Teamsters Vice President Jack Cipriani, who is director of the union's brewer and soft-drink workers' conference. "It doesn't seem that employees fare well when foreign suitors buy American breweries."

The union, which represents about 7,500 of Anheuser's 30,000 employees, could turn to its own political ally: Illinois Sen. Barack Obama, the likely Democratic presidential nominee whom the union endorsed earlier this year.

InBev, the maker of Labatt Blue and Beck's, is studying a possible takeover bid, people familiar with the matter say. Anheuser's management is cool to the idea of any deal with InBev, people close to the St. Louis brewer say, which could require InBev to pay a hefty premium. A deal probably would top $45 billion, or $63 a share, analysts say. Anheuser shares were at $55.32, down 2.5%, Wednesday afternoon on the New York Stock Exchange. In Brussels, InBev shares closed at €48.26 ($75.74), up 2.7%.

Wall Street analysts say Anheuser is likely to strenuously resist any approach by InBev, whether friendly or hostile, which in turn could raise the price for the maker of Budweiser to as much as $70 a share. Anheuser and InBev declined to comment.

If the price went that high, InBev would need to wring steep cost cuts out of Anheuser to make the combination financially viable, possibly slashing expenses by more than $1 billion over a few years. That could mean sharp reductions in Anheuser's marketing budget and large numbers of layoffs, analysts say.

Unsolicited offers are never easy to pull off. Two recent cases—**Microsoft** Corp.'s pursuit of **Yahoo** Inc. and **Electronic Arts** Inc.' offer for **Take-Two Interactive Software** Inc.—have run into difficulty. The boards of both companies are holding out for more money.

Though Anheuser's board of directors has been loyal to the Busch family, the board also includes independent directors with records as deal makers, including former AT&T Inc. Chief Executive Edward E. Whitacre Jr. and former J.P. Morgan Chase & Co. Chairman Douglas A. Warner III. Their presence, coupled with shareholder pressure to accept an offer at a high premium, could help InBev overcome board opposition if it decides to pursue a deal.

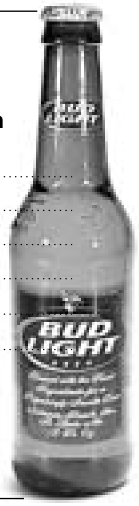
InBev, the world's second-largest brewer by volume after SABMiller PLC, is no stranger to buying companies and then making deep cost cuts. That approach could be risky at Anheuser, a 150-year-old company whose success has been built partly on paying top dollar for everything from malted barley to television ads.

Beck's meets Bud

InBev and Anheuser-Busch at a glance

InBev		Anheuser-Busch
Carlos Brito	CEO	August Busch IV
Leuven, Belgium	Headquarters	St. Louis
85,617	Employees*	30,849
$23.1 billion	2007 revenue	$16.7 billion
$3.5 billion	2007 net income	$2.1 billion
195.9 million	2007 beer volume (barrels)	128.4 million
Beck's, Labatt Blue, Brahma, Bass	Major brands	Budweiser, Bud Light, Michelob, Natural Light

*InBev (2006); Anheuser-Busch (2007)
Sources: the companies; Mergent Online



Anheuser thinks "if it's good to send one marketing person to a meeting, it's even better to send five," says Harry Schuhmacher, editor of the industry newsletter Beer Business Daily.

Bill Pecoriello, an analyst with Morgan Stanley, says if InBev slashed Anheuser's marketing budget, it could hurt sales of its big U.S. brands, such as Bud Light and Michelob Ultra. Unlike those of many developing countries where InBev operates, the U.S. beer market is growing slowly, and competition is brutal, he adds. That means marketing dollars spent on billboards, bar posters or store displays can be crucial to wooing drinkers.

Carlos Brito, chief executive of InBev, of Leuven, Belgium, is an aggressive cost cutter who may be willing to take his chances with Anheuser.

"They look at Anheuser-Busch and they see a lot of waste," says Marc Leemans, an analyst with Bank Degroof. "Their focus...will be to get rid of the fat."

InBev's tough approach with its unionized work force in Belgium has triggered protests and strikes over longer work hours, layoffs and plans to shut one of its main breweries. The company's response has been to seek compromise, except in the area of cutting jobs. InBev has laid off more than 350 people in five European countries since 2004.

Marianne Amssoms, an InBev spokeswoman, said Tuesday that the total number employed by InBev has risen over the years. She also said the company "never fails to support our leading brands in a way that benefits the consumer." InBev is more efficiently managed than Anheuser, says Anant Sundaram, a finance professor at Dartmouth College in the U.S. InBev's operating margin is 27%, compared with 17% for Anheuser.

In an election year, the transaction could become a political flash point. The economic slowdown and job losses have prompted candidates to question unfettered free trade and outsourcing. A takeover of the biggest U.S. brewer could lead to a popular outcry.

To blunt political opposition, InBev might try to make a takeover more palatable, such as by naming the new company Anheuser-Busch or putting members of the Busch family on the board. A combination of InBev and Anheuser would be unlikely to raise antitrust concerns because InBev has a tiny share of the U.S. market and Anheuser imports and markets about 20 of InBev's brands.

Chairman's exit ends Atos battle with holders

BY GERALDINE AMIEL

PARIS—**Atos Origin** SA and its two largest shareholders, investment funds **Centaurus Capital** Ltd. and **Pardus Capital Management** PLC, Wednesday ended their fight over Atos's management and strategy after Chairman Didier Cherpitel stepped down.

Jean-Philippe Thierry, chairman and chief executive of French insurance company **AGF Holding** and a member of **Allianz** SE's management board, will succeed Mr. Cherpitel.

Pardus and Centaurus, which hold a combined stake of more than 23% in the French information-technology-services company, have been at loggerheads with management for months and have been seeking to oust Mr. Cherpitel and nominate their own candidates to the supervisory board.

In a joint statement, Atos and the funds said they reached an agreement "in the best interest of the company, its employees, its clients, and all stakeholders."

Atos's annual general meeting was adjourned last week amid a dispute over the votes of the company's employee shareholding fund.

Atos and the funds said they agree to "support, recommend and vote" in favor of a nine-member supervisory board structure, made up of seven independent members and one representative each for Pardus and Centaurus. The board's structure will be submitted for shareholder approval at the rescheduled annual general meeting June 12.

Centaurus and Pardus have committed to vote in favor of all resolutions recommended by management at the rescheduled meeting. They will get four supervisory board members, compared with the five they had been seeking before one of their nominees, exited from the running last week. Atos had come out against the funds, saying if they wanted to take control of the company they should pay an acquisition premium.

Mr. Thierry is chairman of the supervisory board of **Euler Hermes** SA and **Mondial Assistance** and a director of **PPR** SA and investment company **Eurazeo**, in a nonvoting capacity.

Atos said it will create a strategic committee "...to examine, in close cooperation with the management board, all investments and strategic options available to the company in order to maximize shareholder value." The funds had been pushing for the company to launch a strategic review.

"Adding another three weeks of battle was not the right way for the company, and especially our customers," said Atos Chief Executive Philippe Germond in an interview.

CORPORATE NEWS

EADS probe gains speed

Ex-chief Forgeard questioned by police in trading inquiry

By David Gauthier-Villars

PARIS—A criminal investigation into possible insider trading at Airbus parent **European Aeronautic Defence & Space** Co. gathered speed Wednesday as French police took the company's former co-chief executive into custody for questioning.

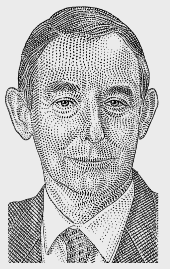
Noël Forgeard, who stepped down as the company's co-CEO in July 2006, was detained and interrogated by financial police, the Paris prosecutor's office and people close to Mr. Forgeard said.

As of late Wednesday, magistrates looking into the case had yet to decide whether to put Mr. Forgeard under formal investigation or to release him without pressing charges. Mr. Forgeard has denied any wrongdoing.

Other former or present EADS executives are scheduled to be questioned by police in the coming weeks, the Paris prosecutor's office said. EADS declined to comment.

French judicial authorities are trying to determine how much current and former EADS executives, board members and shareholders knew about profit-damaging problems associated with the company's A380 double-deck and A350 long-haul planes when they sold shares or exercised stock options between November 2005 and March 2006.

Noël Forgeard



- Born in 1946
- Graduated from French engineering schools Polytechnique and Ecole des Mines
- **1986-1987:** Advisor to Prime Minister Jacques Chirac
- **1988-1997:** Head of Lagardère defense operations
- **1998-2005:** Airbus chief executive
- **2005-2006:** EADS co-chief executive

EADS shocked investors in June 2006 when it said that Airbus's A380 program was plagued with delays and cost overruns. The disclosure sent EADS shares down 26% in one day.

Soon before that, in April, French media group **Lagardère** SCA and German auto maker **Daimler** AG announced decisions to sell part of their EADS stakes. In March, Mr. Forgeard had exercised stock options valued at €2.5 million ($3.9 million).

In a recent newspaper interview, Mr. Forgeard said he was "innocent" but added that "judging by the unfair fallout, I think afterwards that it would have been better if I had not done it."

France's stock-market watchdog, which is conducting a parallel investigation in the case, last month filed insider-trading charges against Lagardère and Daimler as well as against Mr. Forgeard and 16 other former and present EADS and Airbus executives.

Officials at Lagardère and Daimler said they had received notification of the charges and were confident they would be dismissed. "We are confident that we will fully rebuff the accusations," a spokeswoman for Daimler said Wednesday.

A person close to Mr. Forgeard said the former EADS executive would respond to the regulator's charges by a July 31 deadline.

Mr. Forgeard, 61 years old, joined Airbus in 1998 when the aircraft maker was still a consortium run by the French, German, British and Spanish governments. He presided over Airbus's transformation into a full-fledged corporation and, in 2005, became co-chief executive officer of EADS with Thomas Enders, now head of Airbus.

The French government owns 15% of EADS, while Lagardère owns 7.5%, having forward-sold an additional 7.5%. Under a 2000 pact, the French interests are combined into a single holding company. Daimler is EADS's single largest shareholder, with a 22.5% stake.

Airbus sees oil affecting jet orders

By Daniel Michaels
And Kirsten Bienk

BERLIN—Airbus expects high fuel prices to prompt airlines to cancel and defer jetliner orders, but the European plane maker is sticking with plans to increase production, the company's head of sales, John Leahy, said here Wednesday at an air show.

John Leahy

Such cancellations would most likely affect the company's strong-selling single-aisle models, Mr. Leahy said. Airbus, a unit of **European Aeronautic Defence & Space** Co., now delivers 34 single-aisle aircraft a month. By the end of 2009, the company plans to increase production to 40 planes a month. That would be the highest sustained production level ever for a jetliner.

JetBlue Airways Corp. of the U.S. and Australia's **Qantas Airways** Ltd. this week announced deferrals of Airbus orders due to soaring fuel prices. Mr. Leahy said such announcements came as little surprise and were figured into Airbus production plans.

"We had anticipated cancellations and delays of orders," Mr. Leahy told reporters. "They will have no impact on our [production] rate increase."

Mr. Leahy noted that some markets are being hit particularly hard—such as the U.S., where rising fuel prices are squeezing carriers, and India, where intense competition is making airlines unprofitable.

Mr. Leahy predicted carriers around the world will adapt to rising costs by grounding older, less fuel-efficient aircraft and either canceling or deferring orders.

But he said Airbus has more orders than it can fill for its A320-family of single-aisle planes, even at a production level of 40 planes a month. Demand from robust markets such as China and the Middle East means that Airbus still isn't being forced to discount planes dramatically to close deals, Mr. Leahy said.

"Pricing continues to firm up" after three years of record demand, Mr. Leahy said. He added that profit margins are increasing on Airbus's older models, such as the A320 family, as production levels rise.

Sony unveils a glass speaker system

By Yukari Iwatani Kane

TOKYO—**Sony** Corp. unveiled a high-end speaker system Wednesday that consists of a long tube of glass, through which sounds are vibrated out.

While speakers usually need to be placed strategically throughout a room to create a surround-sound environment, the Japanese consumer-electronics company said its latest product, called Sountina, can deliver sound throughout a room equally to people, who are sitting or standing, regardless of its location.

Sony is looking for new ways to expand its business. The audio division has been trying to come up with ways it can eliminate the traditional bulky, rectangular speakers that usually flank televisions and stereo systems. In addition to the Sountina, the company last week unveiled a golf-ball-size speaker that has the power of larger models, but weighs just 70 grams. Sony also sells a television stand with speakers embedded in it.

Sony said Sountina, meant to convey a combination of "sound" and "fountain," is the result of three years of development. It relies on a new technology that vibrates sound up a one-meter-long glass tube, which then projects it out horizontally. The aluminum base of the speaker includes midrange and subwoofer speakers to create a fuller range of sound.

The speaker, which will be priced at about $10,000, first will be offered in Japan next month. Though Sony also may make the speaker available in the U.S. and in Europe, the company said its main target is superwealthy consumers in markets like Brazil, Russia and the Middle East.

Sony said it expects to sell a few hundred of the speakers in its first year. They can be used in homes but are more likely to be used in public spaces, like restaurants and hotels. Sony said one Sountina speaker has enough power for a banquet room of 300 people.

Ford will cut 2,000 jobs as sales of trucks slump

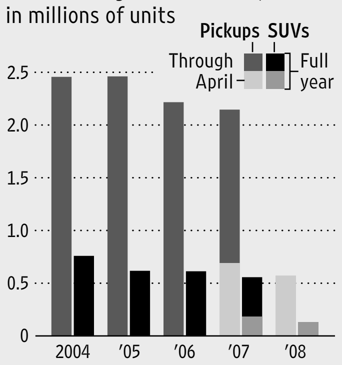
By Jeff Bennett

DETROIT—**Ford Motor** Co. is looking to cut about 2,000 white-collar jobs in the U.S., a person familiar with the matter said, in reaction to the deep downturn in truck sales squeezing Detroit auto makers as well as some of their non-U.S. competitors.

The news of job cuts comes less than a week after falling truck sales prompted Ford to announce it doesn't expect to meet its goal of returning to profitability in 2009. The company, which depends on pickup trucks and sport-utility vehicles for most of its profit, also outlined dramatic cuts in truck production for the second half.

Rough road

U.S. new large-vehicle sales, in millions of units



Source: Autodata Corp.

Ford's move raises questions about whether crosstown rivals **General Motors** Corp. and **Chrysler** LLC will also have to take additional restructuring steps. All three car makers are losing money and have been closing plants and downsizing over the past three years. Collectively, they have eliminated tens of thousands of factory jobs in the U.S.

"They're all concerned because of what the market looks like now," said Ron Harbour, a partner at Oliver Wyman, a global consulting firm that publishes the Harbour Report on auto production.

Ford's planned job cuts, which were reported earlier by the Detroit News, would reduce its U.S. salaried work force by about 12%, the person familiar with the matter said. The involuntary cuts would be completed by Aug. 1, according to this person.

Laying off salaried workers would be Chief Executive Alan Mulally's biggest step to control internal costs as the U.S. auto maker struggles to regain its financial footing amid a slowdown in U.S. sales sparked by high fuel prices, tight credit and concerns about the economic outlook.

Since Mr. Mulally took over as CEO in October 2006, Ford had been relying on buyout offers and incentive packages to get workers to leave the company. The third-largest auto maker in terms of U.S. sales, behind GM and **Toyota Motor** Corp., has been forced to move more aggressively as the U.S. sales slump has accelerated in recent weeks.

Ford, GM, and Chrysler are struggling with their turnaround efforts because of the deteriorating environment in the U.S., where sales are at their lowest level in more than a decade. Toyota, which has made a big push into trucks, is also feeling the pinch. It recently reported lower earnings in North America, blaming the slump in U.S. auto sales.

Ford was down 1.2% at $6.72 in midafternoon New York Stock Exchange trading.

The company recently posted a surprising first-quarter profit of $100 million and said then it was still on track to turn profitable next year. Mr. Mulally reiterated that the turnaround was on track during the annual shareholders meeting May 8.

Last week, however, Mr. Mulally, citing "structural" changes in the U.S. market, said Ford now expects to break even on a pretax basis company-wide next year.

GM director says the board backs embattled managers

By John D. Stoll

General Motors Corp.'s lead independent director said the board completely supports the company's embattled management team and insisted that the auto maker will weather the latest storm it faces in North America.

George Fisher, a retired chief executive of Eastman Kodak Co., said the auto maker is facing a series of challenges in North America due to an unexpectedly steep increase in gasoline prices and pressure on the U.S. economy. He expressed confidence that the U.S. market "will come back again" and that GM will be a stronger competitor in that market, thanks to its revised products.

"Certainly, I and the board still support our management team, as we have in the past," said Mr. Fisher, a director since 1996. "We think we have the best management team to get us through these difficult times."

Mr. Fisher's endorsement comes at a critical time for Chief Executive Rick Wagoner and his lieutenants. The company could continue losing money and U.S. market share this year, and the poor results come as Mr. Wagoner continues to balance a portfolio of risks that eat into an already-dwindling pool of liquidity.

In recent weeks, GM's share price has been hammered as investors digest news of increasing weakness in the markets for pickup trucks and sport-utility vehicles that underpin the auto maker's North American profitability. GM shares on Tuesday touched $16.87 intraday, their lowest point since Aug. 17, 1982. The company's market cap is hobbling below $10 billion, about a fourth its value when Mr. Wagoner assumed the helm in the summer of 2000.

Wednesday afternoon on the New York Stock Exchange, GM was trading at $17.08, down 2% from Tuesday's close.

Mr. Fisher said GM's low share price isn't the management team's top concern at this point, and he insisted that GM's actions will lead to an increase in value. "Our major worry is to make sure we have the right cars and trucks. The stock price will follow what we are doing," he said.

CORPORATE NEWS

Burberry shows strength

Profit, sales climb as retailer maintains its expansion plans

BY LILLY VITOROVICH

LONDON—U.K. fashion house **Burberry Group** PLC reported strong profit and sales increases and said it is sticking to its expansion plans in the U.S. and elsewhere, even as slowing economies have hurt its rivals.

In an interview, Chief Executive Angela Ahrendts said the U.S. has been "underpenetrated" by Burberry, leaving room for further expansion. "You have a market that's gotten relatively soft, but the brand in the market has tremendous momentum," she said. Among the lines Burberry plans to increase are children's clothing and women's shoes.

For the fiscal year ended March 31, Burberry, famous for its camel, red-and-black-check design, said net profit rose 23% to £135.2 million ($267.2 million) from £110.2 million a year earlier. The most recent year's results include a gain of £15.1 million from the relocation of company headquarters in London. Both years include costs to overhaul its back-office computer and supply-chain systems, in an effort called Project Atlas.

Angela Ahrendts

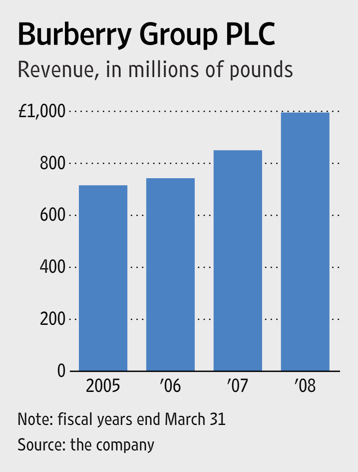
Stripping out taxes and costs related to Project Atlas, Burberry reported an 11% rise in its adjusted operating profit to £206.2 million for the year, up from £185.1 million a year earlier. That figure, boosted by higher sales and store openings, was in line with market expectations.

Sales trends in stores were more volatile in the second half of the latest year, particularly in the latest quarter, making it more difficult to spot trends, said Stacey Cartwright, Burberry's chief financial officer.

Burberry shares fell 1.6% to 499 pence on the news. The stock had risen Tuesday ahead of the results, but it has fallen 11% since the start of the calendar year amid concerns about the economy.

"Burberry's sales momentum should continue and outperform the broader luxury industry in 2008," said one analyst at Citigroup, which has a "buy" rating on Burberry and a target price of 550 pence.

Revenue rose 17% to £995.4 million in fiscal 2008 as shoppers snapped up Burberry's latest clothing collection, luxury handbags and shoes, Ms. Cartwright said. That compares with £850.3 million a year earlier.



Mattel, MGA come out firing in Bratz-doll case

BY NICHOLAS CASEY

RIVERSIDE, California—Toy makers **Mattel** Inc. and **MGA Entertainment** Inc. presented conflicting accounts of the origin of MGA's popular Bratz doll during a federal intellectual-property trial here.

Mattel has accused MGA of stealing the idea for the big-headed Bratz dolls, which were invented around 10 years ago by Carter Bryant, a doll designer who had worked for Mattel. The date of the invention is a matter of debate: Mattel claims the dolls were created while Mr. Bryant was employed by the company, while MGA says they were first drawn when the designer was between stints at Mattel.

In opening arguments Tuesday, lawyers for Mattel described MGA as a minor player in the toy industry that lacked competitive doll-design facilities and decided to "go out and take" the Bratz concept from Mattel by hiring Mr. Bryant. MGA chose to recruit "not a former Mattel designer [but] a current Mattel designer" for the task, said John Quinn, a lawyer for Mattel.

Mattel claims it had Mr. Bryant under contract when he pitched the doll idea to MGA, therefore making it the property of Mattel. MGA has denied Mattel's assertion, saying Mattel has no claim to its hip-hop doll with pouty lips.

Carter Bryant

Mr. Quinn also hammered away at Mr. Bryant's claim that he invented the dolls before returning to Mattel, suggesting similarities between Bratz and a Mattel in-house design project dating from about the time he returned. Mr. Quinn also said that Isaac Larian, MGA's founder, personally issued "an edict" that instructed employees not to mention Mr. Bryant's involvement in the project, fearing the trial his company now faces.

Thomas Nolan, a lawyer representing MGA, challenged Mattel's version of events. He offered comparisons between the Bratz doll and several magazine ads from 1998 that Mr. Bryant says inspired him and prove the date of the doll's conception. Mattel, the lawyer said, was trying to "grab back" a design that was created before Mr. Bryant returned to Mattel. The designer's employment agreement with Mattel didn't cover that period and "is not a lifetime sentence," Mr. Nolan said.

Mr. Nolan said that Mr. Larian never covered up Mr. Bryant's involvement and that his role in Bratz was "common knowledge" in the toy industry. The lawyer also challenged Mattel's claim that MGA was desperate for a hit doll, citing previous MGA doll lines, and added that it was Mattel's "bureaucracy" that made it unable to invent a doll of its own like Bratz. "MGA took the risk and brought Bratz to the retail market, and Mattel is not entitled to what they didn't think of," he said.

Since Bratz dolls were introduced in 2001, they have hurt sales of Mattel's iconic Barbie line. The rivalry has left an opening for other doll competitors to continue to chip at Barbie's market share.

GLOBAL BUSINESS BRIEFS

Grupo Ferrovial SA

BAA's profit soars on gain from sale of airport retailer

U.K. airport operator BAA Ltd. said first-quarter net profit rose sharply, boosted by £517 million ($1.02 billion) from the disposal of its World Duty Free Europe airport-retail arm. BAA, owned by Spain-based **Grupo Ferrovial** SA, said net profit rose to £482 million from £73 million a year earlier. But BAA swung to an operating loss of £51 million, compared with a year-earlier profit of £107 million, hit by higher security and maintenance costs at its seven U.K. airports. The operating loss came despite an 8.8% rise in revenue to £506 million. Separately, BAA and **British Airways** PLC said they aim to complete the delayed transfer of long-haul flights into the new fifth terminal of London's Heathrow Airport by the end of October. BA had originally planned to move all of the long-haul services from Terminal 4 on April 30.

British Energy Group PLC

Nuclear-power generator **British Energy Group** PLC, which is considering takeover approaches, posted a 28% drop in fiscal-full-year net profit after problems at two of its plants. British Energy, the largest producer of electricity in Britain with eight nuclear-power stations and one coal-powered station, said it is making good operational progress despite the disappointing financial performance. Chief Executive Bill Coley said the company's Sizewell B reactor would return to service "within days" after an unplanned shutdown Tuesday. The company posted net profit of £335 million ($662 million) for the year ended March 31, down from £465 million the previous year. Revenue declined 6.3% to £2.81 billion. The financial results were higher than analysts expected thanks to higher power prices in the final quarter of the year.

Cable & Wireless PLC

U.K. telecommunications company **Cable & Wireless** PLC said it had approached smaller rival **Thus Group** PLC about a possible bid, which, according to one London-based analyst, would likely be in the range of £270 million to £280 million ($534 million to $553 million). Cable & Wireless said last week it was looking at acquisitions to strengthen its U.K. operations. Thus, which is unprofitable, mainly provides fixed-line and wireless telecom services to businesses and the public sector. Its internet provider, Demon, largely serves small businesses. Cable & Wireless said the approach wasn't a firm intention to make an offer. Thus, shares of which jumped more than 20% after the approach was announced, responded by urging its shareholders to take no action for the time being.

Polo Ralph Lauren Corp.

Polo Ralph Lauren Corp. posted a 41% increase in fiscal-fourth-quarter profit amid strong sales in Europe and the launch of its partnership with **J.C. Penney** Co. Its shares were up 11% to $68.60 in afternoon New York trading. The New York clothing and home-decor company reported net income for the quarter ended March 29 of $103.5 million, or $1 a share, up from $73.2 million, or 68 cents a share, a year ago. The latest results were boosted by a lower tax rate. Revenue rose 20% to $1.24 billion. Wholesale sales rose 25%, while retail sales rose 16% as same-store sales rose 8.9% and Internet sales grew 36%.

Assicurazioni Generali SpA

Italian insurer **Assicurazioni Generali** SpA said it decided to pull out of the running for **Royal Bank of Scotland Group** PLC's insurance activities. Investors and analysts cheered the move, saying the price was too high and that the deal offered little in the way of synergy benefits. Though Generali didn't give a reason for the decision, people familiar with the matter said the U.K.-based bank wanted more for the business than the Italian insurer was willing to pay. In April, Generali's co-chief executives, Sergio Balbinot and Giovanni Perissinotto, told shareholders that the insurer would pursue a plan to expand its operations abroad but that it would consider only acquisitions that were reasonably priced.

Qantas Airways Ltd.

Qantas Airways Ltd. said it will lay off staff, implement an executive-pay freeze and reduce capacity across its domestic and international networks by about 5% to offset higher costs from recent record fuel prices. Despite a recruitment freeze, its fuel-hedging strategy, continued fuel surcharges and two increases in ticket prices announced over the past month, Qantas said it isn't able to offset an expected A$2 billion (US$1.92 billion) increase in its fuel bill for the year to June 2009 without making the changes just announced. "The fact is that fuel prices are something we have no control over, so we have to look harder at areas where we do have control," said Qantas Chief Executive Geoff Dixon. Crude-oil futures have more than doubled over the past year, hitting a record close of US$133.17 a barrel last week, prompting a savaging of airlines around the world, particularly in the U.S.

Tata Motors Ltd.

Tata Motors Ltd. said its directors approved raising about 72 billion rupees ($1.68 billion) through three separate rights issues, mainly to finance the recent acquisition of Ford Motor Co.'s Jaguar and Land Rover luxury-car brands. Tata will raise as much as 22 billion rupees through a rights issue of equity shares, said India's biggest auto maker by sales. In addition, as much as 20 billion rupees will be raised through a rights issue of voting shares. A further 30 billion rupees will be raised through an issue of five-year, 0.5% convertible preference shares. The shares will have the option of conversion into voting shares after three years but before five years. On completion of the three rights issues, Tata also plans to raise between $500 million and $600 million through an issue of securities in the overseas markets.

Navistar International Corp.

Truck maker **Navistar International** Corp. said it is expecting to achieve record revenue and solid profitability in fiscal 2008 despite the weak truck industry, according to a filing with the U.S. Securities and Exchange Commission. The Warrenville, Illinois, company, which also makes diesel engines and school buses, said it expects first-half consolidated revenue of between $6.7 billion and $6.9 billion and manufacturing-segment profit of between $375 million and $425 million. The company said manufacturing-segment profit is expected to reach nearly $1 billion for the full year.

Babcock International Group

Babcock International Group PLC, a U.K. support-services company, said it is tapping **BAE Systems** PLC's chief executive, Mike Turner, to become its nonexecutive chairman. Mr. Turner, who is due to retire from his BAE post in August, will succeed Gordon Campbell, who is standing down after eight years with the company. He will become a nonexecutive director in June before taking over as chairman in November, Babcock said. BAE hasn't named a successor for Mr. Turner, 59 years old, who has been CEO for the past six years. Mr. Turner previously served as a Babcock director for nine years.

Walt Disney Co.

Walt Disney Co. plans to make its Disney Channel in Spain available free through digital-terrestrial television starting in July, entirely funded by advertising. The popular children's channel is currently broadcast on several Spanish cable networks. Disney said the low number of cable subscribers in Spain—about three million homes out of a population of 40 million—made it hard to increase the channel's viewers. It will be the first time the Disney channel has been offered free in any country.

Sinosteel Corp.

Chinese metals trader **Sinosteel** Corp. said it won't raise its A$1.36 billion (US$1.3 billion) takeover offer for Australian iron-ore developer **Midwest** Corp., despite the emergence of a rival proposal from **Murchison Metals** Ltd. Murchison and Midwest unveiled on Monday plans for a merger by way of a reverse takeover that they said at the time valued Midwest shares at A$7.17, or A$1.53 billion in total, compared with Sinosteel's all-cash offer of A$6.38 a share. Sinosteel said its offer provided certainty of cash in a challenging environment, and the Chinese group said it wouldn't be increasing its bid.

Eni SpA

Italy's new government, led by Prime Minister Silvio Berlusconi, will reappoint the chief executives of energy giants **Eni** SpA and **Enel** SpA, said Andrea Ronchi, the country's European Union affairs minister. The reappointments of Paolo Scaroni as head of state-controlled oil-and-gas giant Eni—for an additional three years—and Fulvio Conti at the helm of Enel until 2011 are confirmed, the minister said. Both companies pick new boards at shareholder meetings next month. Over the past three years, Mr. Scaroni has lifted Eni's earnings on the back of a surge in global oil prices. Under Mr. Conti, Enel embarked on an international expansion last year.

Shun Tak Holdings Ltd.

Conglomerate **Shun Tak Holdings** Ltd., controlled by Macau casino businessman Stanley Ho, said one of its units agreed to buy a residential site at Macau's Nam Van district for HK$3.15 billion (US$403.5 million). Its wholly owned unit, Shun Tak Lake Ltd., will acquire the land from **Many Gain Investments** Ltd. The price represents a 22% discount to the HK$4.05 billion valuation by an independent valuer in May, which took into consideration the development potential of the site and general market conditions of Macau's property market, Shun Tak Holdings said late Tuesday.

—Compiled from staff and wire service reports.

ECONOMY & POLITICS

FRANCE

Paris will open job market to most new EU members

FRANCE on July 1 will begin lifting restrictions on workers from eight formerly communist countries that joined the European Union in 2004, President Nicolas Sarkozy and the European Commission said.

Mr. Sarkozy, left, stressed that he believed in the free movement of people and goods inside Europe. The European Commission later confirmed that Paris would open its labor market to workers from the eight countries that joined the bloc in 2004: Poland, Slovakia, Hungary, Latvia, Lithuania, Estonia, Slovenia and the Czech Republic. Restrictions will still apply to workers from Bulgaria and Romania, which joined in 2007. *—Associated Press*

SWITZERLAND

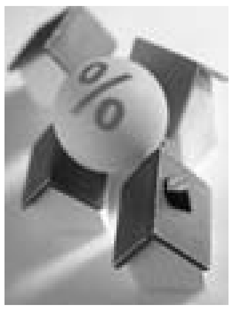
Central bank is expected to keep Libor as guide

THE SWISS National Bank, the only major European central bank that relies on the London interbank offered rate for its monetary policy, may be evaluating recent concerns about Libor's accuracy, but economists who follow the central bank closely don't expect it to stop using it.

Economists say the rate is still the best tool for the Swiss central bank, given its wide usage in financial markets. "There are certainly discussions going on at the SNB whether or not to stick with Libor, but the question is, of course, whether any new benchmark would be a better solution," said Credit Suisse economist Karsten Linowsky. *—Martin Gelnar*

NORWAY

Key rate remains at 5.5%, but more increases likely



NORWAY'S central bank held its key interest rate at 5.5%, but signaled further increases are on the way despite signs of moderating growth. Norges Bank said the inflation rate has risen more than expected, and that it could keep rising.

"The increase in inflation and the prospect of higher inflation suggest a further increase in the key policy rate," Central Bank Governor Svein Gjedrem said. Norway's annual core inflation rate in April was 2.4%, which was 0.2 percentage point higher than the central bank expected. But uncertainty due to global financial market turbulence persuaded the central bank to keep rates steady for now. *—Joel Sherwood*

Pakistan seeks more aid

Prime minister urges U.S. to help boost the new government

By Zahid Hussain
Islamabad, Pakistan

Associated Press

Pakistan's new prime minister, Yousuf Raza Gilani, said he pushed for more U.S. **economic and defense aid** at a recent meeting with President George W. Bush.

PAKISTAN'S NEW prime minister said he is urging the U.S. to increase its economic and defense assistance to help strengthen his country's newly elected democratic government.

In an interview Wednesday with The Wall Street Journal, Prime Minister Yousuf Raza Gilani also said he is willing to work with President Pervez Musharraf, a key U.S. ally in its battle against Islamic terrorism, but he would let his party decide whether to try to force the president from office.

Mr. Musharraf is facing mounting pressure from his political opponents to resign or face removal from office. Earlier this week, the new government introduced reforms designed to reduce the president's powers to dismiss the government and dissolve Parliament.

Mr. Gilani said further U.S. assistance "will help deliver a democracy dividend to the people" after Pakistan held landmark elections for a new Parliament in February.

He also said further aid is needed to help provide stability as the nation seeks to fight terrorism. Pakistan has received more than $11 billion from the U.S., most of which has gone to the military, since it joined the U.S.-led war on terror following the Sept. 11, 2001 attacks.

Mr. Gilani didn't specify how much further assistance Pakistan is now seeking. He made his case for further aid during a recent meeting in the Middle East with U.S. President George W. Bush.

Mr. Gilani said the use of military means alone to try to stamp out militancy from Pakistan's hinterlands would never bring peace. "We need to review our strategy to deal with the situation in the tribal region," he said.

Western intelligence agencies contend that Pakistan's tribal region has become a major operating center for al Qaeda and a launching pad for assaults on the North Atlantic Treaty Organization's troops in neighboring Afghanistan.

Mr. Gilani, 55 years old, heads a fractious coalition government led by the Pakistan People's Party of assassinated former Prime Minister Benazir Bhutto. The new government already has taken a different tack in the battle against terrorism than followed by Mr. Musharraf. For example, Mr. Gilani's government has been negotiating with militants and exchanging prisoners.

The latest accord came Wednesday, when the government signed a peace deal with a Taliban militant group near the Afghan border. The deal includes a pledge from the militants' leader not to target security and government officials, a senior government official said.

Both sides swapped prisoners, though details weren't disclosed; the militants had been holding some government officials. Mr. Gilani said the government is talking only to tribesmen who renounce violence and surrender weapons. But U.S. and NATO officials argue the peace deals have given militants time to regroup.

The prime minister said Pakistani forces would remain deployed along the border. And he emphasized the need to increase the strength of Afghan troops on the Afghan side of the border, to better protect against border crossings.

Eight weeks after a new coalition government was formed, Pakistan's internal political strife continues. The coalition that emerged from February's elections began to fall apart after a major coalition partner—the Pakistan Muslim League (N) led by former Prime Minister Nawaz Sharif—pulled its ministers from the cabinet. The PPP and Mr. Sharif disagreed over how to restore judges ousted by Mr. Musharraf when he declared a temporary state of emergency late last year.

The fate of Mr. Musharraf and how the government should deal with him has added a further destabilizing element.

On Wednesday, Mr. Sharif said at a news conference he had secured PPP Chairman Asif Ali Zardari's agreement on Tuesday to move for Mr. Musharraf's ouster. "I have spoken with Mr. Zardari that we should throw him out to respect the mandate of the people of Pakistan, and he agreed yesterday to do so," Mr. Sharif said, according to news agency reports.

However, Information Minister Sherry Rehman of the PPP said later: "We have not made any such commitment."

Mr. Gilani said he would maintain a working relationship with Mr. Musharraf for now. "I have no problem working with him, but will go by the party's decision," he said.

Myanmar junta honors pledge to allow access

By Patrick Barta

A more accurate picture of the devastation wrought in Myanmar by Cyclone Nargis may emerge in coming days as international aid workers gain wider access to politically sensitive areas affected by the deadly storm.

Aid agencies said Wednesday that Myanmar's ruling military junta was making good on promises to allow more foreign relief workers into the country and the hard-hit Irrawaddy River delta, where as many as 134,000 people were left dead or missing in the disaster in early May, according to government estimates.

Previously, Myanmar's government had blocked foreigners' access. But it softened its stance Friday and over the weekend after visits from foreign-government representatives and United Nations Secretary-General Ban Ki-moon.

Unicef, the U.N. children's relief agency, said visas for nine of its staff were approved in recent days and that six international workers were granted permission to enter the delta to assess the damage.

World Vision, an international relief organization, said it gained approval for two sorties with international staff into the delta, including one that will leave Thursday for Ngapudaw, a remote area in the eastern part of the delta where the full scope of the disaster remains poorly understood. "We feel relieved that we're talking about practical challenges now" rather than just focusing on getting access, said spokesman Chris Webster.

Aid workers still face big hurdles. Transportation remains a problem, with inadequate roads and shortages of trucks and boats. Aid agencies still must apply for approval to enter affected areas, providing full descriptions of their travel plans and activities, and it is unclear whether certain types of equipment will be allowed. Mr. Webster said his organization still isn't authorized to use satellite phones or other communications equipment to provide Internet connections in the area, making it difficult to scale up operations quickly.

Myanmar also continues to reject aid offered by Western militaries, including the U.S. Navy. Although the U.S. has sent some 75 cargo flights into Yangon with water and other supplies, it hasn't gained approval for aid from ships it has anchored off the Myanmar coast. The USS Essex, a helicopter and amphibious-craft carrier that leads the naval task force, has blankets, high-energy rations and the ability to produce 50,000 gallons of water per day for relief efforts. But the ships are sitting tight for now, said a U.S. military spokesman in Bangkok.

French authorities, meanwhile, appeared to abandon a similar ship-based aid mission Wednesday after they failed to gain consent from the government. Instead, they unloaded thousands of tons of relief supplies at a Thai port and now intend to hand that aid to the World Food Program, a U.N. agency, Agence France-Presse reported.

Victims continue to crowd into monasteries or impromptu tent camps along roadsides. Some survivors say government soldiers are forcing victims to return to collapsed homes, or detaining local volunteers and impounding their vehicles.

Still, relief workers said they were heartened by indications that access is improving, and they promised to ramp up their efforts. They also will be able to perform more comprehensive assessments of the damage. Aid workers initially reported that some 3,000 schools were damaged. Now, the estimate has risen to about 4,000, with roughly half of them effectively wiped out.

The World Health Organization, another U.N. agency, is working to extend a surveillance network it hopes will allow it to better watch for outbreaks of cholera and other disease.

Estimates of the costs remain a matter of dispute. The Myanmar government has said it could cost as much as $10 billion to repair the country, though how it reached that number is unclear.

Foreign governments so far have pledged only a fraction of that, roughly $230 million.

—Tom Wright contributed to this article.