THE WALL STREET JOURNAL.

WSJ.com

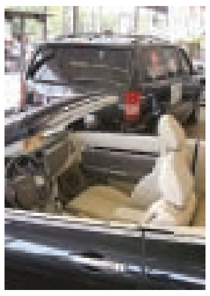
DOWJONES Newswires

EUROPE

DOWJONES A News Corporation Company

VOL. XXVI NO. 190

TUESDAY, OCTOBER 28, 2008



Fears rise in auto industry as GM, Chrysler seek aid

NEWS IN DEPTH | PAGES 14-15

Ten U.S. banks will get federal capital infusions

MONEY & INVESTING | PAGE 19

What's News—

Business & Finance

European markets fell hard at the open, but recovered some of their losses in response to early gains in the U.S. Investors continue to focus on concern that governments can't do much to stave off an impending recession. Governments acted to bolster confidence. Page 1

■ **Asian shares dropped** as investors grew nervous about contagion from the credit crisis. Hong Kong fell almost 13%, and Tokyo stocks lost 6.4%. Page 1

■ **U.S. stocks declined** late in a session that had included triple-digit intraday gains for the Dow Industrials. Page 20

■ **Hungarian shares fell** despite a pledge of IMF aid, as investors awaited concrete details of the arrangement. Page 7

■ **Deutsche Post cut** its 2008 earnings forecast and scrapped its 2009 outlook, citing a weak third-quarter performance at its express operations. Page 2

■ **KBC announced** a $4.4 billion cash injection from Belgium, saying it had to act to stay on equal footing with rivals. Page 2

■ **More U.S. banks** said they're getting federal money, taking the total allocated to two-thirds of the $250 billion for capital injections. Page 19

■ **Mitsubishi UFJ said** it would raise up to $10.47 billion in a share issue, as stock-market losses dent confidence in Japan's top banks. Page 19

■ **Paris prosecutors opened** a probe into a large trading loss at Caisse d'Epargne. Page 23

■ **Verizon's profit rose** 31% with a boost from its wireless unit, but the carrier warned of slow spending for the rest of the year. Page 6

■ **Austria extended the tender** for Austrian Airlines for two months after a bidder demanded the government take on some of the carrier's debt. Page 4

■ **Goldman Sachs approached** Citigroup in September about a possible merger, a person familiar with the matter said. Page 21

Markets 4 p.m. ET

MARKET	CLOSE	NET CHG	PCT CHG
DJIA	8175.77	-203.18	-2.42
Nasdaq	1505.90	-46.13	-2.97
DJ Stoxx 600	195.04	-3.78	-1.90
FTSE 100	3852.59	-30.77	-0.79
DAX	4334.64	+38.97	+0.91
CAC 40	3067.35	-126.44	-3.96
Euro	$1.2455	-0.0256	-2.01
Nymex crude	$63.22	-0.93	-1.45

Money & Investing > Page 19

World-Wide

G-7 finance chiefs issued an emergency statement warning investors against pushing up the yen too much. It was the first time since September 1999 that the group mentioned the Japanese currency on its own, but traders showed only a limited reaction. Meanwhile, Trichet signaled that the European Central Bank is likely to cut interest rates next week. Page 3

■ **Iraqi officials warned** that a U.S. military raid into Syria could be used by opponents of a security agreement under negotiation with the U.S. Page 8

■ **Pakistan said missiles** from a U.S. pilotless drone killed at least eight, including a Taliban commander tied to attacks in Afghanistan. The U.S. didn't immediately comment. Page 8

■ **Insurgents shot down** a U.S. helicopter after exchanging fire with its crew in Afghanistan, but the crew survived. A suicide bomber killed two U.S. soldiers.

■ **U.S. agents said** they broke up a plot by two neo-Nazis to assassinate Obama and kill 102 black people in Tennessee.

■ **Ted Stevens**, the longest-serving Republican in the U.S. Senate, was found guilty on seven charges of corruption.

■ **The U.S. is boosting efforts** to transfer Guantanamo Bay detainees to their home countries, but differences with Middle Eastern governments remain. Page 7

■ **Saakashvili dismissed** Georgia's prime minister as opposition criticism of the president's handling of August's five-day war with Russia grew. Page 32

■ **U.N. peacekeepers used** helicopter gunships against advancing rebels in eastern Congo, as government troops retreated and civilians demanded protection.

■ **Sudan said** the kidnappers of nine Chinese oil workers killed five of the men, execution-style.

■ **Four center-right parties** in Lithuania agreed to form a coalition government after winning a majority of seats in a parliamentary election. Page 7

■ **Five officials** in the Mexican attorney general's office were arrested on allegations they were informants for a drug cartel.

Editorial & Opinion

Lessons learned?

Europe's bank supervisors must work together better to avoid another meltdown. Page 12

Doubts prevail as efforts to spur economy falter

ECB nears a rate cut as France, U.K. work to address downturn

By Alistair MacDonald and Marcus Walker

LONDON—Markets across Europe dived and then regained some ground, ending lower Monday as worries about recession grew into concern that governments can't do much to solve one.

Banks in Germany and Sweden tapped government funding, among other measures to bolster their funds, and several governments took steps to try to reassure investors about their economies.

U.K. Prime Minister Gordon Brown reiterated that his government will increase borrowing in the short term to help the U.K. economy through the downturn. French President Nicolas Sarkozy, concerned about the prospect of rising unemployment, is expected to lay out Tuesday a series of measures designed to relieve the effects of higher unemployment, including steps to make it easier for workers who have been laid off to find jobs, according to an official at the French Ministry of Economy

Please turn to page 30

Heading lower

Investors flee Asian shares to avoid risk

A massive selloff in Asian shares Monday highlights growing investor nervousness over emerging vulnerabilities in a region until recently considered relatively safe from crisis contagion.

Tokyo shares fell 6.4% to their lowest level in 26 years and Hong Kong's stock market fell 12.7% as fearful investors pulled out of the region's equity and currency markets. The Philippines benchmark index in Manila fell 12.3%, while Bangkok tumbled 10.5%. Shanghai fell 6.3%, Taiwan shed 4.7% and Mumbai lost 2.2%.

By Peter Stein and Laura Santini in Hong Kong and Hiroko Tabuchi in Tokyo

Only South Korea defied the trend, closing modestly higher after the central bank announced a surprise, three-quarter percentage-point rate cut.

European markets fell sharply as well Monday. Investors were watch-

Please turn to page 30

Reuters

Neither history nor polls provide clear insights on how Sen. Barack Obama's race will affect the outcome of the **U.S. presidential election**.

Obama's race remains a wild card in election

By Gerald F. Seib

CAPITAL JOURNAL

We're about to learn the answer to the great, sometimes unspoken question that hangs over Campaign 2008: How will race affect the outcome?

The reality is, with just days to go in the U.S. presidential race, nobody knows for sure. Figuring out which and how many white voters will be reluctant or flatly unwilling to pull the lever for the African-American candidate, Sen. Barack Obama, is impossible to determine from either polling data or experience.

Polling data are unreliable because few voters would admit to a total stranger—in this case, a poll interviewer—that they harbor what might be considered racist sentiments. Chicago-based Democratic pollster Mike McKeon says his survey work shows that voters are well aware of the "stigmatism of racism," but the effects of that stigmatism are hard to gauge. It could mean that some whites really do have trouble voting for a black candidate and won't admit it. Or it could have the opposite result: Some whites end up feeling they have to vote for a black candidate to convince themselves they don't harbor racist sentiments.

Nor is history a reliable guide. There has been no campaign before like this one, and Sen. Obama—son of a white mother and black father, born in Hawaii, educated on both

Please turn to page 31

Deutsche Post cuts view

Outlook is hampered by weak performance at express operations

By Julia Mengewein

FRANKFURT—**Deutsche Post** AG on Monday slashed its earnings forecast for 2008 and scrapped its 2009 outlook, citing a weak third-quarter performance at its express operations, which include the DHL logistics and delivery business.

DAILY SHARE PRICE

Deutsche Post

Monday's close: €8.00, down 17%

Year-to-date down 66%

Source: Thomson Reuters Datastream

The profit warning highlights the German mail and logistics company's woes in the U.S., where it has run up billions of dollars in losses trying to expand its DHL business but has failed to break the dominance of U.S. rivals United Parcel Service Inc. and FedEx Corp.

Separately, Deutsche Post said Monday that it would step in to help its majority-owned retail-banking unit **Deutsche Postbank** AG raise as much as €1 billion ($1.26 billion) to boost its balance sheet, after Postbank reported a €449 million third-quarter pretax loss on trading losses and its exposure to collapsed U.S. investment bank Lehman Brothers Holdings Inc.

In the three months ended Sept. 30, Deutsche Post said its adjusted earnings before interest and taxes dropped 8% from the year-earlier €468 million, blaming a deterioration in the global economic environment. The company is to report full third-quarter earnings on Nov. 10.

Deutsche Post said it now expects 2008 Ebit of about €2.4 billion—down about 10% from a year earlier and 17% less than its previous forecast. The company had earlier forecast full-year Ebit of €2.9 billion, adjusted to exclude the contribution of Deutsche Postbank after its agreement to sell a 29.75% stake in Postbank to Deutsche Bank AG.

Looking ahead to 2009, Deutsche Post said it still expects to increase its profit, but it is withdrawing its €3.4 billion target for underlying Ebit, which excluded contributions from Postbank. The company said it will issue a fresh forecast "once the economic prospects are sufficiently clear."

Deutsche Post's Dutch rival **TNT** NV is also suffering from the economic downturn. TNT on Monday posted a 32% drop in third-quarter earnings on slowing premium express volumes in Europe and surging fuel costs. The company, which had issued a profit warning two weeks ago, Monday lowered its 2008 outlook for its express business and said it will take more aggressive cost-cutting measures.

TNT said net profit fell to €113 million from €167 million a year earlier. Revenue rose 1.5% to €2.69 billion from €2.65 billion. The company said that its mix of businesses led to overall revenue growth, but with a lower operating margin, partly because of higher financing costs.

In Frankfurt Monday, shares in Deutsche Post were down 17% to €8. TNT shares were down 8.2% to €14.65.

Deutsche Post's profit warning "didn't come as a surprise, but in the current market environment, investors simply start selling their shares fast," said NordLB analyst Martina Noss. She added that Deutsche Post had always said its outlook was valid only as long as the economic environment didn't worsen.

The profit warning highlights the mail and logistics firm's woes in the U.S.

"The company is still well-financed, and while Ebit will fall in 2008, it still expects a small growth for 2009, which is positive," she said.

—Stefan Kloet in Amsterdam contributed to this article.

KBC to get $4.4 billion from Belgium for buffer

By Carolyn Henson And Alessandro Torello

BRUSSELS—Belgian bank and insurer **KBC Group** NV became the latest European bank to seek government help, announcing a €3.5 billion ($4.4 billion) cash injection from the Belgian state to provide an added buffer amid market turmoil.

The lender said that while its solvency and liquidity have remained strong, it had to act in order to compete on equal footing with rivals such as Dutch-Belgian bank **Fortis** NV, Franco-Belgian lender **Dexia** SA and Dutch bank **ING Groep** NV, which have received government support. Prior to Monday's move, KBC had been the only major player in the Belgian banking market not to seek state help.

The cash injection is also aimed at reassuring the market after KBC's shares hit 12-year intraday lows Friday, with investors spooked by its exposure to hard-hit emerging economies in Eastern Europe.

In a transaction that echoes the €10 billion deal that ING made with the Dutch government last week, albeit on a smaller scale, KBC will issue €3.5 billion in nonvoting securities to the Belgian state. The move, which won't dilute KBC's capital, will raise the bank's core Tier-1 capital ratio—a measure of financial strength—to 8.2%, 2½ times the required minimum. The bank said it won't pay shareholders a dividend this year.

"It is prudent to proactively strengthen our excess capital further in order to consolidate and reinforce our competitive position," Chief Executive Andre Bergen said. The deal is expected to close by the end of November, he added.

Monday's deal marks the Belgian government's fourth banking bailout in recent weeks. Fortis, Dexia and Belgian mutual-insurance company Ethias have all sought rescue. Overall, the Belgian government has pumped in almost €20 billion, Finance Minister Didier Reynders said.

The capital support will enable KBC to absorb any losses that could come from further write-downs, impairments and loan losses following the economic downturn, said analyst Ton Gietman at Petercam, and should remove worries for both clients and investors.

"We expect KBC will be able to generate sufficient excess cash going forward to pay off the €3.5 billion relatively quickly," said analyst Ivan Lathouders at Bank Degroof.

KBC has a strong retail base in Belgium as well as a second home market in Central and Eastern Europe, including the Czech Republic, Poland, Hungary, Slovakia and Russia. Its emerging-markets franchises contribute about a third of its profit.

Last month, it warned that heavy losses in the third quarter due to write-downs on its investment portfolio would lead to a net loss of €880 million to €930 million for the quarter. It is due to report third-quarter earnings Nov. 6.

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.

THE WALL STREET JOURNAL EUROPE (ISSN 0921-99)
Boulevard Brand Whitlock 87, 1200 Brussels, Belgium
Telephone: 32 2 741 1211 FAX: Business: 32 2 732 1102
News: 32 2 741 1600 Editorial Page: 32 2 735 7562
SUBSCRIPTIONS, inquiries and address changes to:
Telephone: +44 (0) 207 309 7799 Calling time from 8am to 5.30pm GMT
E-mail: WSJUK@dowjones.com Website: www.services.wsje.com
Advertising Sales worldwide through Dow Jones International. Frankfurt: 49 69 971428 0; London: 44 207 842 9600; Paris: 33 1 40 17 17 01
Printed in Belgium by Concentra Media N.V. Printed in Germany by Dogan Media Group / Hürriyet A.S. Branch Germany. Printed in Switzerland by Zehnder Print AG Wil. Printed in the United Kingdom by Newsfax International Ltd., London. Printed in Italy by Telestampa Centro Italia s.r.l. Printed in Spain by Bermont S.A. Printed in Ireland by Midland Web Printing Ltd. Printed in Israel by The Jerusalem Post Group. Printed in Turkey by GLOBUS Dünya Basınevi.
Registered as a newspaper at the Post Office.

Editeur responsable: Daniel Hertzberg M-17936-2003

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

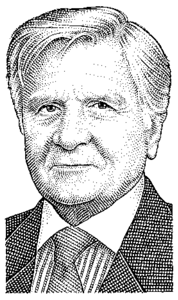
Trichet signals ECB plans rate cut next week

*By **Joellen Perry** in Frankfurt and **Sudeep Reddy** in Washington*

European Central Bank President Jean-Claude Trichet signaled in a notably direct statement that the central bank is likely to cut its key rate next week.

In a speech in Madrid, Mr. Trichet said, "I consider it possible that the Governing Council would decrease interest rates once again at its next meeting" on Nov. 6. Mr. Trichet declined to discuss the size of a potential cut and stressed that "it is not a certainty." His comments solidified analysts' expectations that a half-percentage point decrease to 3.25% is likely.

Mr. Trichet's comments bolstered markets briefly, but were unable to keep European shares from closing at a 5½-year low Monday, amid fears of a protracted economic slump. The benchmark FTSEurofirst 300 index of top European shares closed down 1.65% at 816.04 points, the lowest close since May 2003.



Jean-Claude Trichet

Many of the world's major central banks are likely to cut key rates soon as growth stutters amid market turmoil. In Europe and many other places, the predominant worry through the next 18 months—in light of soaring oil prices—had been rising inflation rates.

But with commodities prices falling sharply, a global recession sinking in and the credit crisis worsening, some ECB and Fed officials believe inflation next year could drop below their soft targets. They view deflation as possible but unlikely, and their rate cuts—because of the bleak economic outlook—should help to protect against the threat of falling prices down the line.

The ECB, the U.S. Federal Reserve and four other central banks launched a coordinated rate cut on Oct. 8, lowering key rates by a half-percentage point.

At its meeting Wednesday, the Fed is expected to lower its interest-rate target from the current 1.5%. Futures markets are fully pricing in a half-percentage-point cut.

The U.S. economy is expected to weaken further and Fed officials don't expect a meaningful recovery to begin until the second half of next year. That could keep pressure on the Fed to lower rates at the December policy meeting. Already officials have been cautious about more easing, trying to gauge how much cuts would affect the overall economy while credit markets remain strained.

With policy makers and economists predicting a recession in the U.K., Bank of England officials are expected to lower their key rate by at least a half-percentage point from the current 4.5% at their meeting on Nov. 5-6.

Amid signs of a severe slowdown in the 15 countries that use the euro, some economists expect the ECB to follow a November cut with a second half-percentage point cut in December.

Mr. Trichet's suggestion that an ECB cut could come at the bank's next meeting suggests policy makers have ruled out cutting in tandem with the Fed, at least for now. Within the ECB's 21-member Governing Council, there is some surprise that the coordinated rate cut didn't impress markets more. Some policy makers say they feel the fact that confidence was so low that the cut produced no tangible boost raises the stakes for their next move.

G-7 warns of volatile yen

Currency's rise may hurt Japan's exports amid recession fears

By Takeshi Takeuchi And Takashi Nakamichi

Reuters

After the dollar rose slightly against the yen following a G-7 statement, **it was pushed down** by a sharp fall in Japanese share prices.

TOKYO—Finance chiefs from the Group of Seven leading nations on Monday issued an emergency statement warning investors against pushing up the yen too much, suggesting that the U.S. and Europe, in addition to Japan, are uneasy about the yen's broad advances.

It was the first time since September 1999 for the group to mention the yen on its own. In the three-sentence statement, partly in response to Japan's pleas for help, the G-7 finance leaders singled out the yen, saying its recent "excessive volatility" threatens the global economy and financial system. "We continue to monitor markets closely, and cooperate as appropriate," the statement said.

The statement comes as currencies of both advanced and developing nations have become volatile as the global financial crisis intensifies. Japan's currency closed Monday at 93.58 yen to the dollar, near its strongest level in 13 years.

The yen's rise comes as investors race to pull out of high-risk investments—such as oil or stocks in emerging countries bought with borrowed yen—amid worries of a global economic recession. That strengthening in the yen threatens to batter Japanese exports at a time when the domestic economy is flirting with recession.

Currency traders showed only a limited reaction to the statement. "The statement disappointed us because it suggests that authorities are still a few steps away from actually selling the yen," said Hiroshi Maeba, senior dealer at Nomura Securities. "What we need is an actual intervention."

After the dollar rose slightly against the yen following the G-7 statement, it was pushed down by a sharp fall in Japanese share prices. Later, it was trading at around 93.54 yen.

In the past, when the G-7 specifically noted the yen's strength but the currency continued appreciating, it led to market intervention to sell Japan's currency, as in September 1999, when Japan's Finance Ministry and the Bank of Japan repeatedly sold the yen against the dollar.

Japan has stayed out of the foreign-exchange markets since March 2004, when it ended a massive yen-selling campaign to prevent a strong domestic currency from undermining the nation's then fragile economic recovery.

The G-7 "only spoke about the yen's 'recent excessive volatility,' said Simon Johnson of Baseline Scenario. "This was about the least they could say under the circumstances, and it is not clear that it will do anything—other than encourage further flows into the dollar."

Japanese shippers record strong profits, expect slump

By Hiroyuki Kachi

TOKYO—Japan's top shipping companies released brisk earnings results for the July-September quarter but indicated they are increasingly feeling the effects of a recent downturn in bulk-shipping rates and the uncertainties stemming from the global economic slump.

Nippon Yusen K.K., Japan's biggest shipping company in terms of revenue, reported that its net profit shot up 78% to 46.9 billion yen ($495.8 million) during its fiscal second quarter from 26.3 billion yen a year earlier. Revenue climbed 13% to 740.2 billion yen, while operating profit jumped 49% to 76.6 billion yen.

The strong performance showed that the benefits of brisk bulk-shipping rates before the recent tumble were still offsetting the rise in fuel costs and the stronger yen.

"We enjoyed drastic revenue and profit growth" upon completion of voyages for which the contracts were signed using record bulk-shipping rates in May and June, Nippon Yusen said in a statement. Its interim net profit between April and September was 91.27 billion yen.

Mitsui O.S.K. Lines Ltd., meanwhile, posted a 30% gain in net profit to 68.66 billion yen during the quarter, compared with 52.73 billion yen in the year-earlier period. Its revenue climbed 19% to 587.26 billion yen. Also, **Kawasaki Kisen Kaisha** Ltd. posted a 62% jump in net profit to 29.62 billion yen, up from 18.24 billion yen, as revenue grew 14% to 386.02 billion yen.

But slowdowns are likely as the global financial turmoil clouds shipping demand and trade in Asia, and between the Asia and the rest of world. The Baltic Dry Index—a global benchmark for bulk-shipping rates—has plummeted more than 85% from its peak in May to a six-year low this month.

For the full year ending March 2009, Nippon Yusen left unrevised its net-profit outlook at 140 billion yen. Nippon Yusen expects the recent weakness in fuel prices and a recovery in container-shipping freight charges to help moderate the impact of a slowdown. Mitsui O.S.K. lowered its net-profit outlook to 195 billion yen from 210 billion yen. Revenue is now estimated at 2.05 trillion yen, down from 2.15 trillion yen.

CORPORATE NEWS

TELECOMMUNICATIONS

Two VimpelCom stakes frozen by a Russian court

Inmagine

ALTIMO, the telecoms arm of Russian tycoon Mikhail Fridman's **Alfa Group**, said on Monday a Russian court had frozen its stake in mobile carrier OAO **Vimpel Communications** and a stake owned by Norway's **Telenor** ASA.

The freeze came in a lawsuit, but was ordered at the same time that VimpelCom shares are at risk for a margin call. It is also the latest twist in a long-running battle between Alfa and Telenor over VimpelCom's strategy. Altimo, which owns 44% of VimpelCom, accuses Telenor, which owns 29.9%, of holding up the expansion of VimpelCom into the Ukrainian market.

—Reuters

METALS

Steel consumption in EU is forecast to fall next year

Shutterstock

STEEL consumption in the European Union is likely to decline in the first half of 2009, the European Confederation of Iron and Steel Industries, or Eurofer, said Monday.

"Weakening demand will result in new orders to dry up rapidly and output to decline in most sectors," said Eurofer, adding that the construction and automotive sectors will be hit hardest. The group forecasts steel consumption will drop 1.1% in the fourth quarter of 2008 from the year-earlier period.

It may take until late next year before economic fundamentals start to improve, said Eurofer.

—Jeffrey Sparshott

ENERGY

BASF's Wintershall offers $740 million to buy Revus

Getty Images

GERMAN energy company Wintershall AG, which is owned by **BASF** SE, offered $740 million to buy Norway's **Revus Energy** ASA—a bid that values the small oil company's stock at more than double Friday's closing price.

Revus's board unanimously recommended the offer to shareholders. Shares in the company closed at 44.90 Norwegian kroner ($6.39) before the weekend, while the offer values them at 110 kroner each. The stocked jumped Monday, closing at 97 kroner. Revus, based in Stavanger, Norway, was founded in 2002 and specializes in offshore exploration in Norwegian and British waters.

—Associated Press

Businesses focus on U.S. drug case

Lobby is hopeful high court will limit product-safety suits

BY ALICIA MUNDY AND SHIRLEY S. WANG

Shelling out

Payments in some major drug-related lawsuits.

Company	Drug	Use	Payout
Merck	Vioxx	Pain reliever	Has agreed to more than $4 billion in settlements
Wyeth	Diet pills	Weight control	About $20 billion in fen-phen-related costs
Lilly	Zyprexa	Antipsychotic	About $1.3 billion
Pfizer	Celebrex/Bextra	Pain reliever	$894 million
GlaxoSmithKline	Paxil	Antidepressant	More than $100 million

FOR NEARLY A century, Americans have been able to sue drug companies for deaths or injuries caused by medicines. Now the pharmaceutical industry and other big businesses are hoping the U.S. Supreme Court will sharply curb that right.

In a case called Wyeth v. Levine, which the court will hear next week, a Vermont guitarist named Diana Levine lost an arm to gangrene caused by an improperly administered nausea drug. A Vermont jury awarded her $6.7 million in damages from **Wyeth**, accepting her argument that the drug maker should have put stronger warnings on the label.

In its appeal of the verdict, the drug maker says the drug's label was approved by the Food and Drug Administration, and it argues the federal regulator's judgment should trump state law on issues of product safety. Many lawsuits are based on state consumer-safety regulations that often are stronger than federal standards.

"This case is worth tens of billions to the pharmaceutical industry," said Richard Rubin, Ms. Levine's lawyer.

Stephen Breyer

The Chamber of Commerce, the nation's largest business lobby, has called the battle—with some hyperbole—the business case of the century. The Bush administration has long promoted the idea that federal law pre-empts state lawsuits. It has included the notion of pre-emption in regulations for dozens of products, ranging from suntan lotion to seat belts, and has weighed in on Wyeth's side before the Supreme Court.

The business lobby isn't hiding its anticipation that the current Supreme Court, one of the most pro-business ones in 50 years, will rule in Wyeth's favor. In January, the court ruled in favor of pre-emption in a medical-device case involving **Medtronic** Inc. of Minneapolis.

In another drug case recently heard by the court, Justice Stephen Breyer, part of the court's liberal wing, strongly supported the FDA's pre-eminence in determining safety standards.

In a testy burst, Justice Breyer asked the plaintiff's lawyer whom she would rather have deciding whether a drug would hurt or save people: "an expert agency, on the one hand—or 12 people pulled randomly for a jury role who see before them only the people whom the drug hurt, and don't see those who need the drug to cure them?"

The details of the Wyeth case give both sides hope. Ms. Levine, who lost her livelihood, and her story are likely to arouse sympathy. She went to a clinic with a migraine and received medicine to stop her accompanying nausea. The injection was carried out incorrectly, and within days her right hand turned black because of gangrene.

Two surgeries later, Ms. Levine lost her arm. The clinic reached a settlement with her. Mr. Rubin said Wyeth offered a settlement of less than $2 million, which Ms. Levine turned down because her medical expenses and expected lost wages were higher.

But Wyeth points out the case doesn't involve any allegations that the company deliberately sold a drug it knew was dangerous. "We're the ones who brought [this case] forward," not the tort bar, said Wyeth's lead outside lawyer, Bert Rein, referring to the company's appeal.

Wyeth says it complied with FDA guidelines on how to label the nausea drug. It didn't strengthen its warning label to comply with stronger Vermont state law.

"The data show that the number of reports of gangrene amputation is infinitesimally small, and the successful administration has occurred in a huge number of patients over the last 50 years," said Joseph Camardo, head of global medical affairs for Wyeth.

The company argues that it can't rush to the FDA for talks on changing the label every time an issue arises in one of the 50 states, and it also believes it can't change the label on its own.

"It would be a chaotic system if you can relabel anything as long as you mumble safety," said Mr. Rein. But he confirmed he knew of no instances on record in which the FDA had punished a company for amplifying its label warnings.

Ms. Levine's lawyers say Congress never intended to stop drug makers from proactively toughening warnings to doctors and consumers. They say FDA guidelines are the floor, not the ceiling, when it comes to safety standards.

The Chamber of Commerce, which has underwritten a multimillion-dollar lobbying campaign supporting pre-emption, has said the outcome of Wyeth v. Levine could affect many questions—for example, whether states could set their own standards on the environment and vehicles' fuel efficiency. Liability suits involving products such as cars would be more directly affected.

The most immediate impact of a ruling would fall on the drug industry. While details differ, pre-emption would have given drug makers a stronger position in many lawsuits in recent years that involved drugs used in accordance with FDA-approved labels.

Johnson & Johnson just paid $68 million to settle cases involving its Ortho Evra contraceptive patch. Settlements over the anti-psychotic drug Zyprexa have cost **Eli Lilly** & Co. more than $1 billion. **Merck** & Co.'s Vioxx litigation has cost it $4 billion so far, and the price tag for Wyeth's fen-phen-related diet pills has reached $20 billion.

Consumer groups cite such cases in arguing that the FDA makes mistakes and companies hide information. They say patients' right to sue—in state court if necessary—is the only deterrent to corporate misbehavior. The New England Journal of Medicine has published an editorial in Ms. Levine's favor making these points.

Mr. Rein, the Wyeth attorney, acknowledged that victims would have a harder time getting compensated for medical costs and lost wages if the Supreme Court rules in Wyeth's favor. He said Congress should consider establishing a fund to help such victims, as it has for vaccine-related injuries.

However, Congress may have other ideas. If it swings heavily Democratic in this year's elections, which take place the day after the court hears the Wyeth case, some Democrats say they will push forward bills to undo pre-emption and guarantee the right to sue for damages.

Ms. Levine says she was stunned when the FDA joined in the case against her and when the Justice Department's solicitor general filed a brief.

Her daughter, Jessamine, is also a musician and wrote a ballad called "Mr. Solicitor General," which included the lyrics: "What you're dealing with isn't just statistics—this is real, son."

Bidding process for Austrian Air gets an extension

A WSJ NEWS ROUNDUP

Austria is extending the tender for **Austrian Airlines** AG for two months after at least one bidder demanded that the government take on some of the carrier's debt.

The planned sale of the government-controlled carrier now will continue until Dec. 31. That could hurt prospects for a deal since airline sales and earnings are expected to decline further in the months to come as the global economic slowdown weighs on business and leisure travel.

Austria's government decided in August to privatize its roughly 42% share in the flagship carrier, which has €900 million ($1.13 billion) of debt and recently announced it expects a net loss of as much as €125 million for fiscal 2008.

State holding company ÖIAG said it will discuss with the government, the European Union and the two remaining bidders how to structure the deal on Austrian Airlines' debt.

Deutsche Lufthansa AG, which Monday confirmed that it is a bidder, has demanded that ÖIAG assume around half of Austrian Airlines' debt and offered only a nominal amount for ÖIAG's stake, an ÖIAG supervisory board member said Sunday.

ÖIAG's mandate to sell its stake had been due to expire Tuesday. The mandate allows ÖIAG to sell its entire holding, provided that an Austrian shareholder keeps a 25% stake; that the airline's brand, headquarters and its Vienna hub remain; and that jobs are secured as much as possible.

ÖIAG Chief Executive Peter Michaelis said he aimed to conclude the deal soon.

His statement that there are still two bidders raised the question of who has filed a proper offer. Mr. Michaelis declined to identify the remaining bidders but nodded when an interviewer from Austrian state television asked him whether they were Lufthansa and Russia's **S7**. S7 said it had filed a "letter" but added that this letter had been conditional, without elaborating the conditions.

Mr. Michaelis said Austrian Airlines would only continue talks with those still in the race, explaining that the tender was only extended, not restarted from scratch. Lufthansa said its bid was valid until year end.

CORPORATE NEWS

Weak holiday sales expected

U.S. retailers predict more promotions, but fewer gifts sold

By Jennifer Saranow

The latest forecast for a gloomy and highly promotional holiday season comes from retailers themselves.

Chief marketing officers at 100 U.S. retail companies said in a survey by BDO Seidman LLP that they expect their companies' same-store sales in November and December to fall an average of 2.7% from year-ago levels. In the survey, which BDO Seidman released Monday, 88% of the executives also said they plan to offer more discounts and promotions than last year.

"Retail executives are expecting this to be the toughest holiday season in more than 15 years," said Doug Hart, a partner in BDO Seidman's retail and consumer-products practice. The pessimism is "pretty broad across all the categories," except at discounters, which typically do well in an economic downturn.

Getty Images

One survey found **64% of U.S. shoppers** plan to spend less on gifts than last year.

Thirty-nine percent of the executives said they expect same-store sales to decline this holiday season, 41% said they expect flat sales and 20% said they expect sales to rise.

Last year, only 5% of chief marketing officers told BDO Seidman that they expected sales to fall and 41% said they expected to ring up higher sales.

In a more ominous sign, 65% of the executives said they don't expect to see a meaningful economic turnaround until the third quarter of 2009 at the earliest. The survey, conducted Sept. 22 through Oct. 17, involved executives at retail companies with sales of more than $100 million, said BDO Seidman, an accounting and consulting firm.

Retailers have responded to slow sales by cutting prices, hoping to entice shoppers to buy. Executives also have begun adding promotions to their holiday plans. In an interview last week, Tween Brands Inc. Chief Executive Michael Rayden said the company will offer deeper holiday season discounts than last year in its Justice and Limited Too catalogs, starting with its November issue.

In a separate survey of 1,000 consumers conducted Oct. 8 through Oct. 10, consultant AlixPartners LLP found that 64% of U.S. consumers plan to spend less on gifts this holiday season.

Microsoft to facilitate new data-center services

By Jessica Hodgson And Scott Morrison

Microsoft Corp. unveiled a strategy for data-center services as its core desktop operating system faces growing competition.

The new initiative, dubbed Windows Azure Services Platform, allows software developers to create applications that can be run and stored on Microsoft's servers, helping developers and customers to minimize information-technology costs.

It is a major acknowledgment by the Redmond, Wash., giant of a key shift taking place in consumer and corporate computing, with more computing services stored off desktop computers and in remote data centers.

With Azure, the company aims to address customers' growing appetite for off-site products without disrupting Microsoft's highly profitable Windows and Office franchises.

Speaking to developers in Los Angeles, Ray Ozzie, Microsoft's chief software architect, acknowledged the fundamental shift the company is making. "The systems we're building for today are for the next 50 years of development. We need to lay the groundwork with new types of system and storage, applications, for a world of parallel computing," he said.

Bob Muglia, who runs Microsoft's server-and-tools business, said the system was designed to help customers cut costs by allowing them to tap into data centers, minimizing their hardware needs.

Microsoft is the latest tech giant to join this trend by building huge data centers that will provide computing services to customers on a pay-as-you-go subscription basis. It is trying to tap a fast-growing market—research firm IDC has estimated it will grow at 16% per year until 2012—while also defending its territory against a number of rivals who are offering products and services that compete with its Office and Windows products, which account for the bulk of its $60 billion plus in annual revenue. Microsoft's software runs on about 90% of the world's personal computers.

CORPORATE NEWS

Telecom firms to combine

CenturyTel will buy Embarq in stock deal valued at $5 billion

A WSJ News Roundup

CenturyTel Inc. agreed to acquire **Embarq** Corp. in an all-stock deal valued at more than $5 billion, uniting the seventh- and fourth-largest land-line telephone operators in the U.S. by customers.

The transaction—under which CenturyTel also will assume $5.8 billion of Embarq debt—marks one of the most significant transactions since wider market panic froze merger discussions across the economy.

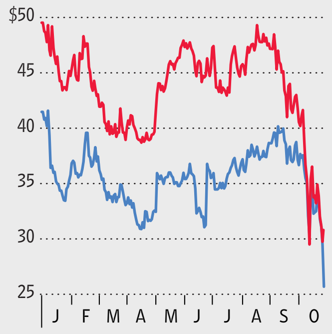
It also marks another step in the consolidation of America's traditional phone operators. Such companies are under threat from wireless and cable-television operators. That has made efficiency all the more important for CenturyTel and Embarq, which run phone operations in 25 states and 18 states, respectively. Embarq was spun off from Sprint Corp. in 2006, after the merger that created **Sprint Nextel** Corp.

The credit crisis has been a big factor in the sale of Embarq, based in Overland Park, Kan. Weeks ago, Embarq solicited takeover proposals from **Windstream** Corp., the nation's fifth-largest phone provider. As markets froze, potential buyers couldn't get the cash necessary to complete a transaction.

DAILY SHARE PRICE

Telecom stocks

Early afternoon in New York:
Embarq: $30.55, up 3%.
CenturyTel: $25.68, down 13%



Source: Thomson Reuters Datastream

Embarq's chief executive, Tom Gerke, said at a conference Sept. 17 that consolidation would make sense in the telecommunications industry. "We'd certainly be, and have always been, open to looking at that," Mr. Gerke said.

CenturyTel has annual revenue of about $2.7 billion; Embarq's profile is much larger, with revenue of $6.3 billion.

CenturyTel, a Monroe, La., provider of Internet, voice and television services, will pay 1.37 shares for each share of Embarq. The deal values Embarq at $40.42 a share based on the buyer's closing price Friday, a 36% premium over Embarq's closing price on Friday.

CenturyTel shares fell 12%, or $3.52, to $25.98 on the New York Stock Exchange, in late-afternoon trading Monday. Embarq shares rose about 7.2%, or $2.15, to $31.89, also on the Big Board.

When the transaction closes, Embarq shareholders would own approximately 66% and CenturyTel shareholders approximately 34% of the combined company.

CenturyTel Chief Executive Glen Post will lead the combined firm. Embarq's Mr. Gerke will serve as executive vice chairman.

Both companies reported third-quarter earnings Monday. CenturyTel said its net income fell 25% to $84.7 million, or 84 cents a share, from $113.2 million, or $1.01 a share, a year earlier. Sales slipped 8% to $650 million from $708.8 million.

Embarq's profit rose 1.9% to $160 million, or $1.11 a share, from $157 million, or $1.01 a share. Revenue declined 3.8% to $1.53 billion from $1.59 billion.

Verizon gets boost from wireless

By Roger Cheng
And Amol Sharma

Verizon Communications Inc. posted a 31% increase in third-quarter profit on a strong performance in its wireless unit, but the telecommunications carrier warned of a slowdown in consumer and business spending in the fourth quarter.

Verizon reported quarterly net income of $1.67 billion, compared with $1.27 billion in the same period last year. Revenue rose 4.1% to $24.75 billion.

Verizon Wireless, a joint venture of Verizon Communications and **Vodafone Group** PLC, turned in a strong quarter amid tough economic conditions, with 1.5 million net customer additions, excluding 630,000 new subscribers from the acquisition of Rural Cellular, a small wireless provider.

Analysts have widely viewed Verizon as the best U.S. wireless performer in recent years, but it now faces robust competition from **AT&T** Inc., which said last week it added two million customers in the third quarter after promoting a $200 version of **Apple** Inc.'s iPhone. AT&T and Verizon ended the third quarter with 74.9 million and 70.8 million customers, respectively.

Some analysts pointed to Verizon's higher rate of monthly customer turnover—as much as 1.33% of its total base from 1.12% in the second quarter—as a sign the iPhone is luring some consumers to AT&T. Verizon plans later this year to release a touch-screen BlackBerry called the Storm, which will compete against the iPhone and other high-end consumer smart phones.

Verizon would catapult to the No. 1 U.S. carrier by subscribers if it completes its pending acquisition of **Alltel** Corp. The company said it is making progress on regulatory approvals and intends to close the deal by the end of the year, but acknowledged financing costs are higher than desired in the current market environment.

Despite the solid wireless results, other areas of Verizon's business struggled. The company continued to see a significant decline in land-line users, with a loss of more than one million access lines in the quarter. It also lost 96,000 digital-subscriber-line Internet users, as cable providers continue to take market share with their faster broadband offerings.

"We're not surprised by it," said Verizon Chairman and Chief Executive Ivan Seidenberg, who said he anticipates further slowing in consumer spending in the fourth quarter.

Verizon's business unit, meanwhile, saw revenue rise 1.2% in the third quarter. Mr. Seidenberg said he expects businesses to curtail spending until at least next year.

SGI plans software for graphics work

By Don Clark

Silicon Graphics Inc., a computer hardware maker that has gone through tough times, is laying new plans to expand its influence through software.

The Silicon Valley company this week is announcing a set of programs to help users interact with complex visual models in new ways, often without having to buy SGI's specialized computers. SGI is also announcing a technology for rendering complex graphic images with standard personal computers and servers, avoiding the need for special-purpose graphics chips.

SGI's new offerings represent a sharp shift for the 26-year-old company, a pioneer in making technology for rendering interactive pictures on computer screens. The company built its graphics circuitry into workstations and servers used by engineers to view car designs, underground oil deposits, weather systems and other subjects.

But SGI, Sunnyvale, Calif., ran into stiff competition from computer makers that use the x86 chips that **Intel** Corp. and **Advanced Micro Devices** Inc. developed for personal computers. **Nvidia** Corp. and other companies also began selling speciality graphics chips, called GPUs, that allowed standard computers to handle most chores that once required SGI systems. SGI, which went through Chapter 11 bankruptcy proceedings in 2006, hasn't posted a profit in more than six years.

SGI systems are still widely used for applications such as multidisplay systems that integrate maps, video signals and data feeds for defense and intelligence applications. It says the latest initiative was inspired by a surge in applications based on visualizing data, the massive size of image files, and the need to deliver those images to users around the world—many of them using laptops or cellphones.

SGI is offering several pieces of new and modified software to address those problems. One program, called RemoteVue, is designed to avoid emailing massive data files by using centralized servers connected to the Internet to handle the number-crunching chores of creating 3-D images.

GLOBAL BUSINESS BRIEFS

Merck KGaA

Drug maker's net jumps, without year-earlier charge

German pharmaceuticals and chemicals maker **Merck KGaA** said third-quarter net profit rose sharply from a year earlier, when its earnings were weighed down by charges related to the purchase of Swiss biotech company Serono. The German company, which isn't affiliated with U.S. drug maker Merck & Co., said net profit jumped to €200.1 million ($251.8 million) from €36.2 million. In the year-earlier period, Merck booked a charge of €183 million related to Serono acquisition. Total revenue, including royalty payments, grew 8.7% to €1.89 billion, with growth curbed by unfavorable currency fluctuations. Sales of multiple-sclerosis treatment Rebif rose 10% to €338 million, while sales of cancer treatment Erbitux increased 13% to €134 million. Merck confirmed its 2008 forecasts.

Electrolux AB

Appliance maker **Electrolux** AB posted an 11% jump in third-quarter net profit as price increases and cost savings more than offset slightly lower sales. Net profit rose to 847 million Swedish kronor ($106 million) from 762 million kronor a year earlier, while sales slipped to 26.35 billion kronor from 26.37 billion kronor. The Stockholm-based maker of refrigerators, dishwashers and vacuum cleaners said it still expects full-year operating profit of between 3.3 billion kronor and 3.9 billion kronor, but cautioned that the market development is difficult to predict amid increasing uncertainty in the global economy. "The financial crisis has without a doubt affected the consumption levels of appliances," said Chief Executive Hans Straberg. The company will have to continue raising prices in Europe to compensate for rising raw-material costs, he added.

Reckitt Benckiser Group PLC

Household-cleaning and personal-care products maker **Reckitt Benckiser Group** PLC reported a 12% increase in third-quarter net profit and raised its sales outlook for the full year. Net profit rose to £285 million ($453.26 million) from £254 million a year earlier while sales jumped 24% to £1.66 billion. The maker of Lysol, Clearasil and Air Wick recorded growth across all of its regions and its major brands, driven by heavy investment in media advertising and the success of new products, Chief Executive Bart Becht said in a statement. Advertising spending was up 27% from a year earlier and accounted for 12.5% of the company's revenue. "It's a very creditable result in the current climate," said Investec analyst Martin Deboo. Reckitt said that the strong performance allowed it to raise its sales-growth target for the full year to 13% from the previous goal of between 11% and 12%.

Électricité de France SA

In a move to expand its natural-gas supplies, **Électricité de France** SA said Monday it has agreed to buy controlling stakes in two North Sea gas fields from the British unit of U.S.-based **ATP Oil & Gas** Co. for £265 million ($421 million). The deal gives EdF a 68% stake in the North Sea's Tors zone and 80% of the Wenlock field. The fields have combined reserves of about 3 billion cubic meters of natural gas, EdF said. ATP Oil & Gas UK will continue to operate the fields, it added.

Daimler AG

Hungary's government and Mercedes Benz have signed an agreement on a new factory in southern Hungary that will make 100,000 compact cars a year beginning in 2012. **Daimler** AG's premium car maker said its new plant in the city of Kecskemet will require an investment of €800 million ($1.01 billion) and create up to 2,500 jobs. The new factory will be Mercedes Benz's first production plant in Eastern Europe and is part of the company's decision to expand its lineup of compact cars, the A- and B-class models. Hungary said the factory will benefit the nation's economy.

Canon Inc.

Canon Inc. reported a 21% drop in net profit for the third quarter and lowered its profit outlook for the full year, revealing its deep pessimism about a stronger yen and the mounting problems from the global economic turmoil. Tokyo-based Canon, which makes a wide range of precision electronics equipment, reported net profit of 83.04 billion yen ($877.8 million) in the quarter, compared with 105.30 billion yen a year earlier. The outlook for the full year was cut to 375 billion yen, about 20% below the 500 billion yen profit Canon called for in its outlook in July. The revised figure represents a 23% decline from the previous year. It is also slowing new investment by slashing its capital outlays outlook by 5% for the full fiscal year. The news came after electronics and entertainment giant **Sony** Corp. last week gouged nearly 40% off its earnings outlook for the fiscal year through March, amid the yen's rapid rise.

China Pacific Insurance (Group)

China Pacific Insurance (Group) Co., the country's third-largest life insurer by market share, said it swung to a third-quarter net loss on large investment losses and lower revenue. China Pacific said its net loss was 1.64 billion yuan ($239.6 million), compared with a net profit of 1.96 billion yuan a year ago. Revenue fell 18% to 18.88 billion yuan. The company, which is 17.3%-owned by private-equity firm Carlyle Group LP, reported a third-quarter investment loss of 1.51 billion yuan, compared with investment income of 8.18 billion yuan a year earlier. China Pacific set aside a depreciation reserve of 2.16 billion yuan, mainly for financial assets. Shanghai-based China Pacific is the country's third-largest insurer after China Life Insurance Co. and Ping An Insurance (Group) Co. of China Ltd.

Banco de Oro Unibank Inc.

Banco de Oro Unibank Inc. said it booked a 1.3 billion peso ($26.7 million) net loss in the third quarter due to exposure to collapsed **Lehman Brothers Holdings** Inc. The bank, the Philippines' second-largest lender by assets after **Metropolitan Bank & Trust** Co., said the Lehman bankruptcy resulted in "substantial markdowns in [Banco de Oro's] securities portfolios and the booking of extraordinary provisions of impaired assets." Banco de Oro had a net profit of 1.68 billion pesos in the third quarter of 2007. The bank said that despite the third-quarter loss, its core business remained on track, with loans, deposits and service-based fee income continuing to show solid growth.

—Compiled from staff and wire service reports.

ECONOMY & POLITICS

EURO ZONE

Money supply growth slows as lending eases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MONEY supply growth in the euro zone slowed in September, as lending to the private and corporate sectors tapered off.

The figures add "to the evidence that inflationary pressures are now receding markedly," said Howard Archer, an economist with IHS Global Insight. September's broad M3 money supply growth was at an almost two-year low of 8.6% from a year earlier, below August's 8.8% annual rise and its slowest since October 2006 when it was 8.5%, the European Central Bank said. The figure, however, remains well above the ECB's 4.5% target for the three-month average, which it views as in line with maintaining price stability. *—Ilona Billington*

LITHUANIA

Four center-right parties agree to form government


Associated Press

FOUR center-right parties in Lithuania agreed to form a coalition government after winning a majority of seats in a parliamentary election. Led by the victorious Homeland Union, a conservative party that is critical of Russia, the potential partners said Lithuania is headed for tough economic times and that changes are urgently needed.

Homeland Union leader Andrius Kubilius, a former prime minister, was likely to be nominated by the president to form the next government. The governing Social Democrats finished in second place, losing their grip on power in the former Soviet republic. *—Associated Press*

EUROPEAN UNION

Talks begin for wide ban on smoking in workplaces


IndexOpen

THE EUROPEAN Union is negotiating with business groups and trade unions over workplace smoking bans. The European Commission, the EU's executive branch, wants to see a ban on smoking for health and safety reasons, an EU spokeswoman said. The talks are at an early stage and any new EU-wide ban could be years away, she said.

All 27 EU nations have rules limiting smoking in public places, but the rules vary. Ireland, for example, bans smoking in pubs, restaurants and other enclosed workplaces, while in Germany, the federal government leaves it up to regional governments to decide. *—Associated Press*

Guantanamo-detainee transfers hit snags

Mideast governments, Bush administration differ on repatriation

By Jay Solomon
Washington

THE BUSH administration is stepping up efforts to transfer Guantanamo Bay detainees to their home countries or alternative ones, but the drive continues to be undercut by differences with Middle Eastern governments.

Yemen in particular has differed with the administration over the handling of detainees once they are repatriated. U.S. officials are seeking assurances that returnees won't engage in extremist acts against American interests. There is also concern that some could face torture or other human-rights abuses if returned to countries such as Algeria and Libya.

"As you get down in numbers, it gets a little bit harder," said Sandra Hodgkinson, U.S. deputy assistant secretary of defense for detainee affairs, in an interview. "You have the higher-threat individuals in general, and/or the governments that have been the most difficult" to negotiate with.

An estimated 255 detainees are still held at the military's Guantanamo Bay detention camp in Cuba, down from a high of around 780 in 2003. The Pentagon plans to try roughly 60 to 80 in its military-tribunal system, while another 60 have already been cleared to leave Cuba. The rest haven't been charged but still are deemed terrorism threats by the U.S. government.

The Guantanamo Bay prison has damaged America's image abroad, and both major-party presidential candidates say they intend to close it. Bush administration officials say that while it will stay open for now, they hope to reduce detainee numbers as much as possible before handing things off to the next president.

Another spur for the U.S. to clear out the Guantanamo Bay facility is a June Supreme Court ruling that the 255 inmates there have the right of habeas corpus, meaning they can challenge their detentions in civilian U.S. courts. "The legal burden of handling 255 habeas cases is mind-boggling," said a senior U.S. official.

The Bush administration's diplomatic offensive was on display last month during Secretary of State Condoleezza Rice's tour of North Africa, home to roughly 50 Guantanamo detainees.


Associated Press

An estimated 255 detainees are currently held at the **Guantanamo Bay detention camp** in Cuba, down from a high of about 780 in 2003.

In meetings with leaders of Libya, Tunisia and Algeria, Ms. Rice and other American diplomats pressed their counterparts to take back some of the detainees and treat them humanely, according to U.S. officials. The countries deny human-rights abuses. Libya and Algeria note that they face Islamist insurgencies and other threats.

lgerian President Abdelaziz Bouteflika agreed to consider taking more of the remaining 25 Algerians still detained in Cuba, said the State Department's chief legal counsel, John Bellinger III. Algeria also allowed American diplomats to visit four recent returnees from Guantanamo Bay, whom outside human-rights groups feared had gone missing.

Mr. Bellinger added: "We did get some assurances from the Libyans on the treatment of future returnees, and we are following up on these cautiously."

The U.S. is seeking Europe's help in resettling 17 Chinese Muslims, ethnic Uighurs who are being held in Cuba despite being cleared of involvement in terrorist activities. This month, a U.S. federal district judge found the Uighurs had been held long enough and ordered their release in the U.S. An appeals court stayed that order at the government's request.

Some U.S. officials say Washington might have to take some of the Uighurs to persuade Europe to take others. Albania accepted five in 2006, after the Uighurs said they would face persecution in China.

The biggest challenge to clearing out Guantanamo Bay remains the 100 Yemenis detained there, say U.S. officials. U.S. and Yemeni officials have talked about establishing a detention facility in Yemen to process those seen posing a terrorist threat, while developing a rehabilitation program for others.

Saudi Arabia started a program in 2006 that has allowed roughly 80 Saudi nationals to return from Guantanamo Bay. The program, which could be a model for Yemen, uses a mixture of psychological rehabilitation, religious dialogue, job training and family support to reintegrate them into society.

U.S. officials remain worried that Yemeni returnees could escape government monitoring and end up working with al Qaeda, which is suspected of carrying out a September car bombing on the U.S. Embassy in Sana'a. In recent months, Yemenis convicted of participating in the 2000 al Qaeda attack on the U.S.S. Cole in the port of Aden were either released or escaped from prison.

Hungarian stocks decline despite IMF aid pledge

By Edith Balazs

BUDAPEST—A pledge of assistance from the International Monetary Fund brought little relief for battered Hungarian markets Monday as investors awaited concrete details of the arrangement.

Hungarian Prime Minister Ferenc Gyurcsány was quick to assure investors that funds to be made available to Hungary by the IMF will be of convincing size. The European Bank for Reconstruction and Development also hailed the announcement as a strong basis for confidence in Hungary's financial framework.

The IMF said Sunday that it had reached a broad agreement with Hungarian authorities on a set of policies to strengthen the Hungarian economy. The European Union and individual European governments also will participate in the program, as will regional and other multilateral institutions.

Separately, Standard & Poor's cut its credit outlook for Poland to stable from positive, citing deteriorating international markets and tightening credit conditions. The ratings agency also downgraded Romania's foreign debt to junk status, citing its high private-sector borrowings and its dependency on uncertain external financing.

The IMF didn't disclose the size of its proposed Hungary package and said it will be announced in the next few days, but analysts said it should exceed $10 billion, based on the IMF's agreement in principle with Ukraine to a $16.5 billion standby loan, also unveiled Sunday.

"The policies Hungary envisages justify an exceptional level of access to Fund resources," IMF Managing Director Dominique Strauss-Kahn said.

The forint rose after the announcement, strengthening late Monday to 269.70 forints to the euro from an opening 277 forints, after hitting a record low of 286.2 forints Friday.

The forint's nearly 20% dive in the past month has unnerved investors elsewhere in the EU's fast-growing former communist bloc, previously seen as a safer bet than most other emerging economies.

The National Bank of Hungary's three-percentage-point interest-rate rise last week, to 11.5%, also boosted the forint, a dealer said.

But the promised IMF aid failed to put a floor under sliding Budapest stocks as the benchmark BUX index fell below the four-year low it reached last week. The index fell 9.8% to 10751.23 Monday as the bourse caught up with the global decline over the previous two trading days during which it was closed for a national holiday.

The government-debt market also remained deadlocked as it has been for more than two weeks. The government debt-management agency again was forced to cancel a treasury-bill auction as bids were well below the intended volume.

ECONOMY & POLITICS

Rebel merger tests Nepal

New Maoist leaders find integration is a contentious issue

By Krishna Pokharel

Some in the Nepali Army, whose soldiers are shown here, oppose integration with the Maoist People's Liberation Army, who it fought in a long civil war.

KATMANDU, Nepal—Nepal's Maoist leaders are facing their biggest test since taking over in government two months ago: how to integrate almost 20,000 Maoist rebel soldiers into the tradition-bound national army they used to fight.

The Maoist rebels have been living in camps in the southern plains of the Himalayan nation under the supervision of the United Nations since their leaders reached a peace deal more than two years ago that ended a decadelong civil war. The deal also led to the overthrow of Nepal's monarchy and installed the Maoists' civilian leaders as the government of the new republic.

How these former rebels are treated could help determine the durability and course of Nepal's new civilian democracy and whether the country can succeed in reconciliation efforts after its brutal civil war.

The integration already is turning into a contentious political issue. The government of Prime Minister Pushpa Kamal Dahal, the Maoist party chairman, said in a policy paper last month that it plans to complete "the integration and rehabilitation of the People's Liberation Army" within six months.

A committee including representatives of all the major political parties was expected to hold its first meeting last week to start to resolve the issue. But the committee's work has been delayed as the parties wrangle over who should head up the committee.

Nanda Kishore Pun, 42 years old, the head of the Maoist army, is in no doubt what should happen next: The ranks of the Maoist army should be merged with the 95,000-strong Nepalese army so they can receive army pay and serve their new nation.

"We sacrificed, we shed blood and on that basis there's a republic," he said in an interview. "You can't accept the change and refuse the force, the agent of that change."

He added: "An excellent national army can be built by the fusion of the professionalism of the traditional army and the democratic consciousness inside our army."

He is supported by Nepal's Maoist defense minister, who now oversees the national army. Ram Bahadur Thapa said that the integration of the two armies already has been agreed upon in previous accords between the nation's political parties in the presence of U.N. representatives.

But the army and opposition political parties have other ideas. Senior officers are smarting at the idea of bringing in their erstwhile enemies.

The army, until recently known as the Royal Nepalese Army, traces its origins to the mid-18th century when it was key force in helping an ambitious prince unify various principalities into the kingdom of Nepal. Officers say the integration of the professionally underqualified and politically indoctrinated Maoist fighters is unacceptable.

If the Maoist fighters want to join the national army, "they have to come through open competition after fulfilling educational, physical and mental criteria and after dissociating themselves from any political party," said Brig. Gen. Ramindra Chhetri, spokesman for the Nepalese Army.

In private conversations, some army generals say they are suspicious of the Maoists' insistence on integration, fearing that they may want to eventually control the national army and use it to achieve their political goals.

"If you think integration is their endgame and they stop here, then it seems to be in everybody's interest," said one senior army officer. "But if you think it is part of their strategy to achieve their stated goal of a communist state, then it is a very dangerous proposition."

The main opposition Congress Party accuses the government of pushing the army integration as the only option, when previous peace agreements had talked much more broadly of "integration and rehabilitation" that needn't include an army merger but could involve social and employment programs instead.

One proposal being informally floated by some politicians, for instance, envisages using the Maoist army for border security. It's also possible the government may ultimately opt for a compromise in which senior Maoist soldiers are put into the army's upper ranks but the rank and file are provided with economic assistance as their cadre disbands.

If the government insists on full integration, as is widely expected, it risks an uprising from the army. If it rebuffs the Maoist forces, that will antagonize a guerrilla army that might well opt for another prolonged war, even against its own political establishment.

Although both scenarios are viewed as long shots, the history of hostilities between the two institutions suggests that neither side is likely to be flexible in the pursuit of the resolution it favors.

The national army was first mobilized against the Maoist rebels in November 2001 after the Maoist army attacked an army barracks in western Nepal.

For the next five years, the two armies confronted each other several times without a decisive result. The March 2004 battle in Beni Bazar, in western Nepal, was typical: The national army foiled the rebels' attempt to capture the local government headquarters and claimed 500 rebel soldiers died. But the rebel army made off with a cache of arms and ammunitions.

U.S. raid on Syria risks pact, Iraqis say

Associated Press

BAGHDAD—Iraqi officials on Monday warned that a U.S. military raid into Syria could be used by opponents of a security pact under negotiation with the U.S.

The Syrians report that U.S. troops backed by helicopters launched the cross-border attack Sunday, killing at least seven people. Damascus condemned the raid as an act of "criminal and terrorist aggression."

The raid, which a U.S. military official in Washington confirmed, occurred at a sensitive time in U.S.-Iraqi relations as the two sides are negotiating an agreement to extend the legal basis for American forces in Iraq after a United Nations mandate expires on Dec. 31.

Opponents and regional countries, led by Iran, have expressed concern that the long-term U.S. presence could allow the Americans to use Iraq as a staging ground for attacks against its neighbors. The Iraqis have insisted this wouldn't be allowed.

Iraqi Kurdish politician Mahmoud Othman claimed the raid was carried out without the Iraqi government's knowledge. "It will be used against the agreement and will give the Iranians reason to increase their interference here against the agreement," he said. "Now neighboring countries have a good reason to be concerned about the continued U.S. presence in Iraq."

Government spokesman Ali al-Dabbagh earlier said the area where the raid occurred "is a theater of military operations where anti-Iraq terrorist activity takes place."

He later softened his tone, saying the government was investigating the site and waiting for a report from the Americans.

Iraqi Foreign Ministry undersecretary Labid Abbawi said the Iraqis were seeking more information and hoped "the incident does not impact negatively on our relations with Syria." He said he didn't believe the raid would affect the security negotiations but acknowledged that "some will use the incident for the argument against the agreement."

Taliban commander said to die in U.S. missile hit

By Matthew Rosenberg

NEW DELHI—Pakistani officials said missiles from a U.S. pilotless drone killed at least eight including a low-level Taliban commander tied to attacks on U.S. forces in Afghanistan, a further sign that the U.S. is stepping up its campaign against Islamic militants inside Pakistan.

A Pakistani military official said the missiles hit a vehicle as it was pulling into a residential compound in South Waziristan, one of the tribal areas along Pakistan's border with Afghanistan that are believed to be a possible hiding spot for Osama bin Laden and other top al Qaeda members.

The official said that among the eight people killed was a low-level Taliban commander, Mohammed Omar. Other reports put the death toll as high as 20. Mr. Omar is believed to have fought for Jalalauddin Haqqani, a long-time associate of Mr. bin Laden, said Pakistani officials in South Wazirstan.

The military official in Islamabad said authorities believe a U.S. Predator drone carried out the strike, citing reports from the scene of the attack and the fact that no Pakistani aircraft were flying over the area at the time. There was no immediate comment on Monday's strike from U.S. officials, who rarely confirm or deny an American role in the aerial raids.

Predators, armed with Hellfire missiles and operated by the Central Intelligence Agency and U.S. Special Operations Command, are believed to have been used in at least 15 previous strikes against militants inside Pakistan since August, compared with just a handful in the first seven months of the year.

The escalation of strikes reflects growing frustration among U.S. strategists with Pakistan's failure to stanch the flow of militants and weapons across the border to Afghanistan.

The Pakistanis, for their part, have repeatedly decried the strikes as a violation of their country's sovereignty. But their protests have been measured compared with the outcry that followed a Sept. 3 raid by U.S. Special Operations forces in Pakistan, an attack that killed civilians along with militants.

—Khalid Khan in Peshawar, Pakistan, contributed to this article.

Pakistan nears IMF aid pact after public show of distaste

By Bob Davis

WASHINGTON—Despite the appearance of strains between Pakistan and the International Monetary Fund, the two sides may wrap up an IMF aid package for Pakistan as early as next week, a senior official from Pakistan and an IMF official said.

Pakistan has displayed deep ambivalence about falling into the arms of the IMF, with which it has had a difficult relationship. Late last week, Shaukat Tarin, an economic adviser to the prime minister, denied that Pakistan had asked for IMF help. That came one day after IMF Managing Director Dominique Strauss-Kahn said "Pakistani authorities have requested discussions with the IMF on an economic program."

The Pakistani and IMF officials described the back and forth as largely political theater aimed at the Pakistani population. Critics of the government on the right and left were complaining of an IMF role. The government had to go through a display of asking other nations for help first. Pakistan has approached the U.S., Saudi Arabia and China, among others, for financial aid.

China has offered funds on the condition that Pakistan privatize industries and get its economic house in order, said the Pakistani official. Essentially, that means Pakistan needs to get an IMF loan, which would commit the country to make necessary economic changes.

By showing it has exhausted all other remedies, the officials explained, Pakistan can then turn to the IMF. Such tactics limit the embarrassment for Pakistan's new president, Asif Ali Zardari, whose past is tied up in Pakistan's history with the IMF. At one point in the mid-1980s, the IMF halted loans to Pakistan after the government run by Mr. Zardari's wife, then-Prime Minister Benazir Bhutto, ran up huge deficits. Ms. Bhutto was murdered late last year.

Mr. Zardari, who was inaugurated as president last month, had declared Pakistan wouldn't seek IMF help and would instead "tighten its belt."

But the economic situation has deteriorated faster than expected. Pakistan is especially hurt by deep subsidies for food and oil, which the government has started to scale back. According to the Pakistani official, those subsidies cost the government between 7% and 10% of gross domestic product, and produced a huge budget deficit.

Under an IMF program, Pakistan would almost surely be required to cut back the subsidies further, take other belt-tightening moves and devalue its currency, so it could reduce imports and boost exports. Those are the kind of conditions that have made the IMF unpopular in developing countries around the world—but countries are often unwilling to take those steps unless they are seen as being forced to do so to get a big IMF loan.

U.S. business lobby riles Democrats with ad push

By Brody Mullins
And Susan Davis

WASHINGTON—The U.S.'s largest business lobby, the U.S. Chamber of Commerce, has raised ire among Democratic leaders for pouring millions of dollars into an advertising push to prevent the party from winning dominance in the Senate next year.

The Chamber says it has raised enough money this year from corporations to spend about $35 million on the Nov. 4 election, double its budget for House and Senate races in the 2006 election. The group is supporting pro-business candidates, almost exclusively Republicans in contested Senate races.

Business executives fear that Democrats, buoyed by heavy spending from organized labor, could gain enough muscle in the Senate to spark policies favoring increased unionization, higher taxes, more restrictions on trade and more regulation on the financial-services and housing sectors.

Democrats currently control 51 of 100 Senate seats and are expected to add more. Should U.S. voters give Democrats a 60-seat majority in the Senate and elect Sen. Barack Obama president, the party would be able to thwart Republican filibusters and other procedural motions to enact sweeping policy changes.

The Chamber's campaign has provoked a backlash from Senate Democrats. It is unusual for senior lawmakers to tell corporations how to conduct their political activity. But many have recently called Chamber leaders and business executives to urge them not to contribute to the campaign, saying the Chamber has come to resemble an arm of the Republican Party.

"The whole caucus is upset at what the Chamber has done," New York Sen. Charles Schumer, who leads campaign operations for Senate Democrats, said in an interview last week. Last month, Sen. Schumer called Chamber President and CEO Thomas Donohue to complain. A spokesman for Sen. Schumer confirmed the call.

Mr. Donohue didn't back down. Instead, he sent a letter to business leaders. "The fact that some senators are spending the time and energy to participate in a pressure campaign directed at the Chamber and its members demonstrates that our activities are proving effective," Mr. Donohue wrote. "We must not and will not let up."

The Chamber has spent $10 million on advertising on behalf of pro-business candidates in tight races since the end of August. No other single organization has spent more on Senate races, according to data collected by the Federal Election Commission. The Chamber says it will spend millions more in the final weeks of the campaign.

The Washington-based Chamber represents three million U.S. businesses and most of the thousands of local chambers of commerce from across the country. The lobbying federation says it doesn't favor either party but backs "pro-business candidates" from both. It has no legal obligation to be nonpartisan.

Overall, American businesses tend to contribute similar amounts to Democrats and Republicans in their direct giving to candidates and political parties. Through Sept. 30, companies and their political action committees had donated $129.6 million to Democrats and $132.6 million to Republicans.

The Chamber of Commerce is attempting to counteract another major font of funding and influence—the $300 million that organized labor will spend on campaigns during this election cycle, most of it aimed at persuading unionized workers to vote Democratic. Much of that money has gone directly to campaigns: Through Sept. 30, labor unions and their political-action committees had given $52.3 million to Democrats and $4.8 million to Republicans, according to data compiled by the nonpartisan Center for Responsive Politics.

Union-backed groups have also spent about $6 million on advertisements in the close Senate races since early September. Wednesday, the Service Employees International Union launched a $1 million ad campaign in New Hampshire and Oregon tying incumbent Republican senators to Bush administration policies the group said contributed to the economic downturn.

The centerpiece of the Chamber's fund-raising and advertising initiative is its opposition to the Employee Free Choice Act, a labor-backed piece of legislation that would make it easier for unions to organize workers inside companies. The legislation, supported by Democrats on Capitol Hill, would overturn current requirements that employees cast secret ballots in votes on whether to unionize. Unions say companies can make it difficult for them to hold such formal elections.

The proposed legislation would streamline balloting by letting workers sign union-authorization cards. If enacted, the Employee Free Choice Act would likely swell the ranks of organized labor.

The Chamber and many corporations oppose the measure, saying the end of secret balloting could allow union representatives to identify antilabor workers and apply pressure to them. Tuesday, the Chamber released a nationwide TV ad attacking the Employee Free Choice Act.

The bill drew attention this summer, after it emerged that Wal-Mart Stores Inc. had held meetings with managers and department supervisors to warn that the legislation could lead to union organizing at its stores. A spokesman for Wal-Mart said executives don't tell their employees how to vote.

Leading the Chamber's efforts is Bill Miller, a 46-year-old political strategist who spent much of the year visiting corporate boardrooms around the country to lay out the threats he says businesses would face should Democrats capture 60 Senate seats. The businesses consider the legislation a threat, he says. "They are willing to invest at significant levels."

The Chamber isn't required to disclose its donors, and most corporations prefer to keep their contributions private.

To maintain its tax-exempt status, the Chamber can't spend a majority of its funding on advertisements that specifically ask people to vote for or against candidates. But there is no restriction on ads that tell voters where candidates stand on issues. The Chamber's ads in New Hampshire, for example, refer to Democratic candidate Jeanne Shaheen as "The Taxing Machine," but don't explicitly tell voters to oppose her.

—T.W. Farnam, Brad Haynes, Louise Radnofsky and Timothy Aeppel contributed to this article.

Health plans face hurdles

U.S. budget deficit may stunt initiatives by both candidates

By Anna Wilde Mathews

Both U.S. presidential candidates say their plans would provide health insurance to millions of people who lack it. The problem is cost: With the federal budget deficit growing, Congress is likely to look at more limited and incremental moves to expand coverage.

The Census Bureau said in August that about 45.7 million Americans were without health insurance in 2007, or 15.3% of the population. Neera Tanden, a top policy adviser to Sen. Barack Obama, said his plan would "cover all Americans." Douglas Holtz-Eakin, Sen. John McCain's senior policy adviser, said the Republican candidate's proposal would cover about 25 million to 30 million uninsured people.

Outside analysts have come up with widely varying numbers. The nonpartisan Tax Policy Center projected that in the first year of full implementation, about 1.3 million uninsured people would gain coverage through the McCain plan and about 18 million would under Sen. Obama's structure. Lewin Group, a consulting firm that is a unit of health insurer UnitedHealth Group Inc., gave Sen. McCain credit for 21 million and Sen. Obama for 26.6 million people.

The candidates' plans would likely reach different subsets of the uninsured. Sen. McCain's would change a key aspect of the employer-based health-insurance system that has long prevailed in the U.S. He would make workers pay income tax on health benefits they get from their employers, while providing tax credits of $2,500 per person, or $5,000 per family, to defray the cost of health insurance.

Sen. McCain's plan may particularly help young, healthy people who lack insurance. Because they are inexpensive to insure, the tax credit might be enough to allow them to purchase insurance on the individual market. Sen. McCain has said he also will help those who can't get coverage because of a pre-existing illness.

Sen. Obama would require large and midsize employers to offer health benefits, or pay a fee. He wants to create a health-insurance marketplace that would include a new federal plan as a coverage option. He would force insurers to sell a plan to anyone who applies for coverage. He would provide subsidies for lower- and middle-income people to buy coverage and expand programs for the poor, making these groups among the biggest beneficiaries of his plan.

The Tax Policy Center projects Sen. McCain's proposal would cost $185 billion in its first year and $1.3 trillion over a decade; the numbers for Sen. Obama's plan were $86 billion and $1.6 trillion, respectively. The Lewin 10-year-cost estimate for Sen. McCain was $2.05 trillion and for Sen. Obama $1.17 trillion.

Jonathan Gruber, a professor at the Massachusetts Institute of Technology who has advised Democratic candidates including Sen. Obama, said the McCain plan, with its tax credits, amounts to a "vast new expenditure."

Mr. Holtz-Eakin, the McCain adviser, said the Republican candidate's plan is "budget neutral" because it anticipates savings from new efficiencies in health care including attacking fraud in Medicare. "The notion that somehow it falls short [of budget neutrality] is something we would contest," he said. "We do believe we have something that will be fiscally responsible and get lots of people into coverage."

The Obama campaign has said it plans to use money from ending the Bush tax cuts for wealthier Americans to help pay for its plan. It also cites savings from better technology and other improvements to the health-care system.

If the victorious candidate presents his health plan to Congress, such optimistic projections will face a stern test at the Congressional Budget Office, Congress's fiscal scorekeeper. The office's estimate of the actual cost of the plans would form the basis for debate, and legislators would face a huge barrier approving any plan assigned a $1 trillion-plus price tag over 10 years.

"There is not really any new money to spend on major new health-care-coverage initiatives," said Mark McClellan, who led the Centers for Medicare and Medicaid Services during the Bush administration and is now at the Brookings Institution think tank.

In the short term, Democrats in Congress may focus on more limited steps such as expanding the State Children's Health Insurance Program, which is jointly funded by federal and state governments. A bill that would have increased funding for the program by $35 billion over five years was vetoed last year by President George W. Bush. The legislation would have paid for the spending by raising the federal tobacco tax.

Ms. Tanden, the Obama adviser, said the economic downturn should in fact present an opportunity for broad health-care change, as more people lose health coverage or find it difficult to afford the cost. She said Sen. Obama maintains his goal of passing a broad health-care overhaul in a first term as president. "Sen. Obama believes we cannot afford not to do health-care reform in the current economic downturn," she said.

Mr. Holtz-Eakin said he believes Democrats and Republicans could make early progress by finding consensus on aspects of Sen. McCain's plan that involve overhauling care and trimming costs.

India's electric-power vacuum

Patchy power supply is a drag on growth; widespread theft

BY JACKIE RANGE

NEW DELHI—India is failing badly in its quest to improve its poor electricity supply system at a time when energy is crucial to the country's economic-growth ambitions, according to a new report by a parliamentary body.

The study found "there have been significant deficiencies in the implementation" of a government program to beef up India's power distribution, which is intended to reduce power distribution losses, cut chronic outages and increase state utilities' revenues from selling electricity.

India's power supply system is widely viewed as abysmal. Some parts of rural India experience 15 hours or more a day of power cuts, and major towns and cities endure blackouts of several hours a day. The situation isn't improving: In the five years to March 2007, India added 21,080 megawatts of electricity-generating capacity, compared with a government target of 41,110 megawatts for that period.

The report found the government's power initiative had failed in its primary objective, which was to cut a key measure of electricity distribution losses by 9% a year. Instead, between fiscal 2002 and fiscal 2005, losses were cut by only 1.68% a year.

Records documenting power losses also weren't kept properly, the committee reported. Many consumers of power don't have their electricity usage metered, the report said. So their energy consumption was estimated, with different billing authorities using different criteria to make those assessments.

India's power ministry is also failing to prevent widespread theft of energy. Few cases of theft are registered and even fewer are prosecuted or yield convictions.

India's chronic power outages are seen as a serious brake on economic progress. India's economy has grown an average of 8.7% annually during the past five years. That trend, combined with rising incomes, has lifted electricity demand 9% a year in recent years.

Although India's economy is slowing, demand for new power facilities isn't expected to show much decline, says Shahid Hasan of Teri, an independent research organization. Capacity increases are required just to meet the existing demand from current customers, he says.

"Shortage of power and lack of access continues to be a major constraint on the economic growth," the Indian government said in its latest five-year plan, which set targets for the administration up to 2012. That plan anticipates lifting India's installed power-generating capacity by about 70% to 224,906 megawatts by March 31, 2012.

In particular, India needs to attract private investment to the electricity sector, says Mr. Hasan. Without it, "it would be almost impossible to achieve the targets," he says.

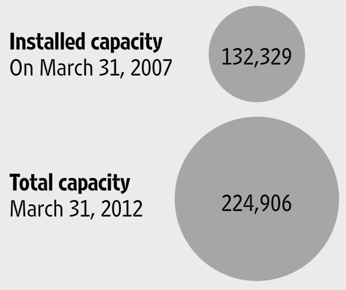
But foreign investors haven't found the going easy in the Indian power sector. For example, now-defunct Enron Corp.'s planned $2.9 billion power plant in western India was derailed first by political and bureaucratic squabbling over what it should be allowed to charge for power, and then by the meltdown of Enron itself. The plant, now owned by **Ratnagiri Gas & Power Pvt.** Ltd., still isn't operating at full capacity, despite being mostly completed since the late 1990s.

With the U.S. government recently concluding a landmark nuclear pact with India, on the heels of a civilian nuclear deal between India and France, more foreign investment in India's energy sector is expected.

—Krishna Pokharel and Louise Radnofsky contributed to this article.

Power up

Electricity generating capacity anticipated at the end of India's 11th five-year plan, in megawatts.



Source: Planning Commission, government of India

British retailer looks for ounce of mercy in appeal

BY CASSELL BRYAN-LOW

LONDON—A British vegetable-stall owner is appealing, after she was convicted in court here for using imperial measures.

Janet Devers, 64 years old, filed an appeal Monday with Thames Magistrates Court against her criminal record. Earlier this month, the court found her guilty of eight counts relating to not selling her produce by the kilogram and the gram. A European Union rule requires that countries must use metric measures to standardize trade. While the rest of Europe is metric, imperial measures are still commonly used in Britain.

On Oct. 8, the court found Ms. Devers, who runs a stall in Ridley Road market in East London, guilty of not having metric prices on all of her produce and using scales that measured only in pounds and ounces. The court ordered Ms. Devers to pay costs of about £5,000 ($7,950) and gave her a two-year conditional discharge. She also received a criminal record.

Ms. Devers was the subject of a page one Wall Street Journal article this year.

Ms. Devers isn't the first to be convicted under such laws. Four market-stall owners—including her brother—lost an appeal to the High Court in 2002 for not using metric measurements. They received conditional discharge—which means no further action is taken as long as they don't break the law again within a specific period of time. A group campaigning to pardon them is helping coordinate financing for Ms. Devers's case and calls them "metric martyrs."

Ms. Devers said her conviction was "unfair." She added: "I hope people see common sense and see how ridiculous this all is."