



Google's new Chrome Web browser needs some polish

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Cheney may be too late to loosen Russia's grip on oil

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What's News—

Business & Finance

World-Wide

U.S. benchmark crude fell 5% to \$109.71 a barrel in New York. The retreat toward \$100 a barrel is helping to lift the U.S. dollar and raise the prospect that OPEC may cut output next week if prices tumble further. Crude oil is off nearly \$40 a barrel since mid-July. **Page 1**

■ **The Chinese currency's rise** against the dollar has stalled, but the yuan jumped 6% against the euro in August. **Page 1**

■ **The British pound hit new lows** against euro as investors dwelled on the risks to the U.K.'s economy. **Page 18**

■ **Euro-zone producer prices** surged in July on energy costs, likely increasing the ECB's inflation concerns. **Page 3**

■ **European regulators suspended** their antitrust review of BHP Billiton's proposed \$130 billion purchase of rival mining giant Rio Tinto. **Page 4**

■ **Alcatel-Lucent's newly appointed CEO** said the telecom firm would focus on developing new technologies. **Page 32**

■ **Ford named a new CEO** for its Sweden-based Volvo unit, selecting Ford of Europe's operating chief for the post. **Page 6**

■ **Two hedge funds** are teaming up to force Deutsche Börse to make changes that could include breaking up the German exchange operator. **Page 17**

■ **U.S. stocks gave up** their early gains as economic realities held sway over a drop in crude oil. Airlines and banks pushed Europe higher. **Page 18**

■ **BP's unit in the U.S. plans** to acquire a 25% stake in an energy company's shale assets in Arkansas for \$1.9 billion. **Page 8**

■ **GDF Suez agreed to buy** U.S. electricity firm FirstLight to bolster its North American power capacity. **Page 8**

■ **Lonmin again rejected** the Xstrata's \$10.2 billion hostile bid but said it would weigh an offer at the right price. **Page 19**

Markets 4 p.m. ET

MARKET	CLOSE	NET CHG	PCT CHG
DJIA	11516.92	-26.63	-0.23
Nasdaq	2349.24	-18.28	-0.77
DJ Stoxx 600	290.08	+2.90	+1.01
FTSE 100	5620.7	+17.9	+0.32
DAX	6518.47	+96.67	+1.51
CAC 40	4539.07	+66.94	+1.50
Euro	\$1.4527	-0.0063	-0.43
Nymex crude	\$109.71	-5.75	-4.98

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Leaders of Cyprus's Greek and Turkish sides meet for talks beginning Wednesday that will be the first aimed at resolving the island's status since a failed 2004 referendum. Russian analysts frequently draw a link between Cyprus and Georgia's separatist territories. **Page 1**

■ **Bush was to speak** via satellite to the Republican convention, after officials opened a scaled-back session because of Hurricane Gustav. **Page 15**

■ **Alaska Gov. Palin, McCain's running mate**, is undergoing deep media scrutiny, amid a disclosure that her 17-year-old daughter is pregnant. **Page 14**

■ **Britain's Brown unveiled** the first in a series of measures to prop up the housing market and boost his approval ratings. **Page 2**

■ **Thailand's prime minister** declared a state of emergency in Bangkok amid clashes between government supporters and protesters. Widening protests risk disrupting the economy. **Page 10**

■ **A tug of war** within Japan's ruling LDP is emerging between supporters of ex-Foreign Minister Taro Aso and former cabinet minister Yuriko Koike. **Page 10**

■ **Ingushetia's governor** promised a probe of the shooting death of the owner of a muck-raking Web site after his arrest in the Russian province. **Page 10**

■ **A U.S. probe** of Afghan and U.N. allegations that dozens of civilians were killed in Aug. 22 fighting found that up to seven civilians died, with between 30 and 35 Taliban fighters killed.

■ **A small group** of Mugabe loyalists has emerged as the biggest roadblock to a power-sharing deal in Zimbabwe, as mediators try to salvage talks. **Page 9**

■ **Egyptian tycoon** and ruling-party lawmaker Hisham Talaat was arrested for allegedly paying an ex-police officer to kill a popular Lebanese pop singer.

■ **Argentina will pay** its entire \$6.7 billion debt to the Paris Club of lending nations.

■ **A humanitarian-aid flight** carrying 17 people crashed in eastern Congo, and there appeared to be no survivors.

EDITORIAL & OPINION

Sayonara, Fukuda
Some advice for the next leader of the world's second-largest economy. **Page 12**

Oil's retreat lifts dollar

OPEC may begin to trim production if price keeps falling

By NEIL KING JR.

Oil's swift retreat toward \$100 a barrel gave a lift to the strengthening U.S. dollar and raised the prospect that OPEC may begin to trim production next week if crude prices continue to plunge.

Signs of slumping demand and excess supply have driven crude prices down nearly \$40 a barrel since mid-July, leading analysts to predict that they could now slump well below \$100 a barrel by year end. U.S. benchmark crude fell 5% to \$109.71 a barrel Tuesday on the New York Mercantile Exchange after Hurricane Gustav dealt only a glancing blow to refineries and oil platforms in the Gulf of Mexico.

The fall in oil prices over recent weeks comes amid a much wider selloff in commodities ranging from gold to aluminum and wheat, all of which were also down sharply on Tuesday as investors turned toward equities before an afternoon decline in stock markets. The rebounding dollar, now nearly back to where it began the year, also has

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An unconventional gathering in the U.S.



U.S. Republican presidential candidate **Sen. John McCain** campaigning Tuesday in Philadelphia

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- Visit WSJ.com for the latest news on the convention

Yuan's climb versus euro, not dollar, hints at a shift

By ANDREW BATSON

BEIJING—The Chinese yuan is still moving up—but now, the euro is bearing the brunt of the gains.

The Chinese currency's rise against the U.S. dollar has stalled in recent weeks, as local exporters increasingly criticize the government's policy of currency appreciation for hurting their profit margins. The yuan actually fell about 0.2% against the U.S. dollar in August, a rare reversal of its mostly upward trend since a de facto peg was dropped in July 2005.

At the same time, the U.S. dollar has rallied strongly against most major currencies. Because the yuan hasn't moved much against the dollar, those gains also pushed the yuan's value upward against other currencies. The yuan rose 6% against the euro during August, re-

versing a long decline. It also gained against the Japanese yen and the Korean won.

That turnaround has led many watchers of China's tightly managed currency to predict officials will limit the yuan's future gains against the dollar to protect exporters.

But the recent movements also seem to be a sign that the central bank is finally following its own prescription of setting the exchange rate "with reference to a basket of currencies." Since Europe is now China's largest trading partner, it is perhaps not surprising that its currency is no longer being managed solely against the U.S. dollar.

Callum Henderson, head of foreign-exchange strategy for Standard Chartered PLC, says Chinese authorities appear to still have a pol-

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LEADING THE NEWS

Brown sets housing plan

Tax, interest relief aim to help market and Labour's ratings

BY LAURENCE NORMAN

WOLVERHAMPTON, England—British Prime Minister Gordon Brown unveiled the first in a series of measures to prop up the collapsing housing market—and his anemic approval ratings.

The U.K. Treasury said it was suspending the stamp-tax duty on housing transactions for homes valued as much as £175,000 (\$315,315). The suspension will be for a year starting Sept. 3 and will cost about £600 million, a spokesman said.

Also Tuesday, the government said it would spend £1 billion on a range of measures to help first-time home buyers and those struggling to pay their mortgages. Among the measures are restricted noninterest loans for certain buyers, and allowing the government to buy housing and rent it back to tenants.

Later this week, the government is also expected to announce a plan to help low-income families pay their utility bills.

The package is meant to protect communities like this industrial town in the West Midlands of central England from the worst economic downturn in years. Mr.

Brown will bring his cabinet to this region next week for the first meeting of the government outside London since 1921.

Once a heartland of the industrial revolution, Wolverhampton has been fertile territory for the Labour Party in recent decades, with income levels below the national average and unemployment in one of the city's three districts about three times the national average. Labour holds all three parliamentary seats here.

Yet Labour is hemorrhaging voters here. In May, on the same day a Conservative candidate won a closely watched battle to become London's mayor, the Labour Party lost its 14-year majority on the city council. For the first time in a generation, people seem willing to listen to the Conservatives.

"I think the government's to blame for what's going on," said Labour voter Richard Griffiths, a 61-year-old former computer analyst who now provides full-time care for an elderly mother. "We should have more money in the till to bail us out of the current problems."

He wants to see the government do more to help pensioners facing rising bills. "I always used to vote Labour but I didn't last time, and I'll be voting for the Tories at the next election."

Conservative Councilor Patricia Bradley, who is in charge of regeneration and enterprise on the Wolverhampton City Council, said her party has gained from the prime

minister's troubles in connecting with ordinary voters, the rising cost of living and the troubles young people have in buying housing.

Yet the speed of Labour's decline came as a surprise. "I think we knew we would win in a few years' time—we were adding one or two seats" at each election, Ms. Bradley said. "But I think his [Mr. Brown's] downward spiral has been much quicker than we thought."

She said she believes her party could win two of the city's three parliamentary seats next time around.

The West Midlands is a "key battleground which will help to decide who is the next government," said Pat McFadden, Labour lawmaker for South East

Wolverhampton and an up-and-coming junior minister in Mr. Brown's government. According to Roger Mortimer, director of political analysis at pollster Ipsos-Mori, of the roughly 135 seats it would take for the current Labour majority to turn into a Conservative majority at the next election, 30 are in the Midlands.

After 11 years in power—and with the economy possibly facing its first recession since the early 1990s—the government faces a hard task to get voters back on its side.

"I have voted for Labour before but am seriously considering not doing so this time," said Lee Bennett, a driving instructor, at a shopping center with his family Friday.



Gordon Brown

Spain's government pledges relief as jobless claims surge

BY JONATHAN HOUSE

MADRID—Spanish Prime Minister José Luis Rodríguez Zapatero said he will unveil measures next week to help out-of-work job seekers in the construction industry, after Spanish jobless claims soared to a 10-year high in August. The Labor Ministry said more than 100,000 unemployed workers applied for benefits from the state employment agency.

The jump lifted total registered claims to just over 2.5 million, up 25% from a year earlier. From the construction sector, jobless claims were up 71% from a year ago. Mr. Zapatero didn't give further details about his plans but said he would present the new measures at a Sept. 10 parliamentary hearing to discuss Spain's rapidly deteriorating economic situation.

Spain was once one of the euro zone's primary engines of economic growth and job creation, but many economists expect the country to dip into recession after its decade-long housing boom collapsed after years of overbuilding and the meltdown of the U.S. subprime mortgage market pushed local interest rates higher.

Spanish quarterly gross-domestic-product growth slowed to 0.1% in the second quarter from 0.3% in the first and from 0.8% in the fourth quarter of last year. Spain had an 11% unemployment rate in July, the highest in the euro zone and up from 10.7% in June, according to the latest data from European Union statistics arm Eurostat.

In April, Mr. Zapatero's govern-

Registered jobless claims



ment became the first in the euro zone to craft a U.S.-style stimulus package when it approved a series of tax cuts and spending measures which it said will inject €10 billion, or about \$14.5 billion, into the economy this year and €7.8 billion next year.

The government, however, is running out of leeway to further support the economy as the approved tax cuts and weaker tax revenue take their toll on public accounts. Spain's once healthy budget surplus swung to a deficit equal to 0.42% of GDP in June. It widened further to 0.89% of GDP in July.

BNP Paribas SA economist Dominic Bryant said he expects Spanish unemployment to rise further in the following months as the economy begins to shed jobs. As of the second quarter, Spain continued to create jobs, though at a slower pace than the labor supply grew.

CORRECTIONS & AMPLIFICATIONS

FRCAction is the legislative advocacy arm of the Family Research Council. An article Monday about the U.S. Republican Party's 2008 platform incorrectly identified the council as the Family Rights Council.

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LEADING THE NEWS

U.S. pipeline diplomacy

Cheney aims to shake Russia's grip on oil with Caucasus trip

BY GUY CHAZAN
AND JOHN MCKINNON

U.S. Vice President Dick Cheney will use his trip to the Caucasus this week to try to loosen Russia's grip on Caspian and Central Asian oil and gas exports. But he may be too late.

Mr. Cheney's objective is to express U.S. backing for an export route that crosses the Caucasus, bypassing Russia. But his visit comes on the heels of a Russian-Georgian war that raised fresh doubts about the viability of that corridor and appeared to enhance Russia's domination of the region's energy flows.

The impression was reinforced Tuesday as Moscow signed a deal to build a new pipeline that will increase the export of natural gas from the Central Asian states of Turkmenistan and Uzbekistan to Russia and onward to Europe. Russian Prime Minister Vladimir Putin also agreed to pay European, market-based prices for Uzbek gas, a move that could lock in supplies that might have fed alternative European pipelines.

In Azerbaijan, Mr. Cheney will seek to secure Azeri natural gas for two high-profile, Western-backed pipelines that, once completed, will flow to the heart of Europe—one called Nabucco, named for a Verdi opera, and a smaller project, Turkey-Greece-Italy.

The White House said the Kremlin's actions in Georgia have only underscored the need for export routes like Nabucco that dodge Russia. The European Union currently relies on Russia for a quarter of its natural gas, yet fears that Moscow could use its energy exports as a political

weapon have prompted calls for the EU to reduce that dependence.

A senior U.S. administration official, briefing reporters on Mr. Cheney's trip, said the war in Georgia had undermined Russia's reputation as a reliable energy supplier and should accelerate Europe's efforts to diversify its sources of oil and gas.

"I don't think anything about this, these recent events, has done anything but reinforce the sense that that basic strategy is important and critical, and one that has to be pursued, if anything with greater energy by us and by our European partners," the official said.

But there are fears that last month's war could harm that strategy by undermining the credibility of transit routes that pass through Georgia. Russia's military blew up Georgia's main railroad during the war, obliging Azerbaijan to suspend oil shipments to Georgia's Black Sea terminals. Oil major BP PLC was also forced to close a pipeline that transports Azeri crude from Baku to the Georgian port of Supsa. And Russian aircraft dropped bombs close to the crucial Baku-Tbilisi-Ceyhan pipeline that pumps 850,000 barrels of oil a day from Azerbaijan via Georgia to Turkey's Mediterranean coast.

"The Russians have demonstrated they can close that corridor through Georgia any time they want," said John Bolton, President Bush's former U.N. ambassador.

U.S. officials reject that. "The Georgian energy corridor is safe," Deputy Assistant Secretary of State Matthew J. Bryza, one of Nabucco's major supporters, told an audience in Brussels Monday. He stressed that Baku-Tbilisi-Ceyhan and the South Caucasus Gas Pipeline, which transports Azeri gas to Turkey, were unaffected by the fighting.

Mr. Bryza also said European energy companies behind Nabucco and the Turkey-Greece-Italy pipeline

have told him they are determined to proceed with the two projects. "They haven't slowed down at all," he said. "They are anxious to line up gas supply contracts with Azerbaijan as soon as possible."

But some analysts said the Georgian war could scare off investors, making it hard for the consortium to raise the €7.9 billion (\$11.5 billion) needed to build Nabucco—a task already complicated by the global credit crunch. Plans to expand Baku-Tbilisi-Ceyhan's capacity may also be in jeopardy.

"This increases the risk profile enormously," said Jonathan Simpson, head of European projects at international law firm Paul Hastings. "Without the EU and the U.S. stepping in and subsidizing them, they won't get built. And so far they've shown no inclination to do that."

Russia gave no dates in Tuesday's announcement regarding construction or completion of the new Russian pipeline. Construction of Nabucco is scheduled to start in 2010. While the Turkey-Greece section of the Turkey-Greece-Italy pipeline was completed and inaugurated in 2007, construction of the Greece-Italy section is to begin in 2009, with the section scheduled to become operational in 2012.

Prof. Jonathan Stern, director of gas research at the Oxford Institute for Energy Studies, said Nabucco's weakness has always been not the security of the Georgian corridor but the fact there won't be enough gas available in the Caspian region to fill it, at least not until the late 2010s. "Before the war in Georgia, people were unrealistically optimistic about Nabucco," he said. "Now, they're unrealistically pessimistic."

The Kremlin, meanwhile, has denied that the Central Asian pipeline announced Tuesday is an attempt to undermine Nabucco, which it has dismissed as a political project. "If [pipelines] are created politically, they are not economically feasible," said Dmitry Peskov, a spokesman for Mr. Putin. —*Marc Champion contributed to this article.*



Dick Cheney

Energy costs lift EU producer prices

BY EMMA CHARLTON

LONDON—Soaring energy costs pushed euro-zone producer prices sharply higher in July, likely increasing the European Central Bank's concern about inflation ahead of its Thursday rate-setting meeting.

Prices of goods leaving factory gates rose 9% from a year earlier, after rising 8% in June, European Union statistics agency Eurostat said.

It was the fastest annual gain since records began in January 1990 and was largely driven by energy costs, which added 24.5% in July from a year earlier. Producer prices rose 1.1% in July after climbing 1% in June.

The inflation pressures mean the ECB is likely to keep its key rate near a seven-year high at 4.25% at its meeting Thursday despite sharply slowing economic growth. ECB staff forecasts Thursday are likely to show slower growth and higher inflation this year and next, underscoring the ECB's dilemma.

The ECB aims to anchor euro-zone inflation at just below 2% but has faced an extended period where the rate of consumer-price rises has been well above that target.

"It is far too early for the ECB to

give the all-clear on the inflation front," said Carsten Brzeski, an economist at ING Bank. "Euro-zone manufacturers have been able to pass on higher food and, particularly, higher energy costs. However, with plummeting consumer confidence and very sluggish retail sales, euro-zone retailers will not be able to pass higher producer prices on to consumers. Rather, they will have to squeeze their margins."

The Organization for Economic Cooperation and Development Tuesday downgraded its expectations of euro-zone growth this year to 1.3%,

from 1.7% in June. But, echoing ECB policy-maker concerns, the Paris-based organization stressed that slower growth is unlikely to damp euro-zone inflation quickly.

The central bank frets that producers will try to pass on the higher costs they are facing to consumers, prompting consumers to push for higher wages and creating a wage-price spiral in which inflation becomes uncontrollable.

Most economists expect the ECB will keep its key rate on hold through year end, and many foresee a cut early next year.

Wolters agrees to buy UpToDate

BY AARON O. PATRICK

Dutch business publisher Wolters Kluwer NV said it agreed to buy closely held UpToDate Inc., which provides information over the Internet to doctors on how to diagnose and treat patients.

The price wasn't disclosed. UpToDate, based in Waltham, Mass., is expected to generate \$80 million in revenue this year, Wolters Kluwer Chief Executive Nancy McKinstry said. UpTo-

Date's information is used by 320,000 doctors and other medical workers in 130 countries, according to the company's Web site and Wolters Kluwer.

Wolters Kluwer plans to expand the UpToDate service to cover neurology, immunology and other medical fields, Ms. McKinstry said.

Based in Amsterdam, Wolters Kluwer publishes medical-reference books under several brands. It also publishes tax, accounting and legal information.

Putting it back together?

Greek- and Turkish-Cypriot leaders on the island of Cyprus, divided since 1974, open peace talks Wednesday aimed at reunification.



	GNP per capita	Population	Tourist arrivals	Tourism revenue
TRNC (North)	\$14,047	260,819	715,749	\$376 million
Republic of Cyprus* (South)	\$27,436	778,700	2,416,081	\$2.69 billion

Note: All figures are for 2007 except for TRNC tourist arrivals and Republic of Cyprus population, which are for 2006. TRNC population figures are disputed by the two sides. *Excluding TRNC-controlled areas.

Sources: Republic of Cyprus Statistical Service; TRNC State Planning Organization; United Nations (map)

Cyprus talks offer lessons

Continued from first page
island's total population of around a million, 260,000 live in the north.

To be sure, there are important differences between Georgia's separatist territories and northern Cyprus. For one thing, no water separates Abkhazia and South Ossetia from Russia, making them potentially easier to integrate. Cyprus enjoys the pull of EU membership, something Georgia aspires to but is unlikely to achieve anytime soon.

Just as important, Turkey never attempted to annex the Turkish Republic of Northern Cyprus. That is in part because Turkey is a member of the same military alliance—the North Atlantic Treaty Organization—as Greece, and because Turkey itself wants to join the EU. Russia faces none of these constraints. Many analysts believe Moscow will, de jure or de facto, absorb South Ossetia and Abkhazia, despite denials that it has any such intention.

Still, the parallel is hardly far-fetched. In a recent interview, Georgian President Mikheil Saakashvili said Russian leader Vladimir Putin "mentioned to me in November 2006 the possibility" of turning the separatist regions into northern Cyprus—in other words, occupied territories. The Kremlin hasn't acknowledged that claim, but Russian analysts frequently draw the link. Last week, the Turkish Cypriot government spokesman said Russia's recognition of the two territories had rewritten the rules of international diplomacy and was a "lesson" Greek Cypriots should take to heart.

"There are striking similarities between what's going on there and here," says Costas Constantinou at the International Peace Research Institute in Cyprus, noting in particular the separation of the local populations along ethnic lines and unilateral recognition following massive military intervention.

Wednesday's talks between Cyprus President Demetris Christofias and Turkish Cypriot leader Mehmet Ali Talat, at the abandoned Nicosia airport inside the United Nations buffer zone, will be the first aimed at resolving Cyprus's status since the round that led to the failed 2004 referendum. Joint committees have been hammering out differences on smaller topics, with the difficult is-

issues of property restoration, power-sharing and what to do with Turkey's military on the island still to resolve.

Turkish Cypriots say the main problem driving them to the negotiating table is the isolation that springs from having relations with only one country. To travel, Turkish Cypriots either have to get a Greek Cypriot passport, cross to the Greek side of the island and fly from there, or else go via Turkey. Turkish Cypriot soccer squads can't play in international tournaments.

Goods cost more in the north and exporters face higher costs because everything has to be re-exported via Turkey. The trade imbalance is massive: \$81.1 million in exports, \$1.45 billion in imports, according to Turkish Cypriot figures.

Trade across the border with Greek Cypriots is generally limited to goods of Turkish Cypriot origin—that is, stuff that didn't come from Turkey. Volumes are tiny, at a few hundred thousand euros a month, according to the Turkish Cypriot Chamber of Commerce. In June, €58,298.81 (\$85,151) of building stone, for instance, €8,854.50 in fresh fish.

Isolation is "a major factor," says Emine Erk, a Turkish Cypriot lawyer in the divided capital, Nicosia, who has been active in the peace process. "Who wants to remain outside the international community?"

Reunification would be daunting, however. Cyprus won independence from colonial power Britain in 1960, but the young republic was beset by violence and power-sharing squabbles between Greek and Turkish Cypriots from the start. In 1974, a Greek-backed coup led by forces advocating union with Greece toppled the government. Turkey invaded. The coup fizzled, but the Turkish army remained.

Tens of thousands of Greek Cypriots abandoned northern Cyprus as the Turkish army advanced in 1974. A smaller number of Turkish Cypriots living in the south fled north. The Greek Cypriot side wants at least some of the property now possessed by Turkish Cypriots returned to its original owners. It also wants a pullout by the 35,000 Turkish army troops, whom many Turkish Cypriots see as a guarantor of safety.

—*Marc Champion contributed to this article.*

CORPORATE NEWS

LUXURY GOODS

Paris-based BRS acquires Yachting Partners of U.K.



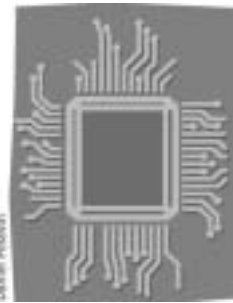
PARIS-BASED ship broker BRS Group said it bought Yachting Partners International, in another example of the immunity of high-end luxury goods from the global economic gloom. Financial details weren't disclosed.

The acquisition of U.K.-based Yachting Partners, which deals primarily with yachts longer than 30 meters and costing as much as €150 million (\$219.1 million), is set to boost BRS's existing yachting-brokerage business.

On Tuesday, LVMH Moët Hennessey Louis Vuitton SA signed an agreement to buy Dutch yacht maker Royal van Lent Shipyard BV.—*Marietta Cauchi*

SEMICONDUCTORS

Asia-Pacific's hunger drives up global sales



WORLD-WIDE semiconductor sales in July climbed 7.6% from a year earlier to \$22.18 billion, boosted by demand for cell-phones, personal computers and other consumer electronics, an industry group reported Tuesday.

However, sinking prices for memory products—chips known as DRAM and NAND flash memory—continued to offset overall revenue gains; excluding that segment, semiconductor sales would have increased 11.6%, according to the Semiconductor Industry Association.

The group said overall chip sales increased 15% in July in the Asia-Pacific region and 3.6% in Japan.

TELECOMMUNICATIONS

MegaFon and VimpelCom to sell iPhones in Russia



TWO of Russia's top three mobile-phone companies, MegaFon OAO and VimpelCom OAO, will sell Apple Inc.'s iPhone 3G later this year.

The new model of the phone hasn't gone on sale officially in Russia, but is readily available on the "gray" market, selling for around \$1,000—several times the current retail price in the U.S.

Many Russians get them for considerably less by asking friends to buy them while on trips abroad, then paying another \$100 to unlock the phones.

With an estimated 500,000 earlier-generation devices already in use, Russia is one of the biggest markets for iPhones outside the U.S. —*Associated Press*

Steel begins to follow other metals down

Users are buying less as economies slow; Arcelor to cut prices

BY ROBERT GUY MATTHEWS

STEEL PRICES are beginning to soften around the globe, in some cases by as much as 30%, the first sign that steel is succumbing to the downward pressures that have dragged on other commodity prices.

Automobile companies, appliance makers and construction firms are all using less steel as economies slow. Should the trend continue, as expected, the prices of other raw materials used to make steel, most notably iron ore and certain types of coal, will likely drop.

Although steel prices remain at historic highs, the relentless two-year string of price rises appears to be over. On Tuesday, ArcelorMittal, the world's largest steelmaker, said it would cut steel prices in South Africa by as much as 8% across all its

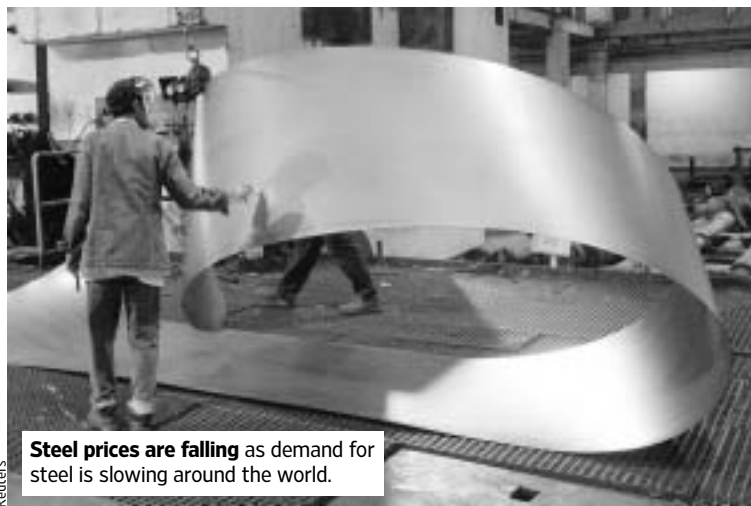
steel products because of lower international prices. The price cut, starting Oct. 1, will be the first in a year.

In Eastern Europe, the price for hot-rolled steel, the basic building block for the majority of steel products, has fallen about 30% to roughly \$1,000 a metric ton in less than two months. In the U.S., prices of domestic hot-rolled and cold-rolled steel have dropped about 8%, or \$80 a ton, in the past month.

Steel prices in China have been falling since July, following a surge in the first half to a record in June. "Demand is slowing around the world," said Charles Bradford, steel analyst for Bradford Securities.

In India, top steel producers recently decided at the end of a three-month price freeze to keep prices steady, and in Brazil, prices for imported plate, used most often in heavy equipment, have fallen by about \$200 a metric ton, or some 15%.

Steel had been one of the few metals whose price stayed strong as the prices of other metals fluctuated and, more recently, trended downward. The prices of copper, alumi-



Steel prices are falling as demand for steel is slowing around the world.

num, nickel, and scrap have fallen.

Some of the decline is a normal part of summer, when auto makers change models and when building and road construction in very hot regions like the Middle East takes a pause until the temperature drops.

But that can't explain the steep drop-off across the globe, said John Anton, a steel economist for Global Insight, a Waltham, Mass.-based fi-

ancial and information company. He said steel prices are softening because price increases have finally hit their limit as the outlooks for the European and U.S. economies look dimmer than earlier this year.

In some cases, the falling prices reflect lower raw-material costs. The price of nickel, used to make stainless steel, has fallen as the demand for stainless-steel appliances

and other applications has dropped this year, prompting makers of stainless steel, including South Korea's Posco, to cut prices. Stainless-steel stockpiles have grown in the past few months, according to Peter Fish, chairman of MEPS International Ltd., a London-based steel research and consulting firm.

Credit constraints are also predicted to damp demand for stainless-steel products, he said.

Likewise, scrap steel—recycled steel that is melted down and made into new steel products—has started to fall from its historic high earlier this year. In fact, the price of scrap steel in India has dropped 25% in the last month, according to the country's steel minister, Ram Vilas Paswan.

The Indian steel ministry has predicted that steel prices in the country would continue their fall because of lower demand both domestically and internationally.

It is unclear whether the drop-off in steel prices will stick. Some economists and analysts are predicting that steel prices will level by the end of the year as stocks and inventories drop.

BHP bid for Rio hits snag as EC suspends antitrust review

BY DANA CIMILLUCA AND CHARLES FORELLE

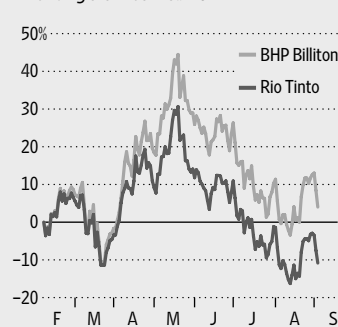
BHP Billiton's efforts to pull off what would be one of the biggest takeovers ever, the \$130 billion purchase of rival mining giant Rio Tinto, stalled Tuesday when European regulators suspended an antitrust review of the bid.

The European Commission's move, which it said was prompted by a lack of information from BHP, casts more doubt on the likelihood that the company will surmount what has become the biggest obstacle to a deal. By pushing back a Dec. 9 deadline for a European ruling, the move could scuttle BHP's stated goal of securing approval from regulators in Europe, South Africa and Australia by the end of this year.

The regulatory setback is the latest twist in a takeover saga that has been going on since November,

Wide-spread fear

Share performance of BHP Billiton vs. Rio Tinto on the London Stock Exchange since Feb. 6



Source: Thomson Reuters Datastream

when BHP launched a bid that it later upped to 3.4 of its own shares for each share of Rio. Rio rejected

both approaches as too low. As recently as April, Rio shares traded at a premium to the bid price, on hopes BHP would boost its offer to win a recommendation from Rio's board. Since then, Rio's share price has fallen well below the value of BHP's offer. BHP now plans to appeal directly to Rio shareholders after winning regulatory approval. In order to succeed, it will require acceptance from a majority of Rio's shares.

As of Tuesday, Rio's shares were trading at £48.30 (\$87.03) in London, giving the company a market value roughly 13% below BHP's offer price. That gap suggests investors are becoming increasingly nervous that a deal won't happen.

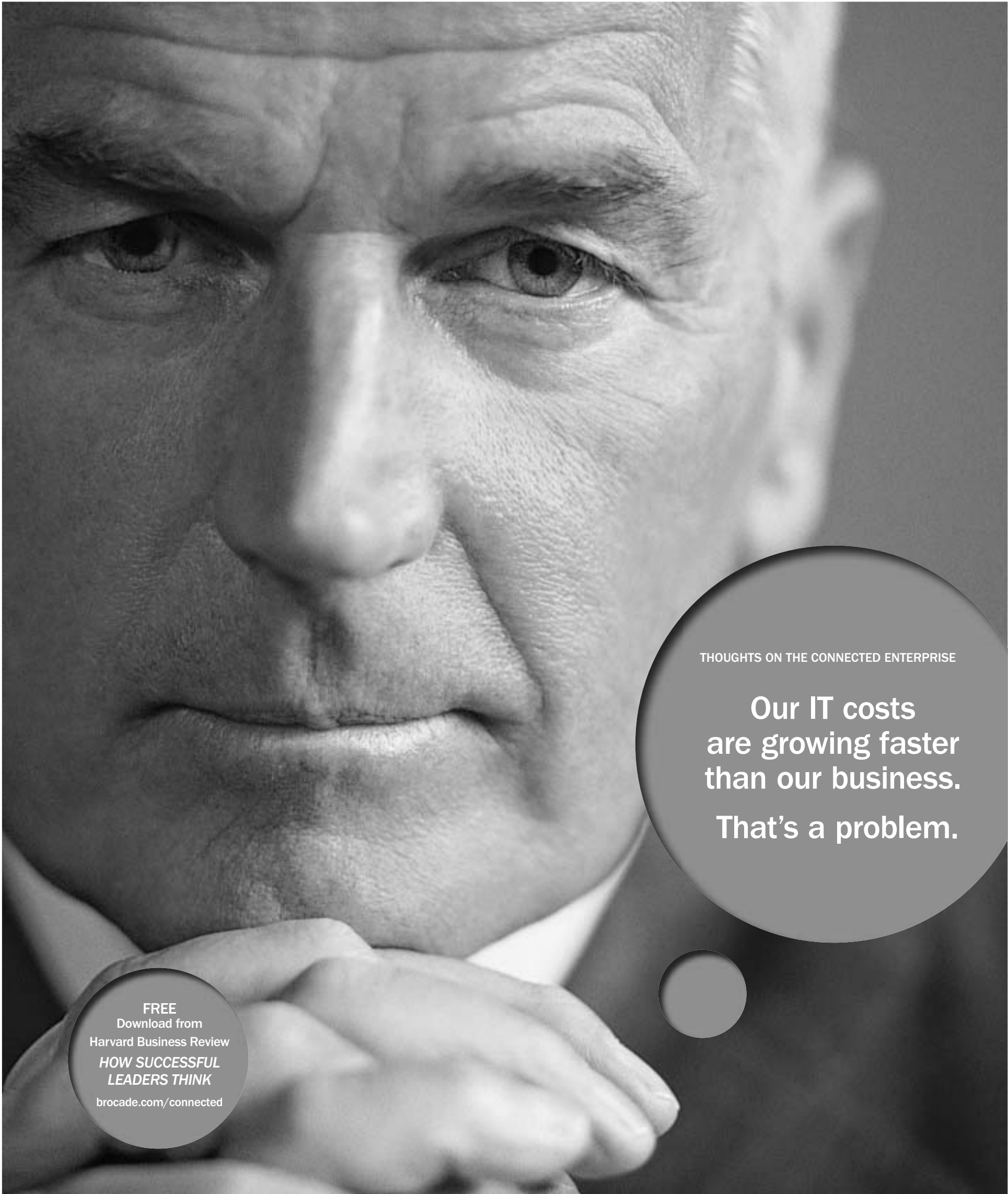
It wasn't immediately clear how long the EC's suspension would last, or how far it would push back the deadline for a decision. The clock was stopped after the European Union's antitrust regulator re-

quested data from Melbourne, Australia-based BHP that the company couldn't quickly provide, according to a person close to BHP. This person said the data were "taking some time to extract from the system" but wouldn't be more specific. A BHP spokesman said such suspensions are a "normal" part of EC antitrust investigations.

BHP is confident it will achieve the year-end goal for regulatory approval, a person close to the company said. A commission spokesman declined to elaborate on what prompted the suspension.

The review is a complex affair, covering massive companies and markets flung around the globe. In July, the EU started an in-depth, so-called phase-two review of the deal. It is likely to be contentious, given substantial concerns in Europe about the dwindling number of suppliers of seaborne iron ore, a key in-

—*Robert Guy Matthews and Andrea Hotter contributed to this article.*



THOUGHTS ON THE CONNECTED ENTERPRISE

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BROCADE

FOCUS ON AUTOMOBILES

Tata's Nano project stalls

Indian auto maker is set to move plant after farmers protest

The maker of the world's cheapest car warned it is suspending plant construction and planning to move manufacturing elsewhere in the face of violent protests from farmers and local politicians.

While the outcome is still unclear, the declaration by **Tata Motors Ltd.**—part of India's flagship in-

By **Eric Bellman** in Singur, West Bengal, and **Paul Beckett** in New Delhi

dustrial conglomerate and an international symbol of the nation's modern engineering prowess—is the starkest sign yet of how rapid industrialization is clashing with those who are skeptical of modernization and suspicious of the reach of big business into rural India.

It is a conflict being played out across the nation as India strives to boost manufacturing to supplement slowing growth in its larger services industry. But Tata's predicament has been the most closely watched, because the \$2,500 Nano mini-car has been touted around the world as revolutionary and Tata is known as one of India's most powerful, yet socially responsible, employers. As a result, Tata's problems could send a discouraging message to big international companies interested in operating in India.

Tata's statement left open the chance that if the impasse were resolved amicably, the company could stay. Tata fell short of categorically stating it was withdrawing immediately, instead saying that because "there is no change in the volatile sit-

uation around the plant," it would suspend construction and look for alternatives. It didn't provide a time frame for either resuming construction or moving the plant, an indication that it may be willing to stay if the protests end, though right now it looks as if they will continue.

The Nano plant is in Singur, in the eastern state of West Bengal, about one hour's drive from Kolkata. Encouraged by the Communist Party of India (Marxist), the party that runs the state and has been seeking to attract investment, Tata has invested \$345 million in the plant and attracted about 60 suppliers to set up shop nearby to ensure that the car would start rolling off production lines in the last three months of this year. The plant and its suppliers are located on almost 1,000 acres of land that had been purchased from farmers. Construction on the plant began in January 2007, employing about 4,000 people at its peak.

In the past two weeks, protests by thousands of farmers and others opposed to the plant have seriously impeded the company's ability to operate. Construction work on the plant has been stalled since last Thursday. International consultants hired by Tata have left to avoid intimidation, the company said. And it is struggling to convince senior managers to relocate to work in the plant.

Tuesday evening, after another day of suspended work, Tata said in a release that it was "evaluating alternate options for manufacturing the Nano car at other company facilities and a detailed plan to relocate the plant and machinery to an alternate site is under preparation."

Behind the protests is Mamata Banerjee, a firebrand politician who has used the demonstrations and the massive publicity they have gar-

nered to portray the Communists as insensitive to the interests of small farmers and local constituents. The leader of the Trinamool Congress, a rival state party, Ms. Banerjee has held nightly rallies at the manufacturing site. She is demanding the return of about 400 acres of the site, saying the land she wants returned was taken from farmers against their will. Tata denies it grabbed land from farmers.

The West Bengal government says only a small minority of farmers were forced to leave against their will and that the others accepted compensation for the land when the government took it over for the plant.

Before Tata's announcement, Ms. Banerjee Tuesday vowed to continue the protests. She celebrated the beginning of the Muslim holy month of Ramadan with her Muslim followers on the highway in front of the Tata plant and said she would be there to celebrate the Indian fall holiday of Diwali, and Christmas as well.

Tata representatives declined to say whether the furor would affect production schedules for the Nano. Nor did they estimate how much Tata stands to lose if it were to move the plant to another of the company's manufacturing sites elsewhere in India. It said it is exploring the possibility of absorbing workers hired in West Bengal at other sites.

Analysts said a withdrawal would be extremely costly and likely delay the launch of the Nano.

"I think Tata will only be able to recover 10% to 20% of the investment if they decide to shift to another location," said Amrish Mishra, auto analyst at Mumbai-based MF Global. "It will be very negative for them...the launch of the Nano will be delayed by at least four to six months."

—Santanu Choudhury contributed to this article.

Ford taps European unit in hiring new Volvo CEO

By **MATTHEW DOLAN**

Ford Motor Co. named a new head for its Volvo unit, raising questions among dealers and analysts about whether the auto maker based in Sweden will be sold. Stephen Odell, chief operating officer of Ford of Europe, will become president and chief executive of Volvo Car Corp. on Oct. 1, and will be the first non-Swede to run the unit.

Mr. Odell, 53 years old, succeeds Frederik Arp, who decided to leave the company, Ford said. The move comes as U.S.-based Ford attempts to turn Volvo into an independent business. In the past Ford had tried to integrate Volvo more closely with its Ford brand, sharing parts and some back-office operations.

Volvo's future has been in question since Ford Chief Executive Alan Mulally took the company's helm in 2006 to focus the company's resources on reviving its main Ford brand and to sell niche nameplates such as Jaguar, Land Rover and Aston Martin.

Lewis Booth, Ford's European chief, said in an interview Tuesday that Volvo isn't for sale. He declined to say whether Ford or its representatives had shopped around the brand in recent months.

"We have asked Volvo to equip themselves to do more things on their own," said Mr. Booth, who is also executive vice president of Ford. He added that the two companies would continue to share some product-development and purchasing operations. In recent months, Ford has dialed back an effort to integrate Volvo dealers into its spare-parts distribution network in the U.S., leaving Volvo largely to manage shipments on its own.

Volvo also is moving its North American headquarters from Southern California to New Jersey, not to Dearborn, Mich., which Ford calls home. Mr. Booth said other changes will follow, including separating work on interior vehicle design and unraveling the companies' joint

back-office and sales operations. Such steps "don't make sense for an efficient operation. You don't get the benefits of scale," said Rich Mathews, president of Red Bank Volvo, a New Jersey dealership that his family has owned for 52 years. "The only thing that seems to make sense to me is that they're getting ready to sell," he added in an interview before Tuesday's announcement.

Speculation about a sale has intensified this summer as Ford's troubles in the U.S. market have worsened. The company posted a record second-quarter loss of \$8.7 billion. Although Ford has a large supply of cash and assets—\$26.6 billion as of June 30—it may still need to raise more money to keep the company going and fund Mr. Mulally's plan to retool several U.S. plants to make cars instead of trucks.

Volvo is an asset Ford could sell, said Charles Moore, senior managing director at Conway, MacKenzie & Dunleavy, a Birmingham, Mich., consulting firm. "The auto makers are leaving nothing off the table and Volvo is clearly an option available to Ford that it can't ignore," he said. Mr. Booth said Ford is committed to improving Volvo's bottom line, saying that the selection of one of the European unit's top executives on Tuesday showed the importance of the Volvo brand.

Before becoming chief operating officer of Ford of Europe in April, Mr. Odell headed Ford's marketing and sales in Europe and held several senior positions at Mazda Motor Corp., Ford's Japanese affiliate.

Still, Volvo is now left increasingly on its own. Dealers just want Ford to resolve the issue.

"Make a decision," said David Stein, a Volvo dealer in Austin, Texas, who is also the president of the brand's retail advisory council in the U.S. If Volvo needs to be sold, he said, "get rid of it and do it quickly. Or stick with us and improve the brand. The back-and-forth speculation is good for nobody."



Stephen Odell

Hyundai could beat U.S. deadline

By **EVAN RAMSTAD**

NAMYANG, South Korea—Hyundai Motor Co. can meet the proposed U.S. fuel efficiency standard of 35 miles per gallon, or around 15 kilometers per liter, in the fleets of its Hyundai and Kia brands by 2015, five years ahead of a U.S. deadline, without relying heavily on hybrid vehicles, the company's research chief said Tuesday.

The declaration is a bold statement of technical confidence by the South Korean manufacturer, which has trailed behind Japanese and U.S. manufacturers in the development of fuel-sipping hybrid vehicles. It also distinguishes the company from competitors that have argued to U.S. regulators in recent weeks that an interim step in boosting fuel standards—to 31.6 mpg by 2015—is too aggressive.

Hyundai will focus on building smaller cars using lighter materials as well as new engine and powertrain technologies such as gasoline direct injection, dual continuously variable valve timing and eight-speed automatic transmissions to hit the new U.S. fuel-efficiency standards, said Lee Hyunsoo, president of Hyundai's research and development division. The company is also unlikely to enter the gas-guzzling U.S. pickup-truck market, he said.

"With just conventional gaso-

Fuel consumption

Hyundai's U.S. cars and their miles per gallon ratings

	City	Highway
Cars:		
Accent	24	33
Elantra	25	33
Sonata	21	30
Azera	18	26
Tiburon	20	27
Genesis	17	25
SUVs:		
Tucson	19	25
Sante Fe	17	24
Veracruz	16	23
Minivans:		
Entourage	16	23

Source: the company

line engines, we think we can hit 35," Mr. Lee said in an interview at company's research and test center. "We have the technology to improve fuel economy. The problem was it increased the cost of the vehicle. Now, with higher oil prices, we can justify the technology."

With gas prices soaring, Mr. Lee said consumers would be willing to pay slightly more for cars with these new, expensive technologies if the added cost is more than made up for in fuel savings. An extra \$100 to \$200 in cost per vehi-

cle, he said, may be enough to boost efficiency about 10%.

"Ten percent is not small over the life of a vehicle," Mr. Lee said.

To hit the 35 mpg fleetwide target by 2015, the company is still relying, in part, on selling highly fuel-efficient hybrid vehicles. The company already has said it will sell a compact hybrid in South Korea under both the Hyundai and Kia brands next year and a midsize hybrid in the U.S. under both brands in 2010.

Hyundai said it would likely steer clear of the U.S. pickup-truck market, which it has considered entering in the past. Pickup trucks and large sport-utility vehicles consume much more fuel than passenger cars. U.S. auto makers since the early 1990s have relied heavily on sales and profits from pickups and SUVs, but that has left them in a difficult position to adapt to rising fuel-efficiency standards.

Mr. Lee said Hyundai executives will make specific decisions about pickups in coming years. "In any case, we will not be involved in full-size, heavy-duty pickup trucks. If we need to be in the pickup market, it will be compact or smaller than midsize but with an advanced powertrain," he said. "We are watching carefully how the pickup-truck market evolves under this environment of higher gas prices."

German car sales decline amid lackluster confidence

A WSJ NEWS ROUNDUP

German new-car registrations in August dropped 10.4% from a year earlier, to around 214,400 vehicles, amid lackluster consumer confidence, said the German motor-vehicle department KBA.

Adjusted for the two fewer working days last month compared with a year earlier, new-car registrations were off 1.8%, continuing a streak of weak results in recent months. New-car registrations in the first eight months of the year reached 2.11 million, the KBA said. That is a 1.7% rise from 2007, when an increase in the value-added tax at the beginning of the year dented demand.

While significantly better than the performance in other Western European countries, such as Italy and Spain, the slight increase in year-to-date registrations was helped by a flattering comparison with last year, the German car market's worst year since reunification in late 1990.

"The decline in real net wages

per capita is having a considerable effect on private car purchases," said Volker Lange, the president of the Association of International Motor Vehicle Manufacturers, or VDIK. The lobbying group called on the German government to help support the industry by aiding consumers to buy newer, more fuel-efficient cars.

Average carbon-dioxide emissions of the newly registered vehicles edged down to 163 grams per kilometer from an average of 166 g/km in the first six months, said the KBA. For the first time, the department registered new passenger cars fulfilling the European Union's strictest emission standards. However, at just 610 vehicles, they remained a small fraction of those that only met the lower emission norms.

On Monday, Italy reported a 26% drop in new-car sales for August, while Spain suffered a 41% plunge. Despite a government incentive plan, France watched its new-car market slide 7.1%.

CORPORATE NEWS

Google offers 'Chrome,' joining battle of browsers

BY JESSICA E. VASCELLARO
AND ROBERT A. GUTH

Google Inc. planned to introduce its own Web browser, the latest twist in its battle with Microsoft Corp. over key Internet technologies.

Google indicated that a version of the software, called Chrome, would be available for download Tuesday afternoon, California time. It said the software is designed to make it faster to browse the Web and easier to run applications without downloading software to a computer. The product will be offered on an open-source basis, meaning others can modify the software code.

The Google browser takes direct aim at Microsoft's Internet Explorer,

Web wars

Walter S. Mossberg tries out Google's Chrome browser31

which is by far the most widely used program for viewing Internet sites. The companies already compete in Internet search engines, where Google holds a wide lead. Google has also developed Web-based alternatives to Microsoft's popular Word, Excel and PowerPoint programs.

While many people pay little attention to which browser they use, the choice makes a big difference to software companies. They can use the precious screen real estate to promote their own Web services. Moreover, they can tailor their browsers to ensure compatibility with their other products.

Google executives have expressed concern that existing browsers might fail to support the sort of new Web-based applications they want to develop as they seek to expand the company's influence beyond search. By building its own Web-browsing software, Google is ensuring that it will have a platform for its Internet services that need not conform to other companies' standards.

News of the Google project spread after an unconventional leak by the company itself. Google Blogoscooped, a blog that follows the company, reported Monday that Google had sent it a comic book outlining the specifications of the browser.

"We realized that the web had evolved from mainly simple text pages to rich, interactive applications and that we needed to completely rethink the browser," wrote Sundar Pichai, a Google vice president of product management, on the company site. "What we really needed was not just a browser, but also a modern platform for web pages and applications, and that's what we set out to build."

Danny Sullivan, editor in chief of Internet news and analysis site Search Engine Land, said Google's decision shows how the browser is competing with the traditional operating system as an important platform for software development. He predicted that Google will encourage people to adopt Chrome by releasing some products and updates for Chrome users first, while continuing to support other browsers.

Google may nonetheless have trouble persuading consumers to download its browser. Many people find it easier to use the browser that comes loaded on their computer, which is typically Microsoft's Internet Explorer on computers that run the Windows operating system.

Dean Hachamovitch, a Microsoft executive who oversees Explorer, expressed confidence that consumers would continue to use the browser. He said Explorer "puts the services [users] want right at their fingertips, respects their personal choices about how they want to browse and, more than any other browsing technology, puts them in control of their personal data online."

Mr. Sullivan said Google hasn't had much success getting people to download its software, with the exception of mapping software Google Earth. "Just because Google has a browser out there, it doesn't mean everyone is going to use it," he said.

The browser has been viewed as a strategic weapon in high-tech circles since the mid-1990s, after Netscape Communications turned its browser into a fixture on many personal computers. Microsoft viewed that product as a threat that could set a new standard for software development, setting in motion a series of tactics that triggered the U.S. Justice Department's high-profile antitrust investigation of Microsoft.

In recent years, the Mozilla Foundation's Firefox browser—a descendant of Netscape's Communicator product—has gained popularity as an alternative to Internet Explorer. Firefox holds nearly 20% of the market, compared with about 72% for Explorer, according to Net Applications, a company that tracks the sector.

More recently, the browser has been seen as a lever in the battle over Internet search. Browsers include windows, or toolbars, that can be used to directly access a search engine, a program for finding information or sites on the Internet. Microsoft's Internet Explorer browser comes preset with a toolbar for Microsoft's search engine, though it can be reset to link to Google, Yahoo or other search engines.

That default setting, and how to change it, has been a contentious issue between Google and Microsoft in recent years. Google has claimed to regulators that Microsoft's domination of the browser market could give it an undue influence over search-engine use. Microsoft, meanwhile, has reworked its browser to make it easier for people to reset to competing search engines.

Google has been working on the product for about two years, according to one person familiar with the matter. The introduction of Internet Explorer 7 in October 2006 added more urgency to the effort, as Google grew concerned that the new version would make it easier for Microsoft to route users to Microsoft's own search service, this person said.

If people use the Google browser, the company could glean more information about what consumers are doing online, analysts say. Google could find that information useful, they say, in better targeting ads to individual users and conceiving new products. Google already knows a lot about online habits thanks to its domination of the search-engine market and Internet advertising.

Chrome could create problems for the Mozilla Foundation, the nonprofit organization that builds Firefox. Google has been a key partner for Mozilla, at times providing engineering expertise and paying for a spot as the default search service embedded in Firefox. Google and Mozilla last week renewed their agreement, which was set to expire in November, extending it until 2011.

—Don Clark
contributed to this article.

Motorola's talent drive

Mobile unit to focus on replacing workers who flocked to rivals

BY SARA SILVER

As Motorola Inc.'s new handset chief, Sanjay Jha, assesses how best to fix the ailing division, he faces an extra challenge: The company's competitors have hired in droves the managers, engineers, designers and sales staff who are leaving Motorola or whose jobs have been cut. Especially valuable are entire teams of engineers that have spent years working together to complete projects.

Mr. Jha has said he expects to recruit from outside the company to fill out the executive ranks of his division, called mobile devices, by the end of October. All but a handful of the unit's top management posts have turned over—more than 80%—since Motorola's flagship RAZR phone began to fade in popularity at the beginning of last year. The company is struggling to produce a slate of products that can stem a decline in its market share. In addition, Motorola has announced 10,000 layoffs since the beginning of 2007, including thousands from the mobile-devices unit. From January 2007 through June 2008, 8,300 people were laid off.

Mr. Jha is charged with turning around a division that had losses of

\$1.9 billion in the 18 months to the end of June. The former Qualcomm Inc. executive, who took the reins at the mobile-devices unit last month and also holds the title of co-chief executive of Motorola, is being paid handsomely for the task. He stands to make nearly \$100 million if his turnaround plan succeeds, and even more if mobile devices is split off as an independent company, a move planned for late 2009. But Mr. Jha is taking on rivals that are bolstered by decades of expertise from former Motorolans.

The fastest-growing phone makers in the U.S., including Apple Inc. and BlackBerry maker Research In Motion Ltd., have hired key employees from Motorola. Apple has lured away a global head of sales for the game-changing iPhone, a seasoned supply-chain chief and sales representatives to help it break into Motorola's turf in Latin America. RIM, which now makes one in 10 cellphones sold in the U.S., has hired more than 500 former Motorolans since early last year, according to RIM Co-Chief Executive Jim Balsillie.

When Apple scheduled a recruiting event for March at a hotel near mobile devices' headquarters in Libertyville, Ill., Motorola threatened legal action, people familiar with the matter say. An Apple spokesman declined to comment.

Apple canceled that session, but

in April offered soda pop and finger food to hundreds of current and former Motorolans who stopped by the "iPhone Engineering and Operations" event at that hotel. "We're always looking for talent to join our team," said an Apple executive.

Motorola's share of global cellphone sales had dropped to less than 10% at the end of June from

more than 20% at the beginning of 2007. The mobile-devices unit lost many of its senior managers after Mr. Jha's predecessor as chief of the unit, Ron Garrigues, left in February 2007 for Dell Inc., fueling speculation that the computer maker would develop its own cellphone. Dell declined to comment. Last month, Motorola announced the departure of the highest-level remaining executive at mobile devices, Rob Shaddock. When Mr. Jha took over early last month, he became the fifth person to head the unit in 18 months.

Motorola says Mr. Jha is the kind of strategic hire who will help lead a mobile-devices recovery, and that it has retained other seasoned managers. "Motorola has a very deep and wide pool of thousands of talented and experienced employees as well as a strong succession pipeline of executives," said Greg Lee, senior vice president of human resources, in an email.

—Nick Wingfield
contributed to this article.



Sanjay Jha

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CORPORATE NEWS

Vytorin gains support

Heart group disputes drug's link to cancer but debate continues

BY JARED A. FAVOLE,
ALICIA MUNDTY
AND ELENA BERTON

WASHINGTON—Experts at a major cardiology meeting Tuesday backed the cholesterol drug Vytorin, saying the potential link to cancer highlighted by an earlier trial is likely due to chance. But debate about the drug persists.

In a rare move, the New England Journal of Medicine published an editorial Tuesday saying it is too soon to dismiss concerns about Vytorin's cancer risks. "Physicians and patients are unfortunately left for now with uncertainty about the efficacy and safety of the drug," the journal said.

Defenders of Vytorin, which is known in Europe as Inegy and is co-marketed by Merck & Co. and Schering-Plough Corp., said patients shouldn't stop taking the medicine.

"I would not advocate any change of regimen based on what we have today, because I have no concern," said Dan Aker, professor of cardiology at the University of Oslo, Norway, and spokesman for the European Society of Cardiology.

A study on Vytorin called SEAS was presented at the cardiology society's meeting in Munich, and simultaneously published in the New England Journal of Medicine.

The journal's editorial that accompanied the SEAS study said, "The fact that the combined data [from three Vytorin trials] showed an increase in cancer mortality with ezetimibe should not be assumed to be a chance finding until further data are in."

Ezetimibe, known as Zetia, is one of two drugs combined in Vytorin; the other, the statin Zocor, hasn't been linked to cancer risk.

Vytorin's safety and marketing are subjects of a probe by the U.S. Congress. In July, the leaders of the House Energy and Commerce Committee told the U.S. Food and Drug Administration in a letter that they were "troubled" by confusing information in the SEAS study, as well as in a later review by Oxford University researchers who were underwritten by the companies. Committee investigators have requested internal documents from the companies about the drug and studies they have funded.

The FDA is reviewing the SEAS data because of the cancer issue, though the agency also said patients shouldn't stop taking the drug.

The SEAS study included findings released in July that Vytorin did not stop the progression of aortic stenosis—the narrowing of a

heart valve which lets blood exit from the heart's main pumping chamber—when compared with a placebo in 1,873 patients.

It was the second study this year that failed to show the benefit Vytorin's makers had hoped for.

The SEAS study's lead author, Terje Pedersen of Oslo's Ullevål University Hospital, told doctors at the meeting in Munich that the increased risk of cancer and deaths from cancer in patients taking Vytorin "could have occurred as a result of chance."

This conclusion was seconded by the Oxford researchers, who conducted a statistical pooling of data from two larger ongoing trials of Vytorin.

Their analysis of cancer mortality from interim data supplied by these two trials, when combined with the earlier, smaller study, failed to confirm the same increase in cancer incidence. However, it still showed a small increase in cancer mortality.

Like Dr. Pedersen before them, the Oxford researchers attributed this finding to the play of chance, rather than a true increase in cancer mortality.

Although Dr. Pedersen and the Oxford group have received research funding from Merck and Schering-Plough, the authors of the analysis have said that it was performed independently of the companies.

GLOBAL BUSINESS BRIEFS

Partners Group Holding

Firm plans to split a unit as first-half net falls 4%

Swiss asset manager Partners Group Holding said first-half net profit slipped 4% and unveiled a plan to stem high client withdrawals from its hedge-fund products. Net profit dropped to 116.6 million Swiss francs (\$105.8 million) from 121.4 million francs a year earlier, when the company benefited from changes in the valuation of its derivatives. Revenue rose 9% to 159.9 million francs. Partners said it will split its alternative investment arm into two units—one for private equity and real estate, the other for private debt and private infrastructure—and move into newer styles of hedge-fund investing. These will lock in assets for longer, ensuring management fees.

Anglo Platinum Ltd.

Anglo Platinum Ltd. tapped the finance director of South African state-owned electricity provider Eskom Holdings Ltd. as its new finance chief. Bongani Nqwababa will take the post at the world's largest platinum producer and join the board as an executive director in January, said Johannesburg-based Anglo Platinum. He will succeed Norman Mbazima, who was named chief executive of parent Anglo American PLC's steel-products business in May. Mr. Nqwababa was born in Zimbabwe but is a South African citizen through his mother. He served as finance director at the South African arm of oil giant Royal Dutch Shell PLC. He is a board member of insurer Old Mutual PLC and chairman of the South African Revenue Service's audit committee.

Schaeffler Group

Closely held German engineering company Schaeffler Group said Tuesday that it holds a 48.32% stake in auto-parts supplier and tire maker Continental AG after 40.26% of Continental shares were tendered within an initial takeover-bid period. Schaeffler said the total holding includes the roughly 8% stake it already owned. Last month, Germany-based Continental accepted Schaeffler's improved bid of €12.1 billion (\$17.7 billion), or €75 a share, which included guarantees not to take a majority stake before 2012. Continental rejected Schaeffler's previous €70.12 a share offer as too low. "This result is a great success for us. We've reached our goal to acquire a strategic stakeholding of more than 30%," Schaeffler Chief Executive Jürgen Geissinger said in a statement.

Orascom Telecom Holdings

Egypt-based mobile operator Orascom Telecom Holdings said first-half net profit declined 72% from a year earlier, when earnings were boosted by a gain. The company, known as OTH, said net profit fell to \$276 million from \$995.2 million. The year-earlier results were lifted by a \$708 million gain related to the sale of an Indian subsidiary. Excluding the gain, profit would have been down 4%, OTH said. Revenue rose 19% to \$2.65 billion as the total number of subscribers jumped 31% to more than 77 million. However, analysts said revenue growth is slowing from previous highs and came in lower than expected. Revenue growth "was affected by rising inflation in Pakistan and by the effect of the Bangladesh operations," said May Khamis, an analyst at HC Securities.

Ryanair Holdings PLC

Ryanair Holdings PLC, Europe's biggest budget airline, said it was making progress in its battle against ticket touts, and the European Commission said it had ended a probe into the carrier over the conflict. At the start of August, the Irish airline began canceling and reimbursing around 450 bookings a day made by online ticket agents known as screen scrapers who were selling the tickets at inflated prices. The company also said screen scrapers were slowing its Web site, preventing its usual customers from making bookings, and violating its terms and conditions, price guarantees and copyright. The commission, the European Union's executive arm, said it had ended its probe. A Ryanair spokesman said he had heard no reports of passengers being denied boarding at any airports and it seemed the message was getting through to screen-scraping Web sites.

Alitalia SpA

Italy's aviation authority, ENAC, said it has taken administrative measures to ensure Alitalia SpA keeps flying over the next few months. In a brief statement, the agency said it met Alitalia's representatives to discuss the airline's operations. An ENAC spokeswoman declined to provide further details on the measures, but confirmed a key meeting will take place on Friday between ENAC top managers and Alitalia's new government-appointed bankruptcy commissioner, Augusto Fantozzi. Alitalia last week requested protection from bankruptcy, part of a rescue plan developed by Italian bank Intesa Sanpaolo SpA that seeks to split the carrier in two.

GlaxoSmithKline PLC

U.K.-based GlaxoSmithKline PLC said experimental drug darapladib has shown promise in the treatment of fat plaque buildup inside blood vessels despite failing to meet its main goal in a midstage study. The one-year trial of 330 patients—presented at the European Society of Cardiology meeting in Munich—showed that darapladib can modify the composition of plaques and reduce the level of an enzyme linked to the buildup of plaques inside arteries. However, the drug wasn't significantly different from a placebo in two key measures—the deformability of plaques and a measure of inflammation.

EADS

Airbus parent European Aeronautic Defence & Space Co. plans to build a plant in southern Germany and create a subsidiary to group several factories together as its restructuring moves ahead, a spokesman said. The company is making the moves as part of a plan to sell the new unit. The new €180 million (\$263 million) plant will produce fuselage parts for the A350 jet and will be built next to the current Airbus factory in the Bavarian city of Augsburg, EADS spokesman Markus Woelfle said. It is expected to open in 2011. Meanwhile, EADS will form a subsidiary called Premium Aero-tech GmbH that will group together both Augsburg plants and factories in Nordenham and Varel, he said. Earlier this year, the company sold its Laupheim site as part of a restructuring program. The idea is to also sell the grouped plants as a package.

—Compiled from staff and wire service reports.

BP unit to buy U.S. shale assets

BY DONNA KARDOS

BP PLC said its U.S. unit plans to acquire a 25% stake in Chesapeake Energy Corp.'s Fayetteville Shale assets in Arkansas for \$1.9 billion.

BP will get about 54,000 net hectares of the leasehold, while Chesapeake will own about 162,000 net hectares. The deal comes as companies are ramping up production in the Fayetteville Shale, which spans the northern half of the state.

Energy companies and the state legislature reached a compromise in April, creating a 5% tax and sharply reducing the fee producers have to pay for wells in their first three years of production. The move is also Chesapeake's second major deal with BP. A month ago, the companies closed a transaction under which Chesapeake sold all its Arkoma Basin Woodford Shale assets in Oklahoma to BP for \$1.7 billion.

BP will pay \$1.1 billion in cash when the deal closes, expected later this month, and pay an additional \$800 million through the rest of this year and in 2009. It will fund Chesapeake's 75% share of drilling and completion expenses until the obligation has been funded.

In addition, BP will have the right to a 25% participation in any leaseholds Chesapeake acquires in Fayetteville Shale. Chesapeake said it plans to continue acquiring leaseholds in the region.

"We believe this transaction creates substantial value for both companies, highlights the attractiveness and significant value of Chesapeake's assets and confirms the structural appeal of our innovative joint venture structures," Chesapeake Chief Executive Aubrey K. McClendon said.

The deal is similar to one Chesapeake entered in July for a \$3.3 bil-

lion joint venture with Plains Exploration & Production Co. focusing on a long-obsolete stretch of north Louisiana and east Texas. Under the agreement, Plains will pay \$1.65 billion in cash for a 20% interest in Chesapeake's drilling leases in the natural-gas field, known as the Haynesville Shale. Plains also will shoulder \$1.65 billion of Chesapeake's drilling costs over the next three years or so and will have the right to buy into any future leases Chesapeake signs in the area.

Chesapeake said the Fayetteville Shale deal with BP and the PXP Haynesville Shale deal will together pay for about \$2.5 billion of its drilling and completion expenditures in the second half of 2008 through 2010. Meanwhile, the company said it is pursuing a similar deal for its Marcellus Shale assets in Appalachia with "others in the industry," that it hopes to wrap up by year end.

GDF Suez to buy FirstLight of U.S.

BY DAVID GAUTHIER-VILLARS
AND ADAM MITCHELL

PARIS—GDF Suez SA said Tuesday that it agreed to buy U.S. electricity company FirstLight Power Enterprises Inc. from private-equity firm Energy Capital Partners to ensure that it has enough power-generation capacity of its own to

serve a growing customer base in North America.

Financial terms weren't disclosed. People familiar with the matter said GDF Suez valued the deal at €1.3 billion (\$1.9 billion), including debt. Energy Capital Partners couldn't be reached for comment.

The U.S. company has a combined power-generation capacity of 1,538 megawatts, mainly hydroelectric plants, located in Massachusetts and Connecticut.

GDF Suez said it aims to bulk up its power-generation capacity in the U.S.—which stood at 7,500 megawatts before the FirstLight acquisition—to make sure it can serve local customers without having to buy too much power on the wholesale market. "FirstLight will complement

GDF Suez's liquefied-natural-gas and gas business in North America and will strengthen the group's existing power-generating assets and retail activities in New England and eastern Canada," said Dirk Beeuwsaert, GDF Suez Energy International's chief executive, in a statement.

GDF Suez, which was formed this summer through the merger of French state-controlled utility company Gaz de France with utility Suez, plans capital expenditures of €30 billion over the three years from 2008 to 2010. Since making its stock-market debut July 22, the unified company has unveiled a slew of large investments.

GDF Suez shares closed down one European cent at €39.99 in Paris trading.

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ECONOMY & POLITICS

OECD

Growth seen staying weak in a new phase for crunch



Getty Images

DEVELOPED economies will continue to grow slowly, if at all, for the remainder of this year, with no end in sight to the disruption in global financial markets, the Organization for Economic Cooperation and Development said.

In an update of its June forecasts, the OECD said most banks have recognized the losses they have suffered on investments in U.S. subprime mortgages.

But it said the credit crunch has entered a phase in which the slowing global economy itself is leading to further bank losses, which in turn may crimp lending and hurt growth. It said the downturn in housing markets continues.

—Paul Hannon

AUSTRALIA

Central bank cuts key rate for first time since 2001



Corbis

THE RESERVE Bank of Australia cut its cash-rate target for the first time in seven years in a bid to avert an economic hard landing but signaled it will be cautious in cutting rates further.

The central bank, as expected, lowered its cash-rate target by a quarter of a percentage point to 7%. “The board will continue to assess prospects for demand and inflation over the period ahead, and set monetary policy as needed to bring inflation back to the 2% to 3% target over time,” central-bank Gov. Glenn Stevens said.

The Reserve Bank of Australia’s cut was the first since December 2001 and came after 12 rate increases since May 2002.

—James Glynn

U.S.

Manufacturing tightens but remains a bright spot



Shutterstock

MANUFACTURING activity slowed last month but only slightly, and an increase in exports and new orders shows that the sector remains a bright spot for the struggling U.S. economy.

The Institute for Supply Management said its index of manufacturing activity dipped to 49.9 in August from 50 in July, indicating

that activity in the sector is contracting.

“Manufacturing seems to be holding up quite nicely,” said survey chairman Norbert Ore.

New orders rose last month after showing weakness in the earlier summer months. Exports also rose substantially.

—Kelly Evans

Mugabe allies stymie power-sharing deal

President’s loyalists want ceremonial role for the opposition

BY SARAH CHILDRESS AND FARAI MUTSAKA

AS SOUTH AFRICAN mediators scramble to salvage talks over a power-sharing agreement in Zimbabwe, a small but influential group of loyalists of President Robert Mugabe has emerged as the biggest roadblock to a deal.

In more than six weeks of negotiations following contested presidential elections, Mr. Mugabe and opposition leader Morgan Tsvangirai have deadlocked over plans to form a unity government. They appeared close to a deal early last month. But last week, Mr. Mugabe threatened to name his cabinet, which the opposition said would scuttle any further talks.

Behind the president’s apparent reversal is new resistance by a group of longtime loyalists and ruling-party insiders toward ceding executive power to the opposition, according to people familiar with the group’s thinking.

Mr. Tsvangirai’s Movement for Democratic Change won the most seats in parliament in elections in the spring. Mr. Tsvangirai also beat Mr. Mugabe in the presidential poll, but not by enough to avoid a runoff. The opposition abandoned the second round in June amid violence against its supporters. The opposition and human-rights groups blamed Mr. Mugabe’s supporters for the violence, but the government blamed the opposition.

The group of Mugabe loyalists—which includes Emmerson Mnangagwa, a potential successor to Mr. Mugabe and an alleged architect of the country’s post-election violence—initially urged the president to negotiate with opposition leaders, according to several military and ruling-party members.

A close ruling-party associate of Mr. Mnangagwa said that the group never intended to cede any “real or meaningful power.” It hoped instead to bring Mr. Tsvangirai into

the government as a junior or ceremonial partner, this person said.

The move would preserve Mr. Mugabe’s legitimacy in the eyes of regional powers. Western powers might also be willing to ease economic sanctions. But Mr. Tsvangirai has insisted on some form of executive power, according to opposition members who are not authorized to speak publicly about the talks.

In response, Mr. Mnangagwa and others pushed for Mr. Mugabe to announce last week that he would soon form his cabinet, effectively shutting out the opposition from any prominent posts, while publicly remaining committed to the talks, according to ruling party members who are close to Mr. Mugabe’s inner circle. In the state media, the government has recently suggested that Mr. Tsvangirai is responsible for the deadlock.

Meanwhile, another pillar of Mr. Mugabe’s hard-line support has publicly said it won’t go along with any deal either. Isaiah Muzenda, a representative of the so-called war veterans, a band of young men who often enforce Mr. Mugabe’s rule, told a local newspaper that the group wrote to the president warning him not to agree to such a deal.

Economic pressures are weighing heavily on Mr. Mugabe. Ord-



Zimbabwe’s political talks have been stymied by Mugabe loyalists, such as Emmerson Mnangagwa, right, greeting Zambia’s president Levy Mwanawasa, left.

nary Zimbabweans have long suffered from out-of-control inflation. Amid tightening sanctions from the U.S. and Europe, even the president is struggling to maintain his tradi-

tional web of patronage, in particular the soldiers who have helped enforce his rule, says John Robertson, a Zimbabwean economist in Harare. That could be boosting the lever-

age of his hard-line backers, whose own grip on power could be threatened by a deal with Mr. Tsvangirai.

“Ceding executive power to Tsvangirai would be bad for business,” said a senior military officer familiar with the internal debate. “Mugabe uses an extensive patronage system that ties a lot of military and [ruling party] leaders to him,” this person said. “For Mugabe, patronage is a form of insurance.”

Government spokesman Bright Matonga said he wasn’t authorized to speak about Mr. Mugabe’s goals in the talks. “In these negotiations we’ve been very genuine and open and honest, and [Mugabe] wants that process to succeed,” he said.

Attempts to reach Mr. Mnangagwa were unsuccessful. Movement for Democratic Change spokesman Nelson Chamisa said that the talks were stalling because Mr. Mugabe is no longer in charge.

“He is circled by vultures,” Mr. Chamisa said. “The military and greedy cronies of his are dictating the pace and direction of the talks from behind the scenes. The tragedy is that they want to continue with a free reign of looting and plundering the country’s resources, and this can only be ensured if Mugabe remains in charge.”

Angola, now calmer and oil-rich, faces vote

BY SARAH CHILDRESS

For the first time in 16 years, Angolans head to the polls for Friday’s parliamentary elections that the ruling party hopes will put decades of political instability behind it.

The vote is unlikely to alter the power structure or weaken President José Eduardo dos Santos, who has ruled the country since 1979. But it could go some way in boosting the ruling party’s legitimacy as it seeks foreign investment outside its booming oil industry.

A 2002 cease-fire ended a long, bloody, civil war in the country. Shortly after, soaring oil prices coincided with efforts to boost the country’s petroleum output. The result has been booming economic growth,

which hit 21% last year, according to the International Monetary Fund.

Angola is now one of Africa’s biggest oil producers, attracting both Western and Eastern investors. The country pumps about 1.8 million barrels a day, on par with Libya and just under Nigeria’s two million barrels.

Petrodollars have built million-dollar luxury condominiums in the capital, Luanda. Expensive hotels there are booked months in advance.

But investment in other sectors has been slower. Angolan officials are anxious to lure investors into infrastructure, fishing and agriculture. Key to that is convincing foreigners of Angola’s relative stability.

“Angola has shown itself not to need international endorsements in

terms of aid,” said Kissy Agyeman, an Africa analyst for Global Insight. “But in terms of wanting to develop and improve its image, it’s clear that’s what it wants to do, so the democratic process is important.”

The government has passed laws to make investment easier and launched a promotional arm to market opportunities to foreign investors and streamline development projects. The elections—a sign of democratic reforms and stability—are just another element in the government’s new pitch, analysts say.

It is unclear, however, how far the elections will go in offering a voice to the bulk of Angolans, most of whom still live in ramshackle slums or in isolated villages and have seen little of the oil wealth that has enriched

their country’s elite. As the disparity between rich and poor grows, there is some evidence the government is mobilizing to prevent any embarrassing surprises at the polls.

Ahead of the election, the ruling party has been accused of violence and intimidation, according to a report last month by Human Rights Watch. The group said that members of the opposition party or those suspected of supporting it have been arrested or beaten for their allegiance in the run-up to the official start of the campaign season last month.

The government has criticized the report. Shortly after its release, a government spokesman called it “offensive” and said it “has no basis of truth,” according to Reuters.

ECONOMY & POLITICS

Japan faces policy battle

A struggle emerges within ruling party as premier quits post

BY YUKA HAYASHI
AND HIROKO TABUCHI

TOKYO—A day after Prime Minister Yasuo Fukuda's move to resign, a tug of war is emerging between two camps within the ruling party over who should be its next leader.

The two groups' policies differ on a key question: how to get Japan's economy to keep growing despite its mature consumer market and rapidly aging population. One group prefers the return of traditional pork-barrel politics, while the other wants to deregulate the economy further to generate growth.

The traditionalists, who want to regain voter support with fiscal spending, are rallying around Taro Aso, a veteran politician and self-professed comic-book fan who is seen as the top candidate to succeed Mr. Fukuda.

Analysts say Mr. Aso, who stressed economic growth over spending cuts or more taxation in a policy statement last year, could allow backsliding from a drive for smaller government started by former Prime Minister Junichiro Koizumi. This could mean more regulation to protect faltering industries and more public spending.

Younger politicians, who consti-

tute the smaller of the two groups, want to continue with policies of Mr. Koizumi, who is credited for having spurred growth through industry deregulation and administrative overhaul. They have lost influence within the ruling Liberal Democratic Party over the past year, since deregulation fatigue among voters caused the party to lose an important election last year. But they see Mr. Fukuda's resignation and a coming party election as an opportunity for a comeback.

On Wednesday, Yuriko Koike, a protegee of Mr. Koizumi and former cabinet minister, emerged as a possible contender against Mr. Aso. She hasn't confirmed her intention to run but made a remark interpreted by the Japanese media as indicating she is interested. "This is sheer crisis for Japan," said the 56-year-old politician. "I'd like to share this sense of crisis with everyone else."

Ms. Koike's resume includes a stint as an Arabic-speaking newscaster who interviewed such leaders as Yasser Arafat and Col. Moammar Gadhafi. As defense minister last year, she drew criticism for skipping parliamentary deliberations for a highly publicized trip to visit U.S. Secretary of State Condoleezza Rice in Washington.

Meanwhile, some analysts argue that Mr. Aso's time has come. If he gets the top job, it would be fourth

time lucky for the sharp-tongued political fighter who lost three runs for the post to Mr. Koizumi, Shinzo Abe and Mr. Fukuda and is now the LDP's secretary-general. "The party is looking for strong leadership, and there's a view that he's the only one left who can provide that," says Eiken Itagaki, a political analyst.

While it is too early to say who may win the top job as LDP president—and the names of other candidates are being bandied about—whoever is elected LDP party chief in the coming election in late September will likely face a tough job of fighting a general election

once confirmed as prime minister. Pressure is growing from the opposition Democratic Party of Japan and some within the LDP's coalition government to dissolve the parliament, deadlocked by dissension between the two parties. Mr. Fukuda cited the stalemate as well as his low approval ratings when he said Monday that he would resign, less than a year into his tenure.

While his resignation is unlikely to affect the short-term outlook for Japan's economy, financial markets reacted to the news Tuesday with slight disappointment. The Nikkei Stock Average declined 1.8%, while the yen lost a bit of ground against the dollar. The dollar traded around 108.99 yen in late Asian trading Tuesday, up from around 107.70 yen a day earlier. Late Monday in New York, the dollar was at 108.18 yen.

—Miho Inada
contributed to this article.



Yuriko Koike



Taro Aso

Thai crisis centers on democracy

BY JAMES HOOKWAY

BANGKOK—Thailand's widening antigovernment protests risk disrupting one of Southeast Asia's key economies and tourist destinations, as utilities and transportation workers threatened to launch nationwide strikes Wednesday and the country's stock market and currency skidded.

Analysts said the crisis will likely be prolonged because it is more than just a political-leadership struggle. It centers on a more fundamental question: whether this Buddhist kingdom of 63 million people should be a democracy at all.

Behind the antigovernment protests is a vocal group of conservative Thais who have seen what democracy can do—and don't like it. Last week, tens of thousands of them—many of them middle-aged—stormed Bangkok's government headquarters and temporarily closed three regional airports.

Their goal: to ensure a political future that looks more like Thailand's authoritarian past, when an elite establishment of bureaucrats, military officers and influential royalists have generally held sway.

The protesters have targeted democratically elected Prime Minister Samak Sundaravej because of his close ties to former premier Thaksin Shinawatra, the telecommunications billionaire who brought populist politics to Thailand during his rule from 2001 until 2006, when he was ousted in a military coup. Mr.

Samak's People's Power Party—composed substantially of Thaksin supporters—won election after the restoration of democratic rule last year, igniting a conservative backlash that has prompted months of antigovernment demonstrations in Bangkok.

In the early hours of Tuesday morning, some protesters clashed with pro-government demonstrators, resulting in one death and dozens of injuries. That prompted Mr. Samak to declare a state of emergency, permitting Thailand's military to help restore order. Mr. Samak didn't say how long the emergency decree would stay in effect, but said it would end "moderately quickly."

The economic fallout from the political confrontation could be substantial. Several countries, including Australia, South Korea and Singapore, issued travel advisories to their citizens warning them of the volatile situation in Thailand, where tourism accounts for about 6% of the economy and generates more than \$16 billion a year in foreign exchange.

Unions at several Thai state enterprises, including power and water utilities and airlines, are threatening to paralyze the country with nationwide strikes on Wednesday. Amid the growing uncertainty, the Thai stock-market index slid 2.3% Tuesday, and the country's currency, the baht, fell to its lowest level against the dollar in 13 months.

The driving force behind Thai-

land's political uprising is an older generation of activists who fear that one-man, one-vote democracy has enabled populist politicians such as Mr. Thaksin to seize control of the country and threaten the primacy of its traditional ruling class: the armed forces, the civil service and, especially, the almost-sacred monarchy.

Sondhi Limthongkul, a 61-year-old media tycoon who has emerged as one of the primary leaders of the protest campaign—known as the People's Alliance for Democracy—complained last month that electoral democracy had produced a series of corrupt leaders who would cynically promise anything to Thailand's naive rural and younger voters in exchange for support at the ballot box.

Mr. Sondhi and other PAD leaders are demanding the dismantling of Thailand's current system of parliamentary democracy. In its place, they want a new system of government in which elected politicians constitute no more than 30% of Parliament, with the rest of the governing body to be appointed by the military or other elite groups.

Thailand was an absolute monarchy until 1932, when a bloodless revolution forced its royal rulers to accept a parliamentary democracy. Since then, however, the country has alternated between military, democratic and military-appointed civilian governments.

The antigovernment protesters' arch foe is Mr. Thaksin, whose party won three landslide election victories with massive support from Thailand's poorer rural voters.

A critic's slaying leaves Russian province in fear

BY ALAN CULLISON

MOSCOW—For months, the owner of a muckraking news Web site had stayed away from his home after receiving warnings to tone down his critique of Kremlin-backed authorities in the Russian province of Ingushetia, friends said.

But Magomed Yevloyev finally boarded a plane to return to Ingushetia this week, and there he encountered a surprise: The local governor was riding on the same plane, a few seats away from him in business class.

When the plane landed in Ingushetia, the governor was met by a Mercedes that whisked him away. And Mr. Yevloyev was arrested at the airport, deposited into a jeep and shot in the head. Local authorities say the killing was an accident.

Mr. Yevloyev's killing Sunday shocked the southern region of Ingushetia, where the local opponents of the Kremlin are already anxious because of years of kidnappings and violence that they blame on federal authorities. Now, with Russia projecting its might outside its borders with its military foray into Georgia, fears abound that the Kremlin's rule within Russia, and specifically in the restless North Caucasus, could get tougher.

Authorities say Mr. Yevloyev was shot in the head during a struggle, after he tried to grab a policeman's gun as they were bringing him to the local capital to be questioned about a bombing there.

The governor, Murat Zyazikov, issued a statement promising an investigation. "I personally didn't know him," Mr. Zyazikov said. "I think in this case what we're talking about is a human tragedy."

Over the past four years, Mr. Yevloyev had turned his Web site, Ingushetiya.ru, into the main source for news in Ingushetia, a predominantly Muslim province bordering on war-ravaged Chechnya. Mr. Yevloyev had emerged as a vociferous critic of Mr. Zyazikov, a security-service veteran. Mr. Yevloyev charged that Russia's FSB, the successor to the KGB, was operating with impunity in Ingushetia, rubbing out opposition members with hit squads that carried out extrajudicial executions.

Mr. Yevloyev's death casts a spotlight on a region where ethnic strife and brutal crackdowns by security services remain the norm despite Russia's claims that it has subdued Islamic separatists in Chechnya. Hundreds of demonstrators marched Monday in the Ingush capital to protest what they called his murder, demanding the ouster of the governor, Russian news agencies reported.

In an interview last year, Mr. Yevloyev said he started the news service as a hobby, when he worked in Ingushetia's prosecutor's office and began posting news items on a Web page. Mr. Yevloyev often gathered his real-time reports of firefights, killings and arrests from freelance contributors and residents who phoned in.

Mr. Yevloyev claimed that some of his Web site's reports derailed some official abuses before they could come to fruition. In 2006, he said, contributors helped him document how Russian federal authorities had sent a special "liquidator" squad to Ingushetia that was preparing to assassinate people who had been identified as insurgents. The squad left Ingushetia, he said, after his Web site posted several items about its movements.

Ingushetia also has been a hotbed



With pressure rising, Magomed Yevloyev had kept out of Ingushetia.

for separatism. In June, Human Rights Watch accused Russian security forces of widespread abuses in the region against local Muslim groups as well as opposition activists and media. The group said it documented dozens of summary and arbitrary detentions, acts of torture, enforced disappearances and extrajudicial executions.

Mr. Yevloyev's Web site was a chronicler of many of the alleged abuses. The government tried to shut it down by labeling it as "extremist" under Russia's toughened antiterror laws.

Last year, Mr. Yevloyev's site focused on Russia's parliamentary elections and accused the governor of overseeing vote fraud to curry favor with the Kremlin. The site posted observers at polling stations who estimated turnout was about 8%—far below the official tally of the regional government, which said that 98% voted overwhelmingly for the Kremlin-backed party.

The next week, the governor told a Russian magazine that the election-fraud allegations were "nonsense." He played down the kidnappings and killings, saying they only got attention because of an information war being waged against his administration.

With pressure rising this year, especially after a court ruled the site extremist, Mr. Yevloyev had stayed away from Ingushetia, according to his lawyer, Kaloy Akhilgov.

Mr. Akhilgov he said he spoke to Mr. Yevloyev by phone Saturday night, trying to dissuade him from returning to Ingushetia. "He said he wasn't a coward, and that his parents were there and his brother and sister and needed to see them."

Aboard the flight to Ingushetia, Mr. Yevloyev and the governor didn't speak to one another, said Vasily Likhachev, a member of Russia's parliament from Ingushetia who spoke to Mr. Zyazikov on Monday.

An entourage of friends were awaiting Mr. Yevloyev at the airport in Ingushetia. The governor got off first and was whisked away in a Mercedes, said Magomed Khazbiyev, a friend of Mr. Yevloyev and a leader of opposition to the local government. Then Mr. Yevloyev was escorted to an armored jeep of Russia's Interior Ministry, he said. A short time later, he turned up at a local hospital with a single bullet wound through the head, he said.

Mr. Khazbiyev said that Mr. Yevloyev was in police custody for 20 minutes at most.