

For world's elite, a Davos full of doubt

Big government is in ascendancy; a search for survival

BY MARC CHAMPION

In the 38 years that business and political leaders have been trekking to the Swiss ski resort of Davos to talk about the world economy, the outlook hasn't been bleaker or global capitalism more racked with self-doubt.

Forty heads of state—compared with 27 last year—have signed up to attend the annual meeting of the World Economic Forum that begins Wednesday with two questions dominating: Just how bad will this global recession get? And what will provide the growth needed to end it?

"Everyone is at a loss, this is the start of a period of huge improvisa-

tion. There is no longer any best practice around to refer to," says Victor Halberstadt, professor of economics at Leiden University in the Netherlands and a veteran of the event.

"Why are we surprised all the time, almost weekly [by bad financial news]? Do we really understand too little about the economy? I'm afraid the answer may be 'yes', and that is why policy makers are going to Davos," Mr. Halberstadt says.

Over the years, Davos has become as much a marketing event, where companies look for business and polish images, as the intimate brainstorming venue of the event's early years, when a few hundred executives attended.

This year's five-day confab, which has signed up about 2,500 participants, will be a more sober affair than usual, organizers say. There are fewer gimmicks such as

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Missing in Davos

In the boom years, bankers were masters of the World Economic Forum in Davos. This year some high-profile attendees of the past won't be coming.



Richard S. Fuld Jr.

Former chief executive officer of Lehman Brothers, which filed for bankruptcy in September, triggering the latest global financial crisis. Lehman has been broken into pieces and sold off.



John A. Thain

Former CEO of Merrill Lynch avoided Lehman's fate by selling Merrill to Bank of America. He was planning to go to Davos but was forced to resign last week over his handling of more than \$15 billion in fourth-quarter losses at Merrill.



Gregory J. Fleming

Resigned as president and chief operating officer of Merrill Lynch earlier this month. Merrill was swallowed up by Bank of America on Jan. 1.



Martin Blessing

Dresdner Bank and Commerzbank will be missing this year, including Martin Blessing, CEO of the merging banks. The German government took a 25% stake in Commerzbank last year as part of a bailout package.

Photos: Associated Press (3) Getty Images (Fleming)

What's News—

Business & Finance

World-Wide

Loan balances declined 1.4% in the fourth quarter at 13 large U.S. banks that have received \$148 billion in federal government capital infusions, despite expectations the aid would boost lending. Some banks say they plan to unveil new lending programs. **Page 1**

■ **The U.K. economy** turned in its worst performance since 1980 in the last quarter of 2008, highlighting the pressures on Brown. **Page 2**

■ **Pfizer is expected** to pay between \$65 billion and \$70 billion to acquire rival drug maker Wyeth. **Page 4**

■ **Siemens is withdrawing** from a joint venture with French nuclear giant Areva that manufactures reactors. **Page 5**

■ **Qimonda filed** for insolvency as the slump in memory-chip prices scuppered a bailout plan. The German firm said it plans to continue operating. **Page 6**

■ **U.S. stock losses** so far this year point to a tough 2009. The market's January performance often foretells how it will do for the rest of the year. **Page 17**

■ **Barclays may report** 2008 results ahead of schedule to address investor worries that further losses may force it to seek U.K. government help. **Page 18**

Markets 4 p.m. ET

MARKET	CLOSE	NET CHG	PCT CHG
DJIA	8077.56	-45.24	-0.56
Nasdaq	1477.29	+11.80	+0.81
DJ Stoxx 600	182.49	-0.36	-0.20
FTSE 100	4052.47	+0.24	+0.01
DAX	4178.94	-40.48	-0.96
CAC 40	2849.14	-20.48	-0.71
Euro	\$1.2807	-0.0161	-1.24
Nymex crude	\$46.47	+2.80	+6.41

Money & Investing > **Page 17**

■ **Spain's unemployment rate** rose to 13.9% in December, an eight-year record and by far the highest rate in the EU. Data also confirmed that economic prospects for the euro zone remain dismal. A survey of purchasing managers showed the region registered shrinking private-sector activity in January. **Page 8**

■ **Iceland's ruling party** called for elections in May, two years early, and the commerce minister resigned, amid protests over the government's handling of the economic crisis. **Page 3**

■ **European nations sent** electricians to France and Spain deployed extra troops to help deal with the aftermath of storms that killed at least 15 people.

■ **Hamas officials in Cairo** proposed a year-long truce with Israel and an opening of the crossings into Gaza, in meetings to try to build on a fragile cease-fire.

■ **Pakistan formally took** control of the main operational facility of a charity allegedly linked to the Mumbai attacks. Also, police in India killed two suspected militants from Pakistan.

■ **Russia and Georgia** both violated international laws of war during their conflict in August, a rights watchdog said. **Page 3**

■ **Sri Lankan forces captured** the Tamil Tigers' last major stronghold in the nation's north.

■ **An overcrowded ferry sank** in Vietnam, killing at least 40.

■ **A man with a knife** went on a rampage at a day care center in Belgium, killing three people.

EDITORIAL & OPINION

Peace through strength Israel can't accept an Iranian terror base next door, says Benjamin Netanyahu. **Page 12**

As BofA falters, troubles put chairman in hot seat

BY DAN FITZPATRICK AND JOANN S. LUBLIN

Bank of America Corp.'s handling of its acquisition of troubled Merrill Lynch & Co. has put Chairman and Chief Executive Kenneth Lewis on the hot seat with irate shareholders. Among those disappointed in the steep decline in the bank's stock are two veterans who helped Mr. Lewis rise to the top.

Hugh McColl Jr., Bank of America's buccaneering former chairman and chief executive, who picked Mr. Lewis as his successor, and James Hance, the bank's former chief financial officer, privately have expressed disappointment in the types of risks taken by Bank of America during this financial crisis, according to people close to the men.

The two, who still own sizable holdings of stock and remain influential with the bank's board, are among many shareholders who are fuming at the sharp drop in the Charlotte, N.C., bank's stock price since the Merrill deal. Bank of America's shares are down more than 80% since the agreement to buy Merrill over a chaotic weekend in September.

Massive fourth-quarter losses at

Merrill forced Bank of America to take an additional \$20 billion in capital from the U.S. government, further diluting the holdings of existing shareholders. That move particularly angered shareholders because Bank of America didn't disclose its talks with the government until after it closed on the Merrill acquisition.

Mr. Lewis thought about scrapping the deal but decided against it after federal officials urged him to reconsider.

"Hugh is livid," said a person who has discussed the bank's performance with Mr. McColl, who retired as chief executive in 2001.

In an interview Sunday, Mr. McColl said he is "disappointed" in the drop in share price but not angry at Mr. Lewis.

"I have lost a lot of money but that doesn't mean I hold some personal grudge," he said. He called any

Please turn to back page

Loans decline at U.S. banks in rescue plan

BY DAVID ENRICH

The total volume of outstanding loans at about a dozen large U.S. banks that got capital infusions from the federal government declined 1.4% in the fourth quarter, deepening skepticism about the effectiveness of the Troubled Asset Relief Program.

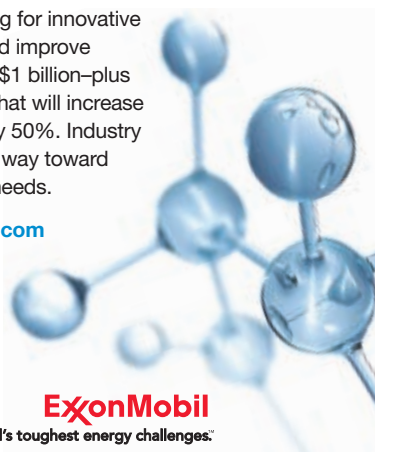
Launched in October to stabilize financial institutions so they would rev up lending to businesses, consumers and each other, the program, known as TARP, has missed its target, according to quarterly financial statements reviewed by The Wall Street Journal. Total loans at 13 banks that have collected \$148 billion in capital from taxpayers fell nearly \$46 billion to \$3.31 trillion at year end, down from \$3.36 trillion as of Sept. 30.

Banks reporting declines in out-
Please turn to page 27

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LEADING THE NEWS

U.K. economy sputters

Worst performance since 1980 highlights pressures on Brown

BY LAURENCE NORMAN AND ALISTAIR MACDONALD

LONDON—The U.K. economy turned in its worst performance since 1980 in the last quarter of 2008, highlighting the pressures on Prime Minister Gordon Brown as his government seeks ways to ease what is threatening to be a deep and prolonged recession.

U.K. bank stocks fell and the pound touched a 23-year low against the U.S. dollar Friday after the British government announced real gross domestic product—a broad measure of economic activity, adjusted for inflation—shrank a larger-than-expected 1.5% in the last three months of 2008 from the previous quarter.

Combined with a 0.6% decline in the third quarter, it marks the first time since 1991 that the U.K. has had two consecutive quarters of contraction, a common definition of recession. Fourth-quarter real GDP was down 1.3% from a year earlier.

The speed and breadth of the economy's deterioration make it increasingly likely that the recession will be the deepest in decades, with damaging consequences for already strained public finances and for Mr. Brown's political fortunes. The U.K.

government has already put hundreds of billions of pounds into stimulus and financial bailout measures.

On Friday, Mr. Brown said his government is fighting the recession "with every weapon at our disposal," and called for greater international cooperation to address the banking crisis at the center of the global downturn. His Treasury chief, Alistair Darling, acknowledged the pace of the downturn had come as a surprise, and said the government's measures would take time to work.

The recession is likely to be the country's deepest in decades.

The U.K. joins a host of other major countries in recession. The U.S. contraction started in December 2007, while economies in Japan and the euro zone shrank in the second and third quarters.

The U.K. currency and bank stocks fell after the GDP report, amid persistent concerns that the bleak economic outlook will translate into further losses at banks.

The pound fell as low as \$1.35 before recovering slightly to \$1.38 Friday, down nearly nine cents over the week. Shares in Barclays PLC fell 14% to £51.20 (\$71.12).

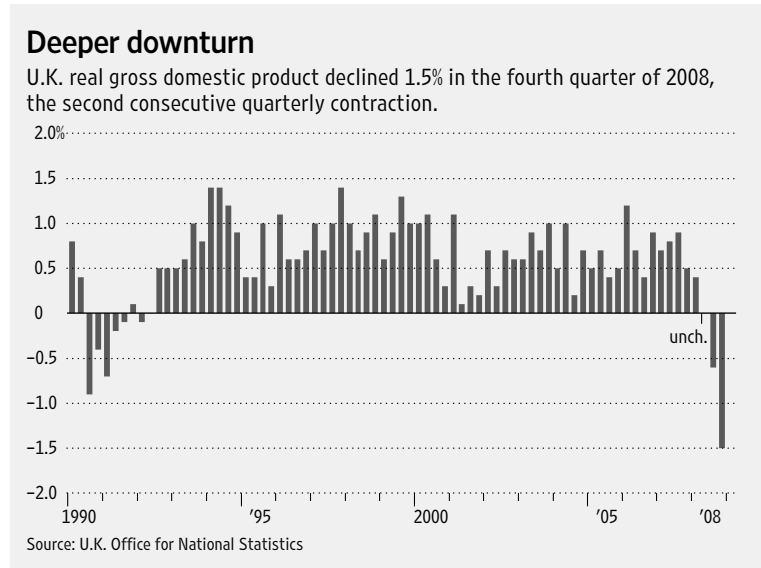
The dismal data are likely to prompt further interest-rate cuts by the Bank of England, which has already slashed its target rate three percentage points in three months, to 1.50%, the lowest level in the bank's 315-year history.

Bank of England Gov. Mervyn King said last week the bank is prepared to take "unconventional" measures to support the economy, such as pumping more money into the markets through direct purchases of mortgage bonds, corporate bonds and other types.

In the GDP report, the government said services output fell 1% and industrial production dropped 3.9% on the quarter. Both were the biggest declines since the 1970s.

The government also released retail-sales data Friday that showed a seasonally adjusted 1.6% rise in December from November, but said the result was likely inflated by unusual factors, such as a cut in the value-added tax.

Meanwhile, the pound's fall in re-



cent months has done little to boost exports. Slowdowns in the economies of Britain's main trading partners, the European Union and U.S., mean they are less likely to increase consumption of British-made goods.

This month, the U.K. reported its global goods trade deficit widened to £8.3 billion in November, from

£7.6 billion in October. Exports to non-EU countries particularly the U.S. slumped, creating the largest deficit since records began in 1697.

"It doesn't matter what the price of something is if your customer hasn't got money," said David Sandall, managing director of Lynton Exports Ltd., a food exporter based in Cheshire, Northern England.

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Swatch Group AG says it is committing \$30 million for a new flagship store on Shanghai's historic Bund. A Jan. 15 article incorrectly stated that Swatch is committing 300 million yuan, or \$43.9 million, for the store. The watchmaker is also not a sponsor of Shanghai's

World Expo in 2010 as was incorrectly stated.

William Morrison Supermarkets PLC's fiscal year ends Feb. 1. A Corporate News article Friday incorrectly stated that Morrison will report full-year results on Feb. 1.

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LEADING THE NEWS

Iceland government gives in

Ruling party calls for elections in May as protests continue

BY CHARLES FORELLE

The financial meltdown appeared near to claiming Iceland's government, as the ruling Independence Party called Friday for elections in May—two years early—amid violent protests and the fracturing of its coalition.

If the government is voted out, it would be the latest victim of the global financial crisis. Belgium's government resigned last month after a scandal connected to its bailout of a crisis-hobbled bank.

In a news conference in Reykjavik, Prime Minister Geir Haarde, 57 years old, told reporters his party had decided on early elections and that he would stand down as leader because his doctors had discovered a malignant tumor of the esophagus, according to news reports.

Thousands of people demonstrated in Reykjavik Saturday call-



Iceland's Premier Geir Haarde said Friday that his party will call early elections. The collapse of the financial system has put increasing pressure on the government.

ing on the embattled government to step down immediately. On Sunday, Commerce Minister Bjorgvin Sigurdsson said he was resigning because of his role in the banking sector's collapse.

Mr. Haarde's position was substantially weakened last week when

Foreign Minister Ingibjörg Solrun Gisladottir and the minister of education—a top Independence Party official—suggested early elections.

Ms. Gisladottir, the leader of the left-leaning party in coalition with the Independence Party, is a potential successor to Mr. Haarde.

Rights charges leveled at Russia and Georgia

BY SAMANTHA SHIELDS

TBILISI, Georgia—Russia and Georgia violated international laws of war during their conflict in August and should investigate and prosecute those responsible, a leading human-rights group said Friday.

Russian, Georgian and South Ossetian forces broke international humanitarian laws during the week-long war that saw Russian troops pour into Georgia to try to repel a Georgian attempt to retake the rebel region of South Ossetia, New York-based Human Rights Watch said in a 200-page report based on more than 460 interviews.

“The governments should prosecute their own perpetrators of these war crimes; justice should be done at home,” said Carroll Bogert, associate director of Human Rights Watch at a news conference in Tbilisi.

South Ossetian forces and volunteer militias committed war crimes by ethnically cleansing Georgian villages in the rebel region after the withdrawal of Georgian troops, the

report said. Russia failed in its obligation as an occupying power to ensure public order and safety, it said.

Russia and Georgia were guilty of using “indiscriminate and disproportionate force,” meaning they didn’t distinguish between military and civilian targets. More investigation is needed to establish if either side deliberately targeted civilians, said Rachel Denber, the group’s Europe and Central Asia director.

Georgian forces used Grad rockets in South Ossetia, which can’t be targeted with precision. Both sides used “cluster bombs,” which explode into smaller bombs indiscriminately and can ignite long after they’ve been dropped, the report said.

Georgi Kandelaki, a Georgian pro-government lawmaker, said the country’s prosecutor general had opened an investigation into possible human-rights violations but was being prevented from collecting evidence inside the conflict zone.

Russia’s Deputy Armed Forces Chief Anatoly Nogovitsin denied Russia had used cluster bombs.



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David Wraight
Dennis Yamada
Martin Yule

CORPORATE NEWS

Pfizer nears huge deal to buy drug rival

Wyeth would be acquired for between \$65 billion and \$70 billion; Lipitor's patent expiration looms over buyer

BY MATTHEW KARNITSCHNIG
AND SARAH RUBENSTEIN

Pfizer Inc. is expected to pay between \$65 billion and \$70 billion to acquire rival Wyeth, people familiar with the matter say, as the drug maker makes a risky effort to shore itself up ahead of huge disruptions during the next few years.

Pfizer plans to pay for about two-thirds of the total cost in cash and use its stock for the remainder, the people say. It has raised about \$25 billion in bank financing and will tap its cash reserves for the rest. The per-share price is expected to be about \$50 per Wyeth share, nearly a 30% premium over Wyeth's price in trading Thursday, before The Wall Street Journal disclosed news of the talks.

The clock is ticking for Pfizer as it confronts the removal of its cholesterol-drug Lipitor from patent protection in 2011. Lipitor provided \$12.7 billion in revenue last year, or about a quarter of the company's overall sales. Pfizer's hope is that Wyeth, which has become the world's third-largest biotechnology company, has enough drugs to fill much of that hole.

Pfizer Chief Executive Jeff Kindler has cut costs and laid off thousands of employees since taking the New York drug company's helm in the summer of 2006, but analysts and investors consider those cuts insufficient to make up for the pending loss of Lipitor. Mr. Kindler is expected to remain Pfizer's CEO if the deal goes through.

A merger agreement could be reached as early as this week, the people close to the situation say, but the timing remains uncertain and the deal could still fall apart.

Any deal would be a harbinger of change in the pharmaceutical business as well as the broader financial markets. Takeovers have come to a virtual halt since the financial crisis



Wyeth's headquarters in Madison, New Jersey

deepened in mid-September. Funding a purchase of this size would thus be a tentative sign that some deals can work their way through the clogged financial system.

The market appeared to welcome the deal Friday, with Pfizer shares rising 1.4% to \$17.45 and Wyeth shares gaining about 13% to \$43.74.

Part of the appeal of Wyeth for Pfizer is that it isn't burdened by debt. Wyeth has \$14.17 billion in cash and \$11.5 billion debt, according to data provider Capital IQ. That means Pfizer can use the net-cash position on Wyeth's balance sheet to help fund the transaction.

Bankers concede that only companies like Pfizer—with its strong credit rating and cash flow—can attract such a large financing package. Pfizer has substantial cash reserves

of nearly \$30 billion, though much of that is overseas and impossible to repatriate without incurring a substantial tax bill. That means the drug maker is likely to borrow a substantial portion of the money it needs to complete the transaction. Pfizer also will have to pay higher funding costs than it is accustomed to.

But Wyeth's existing products and those in its pipeline won't offset the loss in Pfizer's revenue from generic competition to Lipitor and other drugs. Wyeth's late-stage drug pipeline is meager, consisting primarily of existing drugs for which the company is trying to find new uses. Even Prevnar-13, Wyeth's key investigational product, which should be a multibillion-dollar blockbuster, won't be a cure for Pfizer.

Still, given the high profile of the deal and the dearth of other business,

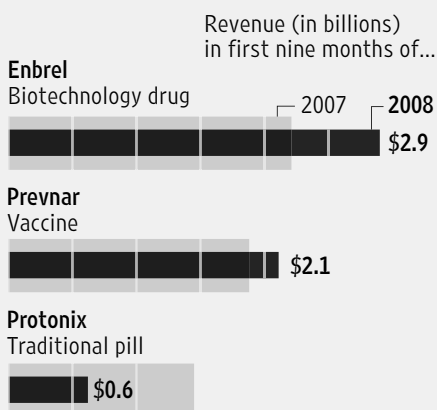
a number of banks have been vying to play a role in the deal financing, including Goldman Sachs, Morgan Stanley, Credit Suisse and Barclays PLC, among others.

With American and British banks and other natural buyers of corporate debt in crisis, the market's capacity to absorb new debt is limited. That could make it more difficult for other pharmaceutical companies to pursue deals of their own. The wave of consolidation in the drug sector that many analysts are predicting may be no more than a trickle.

Pfizer is itself the poster child for the argument made by some in the pharmaceutical industry that big mergers stifle research productivity. A new Pfizer-Wyeth could cut 70% of Wyeth's research-and-development budget within a few years, analysts predict. Pfizer declined to comment.

Growth strategy

Wyeth has seen healthy growth in biotechnology and vaccines while some of its traditional pills have struggled.



Note: Protonix revenue in 2008 include the branded drug and a generic launched by Wyeth.

Source: Wyeth

The deal may pose the largest risk to Wyeth. The company is hitting its stride after a decade of setbacks, having quietly reinvented itself as a biotechnology company. Its valuation has held up over the past year, falling just 7.5%, compared with a 38% drop in the Standard & Poor's 500-stock index. In accepting Pfizer shares, Wyeth would be putting itself in the hands of a company that has struggled to absorb large acquisitions in the past.

Most analysts discount the likelihood that another company will enter the fray and try to snatch Wyeth from Pfizer's clutches. Pfizer is already the biggest drug maker in the world by revenue and has more cash than its rivals. One company with the wherewithal to challenge Pfizer is Johnson & Johnson. But like Wyeth, which makes painkiller Advil, J&J has a large over-the-counter drug business, including Tylenol. Such overlap might make a combination of the two difficult to get past regulators.

Wyeth's attractiveness is still a big turnaround for a company that was in disarray nearly a decade ago. Formerly known as American Home Products, it made everything from food products to home goods such as pots and pans.

During the 1990s and the early part of this decade, it became mired in lawsuits and controversies over the safety of its major drugs, including diet drugs that were pulled from the market after being linked to heart-valve damage.

In the intervening years, Wyeth has transformed itself into a leader in vaccines and biotechnology. It co-markets Enbrel, an anti-inflammatory biologic, with Amgen Inc. Wyeth's share of revenue from Enbrel amounted to \$2.9 billion in the first nine months of 2008.

—Shirley S. Wang
and Jeanne Whalen
contributed to this article.

New gargantuan container ships could sink smaller rivals

BY JOHN W. MILLER

Container shippers are unleashing a wave of titanic vessels on the oceans during the biggest dip in global trade since World War II.

The trend could keep sea freight rates depressed well into 2010. That's good news for their customers, the millions of businesses big and small that import parts and products from overseas. But it's likely to spell pain within the shipping industry itself and could precipitate consolidation as smaller players are pushed out.

The jumbo vessels—many longer than three football fields—carry everything from strawberries and tea to iPods and motorcycles, for thousands of customers at once. The economies of scale can be great, at least if shipments are coordinated, which is no small feat.

The MSC Daniela is a glimpse of the future. The size of an aircraft carrier, the ship completed its maiden run from Asia to Europe this month packed with 13,800 containers, or equivalent units, each big enough to contain all the contents of a three-bedroom house.

Thirty-five ships of Daniela's scale are scheduled to hit water in 2009, doubling the number float-

ing today. They'll make up roughly a quarter of the net increase in container capacity on the high seas. The Asian companies that make up 16 of the top 20 container shippers are also ordering the ships, led by China's Cosco Container Lines with 24. By 2013, some 200 ultralarge ships will be in service around the world.

Meanwhile, a ship capable of fitting 22,000 containers has been designed by South Korea's STX Shipbuilding Co.

Giuseppe Di Maio, an operations manager at the Daniela's owner, Mediterranean Shipping Co., said the company filled every slot—but at bargain rates.

Shippers are eager to avoid partially filled vessels at almost any cost. "To fill their big boats, these guys will cut their price to any level for customers," said Dirk Visser, an analyst at Dynamar NV, a Dutch consultancy.

With overcapacity and a drop in trade, the bottom recently fell out on shipping rates. The rate for shipping a container from Asia to Europe, the world's busiest trade lane, has fallen to around \$300, one-tenth the cost of a year ago, even as some shippers cancel regular runs. Some ships have gone so far as to



The world's largest container shipper, Denmark's A.P. Moeller-Maersk, operates eight ultralarge ships, including this one. The company has 14 more on order.

take containers free. The only cost to the shipper is roughly \$500 in fuel and transit fees, which are assessed on all containers.

According to the most recent data available, the U.S., Japan, China and the European Union all suffered 10% declines in exports in November, auguring a bitter 2009 for global trade. Yet shipping companies

aren't expected to cancel any orders for new ships, allowing the global fleet to increase by over 12%—way ahead of expected demand.

Two European billionaires are leading the move to supersize ships.

Gianluigi Aponte, owner of Geneva-based Mediterranean Shipping, has ordered 48 ultralarge vessels, including the Daniela. MSC is

the second-largest container shipper in the world, with 450 vessels, behind Denmark's A.P. Moeller-Maersk. Maersk, with 500 ships, has eight ultralarge ships and 14 more on order. The numbers include both purchases and long-term leases.

Mr. Aponte's rival is Jacques Saadé, the 71-year-old founder and director of Marseille-based CMA-CGM, which has ordered 37 ultralarge ships. The two tycoons, who've been battling each other since the 1970s, study each other's moves like chess players. "We're not shrinking anything in our organization," Mr. Saadé said in a rare interview. "If we need to, we'll order more big ships, for economies [of scale]."

Most of the new big ships were ordered before the economic bust in anticipation that the China-fueled boom in global trade would continue. But instead of canceling orders, shippers now see an opportunity to force a shakeout in what has long been a fragmented industry of family-led carriers.

"Somebody is not going to fill all those boxes," says Philip Damas, an analyst with London-based Drewry Shipping Consultants Ltd.

CORPORATE NEWS

Siemens to leave venture

Decision to end ties to Areva may revamp French nuclear sector

Siemens AG on Monday will announce its withdrawal from a joint venture with France's nuclear giant Areva SA, people familiar with the situation said.

The venture, Areva NP, is the world's largest maker of nuclear-

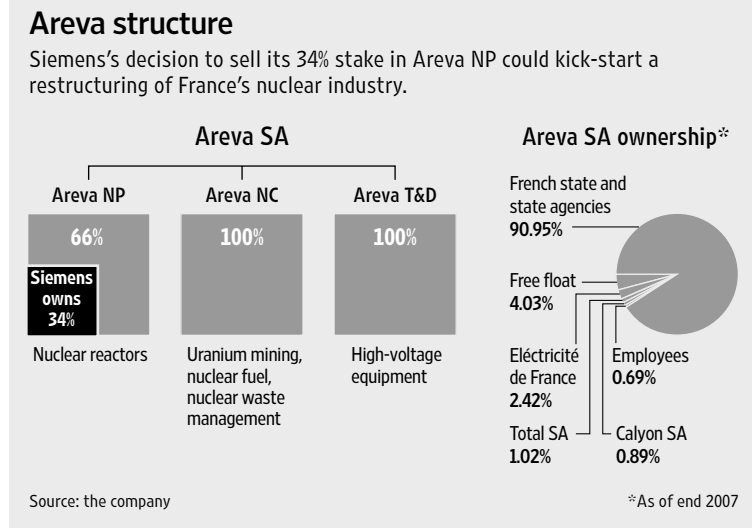
By David Gauthier-Villars in Paris, Mike Esterl in Frankfurt and Marcus Walker in Berlin.

power reactors by revenue. Siemens will decide to sell its 34% interest in Areva NP at a board meeting Monday, these people said.

The German conglomerate's decision will bring to an end a 10-year partnership with Areva and could trigger a restructuring of France's nuclear industry. The industry is thought to have bright prospects for the next few decades as global-warming fears push governments to rein in the use of fossil fuels and to start or restart nuclear-power programs.

Yet Siemens's pullout presents a financing problem for Areva. The Siemens stake is valued at €2.1 billion (\$2.73 billion) on Areva's books, and Areva is obliged to buy it back according to terms of a 1999 agreement. Areva also needs to invest heavily to take advantage of increased demand for its products and services.

That leaves the French govern-



ment with a dilemma: It doesn't have the funds, but is still eager to retain control over what it regards as a strategic company.

Areva Chief Executive Officer Anne Lauvergeon has said she would like to raise about €3 billion through a capital increase that would dilute the French government's stake but leave it with a majority holding. The weak state of world financial markets would make that difficult now.

In recent years, Siemens had sought to convert its interest in Areva NP into a stake in parent company Areva. In 2007, the French government made clear its opposition to such a move, unless Germany reversed a decision to phase out nuclear power by 2020.

German Chancellor Angela Merkel's Christian Democrats agreed in 2005 to uphold the phase-out plan. But many in her party fear that losing nuclear energy will leave Germany short of electricity, or more dependent on high-polluting brown coal and Russian gas.

French officials said the government would take a fresh look at a proposal by Alstom SA, a French maker of high-speed trains and power-generation plants. Alstom is offering to create a vast heavy-engineering conglomerate by combining Alstom and Areva in a single entity.

But Ms. Lauvergeon recently said the Alstom proposal "won't bring much synergy and Alstom won't give me the cash I need."

Intel chairman to resign in May

BY DON CLARK

Intel Corp. said Chairman Craig Barrett, the man credited with turning the chip maker into a world-class manufacturer, will retire in May.

Longtime director Jane Shaw has been elected by the board to assume the position of nonexecutive chairman, Intel said. Both Ms. Shaw and Mr. Barrett are 69 years old.

Since yielding the chief executive position to Paul Otellini in 2005, Mr. Barrett has focused more on policy issues than day-to-day management.

In an interview, he said his retirement had nothing to do with recession-driven problems plaguing the electronics industry and Intel, which announced a 90% drop in fourth-quarter profit last week and followed up with plant closings that will cut up to 6,000 jobs. "We've been through ten



Craig Barrett

of these," Mr. Barrett said of the downturn.

Rather, he said, the timing stems more from the fact that the company's products, manufacturing technology and management team have solidified. "Frankly, I don't think we've ever been more competitive,"

Mr. Barrett said. "They don't need me anymore."

Mr. Barrett, who joined Intel in 1974, served as CEO from 1998 through 2005.

Ms. Shaw, though not known as a technologist, has been an important member of Intel's board, sometimes giving presentations at the company's annual meeting. She chairs the board's audit committee.

Ms. Shaw was chairman and chief executive of Aerogen Inc., a medical-device company, between 1998 and 2005.

Mr. Barrett rose to prominence as Silicon Valley was reeling from com-

petition by Japanese companies whose production prowess helped drive Intel and other U.S. suppliers from the market for memory chips.

Robert Burgelman, a Stanford University management professor, said Mr. Barrett continued Intel's investments in production capacity during the post-Internet slump—despite criticism on Wall Street—and drove Intel to stay a generation ahead of rivals in production technology.

In a search for new opportunities, Mr. Barrett also went on a costly acquisition binge, paying more than \$10 billion for companies during the Internet bubble. Many of these were later shut down or sold off.

But other companies made similar mistakes, Mr. Burgelman noted, and the skills Intel gathered would later help in areas such as wireless communications in laptops.

Mr. Barrett said "we could have done better" on the acquisitions, but expressed no regrets about them or other aspects of his tenure.

Schlumberger net falls; outlook dims

BY BEN CASSELMAN

Global oil drilling fell sharply along with energy prices at the end of 2008 and will continue to fall this year, Schlumberger Ltd. said Friday.

Schlumberger, the world's largest oil-field services company by stock-market capitalization, said its fourth-quarter profit fell 17% from a year earlier, to \$1.15 billion. Revenue climbed 9.9% because of contracts that were entered when energy prices were rising. But costs rose

19%, squeezing profit margins as oil companies resisted paying more.

Schlumberger Chief Executive Andrew Gould said the industry slowdown is the steepest he has seen in 20 years and will likely deepen.

Though falling a few cents short of forecasts, the Houston-based company's earnings of 95 cents a share came as something of a relief to some analysts. "People were expecting bad news. They got bad news, but it wasn't much worse than

everyone anticipated," said Mark Brown, an analyst with Pritchard Capital Partners in New York.

For the full year, the company's earnings rose 5% to \$5.4 billion on strong results before the downturn.

Oil producers have slowed drilling as crude prices in recent months plummeted to below \$45 a barrel from more than \$145 in July. Light, sweet crude oil for March delivery increased \$2.80, or 6.4%, to \$46.47 a barrel on the New York Mercantile Exchange.

Reports to show how far consumers have cut back

BY ELLEN BYRON

Just how much consumers have tightened their belts will become a good deal clearer this week, when a slew of consumer-staples makers report their earnings, including industry titan Procter & Gamble Co.

Monday's report from Kimberly-Clark Corp., then Thursday's from Colgate-Palmolive Co. and Friday's from P&G—with a handful of smaller players in between—will reveal how much shoppers have had to cut back on toothpaste, diapers, laundry detergent and other goods they regularly use. And the industry's outlook for the full year will offer guidance on how quickly consumer spending can be expected to rebound.

Right now, expectations are bleak. Evidence is mounting that consumers are drawing down their pantries, using up the products they have on hand rather than spending on new ones. Retailers and distributors also are cutting back inventories, a factor that led to P&G's warning in December that its sales gains for the latest quarter would be weaker than it had forecast.

The coming earnings report is expected to "represent the first quarter in more than five years when P&G does not deliver organic [sales] growth of at least 5%," J.P. Morgan analyst John Faucher said in a research note.

Adding further pressure: increasing competition from private-label goods. Improved product quality and

increasingly aggressive marketing and promotions by retailers have given store-branded items a better edge against their generally pricier name-brand competitors. Last year, U.S. sales of private-label products increased about 8% over 2007, by value, compared with a 1% gain by branded goods during the same period, according to research by Sanford Bernstein analyst Ali Dibadj. He notes a similar dynamic in Western Europe. "I want to hear how these companies are dealing with this private-label competition" this week, he says.

Though falling commodity costs offer a glimmer of hope, the savings may not be enough to offset the other macroeconomic headwinds consumer-products companies face, some analysts warn. "While [the] early benefit of falling input costs should provide some modest help, falling demand, [unfavorable currency conversions], tight or non-existent credit, retailer and consumer destocking and higher promotional spending should all wreak havoc," Deutsche Bank analyst Bill Schmitz said in a report.

Consumer-products companies typically are considered a safe haven for investors. The reaction to this week's results will demonstrate whether the industry's mounting pressures send shareholder dollars elsewhere.

"P&G is recession-resistant but not recession-proof," Chief Executive A.G. Lafley told investors at a New York presentation last month.



Yahoo's new CEO to deliver bad news, lay out her plan

BY JESSICA E. VASCELLARO

After just two weeks on the job, Yahoo Inc.'s new chief executive, Carol Bartz, will be in the hot seat Tuesday as she presents fourth-quarter results to shareholders on pins and needles to hear her turnaround plan.

First, she probably will have to deliver some bad news. Analysts are expecting Yahoo's fourth-quarter revenue and profit to have dropped slightly from a year ago as advertisers pull back their budgets.

And the straight-talking Ms. Bartz—who said "let's give [Yahoo] some frickin' breathing room" on a call announcing her appointment earlier this month—isn't expected to dress up the results. "I'm going to tell you exactly how I see things," she said at the time, also promising to "get outward looking and kick some butt."

After meetings with employees and customers in recent days, she may be ready to elaborate on her

plan. Ms. Bartz, 60 years old, hasn't been shy about making changes. Last week, she and other Yahoo executives announced a salary freeze, following significant layoffs last year. And she has made some big changes on top, deciding not to appoint a new president to succeed the departing Susan Decker.

Analysts and investors want to see a lot more cost-cutting and a plan for winning back business lost to Google and a broad array of rivals.

Ms. Bartz isn't likely to say much about other topics on everyone's mind: a search deal with Microsoft Corp. or a possible combination with Time Warner Inc.'s AOL.

But she says she is going to take some time to figure it out—and to chew on other questions, such as whether Yahoo should sell off other parts of its vast portfolio. Investors may give her some breathing room. But with shares down more than 40% in the past 12 months, it probably won't be much.



Carol Bartz

CORPORATE NEWS

U.S. hotel industry enters tailspin

As occupancies drop toward 20-year low, risks of default climb

BY KRIS HUDSON

The downturn in the U.S. hotel industry is becoming so acute that it has thrust the sector into crisis, leaving vacancies at a 20-year high and putting many properties in danger of missing payments to lenders.

In the wake of cutbacks by business and leisure travelers alike, U.S. hotels this month are expected to post their 15th consecutive month of declining occupancy, longer even than their 12-month losing streak after the Sept. 11, 2001, terrorist attacks.

That occupancy drain, coupled with declining room rates as hotels compete for customers, is expected to result in the hotel industry's steepest decline in revenue per available room since 2001, according to market-research company PKF Consulting Inc. The report, scheduled for release today at the American Lodging Investment Summit in San Diego, says that revenue per available room will fall by 9.8% this year, the fourth-largest decline since the Great Depression.

If conditions are as weak as expected, PKF estimates that nearly 20% of a sample of 1,500 U.S. hotels that it studied won't generate enough cash flow this year to cover interest payments on their mortgages, up from nearly 16% last year. This year's projection is on par with the most recent high of 20.7% in 2003 but still short of the 1991 recession's 25% tally, according to PKF.

U.S. hotels now carry roughly \$250 billion in cumulative mortgage debt, according to Foresight Analytics LLC. Many hotel owners who can't generate enough cash to cover their debt service in this recession will avoid default and foreclosure by digging into their own or partners' resources to make up the



The 942-room Resorts Atlantic City casino-hotel in New Jersey is delinquent on \$350 million in mortgages and faces foreclosure.

shortfall or by negotiating a compromise with their lenders.

While the industry's fallout so far appears to be similar to that in previous downturns, "the difference this time comes from both the speed at which the industry fundamentals have deteriorated and the protracted nature of the current decline," PKF President Mark Woodworth said.

Exacerbating the industry's troubles is a flood of new rooms hitting the market because of development projects started during the real-estate boom of recent years. The estimated 125,000 net new rooms projected to debut in each of this year and 2010 amounts to a 2.5% annual increase in supply, according to Smith Travel Research. That's well above the 20-year average rate of 1.5%—and it comes as

demand for rooms is tanking.

Among commercial real-estate categories, the hotel industry rises and falls the most dramatically in reaction to economic cycles. That's because, unlike office buildings and shopping malls with long-term leases, hotel occupancy and rates change on a nightly basis as customers come and go at will. In a downturn, the fallout is significant; PKF expects the average occupancy among U.S. hotels to drop to 57.6% this year, falling by 3.2 percentage points, to its lowest level in the 20 years that Smith Travel Research has tracked the figures.

"The only word that comes to mind is 'unprecedented,'" said Bjorn Hanson, a lodging and tourism professor at New York University, referring to the speed and

depth of the industry's decline in recent months. Still, Mr. Hanson projects a hotel delinquency rate of 5% to 6% this year, in line with the rates registered in 2002 and 2003 and nowhere near the 1991 delinquency rate of 14.2%.

Among the hotels that have fallen into delinquency or default on their mortgages during this recession is the 942-room Resorts Atlantic City casino-hotel in New Jersey, which is delinquent on \$350 million in mortgages and facing foreclosure actions. Others late on their payments include the Marriott Courtyard Grand Cayman in the Caribbean, the 231-room Northland Inn near Minneapolis, and Westin hotels in Tucson, Ariz., and Hilton Head, S.C., according to credit-rating firm Realpoint LLC.

Qimonda files for insolvency as bailout fails

BY ARCHIBALD PREUSCHAT

Qimonda AG filed for insolvency Friday as the global slump in memory-chip prices scuppered a bailout plan, but the German chip maker said it hoped to continue operating.

Qimonda, which warned in December that it could run out of cash early this year if it failed to find an investor or strategic partner, said that a rescue plan hadn't come in time. Under the plan, Munich-based Qimonda would have received €325 million, or about \$420 million, in cash from its biggest shareholder, semiconductor company Infineon Technologies AG; a Portuguese development bank; and the German state of Saxony.

A spokeswoman for the German economics ministry said Qimonda couldn't provide a sustainable business model and banks had declined to take on remaining risks.

Qimonda said it now plans to speed up a restructuring begun in October that involves cutting about a quarter of its work force, which totals about 12,000. The company assumes it will be able to continue its business during the restructuring.

Infineon spun off Qimonda in 2006 but still has a 77.5% stake in the memory-chip maker. Infineon said it expects to take provisions linked to Qimonda in the low hundreds of millions of euros.

Qimonda said its insolvency petition is the result of the massive price drop for dynamic-random-access-memory chips, which are used mainly in PCs, as well as dramatically decreased access to financing.

Other chip makers around the world are also grappling with falling prices and a lack of liquidity. Many have closed less-productive factories, cut jobs and delayed investment projects. Like many other memory-chip makers, Qimonda also needs to spend heavily on research and development and on the production of memory chips, which can only pay out if high quantities are produced.

—Andrea Thomas
contributed to this article.

Chemical firms' results are likely to be weak

BY ANA CAMPOY

Dismal earnings reports are likely from the U.S. chemical industry this week, with the marketplace braced for significantly worse results than it expected even just a few weeks ago.

Investors and analysts will be sifting through fourth-quarter results in search of signs of how much longer the downturn is likely to last.

As provider of the basic chemicals and plastics used to make most industrial and consumer goods, the chemical industry has been sliding into a deep trough as the economic slump saps demand.

At the same time, falling prices for the industry's products have contributed to declining sales as customers delay purchases in the hope prices will slip further, analysts say.

Figuring out how much each of these two factors is weighing on companies' earnings could help clarify the industry's outlook, analysts say. If a big part of the problem is delayed purchasing, then that could indicate a potential rebound in sales when inventories become thin and clients start to restock.

In a report last week, HSBC analysts lowered their fourth-quarter estimates for all the chemical companies they cover. Last month, Citi-

group analysts cut their expectations for a handful of companies, including Dow Chemical Co. and Eastman Chemical Co.

The global economic slowdown has dried up demand for chemicals in virtually every market, including developing countries such as China that until recently had helped chemical companies offset weakness in the U.S. Chemical and plastic shipments tumbled more than 5% in November from the previous year, and chemical companies are holding fuller inventories than they had in the same period last year, according to the latest data compiled by

consulting firm Accenture.

"It is more than a perfect storm," said Jonathan Tyler, director of the chemical-industry practice at investment bank Houlihan Lokey.

The most vulnerable companies are those that rely on business from the ailing U.S. auto and housing industries. Georgia Gulf Corp., which makes windows and materials used in house siding and flooring, has been hit hard by slow demand and by heavy debt from an acquisition the company made in 2006. Analysts expect the company to post a fourth-quarter loss.

Bigger, more diversified compa-

nies, such as DuPont Co. and Dow, also are experiencing sharp declines in sales to the housing and auto markets. Analysts expect DuPont to post a loss, compared with the 37% drop in profit that the company reported a year earlier. Dow's fourth-quarter results also are expected to be worse than last year, when it reported a 52% decline in profit.

One bright spot in the sector is chemical products used in agriculture, because prices for staple crops such as corn remain at historically high levels, said Ben Johnson, chemicals analyst with Morningstar, an investment-research firm.

Dow Chemical deal nears key juncture

BY ANA CAMPOY
AND LESLIE EATON

U.S. regulators cleared Dow Chemical Co.'s acquisition of rival Rohm & Haas Co. Friday, raising pressure on Dow to quickly close—or renegotiate—a deal that has been criticized as too expensive and risky.

Under the merger agreement, the \$15.3 billion deal has to close

within two business days of securing final regulatory approvals, setting an apparent deadline of Tuesday to avoid a breach of contract.

As expected, the Federal Trade Commission said it will require Dow to sell some industrial chemicals businesses involved in making paper, paints and coatings to maintain competition in those markets.

Dow and Rohm & Haas didn't comment on how they would pro-

ceed beyond a written statement saying they are "discussing the closing."

Investors took that as a sign that the deal was more likely to occur than not, pushing Rohm & Haas's shares up 9%, or \$5.36, to \$65.82 as of 4 p.m. Friday on the New York Stock Exchange. Rohm & Haas's shares are still 16% below the agreed-upon purchase price of \$78 a share. Dow's shares fell five cents to \$14.33 on the NYSE.

Satyam creates shortlist for CEO and finance chief

BANGALORE, India—Satyam Computer Services Ltd.'s board Friday said it has shortlisted candidates for the positions of chief executive and chief financial officer and is in the final stages of arranging funds to meet operational expenses, including salaries and vendor payments.

The board plans to meet again on Monday and Tuesday.

Satyam didn't name the potential candidates.

The company, India's fourth-largest software exporter by revenue until recently, is in the midst of turmoil after founder B. Ramalinga Raju earlier this month said he overstated the company's profits over several years and created a fictitious cash balance of more than \$1 billion.

CORPORATE NEWS

GE warns of tough year as net profit drops 44%

Investors worry about credit rating, plans for dividend

BY PAUL GLADER

General Electric Co. met its lowered fourth-quarter earnings target Friday—with a big boost from a tax benefit—but failed to resolve investor qualms about the recession's impact on its industrial and financial businesses.

GE reported progress in its plan to shrink and fortify its finance unit by boosting its assets and lowering its reliance on short-term borrowing, which dried up last fall amid the credit crisis.

But investors worry that GE may be forced to cut its dividend or pay more to borrow money. GE shares fell 11%, or \$1.45, to \$12.03 in 4 p.m. composite trading on the New York Stock Exchange. The stock is off 65% in the past 52 weeks.

Jeffrey Immelt, GE's chairman and chief executive, warned of an "extremely difficult" year. GE is focused on "controlling our own destiny" by cutting costs and looking outside the U.S. for pockets of growth, he said.

The Fairfield, Conn., conglomerate said net income fell 44% to \$3.72 billion, or 36 cents a share, from \$6.7 billion, or 68 cents a share, a year earlier. Revenue dropped 4.8% to \$46.21 billion, partly because of the stronger dollar's effect on overseas sales.

The results included \$1.5 billion of restructuring and other charges, which GE expects to yield \$1 billion in annual cost savings. The company's largest layoffs are coming in its finance unit, known as GE Capital, which has been hit hard by the credit crisis.

Profit at GE Capital fell 67%, to \$1 billion because of increased loss reserves and write-downs of the value of some assets. Revenue fell 17%. But the losses generated a \$2.1 billion tax benefit, most of which went to GE's bottom line. (Please see related article on page 17.)

Signs of the weakening global economy crept into other GE units. The energy-infrastructure unit, GE's strong suit last year, posted an 11% jump in profit and a 21% gain in revenue, boosted by power-plant orders



GE Chief Executive Jeffrey Immelt expects an 'extremely difficult' year.

from the Middle East. But the unit's growth slowed from the third quarter, when profit rose 31%.

At GE's technology-infrastructure unit, profit and revenue each grew 1% as strength in jet engines was offset by weakness in health care and transportation gear.

Profit fell 6%, and revenue 3%, at GE's NBC Universal, as strong cable-TV earnings were offset by declines at its local stations.

GE is counting on its \$172 billion backlog of product and service orders to help carry it through the recession. GE said its service groups, which repair jet engines and turbines, among other products, recorded \$9.4 billion in quarterly revenue.

Executives said the industrial units would benefit from stimulus plans by the U.S. and other governments. GE also said it will benefit from lower costs for raw materials.

Analysts and investors question GE's ability to maintain its triple-A credit rating and its \$1.24 annual dividend, which will consume most of the company's cash flow this year.

Sterne Agee analyst Nicholas Heymann said in a note that the credit rating and dividend "are likely to be reduced" by the middle of the year. Standard & Poor's Ratings Services last month adjusted GE's credit outlook to negative from stable, the first step in potentially lowering its rating.

German drug maker gains in bid for oral MS medicine

BY KEITH J. WINSTEIN

German drug maker Merck KGaA became the leading contender in the race to release the first oral medicine for multiple sclerosis, after the company announced promising results from a late-stage clinical trial.

Current drugs for MS, in which the body's immune system attacks nerve cells in the brain, leading to tingling, numbness and eventual paralysis, are all injections or infusions.

But several companies—including Biogen Idec Inc., Novartis AG and Merck—are competing to develop pills that could be taken orally. Such drugs could take sales from current injectables from Biogen, Pfizer Inc. and Teva Pharmaceuticals Inc.

Merck on Friday said its cladribine

pill met the primary goal of a company-run study on 1,326 patients with relapsing-remitting multiple sclerosis, the most common form of the disease.

Based on the data, the company said it would apply for approval from U.S. and European regulators later this year. That puts Merck about six months ahead of Novartis's pill, analysts estimated, and about two years ahead of Biogen's.

In the study, about 440 people received treatment with a placebo for two years. The rate of relapses, or flare-ups of the disease's symptoms, was about one every three years. Among 880 patients treated with cladribine, the rate was about one relapse every seven years, a significant improvement.

GLOBAL BUSINESS BRIEFS

Schaeffler Group

Management change is set at Continental

Closely held Schaeffler KG took a major step toward gaining control over Continental AG, only days after the two companies had clashed publicly. After a meeting of Continental's supervisory board, the German auto-parts supplier said its supervisory-board chairman, Hubertus von Gruenberg, is set to be succeeded by Rolf Koerfer, a legal adviser representing Schaeffler. In addition, Continental Chief Financial Officer Alan Hippe will leave the company Feb. 28. Mr. von Gruenberg will remain a member of Continental's supervisory board. Speaking to reporters after the board meeting, supervisory-board member Dieter Weniger said Schaeffler will get four seats on Continental's supervisory board. He said Mr. Hippe is set to leave his post "by mutual agreement."

Gottex Fund Management

Gottex Fund Management Holdings Ltd. said Friday it will shed as much as one-fifth of its work force and cut fees on its two biggest products in an attempt to combat a 29% drop in fourth-quarter client assets. The Swiss fund manager, which sells products invested in pools of hedge funds, said it will trim costs by about 30%, partly by laying off between 15% and 20% of its 132 staff. In the fourth quarter, the company's assets under management shrank to \$9.6 billion from \$13.5 billion at the end of September, hit by poor performance and the dollar's appreciation against the euro, sterling and Swiss franc, a spokesman said. The company is bracing for what it says will be a further six to 12 months of financial-market turmoil and volatility.

EADS

A joint venture between European Aeronautic Defence & Space Co. and Italy's Finmeccanica SpA, said it is shelving plans to ramp up production of its turboprop planes as postpone fleet expansion and renewal plans. The venture, known as ATR, plans to maintain output at about six planes a month instead of targeting 80 planes a year, said ATR Chief Executive Stéphane Mayer. ATR delivered 55 of its twin-engine, turboprop passenger aircraft last year, up from 44 a year earlier, and is projecting more than 60 deliveries for this year. ATR's aircraft, which are small, are used by airlines around the world to fly short routes, particularly from airports with short runways. ATR's revenue rose to \$1.3 billion last year from \$1.1 billion a year earlier.

Vodafone Group PLC

India's Supreme Court declined to hear an appeal by Vodafone International Holdings BV against a \$2 billion tax bill. Vodafone International, a unit of Vodafone Group PLC, will now have to reply to a show-cause notice issued by the income-tax department. Vodafone turned to the Supreme Court after the Bombay High Court on Dec. 3 dismissed its appeal. Vodafone paid \$11 billion for a 67% stake in Indian cell-phone company Hutchison Essar from CPG Ltd., which is owned by Hutchison Telecommunications International Ltd. and registered in the Cayman Islands. Vodafone claims that the deal isn't liable to be taxed in India as it took place on foreign soil. But India argues Vodafone is liable because the transaction involved the transfer of an Indian asset.

GlaxoSmithKline PLC

GlaxoSmithKline PLC said Friday it has signed a deal with UCB SA to purchase the Belgian drug maker's older drugs in emerging countries, as part of its move to expand its business outside established markets in North America and Europe. The pharmaceutical company is paying €515 million (\$668.7 million) in cash to acquire several products—including allergy treatments Xyzal and Zyrtec, and epilepsy drug Keppra—in at least 50 countries in Africa, the Middle East, the Asian-Pacific region and Latin America. The operations being sold by UCB represent about 3%-4% of its expected 2008 revenue of at least €3.3 billion. The deal excludes UCB's newer drugs Vimpat, Neupro and Cimzia, and a number of emerging countries that the Brussels-based company considers strategic markets.

Deutsche Lufthansa AG

Deutsche Lufthansa AG had to cancel 44 flights Friday after trade union UFO called on flight attendants to stage a warning strike. Cancellations and delays affected several hundred passengers who had booked seats on domestic and European flights, a spokeswoman for Lufthansa said. UFO is pushing for better wages for cabin-crew members and could call for further warning strikes in the near future, said its head negotiator Joachim Müller. Earlier this month, a third round of wage talks for 16,000 flight attendants failed. The union is calling for a wage and benefits rise of 15%. Lufthansa has increased its offer to a 10% rise from 9.1%. The package includes better working conditions and profit sharing.

RWE AG

German utility RWE AG said its RWE Energy unit acquired the outstanding 51% stake in Luxembourg joint venture Luxempart Energie from investment company Luxempart SA for €186 million (\$241.5 million). After the deal, RWE will hold a 19.8% stake in a new national electricity and gas company in Luxembourg. The Grand Duchy of Luxembourg will create the new utility by merging Cegedel, Soteg and Saarferngas, RWE said. RWE will contribute its stake in Cegedel, making it the largest strategic investor from the energy sector. A memorandum of understanding to form the new company was signed in July. At the time, Soteg said RWE's acquisition of the outstanding joint venture stake was one of the conditions of a merger agreement.

UniCredit SpA

A UniCredit SpA capital raising that closed Friday is likely to have gone mostly unsubscribed because it was priced well above the bank's current share price, said people familiar with the matter. In October, UniCredit announced a more than €6 billion (\$7.8 billion) capital-strengthening plan, including the €3 billion capital increase, to boost its core Tier 1 capital ratio to 6.7% by the end of 2008. The Tier 1 ratio is a measure of a bank's financial strength, with a ratio of more than 6% considered healthy. Analysts expect that UniCredit will be able to reach a ratio of more than 6%, even if the capital raising ends mostly unsubscribed. Results of the capital increase are to be released this week. UniCredit's capital-raising price was set at €3.08 a share. However, the stock is trading well below that level, closing in Milan Friday at €1.25, up 0.7%.

Bernard L. Madoff Investment

Several dozen employees of Bernard L. Madoff Investment Securities LLC were laid off Thursday, including numerous traders from the firm's legitimate trading arm, according to a current employee and an employee who was laid off. The company's bankruptcy court-appointed trustee, Irving Picard, retained more than 50 employees as he continues to try to sell the market-making business, a person familiar with the matter said. The employees, who include most of the company's senior management, are assisting in the investigation of Mr. Madoff's alleged fraud and the winding down of the operations. Mr. Madoff, a New York money manager, is alleged to have engaged in a decades-long multibillion-dollar Ponzi scheme, harming thousands of investors around the globe.

Xerox Corp.

Xerox Corp. barely broke even in the fourth quarter as revenue fell 10% because of foreign-currency disruptions and a sharp decline in developing markets. The maker of copiers and printers predicted a profit of 16 cents to 20 cents in the current quarter, well below analysts' estimates of 24 cents, according to Thomson Reuters. Xerox posted net income of \$1 million on revenue of \$4.37 billion, down from a net profit of \$382 million a year earlier. Xerox took a restructuring charge and a small write-off for an obsolete line of office products. Anne Mulcahy, chief executive, said Xerox results were affected by the increase in the dollar compared with the euro during the last weeks of the fourth quarter. Xerox said that without the sharp currency fluctuations, revenue would have been down 5%.

Eli Lilly & Co.

Eli Lilly & Co.'s ImClone Systems and Bristol-Myers Squibb Co. withdrew their application for Erbitux to treat a type of lung cancer Friday after the U.S. Food and Drug Administration raised questions about potential differences between the product made in the U.S. and Europe. ImClone and Bristol didn't say when they plan to resubmit their application, but said that discussions with the FDA are continuing and don't affect current uses for Erbitux, a cancer fighter that had 2007 sales of \$1.3 billion. The drug is currently marketed for colorectal cancer and head-and-neck cancer. Lilly and Bristol didn't say in their Friday statement what the FDA's specific concerns were beyond citing the comparability of the U.S.-sold version of Erbitux and clinical supplies used by Merck KGaA of Germany.

—Compiled from staff and wire service reports.

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ECONOMY & POLITICS

Spanish unemployment rate skyrockets

Competition for jobs illustrates country's fall from European star status; economic pain across the euro zone

BY THOMAS CATAN

MANCHA REAL, Spain—Spain's unemployment rate rose to 13.9% in December—an eight-year record and by far the highest rate in the European Union. In this southern village, that means olive grower José Morillo is hiring locals and turning away foreigners who worked for him during the country's economic boom.

Half of Mr. Morillo's pickers used to be immigrants, as Spaniards shunned the low-paying work. This year, all but one of his 11 workers are Spanish—and the nearby town is teeming with unemployed immigrants who sleep outdoors or in church shelters.

"There are lots of carpenters and craftsmen from town who are picking olives this year," says Mr. Morillo, standing on a hillside near Mancha Real. "I called the [foreign] ones who had come before and said: 'Don't come this year, there isn't any work.'"

Government efforts to free up more jobs for Spaniards are having a limited effect. Billboard-size ads in subway stations and on city buses pitch payments for legal immigrants who go home: If they agree to leave Spain for at least three years, the government will pay the unemployment benefit they're entitled to in a lump sum—40% on leaving and 60% on arrival back home.

The average payment runs about \$14,000. In the program's first two months last year, just 1,400 immigrants took up the offer.

The competition for jobs here among the olive groves and throughout the country illustrates Spain's dramatic fall from being Europe's star economy. The country's output grew at an average annual rate of nearly 4% a year for the decade until 2007—around twice the average rate for the euro-zone countries.

After adopting the euro in 1999 and submitting to the European Central Bank's national budget rules, Spain acquired the economic stability of a rich nation. Investors no longer worried about the national debt or possible currency risks.

A building frenzy helped Spain generate more jobs than any other country in the euro zone this decade. More than five million immi-



An advertisement in a Madrid subway station promotes Spain's 'Voluntary Return Plan,' which pays a lump sum of unemployment benefits to legal immigrants who leave the country for at least three years.

grants arrived, and the registered population, which had been stable till 2000, jumped 15% by 2008.

Last year, the cheap credit that fueled Spain's boom dried up. The economy likely entered recession in the second half of 2008, and the European Commission expects it to shrink 2% this year. Data out Friday showed the number of Spanish out-of-work job seekers rose by 609,100 in the fourth quarter, bringing the total to 3.2 million. The unemployment rate was nearly twice the euro zone's November average of 7.8%.

Beyond Spain, economic prospects for the euro zone remain dismal, additional Friday data confirmed. A survey of purchasing managers by the Markit Economics research firm shows the entire region registered shrinking private-sector activity in January—albeit at a slower pace than in December.

Among individual countries, Germany—the euro zone's largest economy—hit a record low in the January purchasing managers' index, while France reflected a slowing

pace of contraction. Italy—the developed world's least productive economy—this week took steps to improve productivity, with an accord between the government and most of the nation's largest unions. Outside the euro zone, the United Kingdom on Friday posted two consecutive quarters of contracting gross domestic product in the second half of 2008.

During Spain's flush times, immigrants were welcome to come and work. In 2005, the government granted amnesty to more than half a million people living in Spain illegally. Today, they are seen as a growing social problem.

Other European countries, such as Ireland, also had influxes of foreigners who came largely from other EU nations, such as Poland, and are returning home for jobs. Many of Spain's immigrants come from Africa and Latin America, and view employment prospects at home as even dimmer.

Spain is entering "uncharted territory," says Fernando Eguidazu, an

economist and vice president of the *Círculo de Empresarios*, a business association. "There's a group of five million immigrants in a situation of economic crisis and a shrinking economy. We don't know how that is going to work."

Many foreign workers have flocked to Jaén, an Andalusian province of rolling hills and whitewashed houses. The region produces most of the olive oil in Spain—and accounts for nearly a fifth of world production. But as the country's economy flourished, young Spaniards abandoned the fields for jobs in construction, banks or offices. A year ago, local growers hired 40 workers in Romania and flew them to Jaén.

"We just couldn't find enough labor," says Rafael Civantos, provincial head of the farmers' association.

Now, Spaniards are lining up to pick olives for €53 (\$68) a day, the rate agreed to with Spain's labor unions. Because many olive growers are small farmers, they tend to give the jobs to needy friends or relatives, says Pedro González of Jaén Acoje, a

charity that helps immigrants.

One of Mr. Morillo's new workers is Jaime Jiménez Morales, the 18-year-old son of a Spanish friend who was laid off from his job as a carpenter. His brother, Daniel, 20, also works for Mr. Morillo after losing his job as a house painter.

At the same time, more foreigners than usual have been arriving, because construction work elsewhere has dwindled.

In December, 3,000 people arrived, according to *Cáritas*, a charity run by the Roman Catholic Church. "There's no work for us this year," says Mohammed, a young Mauritanian huddled with a group of unemployed friends outside a hostel in Jaén. "The farmers have given the jobs to their friends and relatives."

Hundreds of foreign workers have been sleeping outdoors in the cold. In the provincial capital, also called Jaén, the church turned a former convent into a temporary shelter. In the nearby town of Úbeda, hundreds of unemployed foreigners have been living in the municipal sports center. Charities have set up soup kitchens. "The situation is dramatic," says Juan Carlos Escobedo, provincial head of *Cáritas*. "We've seen a real avalanche of people arriving this year."

Many of those who haven't found work in Jaén are waiting until February, when the strawberry-picking season begins in Huelva, about 220 miles away in southern Spain.

Mohammed Ennejim, a Moroccan who has lived for nearly 20 years in Spain, was trying to scrape together gas money to drive. He isn't sure he will find work there, either.

Mr. Morillo's only foreign picker this year is Najim, an Algerian who declined to give his family name and who has picked olives in Jaén for the past eight years. He had worked for Mr. Murillo the previous year, and called to say he was sleeping outdoors. "I told him not to come," Mr. Morillo says. "But then he called me from Jaén, saying he was sleeping in the street, and I said: 'All right then, come over.'"

—Paul Hannon, Laurence Norman and Alistair MacDonald contributed to this article.

Congo rebel leader arrested by Congolese-Rwandan force

BY SARAH CHILDRRESS

NAIROBI, Kenya—A major barrier to peace in the Congo was removed with the arrest of Congolese Tutsi rebel leader Laurent Nkunda on Thursday night, but many challenges remain before the troubled northeastern region could be stabilized.

Mr. Nkunda's arrest by a joint Rwandan-Congolese operation came as a surprise move toward reconciliation by the rival nations.

Congo and Rwanda have been at odds over accusations backed by the United Nations that Rwanda supported Mr. Nkunda's rebel forces, and that the Congolese were supporting Rwandan Hutu militants with ties to the 1994 Rwandan genocide.

The Rwandan and Congolese militaries agreed to work together to hunt down the remaining Hutu militants in Congo. The alliance follows

a series of private meetings late last year between the Rwandan and Congolese foreign ministers.

In the first fighting reported since the joint military operation began, the U.N. said, Rwandan and Congolese troops exchanged fire with Rwandan Hutu militiamen in eastern Congo on Saturday, killing nine.

Humanitarian groups say they fear the military forces and militants will fail to distinguish between civilians and combatants, killing yet more Congolese.

Mr. Nkunda is in Rwandan custody, but is likely to be extradited to Congo. The Congolese government issued an arrest warrant for him in 2005 for war crimes, so he could face charges there. The government also could turn over its evidence on the rebel leader to the International Criminal Court in The Hague.

Only a few months ago, Mr.

Nkunda appeared to be calling the shots in the Congo. His well-trained forces easily repelled disorganized Congolese troops, and even fired rockets at U.N. convoys as they tried to protect civilians.

But Mr. Nkunda may have developed ambitions too grandiose for his allies. Mr. Nkunda's original goal was to protect the Tutsi minority in the region. But he began adopting a more nationalistic stance, reaching out to other ethnic groups and demanding talks with the government. That alienated elements of the Tutsi community, who feared he had become distracted from protecting them, and irritated Rwanda.

"Nkunda has never been someone who took orders," says Guillaume Lacaille, an analyst at the International Crisis Group, a nonprofit think tank. "At a certain point, he became very difficult to control."



A photograph from November of Congolese Tutsi rebel leader Laurent Nkunda, who was arrested by a joint Rwandan-Congolese operation on Thursday.

ECONOMY & POLITICS

Japan's own burst bubble

Exports plummet, causing economy to shrink rapidly

BY YUKA HAYASHI

TOKYO—Japan has largely escaped the housing bubble and huge credit losses that are weighing on the U.S. and Europe. Then why is Japan's economy shrinking faster?

Economists and corporate executives are realizing that the nation suffers from the bursting of another type of bubble—one in manufacturing. Between 2002 and 2007, Japan's manufacturing sector boomed, driven by soaring demand for Japanese automobiles and electronic gadgets by consumers globally, including Americans feeling flush amid rising home prices. Fueling the gains was a weak yen that kept Japanese products competitive and propelled yen-based revenue and earnings for companies such as Toyota Motor and Sony to lofty highs.

Many in Japan were relieved to see their economy growing at a healthy pace again thanks to strong exports, after a slump for more than a decade. But many didn't realize just how vulnerable the economy was becoming to consumers abroad, despite decades of hectoring from the U.S. and Europe that Japan needed to rely less on exports and more on domestic demand.

Over the six years from 2002, Japan's exports jumped by 74%. Corporate capital spending, led by exporters, rose 31%, according to data compiled by Ryutaro Kono, a BNP Paribas economist in Tokyo. In contrast, domestic household spending grew a mere 6.6%, as Japan's effort to diversify its economy away from exports stalled in the absence of bold steps by the government, laden with a huge deficit and political gridlock.

Now that American consumers have stopped splurging, the Japanese economy is deteriorating at an alarming rate. In December, exports plummeted a record 35% from a year earlier. Machine-tool orders, a prime indicator for capital spending by manufacturers, fell 58% during the October-December quarter from a year earlier.

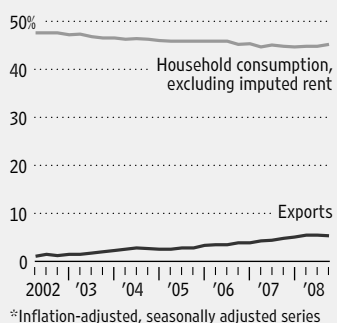
Overall, Japan's economy, the second largest in the world, probably contracted at an annual rate of more

Stalling on two engines

Exports, not domestic demand, had been helping fuel Japan's recent growth. Now global demand and Japan's economy are contracting.

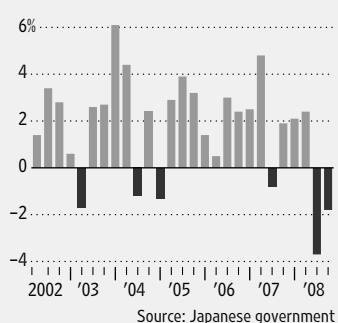
Japan is getting less of a boost from exports...

Exports and personal spending as a portion of quarterly GDP*



Even as its economy shifts into reverse

Annualized rate of change from the previous quarter in GDP*



than 10% during the latest quarter, economists say. That would follow an annualized 1.8% decline in the third quarter. It also is a much steeper decline than is likely in the U.S.—where economists estimate about a 5% annualized decline for the fourth quarter—and other major economies.

The pain is felt widely. At Maki Takasugi's sushi restaurant in Meguro, an affluent residential neighborhood in Tokyo, customer traffic has been slow since October, when sales suddenly fell about 30% from a year earlier. "Even people whose businesses are doing quite well now feel splurging on sushi is too much of a luxury," says the 45-year-old, who runs the restaurant with her husband, the chef. To spur sales, the Takasugis are offering free beer to customers this month.

Other economies that depend heavily on exports also are suffering, particularly in Asia. Singapore has warned that its economy may contract between 2% and 5% this year after shrinking an annualized 12.5% during the fourth quarter. South Korea's economy last quarter shrank 5.6% from the July-September period, or an annualized rate of 20.8%, according to J.P. Morgan, the sharpest contraction since the Asian financial crisis a decade ago.

Europe's largest manufacturing nation, Germany, has also been hit. Sales of car makers such as BMW and Daimler dwindled in the U.S., and machinery sales to emerging markets faltered. Total exports in November were down 9.1% from a year earlier, and 10.7% lower than in October. New orders from abroad were down 27% in November, which bodes ill for Ger-

man output in the months to come, even though many firms expect some stabilization in mid- to late-2009.

In Japan, manufacturers are saddled with too many workers and excess capacity as production begins to fall. To cut costs, companies have let go tens of thousands of factory workers on temporary contracts, and they are cutting hours for remaining workers.

Even as it snared the title of the world's largest auto maker recently, Toyota is expecting its first operating loss in 70 years during the fiscal year ending in March as sales fall in the U.S., Europe and previously red-hot emerging markets.

With exporters struggling, the outlook is darkening for the entire Japanese economy. The unemployment rate, which has stayed relatively stable despite losses of temporary jobs, is likely to start climbing in a few months while consumer spending is cooling. The Bank of Japan Thursday forecast the economy would shrink 2% during the next fiscal year, which starts in April, after contracting 1.8% during the current fiscal year. If realized, it would be the first time the economy declines for two consecutive years since World War II. Only three months ago, it projected growth of 0.1% for next fiscal year.

"Here is our main scenario," BOJ Governor Masaaki Shirakawa said at a news conference. "The economy is deteriorating sharply and it will continue to deteriorate in the foreseeable future."

—Marcus Walker in Berlin and Daisuke Wakabayashi and John Murphy in Tokyo contributed to this article.

U.S. Marines plan shift to Afghanistan from Iraq

BY YOCHI J. DREAZEN

WASHINGTON—The U.S. Marine Corps is proposing to completely withdraw from Iraq later this year and shift 20,000 Marines to Afghanistan, boosting the Obama administration's plan to devote significant new resources to the Afghan war.

Gen. James Conway, the top Marine commander, said Friday that the combat portion of the Iraq war was effectively over. "The time is right for Marines in general terms to leave Iraq," he told reporters. "A building fight taking place in another locale—that's really where Marines need to be."

On Friday, U.S.-fired missiles killed 18 people on the Pakistan side of the Afghan border, in the first attacks on the militant stronghold since President Barack Obama took office. The strikes from unmanned CIA planes confirm that Mr. Obama, as expected, is continuing the Bush Administration's attacks in the ungoverned tribal regions.

The Bush administration had devoted the vast bulk of the na-

stan who are impatient for the shift he supports. The military is facing significant manpower strains because of the demands of the two long wars. "Anything that you put into Afghanistan must necessarily come from a reduction of the number of Marines in Iraq," Gen. Conway said. There are currently 22,000 Marines there.

Many uniformed officers in Iraq—including Gen. Ray Odierno, the top U.S. commander there—want to keep troop levels relatively steady to avoid jeopardizing Iraq's recent security gains.

Shortly after the election, military commanders briefed Mr. Obama on an initial plan to withdraw roughly 10,000 troops from Iraq by the summer. But now senior military officials are crafting plans for faster and larger withdrawals. One of the options would remove all U.S. combat troops within 16 months.

Gen. Conway said Mr. Obama would visit the Pentagon next week to meet with the Joint Chiefs of Staff. A White House aide said the discussion would be devoted



U.S. Marines patrol a village in Afghanistan's Helmand province in December. The U.S. is proposing to shift 20,000 more Marines to Afghanistan from Iraq this year.

tion's military resources to the war in Iraq, leaving the Afghanistan conflict chronically underfunded and short of manpower, according to commanders in Afghanistan. Mr. Obama has made clear that he sees Afghanistan as a higher priority, and has promised to withdraw all U.S. combat forces from Iraq within 16 months of taking office.

Pentagon officials are drawing up plans to shift up to 30,000 new troops in Afghanistan in coming months. White House aides say that Mr. Obama, who as a candidate called for a shift of roughly similar scale, is likely to approve the request.

"The president has been quite clear that the mission is to responsibly draw down and end our active combat role [in Iraq]," Defense Secretary Robert Gates said Thursday. "He wants to put more emphasis on Afghanistan and deal with the problems...and the challenges that we face in Afghanistan."

The new president will have to make some difficult trade-offs, given tensions between commanders in Iraq who want to keep troops on the ground there as long as possible and those in Afghani-

stan largely to troop levels in Iraq and Afghanistan.

Gen. Conway said most of the 20,000 Marines likely to deploy to Afghanistan will head to the south, a Taliban stronghold at the heart of the country's booming narcotics trade.

U.S. commanders there say the Taliban run shadow governments and drug revenue allows them to replenish supplies. "When you've got those two elements you've got the potential for a long-term insurgency," Gen. Conway said.

Pope rehabilitates traditionalists

ASSOCIATED PRESS

VATICAN CITY—Pope Benedict XVI has lifted the excommunications of four traditionalist bishops, including that of a Holocaust denier whose rehabilitation sparked outrage among Jewish groups.

The four were excommunicated 20 years ago after they were consecrated by the late ultraconservative Archbishop Marcel Lefebvre without papal consent—a move the Vatican said at the time was an act of schism.

The Vatican said on Saturday that Pope Benedict rehabilitated the four as part of his efforts to bring Archbishop Lefeb-



Pope Benedict XVI

vre's Society of St. Pius X back into the Vatican's fold.

The move came just days after one of the four, British-born Bishop Richard Williamson, was shown in a Swedish state television interview saying historical evidence "is hugely against six million Jews having been deliberately gassed." Jewish groups denounced the Vatican for having embraced a Holocaust denier and warned that the pope's decision would have serious implications for Catholic-Jewish relations as well as for the pontiff's planned visit to the Holy Land later this year.

Rabbi David Rosen, Jerusalem-

based head of interreligious affairs at the American Jewish Committee and a key Vatican-Jewish negotiator, called for the pope or a senior adviser to issue a "clear condemnation" of all Holocaust denials and deniers.

Shimon Samuels of the Simon Wiesenthal Center in Paris said he understood the German-born pope's desire for Christian unity, but said Benedict could have excluded Mr. Williamson. He warned that the rehabilitation will have a "political cost" for the Vatican.

Vatican spokesman the Rev. Federico Lombardi said Mr. Williamson's views were "absolutely indefensible." But he denied that rehabilitating Mr. Williamson implied that the Vatican shared them.

International Investor

Thain attempts

'Mr. Fix-It' couldn't repair Merrill, and paid for it at BofA > Page 21



ECONOMY & POLITICS

U.S. cabinet confirmations face delays

Republicans show resolve as stimulus takes up panel's time

BY JONATHAN WEISMAN

WASHINGTON—U.S. President Barack Obama chose his cabinet nominees with record speed, but since his inauguration the process of securing their Senate confirmation and building his government has slowed markedly.

By the end of his first full day in office, President Bill Clinton had all but one cabinet nominee in office, even after a very rocky transition. President George W. Bush also had all but one cabinet member confirmed by the end of January 2001, despite

the protracted Florida recount following the November election.

This time, Mr. Obama will start his second week without Treasury, Labor, Health and Human Services or Commerce secretaries, not to mention an attorney general to head the Justice Department. By the end of next week, Senate aides say the president may have secured only two more cabinet confirmations: Timothy Geithner at Treasury and Eric Holder at Justice.

Since President Jimmy Carter's first term, only President George H.W. Bush has had more problems than Mr. Obama on this front—and the current president's issues have arisen after what is widely considered a smooth, quick and organized transition.



Barack Obama

To White House aides, such comparisons are irrelevant. Mr. Obama's cabinet picks have run into some exceptional speed bumps—for instance, a Senate Finance Committee overwhelmed by its legislative work on a record-breaking economic-stimulus plan. None of his nominees are in serious trouble or have forced the president to burn through political capital as Mr. Clinton did for Attorney General-nominee Zoe Baird, George H.W. Bush spent for Defense Department pick John Tower or George W.

Bush did with John Ashcroft. Besides, aides say, it is the speed with which the nominees were picked that counts. Mr. Geithner has been at work on economic policy since the

Monday after Thanksgiving, even if his confirmation has been hung over his past failure to pay some payroll taxes on time, they note.

But historians and Senate aides say there is more at work here. In part, Mr. Obama's lag might be evidence of some hubris from a transition that started with great pride and perhaps a little too much speed.

"It may be a bit of plain old arrogance or overconfidence," said Paul Light, a New York University expert on presidential transitions. "They're really smart people, but they seem to be underestimating the political impacts of fairly familiar problems."

Perhaps more important, the slow process could be a sign that the shrunken Republican Party—with its core of determined conservatives intact—won't be a pushover for the new president.

"We're always going to exercise our prerogatives," said Don Stewart, spokesman for Senate Minority Leader Mitch McConnell (R., Ky.). "We want to make sure we're part of the process."

But former Sen. Tom Daschle hasn't even been scheduled for a confirmation hearing as Health and Human Services secretary, a key position as Mr. Obama tackles health care in the budget due next month. Democratic Finance Committee aides say the holdup is in part because the committee has been hashing out the tax provisions of a stimulus package likely to exceed \$825 billion. They are also working on the Senate's version of an expanded State Children's Health Insurance Program.

But Democratic leadership aides acknowledge more-thorny problems as well, as Republican Finance Committee aides pore over Mr. Daschle's tax returns, business ties and his connection to an education-loan provider being investigated by the committee.

Republicans are holding up the confirmation of Hilda Solis as labor secretary, saying she hasn't been forthcoming on her views about key policy matters, particularly legislation that would ease union organizing.

Ms. Solis firmly backed the bill as a House member, and Mr. Obama favors at least the concept. But Republicans strongly oppose it and are pushing for an answer in writing to gauge how important the bill would be for the Labor Department. So far, Ms. Solis has been cagey by refusing to directly answer such questions.

The holdup with Ms. Solis is just silly, Democrats said. The president's position favoring the so-called Employee Free Choice Act—which would allow workers to gain collective bargaining rights by signing cards rather than secret balloting—is well known. Republicans simply want to flog her, White House aides contend.

But Mr. Stewart, the McConnell aide, said Republicans are merely demanding that Democrats show the same due diligence they demanded of the Senate when Mr. Bush was president.

"Democrats for the past eight years have screamed about oversight and transparency, and now they want to put through some of these people without a hearing," he said. "You have to live by what you called for in the last administration."

Commerce secretary—never a particularly controversial cabinet post—may be the last one filled in the Obama administration. The initial nominee, New Mexico Gov. Bill Richardson, withdrew his name from consideration after a federal probe of contracting in his state moved into the governor's office. And Mr. Obama has yet to announce a new nominee.

The Commerce glitch is one misstep White House aides do acknowledge making. The investigation into the Richardson administration was public record well before the governor was tapped by Mr. Obama. But Obama aides say Mr. Richardson didn't divulge just how close the probe was getting to the governor's office.

The choice of a successor at Commerce has been slow. One potential candidate, former Time Warner Inc. Chief Executive Richard Parsons, effectively took himself out of the running this week when he was named the new chairman of Citigroup Inc. Congressional Democrats say Symantec Corp. Chief Executive John W. Thompson has made the rounds on Capitol Hill, as have others.

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