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What's News

U.S. authorities charged 44 people, including mayors and religious leaders, in New Jersey in a probe into corruption and money laundering. One of those arrested is accused of conspiring to broker the sale of a kidney. **Page 2**

■ Credit Suisse reported a 29% rise in second-quarter net profit as risk-cutting efforts paid off. **Page 4**

■ European stocks rose for a ninth day, sparked by more positive earnings reports, reaching levels not seen since November. **Page 18**

■ European banks that receive state aid face stress tests that could force some to divest holdings. **Page 17**

■ Banks' withdrawal from international finance poses a threat to the world economy, the Bank for International Settlements said. **Page 17**

■ Roche's net fell 29% in the first half, partly reflecting costs related to its takeover of Genentech. **Page 4**

■ Bristol and Wyeth posted higher second-quarter earnings, helped by cost cuts and sales of top drugs. **Page 4**

■ Biden told Georgia's Parliament it won't regain territories lost to Russia last year, and the U.S. said it won't supply Tbilisi with new defensive weaponry. **Page 8**

■ Israeli and U.S. military officials aborted a defense-missile test, raising concerns about the reliability of Israel's security system. **Page 9**

■ The U.K. launched a swine-flu hotline as the number of new cases hit an estimated 100,000 last week. **Page 10**

■ Strong retail figures in the U.K. suggest that tax cuts and government spending have gained traction. **Page 9**

■ Rio Tinto was threatened with losing half the rights to mine iron ore in Guinea's Simandou mountains. **Page 19**

■ Hyundai Motor earnings jumped 48% on shareholding gains from Chinese and Indian affiliates and Korean tax incentives. **Page 6**

■ Deutsche Post net fell 71%, but the firm said shipping volumes may have reached bottom. **Page 5**

■ An Indian judge ordered the trial of the Mumbai gunman to proceed because his surprise guilty plea didn't cover all 86 charges. **Page 10**

EDITORIAL OPINION

Georgian troubles
The Rose Revolution isn't smelling that fresh anymore. **Page 13**

Breaking news at europe.WSJ.com

Porsche's CEO resigns

Finance chief also quits; board approves Qatar deal, paving way for VW

By MATTHEW KARNITSCHNIG AND DANA CIMILLUCA

Porsche Automobil Holding SE Chief Executive Wendelin Wiedeking, once dubbed "King Wendelin" for steering the iconic sports-car maker from the brink of collapse to the pinnacle of profitability, was ousted Thursday for driving its fortunes back to earth.

The dismissal marks a dramatic reversal of fortune for Germany's highest paid chief executive, whose bold attempt to acquire the much larger Volkswagen AG back-

fired when the market downturn left Porsche crippled by the roughly €10 billion (\$14.2 billion) in debt it had taken on to pursue the deal.

Mr. Wiedeking's failed gambit allowed VW to turn the tables on Porsche and pursue a takeover of the company's core automaking arm, a move Mr. Wiedeking resisted.

Porsche issued a short statement after an all-night board meeting, saying that

both Mr. Wiedeking and Chief Financial Officer Holger Haerter, the architect of the VW takeover plan, would leave the company, effective immediately.

Michael Macht, previously Porsche's head of production, will succeed Mr. Wiedeking as chief executive of Porsche AG, the company's car division.

Mr. Wiedeking's departure should ease the way for a deal with VW, which the former CEO op-

posed. Porsche and VW have been in talks for weeks but the plan has recently been hampered by Porsche's concerns over its tax liabilities and other problems. VW believes the issues can be resolved and hopes to have an agreement by next month.

In a prelude to a possible transaction with VW, closely held Porsche said its board had authorized the company to finalize talks with Qatar. The Gulf emirate is considering buying roughly €500 million of Porsche warrants, which would grant it the right to acquire Porsche

Please turn to page 11



Wendelin Wiedeking

Spain's battle against wildfire enters fifth day



HEATED FIGHT: Over the past two summers, mainland Spain was spared the kind of wildfires that destroyed thousands of hectares in 2005 and 2006. But a wildfire that started in northeastern Spain on Monday is still raging. Above, members of the Spanish army near Teruel.

Earnings news sends Dow past 9000

By PETER A. MCKAY AND GEOFFREY ROGOW

Good news about profits and housing sparked a broad-based stock rally in the U.S. on Thursday, with the Dow Jones Industrial Average gaining nearly 200 points and moving above 9000 for the first time since early January.

The blue-chip average rose 188.03 points, or 2.1%, to 9069.29. In late trading, AT&T rose 3% and 3M was up 7.6%. Both announced declines in second-quarter profits that were smaller than analysts expected. Microsoft was up 2.7% and American Express was up 2.8%. They are due to report after the closing bell.

Meanwhile, European shares continued to climb as investors cheered earnings

news. The pan-European Dow Jones Stoxx 600 index advanced 1.9% to settle at 219.79, its ninth consecutive day of gains.

Upbeat earnings reports have been the key driver of the Dow's recent march. While the index snapped a seven-day winning streak on Wednesday, it is up more than 5% this month and has tacked on nearly 1000 points in two weeks.

"The early part of this rally was clearly short covering going into earnings season. The market was big-time held short and with the lack of bad news, the path of least resistance has been up," said Kevin Kruszynski, director of equity trading for KeyBanc Capital Markets. "People have been so trained to buy weakness, but now they're be-

Stock rally

The Dow Jones Industrial Average climbed above 9000 Thursday for the first time since early January



Source: WSJ Market Data Group

ing forced to chase their long ideas."

The Standard & Poor's 500-stock index closed up

2.3%, or 22.22 points, at 976.29.

The rally began early in the trading day after the National Association of Realtors said existing-home sales rose again in June. An exchange-traded fund tracking the S&P 500's homebuilders rose 3.7% following the report. KB Home was up 6.5%, Pulte Homes rose 4.4%, and Toll Brothers was up 5.8%.

A better-than-forecast report on claims for unemployment benefits also added fuel to the rally. The Labor Department said initial jobless claims climbed by 30,000 to 554,000 last week, less than economists, on average, expected. The tally of continuing claims fell by 88,000 to the lowest level since April 11.

Cyclical sectors like tech-
Please turn to page 11

Ford posts profit, but debt remains

By MATTHEW DOLAN AND JEFF BENNETT

Relying on one-time gains, Ford Motor Co. returned to profitability in the second quarter and dramatically slowed its cash burn, but the company remains saddled by massive debt and declining sales.

The auto maker beat Wall Street expectations and reported net income of \$2.3 billion, or 69 cents a share, compared with a loss of \$8.67 billion, or \$3.89 a share, for the same period a year earlier.

Ford used about \$1 billion in cash during the quarter, far less than the \$3.7 billion in the year's first quarter. That left Ford with \$21 billion in gross cash in its automotive operations.

The rate of cash outflow fell largely as a result of limited spending on buyer incentives and increased production at Ford's North American plants.

Ford's profit came mainly from a \$3.4 billion gain it recorded related to debt-restructuring actions in April, when it gave bondholders cash and stock in exchange for debt. Excluding such one-time gains, the company would have narrowed its quarterly loss to \$424 million, compared with a loss of \$1.03 billion a year earlier.

Revenue fell to \$27.2 billion from \$38.6 billion in the

Please turn to page 11

Inside



Historic travel

Look for 'Cultural Route' label for a new way to see Europe
Weekend Journal, page W6

Markets

4 p.m. ET

	CLOSE	PCT CHG
DJIA	9069.29	+2.12
Nasdaq	1973.60	+2.45
DJ Stoxx 600	219.79	+1.92
FTSE 100	4559.80	+1.47
DAX	5247.28	+2.45
CAC 40	3373.72	+2.08
Euro	\$1.4249	+0.30
Nymex crude	\$67.16	+2.69

Please turn to page 11

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THE WALL STREET JOURNAL

LEADING THE NEWS

Mayors, rabbis swept up in corruption probe

U.S. charges 44 in New Jersey area in two investigations

Federal agents swept into New Jersey towns across several counties Thursday morning, charging 44 people including mayors and religious leaders in a federal investigation into public corruption and money laundering.

By Suzanne Sataline, Amir Efrati and Chad Bray

Weysan Dun, special agent in charge of the Federal Bureau of Investigation's Newark, N.J., office, said more than 300 FBI and Internal Revenue Service agents began making arrests and executing search warrants at 6 a.m. Thursday. Those arrested in the corruption probe include Peter Cammarano III, the newly elected Democratic mayor of Hoboken; Dennis Elwell, mayor of Secaucus, also a Democrat; state Assemblyman Daniel Van Pelt, a Republican; and Democrat Leona Beldini, the deputy mayor of Jersey City.

The money-laundering portion of the investigation swept up several rabbis in New York and New Jersey, according to Ralph Marra Jr., acting U.S. attorney for New Jersey.

In all, 29 people were caught up in the probe into public corruption, and 15 were implicated in the investigation into money laundering, including one man in the New York City borough of Brooklyn charged with conspiring to broker the sale of a kidney. Those arrested were expected to be arraigned in court Thursday afternoon.

The case underscores "the pervasive nature of public corruption" in New Jersey, Mr. Marra said. Corrup-

tion among the politicians, he said, was "a way of life."

At the center of the two investigations was a single "cooperating witness," who, directed by the investigators, attempted to bribe officials and engage others in money-laundering schemes.

A person familiar with the matter said the witness is an Orthodox Jewish real-estate developer named Solomon Dwek, a 36-year-old religious-school head and philanthropist from Ocean Township. In 2006, he was arrested and charged with defrauding PNC Bank out of \$25 million. He was forced to seek bankruptcy protection for himself and his companies, which owned about 300 residential and commercial properties.

Mr. Dwek remained free on a \$10 million bond. A lawyer for Mr. Dwek couldn't be reached for comment.

To ensnare most of the defendants, the FBI used Mr. Dwek to attempt to bribe public officials in New Jersey, including several in Hoboken and Jersey City, according to a person familiar with the matter. The probe roped in several other real-estate developers who also wanted to bribe officials.

Mr. Cammarano, a 32-year-old who became Hoboken mayor July 1, allegedly agreed to take \$10,000 in bribes from the cooperating witness in exchange for supporting the developer's future plans in Hoboken, the once-hardscrabble, now gentrified hometown of Frank Sinatra across the river from Manhattan. The alleged bribes occurred during Mr. Cammarano's mayoral campaign earlier this year, according to the FBI's complaint.

Mr. Dwek was also the key to the money-laundering probe, according to the person familiar with the matter. Under the FBI's direction, Mr.



Unidentified men are escorted outside FBI offices in Newark, N.J., Thursday to a waiting bus for transport to a court hearing.

Dwek represented himself as someone who engaged in illegal businesses and schemes including bank fraud, trafficking in counterfeit goods and concealing assets and monies in connection with bankruptcy proceedings.

In 2007, for example, Eliahu Ben Haim, the principal rabbi of Congregation Ohel Yaacob, a synagogue in the shore community of Deal, accepted a \$50,000 check from the cooperating witness, which was drawn from an account held by a fictitious company set up by the FBI "for the purpose of enabling [the cooperating witness] to launder money represented to be the proceeds of illegal activities," according to one criminal complaint. Mr.

Ben Haim was named as a co-conspirator in court documents. The check was made payable to one of Mr. Ben Haim's charitable organizations "with the expectation that the proceeds would be returned to the [cooperating witness] at a later date, minus a ten percent fee to be retained by Co-conspirator Ben Haim."

Besides Mr. Ben Haim, the charged rabbis include Edmond Nahum, the principal rabbi of Deal Synagogue in Deal; Saul Kassin, a rabbi at Shaare Zion Congregation in Brooklyn; Mordchai Fish, a rabbi at another Brooklyn synagogue, Congregation Sheves Achim; and his brother, Lavel Schwartz, also a rabbi.

Women who answered the phones at Ohel Yaacob and Shaare Zion both declined to comment.

The alleged money-laundering operations run by the rabbis laundered about \$3 million for Mr. Dwek since June 2007, according to the court documents and a person familiar with the matter. The rabbis used charitable, nonprofit entities connected to their synagogues to

"wash" money they understood came from criminal activity, prosecutors alleged.

"The rings were international in scope, connected to Deal, N.J., Brooklyn, N.Y., Israel and Switzerland," said Mr. Marra, the U.S. attorney, at a news conference. "They trafficked in the cleaning of dirty money all across the world."

Levy-Izhak Rosenbaum of Brooklyn was charged separately with conspiring to broker the sale of a human kidney for a transplant, at a cost of \$160,000 to the transplant recipient. According to the FBI's complaint, Mr. Rosenbaum said he had been brokering the sale of kidneys for 10 years. Mr. Rosenbaum couldn't be reached for comment.

Ed Kahrer, the supervising FBI agent on the case, said the probe began in July 1999. The investigations using Mr. Dwek began in mid-2007. A confidential informant, independently verified as Mr. Dwek, often wore a wire and was followed by FBI agents who videotaped his encounters with the probe's targets, federal prosecutors said in a statement.

—Steve Russoillo contributed to this article.

INDEX TO BUSINESSES

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

ABB5,18	Bankinter20	China State Construction21	Jiangxi Copper21	Royal Bank of Scotland Group17
ACC.....21	Bank of East Asia22	Engineering21	J.P. Morgan Chase4	Sanofi-Aventis4
Air France-KLM7	BayernLB17	China Vanke21	KB Home1,11	Sberbank18
Alstom7,22	BBMG21	Christie's International27	L.M. Ericsson Telephone7	Scania.....5,18
Altria Group7	Beijing Automotive Industry Holding18	Chrysler Group.....11	Lloyds Banking Group 17	Schneider Electric7,22
Amazon.com1,11	Bharti Airtel21	Commerzbank17	Macquarie Airports21	Shanghai Automotive Industrial8
American Express.....1,11	Boeing9	Comverse Technology .20	Macquarie Group21	Siemens7
Areva.....7,22	Bristol-Myers Squibb1,4,7,11	Credit Suisse Group4,18,28	Magna International ..18	Sinotruk (Hong Kong) 11
Arqiva.....27	British Broadcasting Corp.27	Cross Research6	Mahindra & Mahindra 20	Sony21
AT&T.....1,7,11	BT Group20	Daiichi Sankyo4	MAN11	Ssangyong Motor8
Australia & New Zealand Banking Group17	Cashcade7	Daimler5	Maruti Suzuki21	Starlight Runner Entertainment28
Banco de Sabadell20	Cheung Kong Holdings 21	Deutsche Bank.....4	McDonald's7	Sun Hung Kai Properties21
Bank of China21	China Investment Corp.21	Deutsche Post5	Medarex1,7,11	TNT5
Bank of China (Hong Kong)22	China Life Insurance (Group)21	eBay1,11	Microsoft1,11	Toll Brothers.....1,11
Bank of Communications21,22		Eli Lilly4	Nokia7	Toyota Motor.....21
Bank of New York Mellon.....20		EnCana21	Nortel Networks.....7	Tyco International20
		European Aeronautic Defence & Space7	Northrop Grumman6	U.S. Bancorp17
		FedEx5	Occidental Petroleum.....21	United Parcel Service .5,7
		Fiat19	Och-Ziff Capital Management21	Vale19
		Ford Motor1,11	PartyGaming7	VisaNet21
		GAZ Group18	Philip Morris International7	Volkswagen.1,5,11,18,28
		General Motors...7,11,18	Porsche Automobil Holding18,28	Volvo5
		Goldman Sachs Group .4	Publicis Groupe5	Walt Disney28
		HSB Nordbank17	Pulte Homes1,11	WestLB17
		Hyundai Motor6	Qualcomm5	WPP5
		Independent News & Media7	Raytheon6,9	Xerox6,20
		Intrepid Pictures.....28	Reynolds American7	
		Intuitive Surgical.....1,11	RHJ International18	
		Israel Aerospace Industries9	Rio Tinto19	
			Ripplewood Holdings...18	
			Roche Holding4,18	

INDEX TO PEOPLE

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



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

Andersson, Michael 5	Henderson, Frederick 7	Parthasarathy, Padma 20
Appel, Frank 5	Hogan, Joe 5	Piech, Ferdinand 28
Becker, Konrad 17	Homann, Jochen 18	Pylypchuk, Iryna 19
Booth, Lewis 11	Kittiampon, Ampon 7	Raju, B. Ramalinga 20
Buckley, George 9	Kruszenski, Kevin 1,11	Ramirez, Antonio 20
Burns, Ursula 6	Kuehn, Kurt 7	Rhadigan, Terry 7
Bush, Wes 6	Kuok Hock Nien 21	Rosenberg, Donald 5
Castellano, Barbara 19	Lauvergeon, Anne 22	Rubio, Bobby 28
Chung Tae-hwan 6	Lee Jin-woo 6	Ruskin, Alan 18
Clinton, Hillary 3	Leone, Todd 1,11	Scheller, Richard 4
Collins, Timothy 18	Leung, Steven 21	Schwann, Severin 4
Cook, Dan 18	Lutz, Bob 7	Spiliopoulos 5
Cross, Shannon 6	Ma Chunji 11	Spiliopoulos, Panagiotis 5
Dougan, Brady 4	Macht, Michael 1,11	Sugar, Ronald 6
Evans, Marc D. 28	Mahady, Joseph 4	Suh Sung-moon 6
Fisher, Richard 18	Mogavero, Doreen M. 1,11	Thalappalli, Hari 20
Gomez, Jeff 28	Moore, Jonathan 19	Tschammer, Timo 19
Gretefeld, Tammo 18	Mulally, Alan 11	Tucci, Tom 18
Gurnani, C.P. 20	Mulcahy, Anne 6	Turner, Adair 17
Haerter, Holger 1,11	Nesbitt, Bryan 7	Wajsgras, Dave 6
Hardman, Doug 19	Newman, James 18	Wiedeking, Wendelin 1,11,28
		Willis, Simon 17

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LEADING THE NEWS

France set to open for business—on Sundays

Some fret about effect on Gallic traditions as lawmakers assent

BY DAVID GAUTHIER-VILLARS

PARIS—While most French people may be unenthusiastic Christians, they hold to at least one religious teaching: Sunday is a day of rest.

That's under threat, however, from a controversial pro-work law that will allow more French stores to open Sundays. The law, approved by parliament Thursday, is causing worry over the decline of leisure in the traditional French lifestyle.

"Sunday is sacred," said Marion Schmitt, a 52-year-old saleswoman working at Mangas, a made-to-measure clothing store in Paris. "It's important to spend time with your family."

Loosening Sunday shopping rules is part of President Nicolas Sarkozy's recipe for boosting France's economy. He came to power with the slogan "Work more to earn more," but France, like most other wealthy countries, is now in recession. Unemployment rose to 9.1% in the first quarter, up from 7.6% a year earlier.

Economists say that relaxing all Sunday working rules could help increase the number of retail jobs by between 3% and 10%. Every Sunday of business will yield "an extra day of economic growth" and "additional spending power," Mr. Sarkozy said in a recent speech.

France is one of the last European countries to relax Sunday trading rules. The U.K., which introduced the Sunday break back in the Middle Ages, loosened most restrictions in the mid 1990s. In staunchly Catholic Italy, rules were relaxed more than a decade ago.

Things are more complicated outside the traditionally Christian world. Algerians have taken off Thursdays and Fridays, the traditional Islamic holidays. But with that hindering trade and communication with other countries, the government will recommend that, starting next month, businesses close on Fridays and Saturdays.

In France, plenty of groups are campaigning against the change. Labor unions and the Socialist and Communist opposition parties have accused Mr. Sarkozy of trying to dismantle France's protective labor



Sunday break

The new bill, which was approved by a narrow majority of senators early on Thursday, lifts some restrictions to Sunday openings of stores in major tourist areas as well as in some large cities such as Paris, Marseille and Lille

FRANCE: Sunday is the weekly day of rest. Some exceptions apply to businesses such as restaurants and museums. Under the new bill, stores located in tourist areas or in major cities will be allowed to open on Sundays

SPAIN: Since 2004, regional governments are responsible for setting the number of Sundays when supermarkets can open. In Madrid, authorities have lifted most restrictions

ITALY: Sunday opening rules were loosened more than a decade ago. In December, when holiday shopping is in full swing, shops can stay open. Local governments, especially those in areas with high tourist traffic, can create restriction-free shopping districts or simply grant broad exemptions

U.K.: The country relaxed Sunday opening rules in the mid-1990s. Some restrictions still apply to supermarkets which must close before 6 p.m.

GERMANY: Sunday opening became a state rather than a federal issue in 2006. A coalition of churches and labor unions have managed to uphold the taboo on Sunday trading, but with slowly growing exceptions

U.S.: Most states have long abolished the puritan "blue laws" that banned most business activities on Sundays. Still, alcohol sales or automobile retail are outlawed in some states

laws, which aim to stop corporations from overworking their employees. The Socialist Party said it would refer the bill to France's constitutional court on the ground that it dents workers' rights.

The Catholic Church—while not openly worried about the threat to church attendances—has called for the preservation of the balance between weekdays, devoted to work, and Sundays, devoted to family life, sport or "cultural activities."

Opposition also came from Mr. Sarkozy's ruling party, the UMP. Philippe Meunier, a lawmaker for the Lyon region, said France must steer clear of a consumer society in which life revolves around shopping. On a typical Sunday, he said in a telephone interview, "the wife goes to church and the husband goes to the bistro or to a soccer game."

He lobbied to maintain Sunday shopping restrictions in his constituency to preserve "an essential element of our way of life." In the end,

the Lyon area, one of France's most populated, was removed from the list of regions allowing Sunday open-

ing. In fact, plenty of French people already work Sundays, which became the main day of rest in 1906 fol-

lowing campaigns to give workers a better lifestyle. Some restaurants, tobacconists, museums and stores in tourist areas have been allowed to stay open, and furniture stores have in recent years been able to open on a number of Sundays each year.

In any case, the new law doesn't declare open season for Sunday work. It lifts some restrictions to Sunday openings of stores in major tourist areas as well as in some large cities such as Paris, Marseille and Lille. Sunday work can't be a condition upon hiring nor a reason for dismissal. Complicating matters, the law also introduces a two-tier system: Employees working on Sundays in Paris and other densely populated areas will be entitled to double pay. Those working in other tourist areas won't.

Mr. Sarkozy said that having shops closed on Sundays had become an anomaly in one of the world's top tourist destinations. He complained that he had to intervene last month when U.S. First Lady Michelle Obama wanted to buy children clothes in Paris on a Sunday.

Jean Dionnot, a former boxing champion, founded The Collective of Sunday Friends in 2006 to lobby against relaxing Sunday trading rules. He said he is appalled at the new law. "Now people will spend their Sundays wandering in malls," he said. Still, he isn't working too hard at his campaign. He said he is pausing for a while but will resume his fight in September. "It's the holiday break now," he said.

—Susana Ferreira
contributed to this article.

Rhetoric flies as Clinton seeks support to squeeze North Korea

BY JAMES HOOKWAY

PHUKET, Thailand—As U.S. Secretary of State Hillary Clinton continued to seek support among Asian leaders for a tougher stance against North Korea's weapons ambitions, Pyongyang lashed out at her for comparing the country to a child.

Mrs. Clinton, meeting with Asian leaders at the 10-member Association of Southeast Asian Nations here, said she was "gratified" by how many countries directly expressed their concerns with North Korea, which sent an ambassador to the gathering.

Mrs. Clinton said the U.S. wants North Korea to make an "irreversible" commitment to abandon its nuclear program and is prepared to offer a "comprehensive package" of incentives to coax North Korea back to

the negotiating table.

North Korea fixed its attention on comments Monday by Mrs. Clinton in an interview with ABC News. Mrs. Clinton said of the U.S.'s low-key response to North Korea's missile tests this month, "Maybe it's the mother in me, the experience I've had with small children and teenagers and people who are demanding attention: Don't give it to them."

A spokesman for the North Korean foreign ministry said the country "cannot but regard Mrs. Clinton as a funny lady as she likes to utter such rhetoric, unaware of the elementary etiquette in the international community." He added, "Sometimes she looks like a primary-school girl." The statement marked the first time North Korea has criticized Mrs. Clinton by name.

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CORPORATE NEWS

Roche net falls 29% in 1st half

Genentech takeover costs weigh on results; sales of antiviral Tamiflu show strength

BY ANITA GREIL
AND JEANNE WHALEN

Swiss drug maker Roche Holding AG said the integration of California-based biotech firm Genentech Inc. was going better than expected, allowing the company to boost its profit outlook for the next two years.

While costs related to the takeover of Genentech helped push Roche's profit down 29% in the first half, the drug maker said that cost savings were coming through ahead of plan. Roche also said sales of antiviral drug Tamiflu were growing strongly as governments battle the swine-flu pandemic.

Addressing one of investors' biggest concerns, Chief Executive Severin Schwan said that none of Genentech's top drug-research scientists had quit since Roche took full control of the company this spring. Investors had worried that the takeover by a big pharmaceutical firm could spark an exodus of talent and stifle Genentech's innovative culture.

"The culture is still there," Richard Scheller, head of the company's drug-research group, told a meeting of analysts in London. The group, which remains a somewhat autonomous unit within Roche, is doing its "best to bring new products to market as we would as a standalone company," he said.

Because cost savings from the integration of Genentech came through earlier than expected, Roche said it now expects core earnings per share to rise at a double-digit pace this year and next. It had



Roche CEO Severin Schwan, right, said the takeover of Genentech hasn't led to an exodus of scientists from the biotech firm.

previously forecast no change in core earnings per share. The company also lifted its sales outlook, saying it now expects growth of close to 10% in 2009, compared with a previous forecast of mid-single-digit growth.

Total sales in the first half rose 9.1% to 24 billion francs from 22 billion francs, boosted by cancer drugs and increased sales of Tamiflu, which many governments are stockpiling for use against swine flu. Tamiflu sales in the first half trebled to 1.01 billion francs. For the full year,

Roche expects sales of Tamiflu to reach 2 billion francs.

Roche's net profit in the first half fell to 3.47 billion Swiss francs (\$3.25 billion) from 4.82 billion francs a year earlier, weighed down by costs related to the \$47 billion Genentech takeover. Roche doesn't report quarterly earnings.

In an interview, Mr. Schwan said Roche was keenly focused on debate in the U.S. Congress about the conditions for allowing generic copies of biological drugs, which are made out of living cells instead of simple

chemicals. Roche and other large biotech companies want the rules for such copies to be tough, while generic drug makers are pushing for looser rules. The harder it is for generic companies to copy biological drugs, the better Roche's products, and profits, will be protected.

The legislation making its way through Congress "is crucial for the longterm prospects of the company," Mr. Schwan said, noting that the company is lobbying lawmakers through the biotech-industry association and on its own.

Risk-cutting pays for Credit Suisse; 29% rise in profit

BY KATHARINA BART

ZURICH—Credit Suisse Group, emerging from the global financial crisis as one of Europe's strongest banks, said Thursday that its second-quarter net profit rose 29% on a healthy showing from its investment bank, though it cautioned that banks will continue to be hampered by "uneven business conditions."

The bank followed U.S. rivals such as Goldman Sachs Group Inc. in posting buoyant investment-banking earnings for the quarter. But the Swiss bank was able to do so even as it cut risk and trading, which analysts say makes it more likely than the U.S. banks to persist with favorable results in coming quarters.

Credit Suisse's net rose to 1.57 billion Swiss francs (\$1.47 billion) from 1.22 billion francs a year ago. By providing a repeat of last quarter's solid showing, Credit Suisse allayed fears that its investment bank wouldn't post as healthy a profit after stepping back from riskier activities.

Instead, Credit Suisse said it focused on client business and "flow," or more traditional activities of buying and selling securities and offering relatively standardized products, as opposed to trading on an investment bank's own book or custom-made products.

Credit Suisse also has less to fear from potential loan defaults and other dangers such as credit-card

losses, relying instead on its flagship private bank and the potential for turnaround at its asset-management unit for profits.

The bank has gained market share as some rivals struggle with capital and other concerns. UBS AG has largely exited from some activities as it scales back its own investment bank, leaving more business for remaining banks.

With solid results, Credit Suisse puts pressure on German rival Deutsche Bank AG, which is set to report for the quarter Tuesday. UBS, which reports Aug. 4, already has warned investors to expect a net loss.

Looking ahead, Credit Suisse said it was confident that its capital was strong enough and its business diversified enough to weather what it sees as more turbulence.

"We expect the global economic environment to remain challenging and uneven business conditions to persist," Chief Executive Brady Dougan said. Those include higher credit provisions as some economies weaken, he said.

To be sure, most capital-rich investment banks didn't find it difficult to make money during the second quarter, which saw a 10% rise in the Dow Jones Industrial Average and a 15% rise in Standard & Poor's 500-stock index. But many did so by lifting risk and making more trading bets. J.P. Morgan Chase & Co., which posted a 36% rise in quarterly profit, saw a surge in value at risk, a measure of potential losses widely used by analysts, and risk-weighted assets on the year.

At Credit Suisse's investment bank, both risk-weighted assets and VAR dropped.



Brady Dougan

Bristol-Myers, Wyeth record higher profits

BY PETER LOFTUS

U.S. drug makers Bristol-Myers Squibb Co. and Wyeth on Thursday reported higher second-quarter earnings, helped by cost cuts and rising sales of top products.

Both companies faced headwinds from unfavorable currency-exchange rates, the weak economy and competition from cheaper generic drugs. But, like some other drug makers this week, Wyeth and Bristol reported higher-than-expected earnings and boosted their financial forecasts for the year.

The companies, however, are pursuing different paths. Wyeth, of Madison, N.J., has agreed to be acquired by Pfizer Inc. in a \$68 billion deal expected to close by the end of the year.

New York-based Bristol has remained independent and late Wednesday announced the \$2.1 billion purchase of cancer-drug developer Medarex Inc. The acquisition is designed to bolster Bristol's biotech-drug portfolio and to help the company prepare for the loss of U.S. market exclusivity for its top-selling drug, the blood thinner Plavix.

For the second quarter, Bristol said earnings rose 29% to \$983 million, or 49 cents a share, from \$764 million, or 38 cents a share, a year earlier. The latest quarter included charges for Bristol's ongoing cost-cutting program and other items; ex-

cluding these, earnings would have been 56 cents a share, well above the 47-cent mean estimate of analysts surveyed by Thomson Reuters.

Bristol's sales rose 3.5% to \$5.38 billion. Unfavorable currency rates reduced sales growth by about five percentage points. Bristol's biggest unit, biopharmaceuticals, had 4% sales growth, while sales for the Mead Johnson Nutrition Co. unit declined 1%.

Sales of Plavix, which Bristol co-markets with Sanofi-Aventis SA, of France, rose 11% to \$1.54 billion. Plavix sales could soon take a hit because Eli Lilly & Co. and Daiichi Sankyo Co. are about to launch a competing drug, Effient, in the U.S. and Bristol and Sanofi are due to lose U.S. patent protection in 2012.

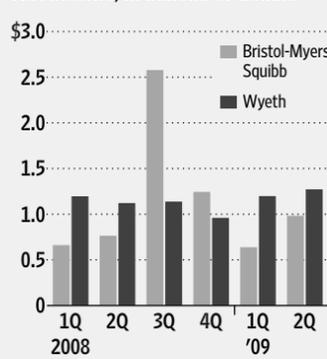
Sales of Bristol's antipsychotic drug Abilify rose 22% to \$643 million, while the HIV drug Sustiva had an 11% increase to \$312 million. Sales declined for the hypertension drugs Avapro and Avalide, and for the cancer drug Erbitux.

Bristol raised its 2009 earnings-forecast range, excluding one-time items, to \$1.95 to \$2.05 a share from \$1.85 to \$2 a share. The Medarex deal is expected to reduce earnings by two cents to three cents a share this year.

Wyeth had second-quarter profit of \$1.27 billion, or 94 cents a share, versus \$1.12 billion, or 83 cents a share, a year earlier. The lat-

The drug makers

Net income, in billions of dollars



Source: the companies

est quarter included charges of \$52 million, or four cents a share, related to a cost-cutting program and merger expenses. Excluding these, earnings would have been 98 cents a share, compared with the 85-cent mean estimate of analysts surveyed by Thomson Reuters.

Wyeth's sales declined 4.2% to \$5.7 billion, hurt by unfavorable exchange rates.

Sales of the blockbuster antidepressant Effexor fell 25% to \$772 million, a decline Wyeth attributed to increased generic competition outside the U.S. Sales of the antibiotic Zosyn and the hormone therapy Premarin also declined.

But sales of Prevnar, a vaccine

CORPORATE NEWS

Deutsche Post net drops

Revenue slides 18%, but firm says volume may have hit bottom

BY HILDE ARENDS

FRANKFURT—Deutsche Post AG reported a 71% drop in net profit for the second quarter but said shipping volumes may have reached bottom.

Net profit fell to €66 million (\$93.8 million) from €231 million a year earlier, said the Bonn-based company, which competes with TNT NV, FedEx Corp. and United Parcel Service Inc. The drop was mainly because of higher costs in the mail division as well as low shipping volumes and low fuel surcharges in the freight division.

Revenue slid 18% to €11.07 billion from €13.44 billion, as the mail and logistics sectors have come under heavy pressure from falling shipping volumes.

While the company noted that “volume declines may have seen the bottom,” it said it doesn’t believe world trade will make a substantial recovery in coming months.

Deutsche Post nevertheless expects to turn a profit for the year, helped in part by its deal reached earlier this year to sell its stake in Deutsche Postbank AG to Deutsche



Frank Appel, chairman of the executive board of Deutsche Post, center, at news conference in Bonn, Germany, on Thursday. The firm’s quarterly profit fell 71%.

Bank AG. In 2008, the company posted a net loss of €1.69 billion.

Deutsche Post now expects to hit its €1 billion cost-savings goal in the second quarter of 2010, ahead of previous expectations for the end of 2010.

In Frankfurt, Deutsche Post shares rose 4% to €10.37.

Reacting to a sharp downturn in the shipping industry, Deutsche Post in May stepped up its wide-ranging restructuring program to cut costs, in-

cluding extending working hours and postponing wage increases as well as scrapping organization levels, in an effort to adjust capacity to demand.

“Our first-half figures prove that our vigorous cost-cutting efforts are having a tangible impact throughout the group and we cannot let up now,” Chief Executive Frank Appel said.

—Kirsten Bienk contributed to this article.

Scania swings to a loss as truck demand ebbs

BY OLA KINNANDER

STOCKHOLM—Scania AB on Thursday swung to an unexpected second-quarter net loss as demand for trucks continued to weaken, and said it sees no recovery in the near term.

The Swedish truck maker, majority-owned by Volkswagen AG, reported a net loss of 150 million Swedish kronor (\$213.2 million) for the three months ended June 30, compared with a net profit of 3.04 billion kronor in the year-earlier period.

Revenue fell 40% to 14.43 billion kronor from 23.89 billion kronor.

Operating profit was virtually wiped out, plunging to 17 million kronor from 4.03 billion kronor and missing expectations of 552 million kronor.

The results disappointed investors, and Scania shares were down 2.4%.

Evli Bank analyst Michael Andersson said analysts “maybe ... were a bit too optimistic because of the good first quarter.” He added it was “no catastrophe” for Scania to essentially break even at the operating level in the current market environment, especially when compared to Swedish rival AB Volvo, which has racked up 11.16 billion kronor in net losses over the past three quarters.

The global economic downturn has put the brakes on demand for heavy vehicles, and as a result, truck makers such as Scania, Volvo and Daimler AG have trimmed back costs as well as production.

Scania’s orders for trucks and buses dropped 52% to 8,223 vehicles

in the second quarter from a year earlier, though the number rose from the 6,061 orders it booked in the first quarter.

“During the seasonally weak third quarter, Scania foresees a continued low level of demand,” the truck maker said.

Scania has taken a different approach than Volvo in cutting workforce costs. While Volvo has given notice to more than 20,000 workers since last autumn, Scania has kept most of its permanent staff and shortened their working hours instead.

In May, Scania introduced a four-day workweek for about 12,000 employees in Sweden, reducing their pay by 10%. The move should save 300 million kronor through December, when the deal with unions expires.

Additionally, about 3,900 workers have left Scania since September, but most of those had temporary contracts or were retiring. The company had 32,623 employees as of the end of June.

Mr. Andersson said Scania’s approach was admirable as it managed to keep almost all of its regular work force while also trimming costs quickly.

Over the next year or so, the key to Scania’s fortunes will be the extent to which the European market recovered, he said. “There’s still too many new trucks out in Europe,” he said. “For sure, there won’t be a European recovery this year. The question is, what will happen next year? If there is a bounce back then I’m afraid it will be very small.”

Profit at Publicis shrinks 13%

BY RUTH BENDER AND MAX COLCHESTER

PARIS—Revenue at French advertising company Publicis Groupe SA dropped in the second quarter as clients tightened their ad budgets, and net profit for the first half of the year fell 13%.

Chief Executive Maurice Lévy said Thursday, however, that the global ad market should bottom out in August, making him the first head of a major advertising holding company to call the end of the downturn in ad spending.

Revenue at Publicis, which owns London-based Saatchi & Saatchi and a host of other ad agencies, fell to €1.1 billion (\$1.56 billion) in the quarter, down 2.7% from a year earlier. The sharpest declines in revenue came in Southern Europe. Underlying revenue, which takes into account acquisitions, disposals and currency movements, fell 8.6% in the quarter.

Net profit for the first six months of the year fell to €167 million from €192 million a year earlier. The company didn’t break out

profit for the second quarter alone.

Publicis is suffering from a slump in global ad spending. Such spending is forecast to drop 8.5% this year, according to ZenithOptimedia, a unit of Publicis.

But Mr. Lévy forecasts that business will pick up in September boosted by digital-ad sales and a growing demand from clients in the health-care industry. Publicis’s revenue should decline less in the third quarter than they did in the second—and they should start increasing by mid-2010, Mr. Lévy said.

“The ad market is gloomy but for us it is less so,” Mr. Lévy said in an interview.

Mr. Lévy’s optimism is unusual in the ad industry. Martin Sorrell, chief executive of rival WPP PLC is more guarded. “Compared to three months ago, confidence among executives has improved,” Mr. Sorrell said in an interview in Cannes last month. “But this doesn’t yet translate into them signing checks.”

Mr. Lévy said Publicis benefited from its range of clients. While sectors like the auto industry have suf-

fered during the recession and cut ad spending, others such as telecoms and retail have resisted better. These more-resilient sectors were continuing to spend on ads, helping to offset lost business in other industries.

“We have a well-balanced portfolio of clients,” Mr. Lévy said. “There is nothing wrong with having a little luck with one’s choices. It seems that our strategic decisions are paying off.”

Publicis signed new contracts worth \$3.2 billion in the first six months of the year and the company is set to see returns on these early next year, Mr. Lévy said.

In anticipation of a rebound, Mr. Lévy is eyeing acquisitions, and said he would be interested in buying Microsoft’s digital-ad agency Razorfish if it was for up sale. “It would be nice to have,” he said.

Publicis’s stock has gained about 20% since the start of the year. Analysts believe the group is more resilient to the downturn than smaller rivals, thanks to its stronger negotiating power on large accounts.

South Korea fining Qualcomm

BY DON CLARK AND JUNG-AH LEE

South Korea’s antitrust agency said it would fine Qualcomm Inc. 260 billion won, or about \$208 million, after concluding that the U.S. company abused its dominant position in selling chips to cellphone makers in the country.

The fine is the largest ever levied by the South Korea Fair Trade Commission against a single company. Qualcomm said it would appeal.

Qualcomm popularized a major strain of cellular technology known

as CDMA, or code division multiple access. Besides selling chips, the company charges patent royalties to cellphone makers that use CDMA, as well as third-generation networks such as WCDMA that use related technologies.

South Korea in the 1990s became one of few countries to standardize on CDMA.

The Korean antitrust agency, after a three-year investigation, found that Qualcomm exploited its patent position to discourage handset makers from buying chips from rivals. “Qualcomm imposed higher royalties

on handset makers that use modem chips provided by its rival companies,” the KFTC said in a statement.

Donald Rosenberg, Qualcomm’s general counsel, said the agency improperly characterized legitimate discounts for customers who use its chips as a penalty on those that don’t. Qualcomm offered contract terms that were demanded by customers and contained in model government contracts, he said.

The agency ruled against other aspects of Qualcomm’s rebate and discounting programs regarding CDMA products, Mr. Rosenberg said.

Engineer ABB’s profit sinks 31% as orders slow

BY GORAN MIJUK

ZURICH—ABB Ltd. on Thursday reported a 31% drop in second-quarter profit and an even steeper decline in orders, hurt by slowing demand in emerging markets, price erosion and a stronger U.S. dollar.

The Swiss electrical engineer said warned that business will remain tough over the next few months.

Net profit fell to \$675 million in the second quarter from \$975 million a year earlier as revenue declined 12% to \$7.92 billion from \$9.03 billion. ABB blamed the decline on slowing demand in markets such as Asia and the Middle East and the strengthening of the dollar, which reduced the company’s income when converted from other currencies.

Orders fell 35% to \$7.01 billion from \$11.27 billion a year earlier as orders from emerging markets declined. India, China and the Middle East had provided ABB with solid growth during the past few quarters, balancing the demand drop in Europe and the U.S.

The company nevertheless remained confident of reaching its mid-term targets. It said it saw growth opportunities in areas such as renewable energy, and said it would boost growth through acquisitions.

Chief Executive Joe Hogan said the company would pursue “bolt-on buys” when synergies and growth prospects would allow. ABB recently took over a smaller company in Italy. Analysts, how-

ever, don’t expect the company to seek large acquisitions.

ABB, which last year launched a program to save as much as \$2 billion in costs by 2010, said the outlook remained dim as the recession has made project funding more difficult and as government stimulus packages still need time to take hold.

The company, however, stuck to its medium-term targets saying it still expects to increase sales by as much as 11% annually from 2007 to 2011. The operating-profit margin should stand between 11% and 16%. In the second quarter, the operating margin reached 13%, down from 16% a year earlier.

“The economic environment remains challenging,” Mr. Hogan said. “While we’ll continue to focus on adjusting costs quickly, we also aim to take advantage of [growth] opportunities to extend our market leadership.” Among areas of growth Mr. Hogan mentioned was the renewable-energy market.

“Order development is weak and that means that sales will drop fast in the third and fourth quarter, and that business will remain difficult in 2010,” said Bank Vontobel analyst Panagiotis Spiliopoulos. “Still, thanks to its strong balance sheet, ABB is in a very good position to weather the current crisis.”

Mr. Spiliopoulos noted that ABB’s cash pile of around \$5.6 billion will provide it with enough room to bridge any liquidity shortage and give it ammunition for small and midsize acquisitions.

CORPORATE NEWS

Northrop and Raytheon say defense work is solid

BY AUGUST COLE

Northrop Grumman Corp. and Raytheon Co. on Thursday said their business was robust despite the Pentagon's effort to shake up defense spending by cutting back on some high-profile weapons programs.

Executives said that though the U.S. Congress is still working through the 2010 Defense Department budget, they have been able to escape largely unscathed and will make up for any hits to their order books with new work, particularly in missile defense. The Pentagon is in the process of reorienting the military away from many of the high-tech and sophisticated weapons and planes that were geared to fighting conventional forces. Instead, it is trying to better equip the military for counterinsurgency conflicts, such as those in Iraq and Afghanistan.

Northrop said second-quarter profit fell 20% as pension expenses rose and the company's shipbuilding operations dragged down results despite stronger sales of unmanned aircraft and work on other airplanes.

For the second quarter, Los Angeles-based Northrop reported earnings of \$394 million, or \$1.21 a share, down from \$495 million, or \$1.44 a share. Pension expenses resulted in a \$49-million, or 15-cents-a-share, impact on profits.

Revenue increased 3.8% to \$8.96 billion.

The company builds many of the kinds of weapons and ships the Pentagon now wants to prioritize, such as unmanned aerial vehicles like the Global Hawk. It is also a big player in the growing business of cyber warfare. However, the company is still struggling with its Gulf Coast shipyards. Northrop took a charge of \$105 million, or 21 cents a share, in the quarter because production problems are raising the costs of some of the company's warships.

To get a handle on the problems, Northrop has shuffled management and is stepping up quality control of wiring and piping work, Northrop President and Chief Operating Officer Wes Bush told investors during a conference call. The company sees "the actions that we've taken here in the first two quarters as a big step forward in driving investors' confidence," Mr. Bush said.

Northrop's order book was reduced by \$5.1 billion in the quarter when a missile-defense program called Kinetic Energy Interceptor was terminated by U.S. Defense Secretary Robert Gates. But the company also had \$7.5 billion in bookings during the quarter.

In an interview, Northrop Chairman and Chief Executive Ronald Sugar said the company is well positioned for the shifting Pentagon priorities and the country's strategic outlook well into the future.

Raytheon, also involved in the KEI program, said its backlog was cut by \$2.4 billion because of the cancellation, but that it had \$7.6 billion in new orders during the quarter.

Raytheon and Northrop executives both said their technologies will continue to play a frontline role as missile-defense priorities shift.

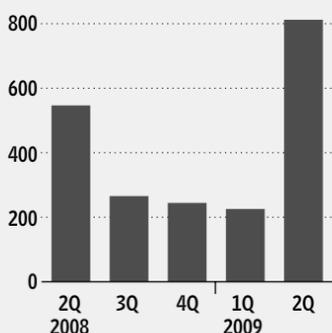
Waltham, Mass.-based Raytheon reported second-quarter earnings of \$489 million, or \$1.23 a share, up 15% from \$426 million, or 99 cents a share, last year.

The company, which makes Patriot antimissile systems, reported revenue rose 4.3% to \$6.13 billion. Raytheon also raised its financial guidance for the year, as well, as the company's military training business continues to grow.

"The priorities that are in the [2010] budget bode well for Raytheon," particularly battlefield intelligence-surveillance systems, Chief Financial Officer Dave Wajsgras said in an interview.

Hyundai Motor

Net profit, in billions of won



Source: the company



Models pose with Hyundai Motor's first hybrid electric vehicle, the Avante LPI, during its unveiling ceremony in Gyeongju, South Korea, earlier this month

Hyundai profit gains 48%

Auto maker reports record earnings, boosted by affiliates

BY KYONG-AE CHOI

SEOUL—Hyundai Motor Co. said net profit rose 48% to a record in the second quarter, aided by shareholding gains from affiliates in China and India and tax incentives that boosted domestic sales.

The company, South Korea's largest car maker by sales, said net profit for the three months ended June 30 jumped to 811.9 billion won (\$648.7 million) from 546.9 billion won a year earlier.

"Despite a sharp decline in global vehicle demand amid the economic recession, Hyundai posted strong results with differentiated marketing efforts and fuel-efficient cars," Chung Tae-hwan, senior executive vice president and chief financial officer, said at an investor relations session.

In the second half, Hyundai will try to boost sales by launching new models and focusing on rap-

idly growing emerging markets, he said.

Hyundai's shares fell 3% to 81,700 won in Seoul, compared with a 0.2% increase in the benchmark index. "Investors seem to have taken such a good result as an excuse to lock in profits after the stock rose sharply in the short term on earnings expectations," said Lee Jin-woo at Mirae Asset Securities.

Operating profit fell 0.8% to 657.3 billion won from 662.5 billion won a year earlier due to higher marketing costs and lower exports amid a global recession. The export slump also dragged sales down 11% to 8.08 trillion won from 9.107 trillion won.

The operating profit margin for the April-June quarter stood at 8.1%, up sharply from 2.5% a quarter earlier, Hyundai said.

However, the margin is likely to shrink in the third quarter, said Suh Sung-moon at Korea Investment & Securities. He forecast that the operating profit margin will narrow to 5.9% in the third quarter before recovering to 7.2% in the fourth quarter.

Earnings in the third quarter

are likely to be weighed down by a continued export slump, as well as the ending in June of special excise taxes for new car purchases in South Korea, he said.

"But, Hyundai will likely get a hefty boost from its new models such as the compact Tucson SUV and the midsize YF Sonata sedan in the fourth quarter," Mr. Suh said. The two models are due to be launched in the second half.

Exports fell 29% year-to-year to 217,725 units in the second quarter, while domestic sales rose 16% to 185,387 units, Hyundai said.

Hyundai's second-quarter net profit jumped from 225 billion won in the first quarter, with operating profit also soaring from 153.8 billion won and sales up 34% from 6.032 trillion won. The strong results were largely because of stimulus measures designed to reinvigorate demand for cars amid the recession.

The government introduced tax incentives for new car purchases from May 1 to Dec. 31. The tax breaks helped buoy Hyundai's May domestic sales by 15% year-to-year to 63,718 units and June sales by 55% to 74,685 units.

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Xerox earnings decline 35% as printing demand slips

BY WILLIAM M. BULKELEY

Xerox Corp. said Thursday that cost cutting helped stem its second-quarter profit decline, but the copy-machine maker scaled back third-quarter expectations.

"We continue to face challenges from the decline in enterprise spending on technology," said Ursula Burns, who succeeded Anne Mulcahy as chief executive July 1.

She said Xerox, of Norwalk, Conn., saw particular weakness in developing markets, especially Russia, where credit constraints are "creating a huge burden for business." Xerox's developing-markets revenue fell 34%.

The company's shares, however, rose 11% to \$7.77 in afternoon trading on the New York Stock Exchange Thursday as Xerox's cash flow and debt-reduction effort heartened investors.

Ms. Burns said the printing of color pages rose, but the bigger business of black-and-white pages declined. She noted that the weak economy is cutting demand for black-and-white pages, like printing insurance and training materials for newly hired workers and producing mortgage and financing documents.

Xerox maintained its previous forecast that full year profit will be between 50 cents and 55 cents a share, down from \$1.10 a share a year ago. For the third quarter, it expects earnings of 10 cents to 12 cents a share; analysts were expecting 13 cents. The company, which has long-term debt of \$6.7 billion, plans to reduce its debt by \$1 billion over the course of the year.

Shannon Cross of Cross Research said, "It was quite a good quarter in a very challenging environment. Their cash flow was great." She said the declines in Xerox's business are comparable to those reported by other technology firms.

Xerox said earnings for the quarter fell 35% to \$140 million, or 16 cents a share, from \$215 million, or 24 cents a share, a year earlier. Revenue declined 18% to \$3.73 billion.

The revenue decline was led by a 29% drop in equipment sales. Xerox said it hasn't seen any decline in the total number of machines in print shops and offices, but some customers are lengthening their leases rather than replacing machines.

Xerox benefited from cost reductions, including 2,400 job cuts since the beginning of the year, leaving it with 54,700 workers.

CORPORATE NEWS



McDonald's has been marketing higher-priced products in the U.S., including its McCafé coffee drinks and Angus burger.

McDonald's profit slips as consumers stay home

Low-price menu lifts same-store sales; McCafé tops forecasts

BY JULIE JARGON
AND PAUL ZIOBRO

McDonald's Corp. is beginning to feel the economy's pinch as consumers continue to lose jobs and cook more meals at home.

The burger giant reported second-quarter profit of \$1.09 billion, or 98 cents a share, including a one-cent benefit from an asset sale, down from \$1.19 billion, or 1.04 a share, a year earlier. Revenue decreased 7% to \$5.65 billion, though it was up 4% on a constant-currency basis. Analysts had been looking for earnings of 97 cents a share on \$5.72 billion in sales.

According to analysts, McDonald's June same-store sales came in below expectations, with global same-store sales up just 2.6% last month, including a 1.8% rise in the U.S. As recently as April, global same-store sales were up nearly 7%.

Still, McDonald's has continued to post positive same-store sales at a time when many chains are reporting flat or negative same-store sales. The NPD Group, a market research firm, on Monday said that industrywide restaurant traffic in the spring quarter ending in May declined 2.6%, compared with the year-

ago period—the sharpest decline since 1981.

McDonald's has been rolling out and marketing higher-priced products, including a national ad campaign for its McCafé specialty coffee drinks and the launch of a \$4 Angus burger. McDonald's doesn't break out sales of the drinks, but President and Chief Operating Officer Ralph Alvarez told analysts that McCafé sales are exceeding expectations and adding to margins.

In recent a survey of 35 franchisees conducted by independent analyst Mark Kalinowski, several operators questioned how much the espresso-based mochas and lattes are contributing to sales. "McDonald's Corp. does not give us real numbers of unit sales results. They mix in iced coffee, hot chocolate and units given away so we don't know how other stores or markets are doing," one said.

Some franchisees also have voiced concern over how well equipped the stores are to handle complicated coffee orders.

Elizabeth Czupta, a 21-year-old student who stopped by a downtown Chicago McDonald's, said, "They really didn't understand what I was asking when I ordered non-fat milk and sugar-free syrup." But a friend, Samantha Frontera, 22, adds: "We like McDonalds more because it is cheaper and tastes exactly the same as Starbucks."

—Carrie Porter
contributed to this article.

GM picks top car designer to manage its Cadillac brand

BY JOHN D. STOLL

DETROIT—General Motors Co. is set to name noted vehicle designer Bryan Nesbitt as head of its Cadillac unit, a move that could herald a significant change in the way the auto maker manages its brands.

Mr. Nesbitt, currently GM's North American design chief, is credited with designing Chrysler's retro PT Cruiser, as well as Chevrolet's HHR. The 40-year-old executive is closely associated with GM Vice Chairman Bob Lutz. He will take the helm at Cadillac on Aug. 1, said GM spokesman Terry Rhadigan.

The appointment of Mr. Nesbitt, who is reputed to be a charismatic leader, is one of several manage-

ment changes GM Chief Executive Frederick "Fritz" Henderson will make at the beginning of the month.

In recent years, most of GM's brand chiefs have come from a sales and marketing background. But Mr. Lutz, who was recently appointed head of GM's marketing operations, is looking to more closely integrate marketing and product development.

Meanwhile, the U.S. Treasury and Canadian officials are close to naming five new members to GM's board, according to several people involved in the matter. The appointments will be a key part of an attempt by the two governments to reshape GM's board following a \$60 billion bailout of the company and GM's recent stay in bankruptcy court.

GLOBAL BUSINESS BRIEFS

Air France-KLM SA

Revenue falls, but carrier expects improved business

Air France-KLM SA on Thursday reported a 21% drop in fiscal first-quarter revenue, but said that it expects business to improve in the second quarter. The Franco-Dutch airline said the situation could stabilize to the point where fiscal second-half revenue may improve slightly from the year-earlier period. Its revenue dropped to €5.19 billion (\$7.38 billion) in its first quarter ended June 30, as the global economic crisis tightened its grip on airline markets. The company said revenue in its passenger business fell 19% to €4.01 billion, on a 5% drop in capacity and a 6% drop in traffic. It added that its cargo business was particularly hurt by the crisis, with revenue plunging 42% to €544 million, with a decline in cargo traffic of 23% and a 17% reduction in capacity.

United Parcel Service Inc.

United Parcel Service Inc.'s second-quarter income fell 49% on continued weak demand, with the shipping bellwether warning that conditions have yet to improve substantially and forecasting discouraging third-quarter results. Chief Financial Officer Kurt Kuehn said the broad economy isn't getting "dramatically worse," but he noted that UPS remains "cautious" on its outlook. The package-delivery company projected third-quarter earnings of 45 cents to 55 cents a share. UPS said it expects average daily domestic package volumes to be down about 4.6% in the third quarter. UPS posted second-quarter income of \$445 million, or 44 cents a share, down from \$873 million, or 85 cents a share, a year earlier. Revenue decreased 17% to \$10.83 billion.

Telenor ASA

Norwegian telecommunications operator Telenor ASA said impairment charges triggered a 61% drop in second-quarter net profit, even though sales rose 3.3%. Net profit fell to 1.38 billion Norwegian kroner (\$219 million) from 3.54 billion kroner a year earlier, as Telenor wrote down 1.97 billion kroner in goodwill at Telenor Serbia. Sales, meanwhile, increased to 24.51 billion kroner from 23.72 billion kroner. "Grameenphone in Bangladesh and Mobile Norway are delivering a particularly strong quarter, both in terms of revenue growth and margins," said Telenor, which operates in 13 countries across Europe and Asia. The company cut its outlook for capital expenditure as a proportion of revenue to between 13% and 15% from 15% to 17%.

AT&T Inc.

AT&T Inc.'s second-quarter profit fell 15% as more customers decided to cut their phone cords, with many of them opting to go solely with a cellphone. The telecommunications giant said consumers disconnect 3.3 million landlines in the quarter. But it added 1.4 million wireless subscribers, two-thirds of whom signed up for an iPhone. Dallas-based AT&T posted income of \$3.2 billion, or 54 cents a share, for the second quarter, down from \$3.77 billion a year earlier. Results included five cents a share in increased pension expenses. Revenue slipped 0.4% to \$30.73 billion. Profit in the company's traditional wireline business fell 28% as revenue slipped 6.1%. AT&T's wireless business managed to post a 2.7% profit increase on a 10% gain in revenue.

Philip Morris International

The stronger dollar weighed on Philip Morris International Inc.'s second-quarter results. The cigarette maker's profit fell 8.6% amid a previously disclosed charge to help fight Colombian counterfeiting. But the Altria Group Inc. spinoff showed improved performance in the European Union and Japan, markets that have been under pressure from smoking bans and higher taxes. PMI's revenue excluding excise taxes fell 8.6% to \$6.13 billion. PMI, which operates only outside the U.S., reported earnings of \$1.55 billion, or 79 cents a share, down from \$1.69 billion, or 80 cents a share, a year earlier. PMI raised its full-year earnings target to \$3.10 to \$3.20 a share from \$2.85 to \$3 a share, as the company cut the effects from currency-exchange rates to 55 cents a share from 80 cents a share. Rival Reynolds American Inc., meanwhile, posted a 3.6% increase in second-quarter profit on higher margins, which helped offset a decline in volume at its R.J. Reynolds Tobacco division.

Bristol-Myers Squibb Co.

Bristol-Myers Squibb Co. said late Wednesday it agreed to buy partner Medarex Inc. in a \$2.1 billion deal that will give the drug giant full access to a promising cancer treatment. Bristol-Myers will pay \$16 in cash for each share of Princeton, N.J.-based Medarex, for a total of about \$2.4 billion. After adjusting for the roughly \$300 million on Medarex's books, the deal value comes to \$2.1 billion. The purchase price, which has been agreed on by the boards of both companies, represents a premium of more than 90% to Medarex's closing price on Wednesday of \$8.40. The deal comes as Bristol-Myers pursues a strategy of shedding non-pharmaceutical assets such as medical-imaging units and using the proceeds and its cash to build out its pipeline and product portfolio.

Thai Airways International PCL

Thai Airways International PCL said Thursday it negotiated with Airbus to delay the delivery of six A380 superjumbos to December 2012 from late 2010, a reflection of the weak airline business. "We want to postpone the delivery as far as possible to reflect the current market conditions," Chairman Ampon Kittiampon said after the airline's board meeting. "We have agreed with Airbus for the delay," he said, adding the first A380 would replace a Boeing 747 plane, which would be decommissioned in 2012. Airbus is a unit of European Aeronautic Defence & Space Co.

L.M. Ericsson Telephone Co.

Swedish telecommunications-equipment vendor L.M. Ericsson Telephone Co. said it will bid for rival Nortel Networks Corp.'s wireless-network assets in an auction Friday. Ericsson is set to compete in the bid process against Nokia Siemens Networks, a joint venture between Finland's Nokia Corp. and Germany's Siemens AG, which has previously placed agreed to pay \$650 million for Toronto-based Nortel's unit. An affiliate of Matlin-Patterson Global Opportunities Partners III LP, which is among Nortel's largest bondholders, on Tuesday bid \$725 million. An Ericsson spokeswoman declined to say what price the Stockholm-based company was prepared to pay for the assets. The bids are part of the bankruptcy court's process to see whether the assets can fetch a higher price.

PartyGaming PLC

PartyGaming PLC said Thursday it bought Cashcade Ltd. for as much as £95.9 million (\$157.9 million), raising its share of the \$1.5 billion global online-bingo market. The deal was the online-gambling company's first since its settlement with authorities in the U.S. over its defunct operations there. Gibraltar-based PartyGaming will initially pay £71.9 million for the London-based bingo and casino operator Cashcade, and up to a further £24 million subject to Cashcade's future profit performance. Cashcade was partially owned by debt-laden newspaper publisher Independent News & Media PLC, which said it will receive €15.3 million (\$21.7 million) for its 18.1% stake, and private individuals. Cashcade's Web sites include Foxy Bingo and Bingo Scotland. Cashcade's earnings before interest, tax, depreciation and amortization more than doubled to £12.2 million in 2008 from £4.9 million a year earlier.

Lagardère SCA

French media company Lagardère SCA Thursday reported a 2.2% drop in first-half revenue as advertising sales at its press and broadcasting division fell and remained difficult to forecast. The company confirmed its 2009 guidance of an operating profit, excluding the press and broadcasting activities, that would be at best flat on the same period the year earlier and at worst fall 10%. Lagardère's diverse pool of activities includes magazines, such as Elle, book publishing, airport duty-free stores and sports rights and marketing. Group revenue for the six months ended June 30 fell to €3.72 billion (\$5.30 billion) from €3.80 billion a year earlier. Strong sales at the group's publishing division, up 11% to €1.01 billion, driven in part by the continued success of Stephenie Meyer's Twilight series of novels, offset some of the declines at Lagardère Active, where revenue fell 18% to €831.2 million.

Areva SA

French power and transport-engineering company Alstom SA and electrical-equipment maker Schneider Electric SA said Thursday they are considering a joint bid for nuclear group Areva SA's transmission and distribution unit. The two companies said they would create a common structure that would then bid for Areva T&D and, if accepted, transfer the transmission activities to Alstom and the distribution activities to Schneider Electric. Their offer would be attractive to Alstom because of their strategic, industrial and commercial strengths, Alstom and Schneider said. The deal wouldn't involve any job cuts, they added.

—Compiled from staff
and wire service reports.

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ECONOMY & POLITICS

Biden gives Georgia tough love

U.S. walks a delicate line, supporting Saakashvili without risking its Russian outreach

BY PETER SPIEGEL

TBILISI, Georgia—U.S. Vice President Joe Biden told the Georgian Parliament that it won't regain territories lost to Russia last year through war, and a senior U.S. official said the Obama administration isn't currently prepared to supply Tbilisi with new defensive weaponry.

Although Mr. Biden made a passionate call for Russia to withdraw its troops from northern Georgia in his speech before Parliament, the twin messages reflect the delicate dance the Obama administration must perform to support a pro-Western ally while not risking its nascent outreach to Moscow.

Georgian President Mikheil Saakashvili has publicly asked for antitank and antiaircraft weapons from the U.S., and a senior Obama administration official traveling with Mr. Biden said that while the U.S. would continue training Georgian forces, such weapons wouldn't be forthcoming for now.

"It's something they're very interested in," the official said of the defensive arms. "We feel like a key for Georgia here is the modernization of its military, building its capacities...at this stage, it's not so much a matter of weaponry or military hardware." The official added, however, that training by the U.S. currently under way would enable the Georgian military—which was crushed by Russia in a war last August—to use such weapons in the future, and that such armaments could be made available down the road.

The potential for U.S. weapons sales to Georgia has infuriated Moscow, which, following the war last year, now occupies the Georgian regions of Abkhazia and South Ossetia. Russia's deputy foreign minister, Grigory Karasin, said Thursday that Moscow would take "concrete measures" to prevent Georgia from rearming.

"We are deeply concerned about the actions of the Georgian leadership aimed at the remilitarization of the country, which are amazingly being met with a calm and even a positive reaction by some governments," Mr. Karasin said, according to the ITAR-TASS news agency. His remarks appeared to be timed to raise pressure on both the U.S. and Georgia during the second and last day of Mr. Biden's visit to Tbilisi.



U.S. Vice President Joe Biden, at left, and Georgian President Mikheil Saakashvili, at right, watch an honor guard on Thursday during Mr. Biden's visit to Tbilisi, the Georgian capital, part of a four-day trip that also included Ukraine.

The senior administration official said the issue of military aid to Georgia was discussed in a bilateral meeting between Mr. Biden and Mr. Saakashvili. But both U.S. and Georgian officials said no specific request by the Georgian president for weaponry had been denied.

"Nothing was asked for and nobody said no," said Giga Bokeria, Georgia's deputy foreign minister. "It was a very good meeting, and an important one."

Mr. Biden's four-day trip to Ukraine and Georgia was timed by the White House to come on the heels of President Barack Obama's summit in Moscow. Mr. Biden insisted that the White House's attempt to "reset" relations with Russia wouldn't come at the expense of the former Soviet republics.

While U.S. officials said they weren't going to sell new weapons to Tbilisi any time soon, the senior administration official said the White House was more open to another Georgian request: that the U.S. participate in the European Union mission

monitoring the breakaway regions.

EU officials are increasingly anxious about pressure on the bloc's monitoring mission, a force of around 200 unarmed observers who in recent months have become the sole international presence on the ground in Georgia. In June, Moscow forced the closure of the United Nations monitoring mission in Abkhazia and the Organization for Security and Cooperation in Europe's observer mission in South Ossetia.

The EU is keen to further internationalize its own mission in Georgia, first by including U.S. personnel, to strengthen its capacity as a political deterrent to any further instability, according to an internal EU diplomatic memo seen by The Wall Street Journal. The EU Monitoring Mission in Georgia, set up after last year's five-day war, patrols areas of Georgia around Abkhazia and South Ossetia. Moscow hasn't allowed the observers inside the two territories, where Russia has stationed troops and which it has recognized as independent.

Even as he reiterated the new ad-

ministration's strong support for Georgia's independence and its desire to join the North Atlantic Treaty Organization, Mr. Biden delivered what the senior official termed "tough love" on issues of civil liberties.

Opposition figures have accused Mr. Saakashvili of increasing authoritarianism, including using government institutions to harass opposition parties. Thousands of opposition protesters staged rallies in the capital earlier this year.

Mr. Biden said he expected Mr. Saakashvili to live up to recent promises to strengthen democratic institutions in the country.

"Your Rose Revolution will only be complete when the government is transparent, accountable and... when issues are debated inside this chamber, not only out on the streets," Mr. Biden said. "There is no specific checklist for democracy, but there are significant concrete steps that need to be taken to deepen any democracy."

—Marc Champion in Brussels contributed to this article.

Police stand by at seized factory in South Korea

BY EVAN RAMSTAD

SEOUL—Police said they would try to wait out a group of fired workers who have taken control of part of a factory complex at South Korean auto maker Ssangyong Motor Co., in hopes of avoiding a violent end to a plant takeover that has lasted nearly two months.

About 500 fired workers and 200 sympathizers remained holed up on Friday with homemade weapons in the company's car-paint facility after police earlier this week moved them out of the main factory.

The demonstrators used giant slingshots to fire nuts, bolts and other projectiles at police again Thursday. They spray-painted a message on the building that said, "If you are not going to talk, kill us all."

The fired workers took over the complex in suburban Seoul seven weeks ago and shut down production. They want Ssangyong, the smallest of South Korea's five main auto makers by sales, to give back their jobs.

Though South Korea has a history of labor unrest, the trouble at Ssangyong stands out in a time when the government has persuaded many companies and unions to avoid confrontation during the economic downturn. The government pressed companies to use pay freezes, job-sharing and other methods rather than layoffs to curb costs, and it pushed unions to accept such measures.

But Ssangyong, which chiefly makes sport-utility vehicles, has long suffered financial difficulties and was pushed to the brink by the global recession that began last year. It recorded its second-biggest loss ever—710 billion won (\$567 million)—in 2008 when demand plunged as consumers coped with high fuel prices and the slowing economy. Vehicle shipments fell to 81,000, down from 122,000 in 2007.

This January, Shanghai Automotive Industrial Corp. of China, which bought Ssangyong in 2003, put the company into bankruptcy restructuring and gave control to a team of South Korean managers and bank creditors. The firm lost 265 billion won in the first quarter.

Under a restructuring plan approved by the bankruptcy court in February, Ssangyong planned to lay off 2,600 of its 7,100 employees. About 1,600 accepted a severance package. An additional 1,000 workers decided to protest by taking control of the company's manufacturing complex on May 31. They posted signs around the complex that said, "Layoffs are murder."

In June, Ssangyong produced no cars and sold 217, just 20 outside South Korea.

By last weekend, the number of fired workers still occupying the complex had dwindled to about 500, but they were reinforced by about 200 people from other unions and companies, government officials say.

On Monday, more than 2,000 police in riot gear moved into the complex and cleared the way for several thousand other workers to restart assembly lines. The fired workers retreated to the paint facility and have turned it into a fortress.

Police decided not to forcibly enter because the building is filled with flammable liquids. "We're waiting, for the time being," a police spokesman said Thursday.

—SungHa Park contributed to this article.

Fragmented opposition meets with Biden

BY ANDREW OSBORN

TBILISI, Georgia—Georgia's opposition sought to use a visit by U.S. Vice President Joe Biden to kick-start a stalled campaign to oust President Mikheil Saakashvili, but it appeared to be a last-ditch attempt by a group riven by squabbling and strategy differences.

Three months of opposition protests have fizzled, and opposition lobbying of Western governments has yielded little support. Mr. Saakashvili, a U.S.-educated former lawyer, looks set to serve out his term, which expires in 2013.

On Thursday, opposition representatives asked Mr. Biden to use U.S. financial aid as leverage to force Mr. Saakashvili to become more democratic. The opposition wants

him to give them more access to the media, to end alleged police repression, and to overhaul the electoral system. It wants the U.S. to mediate in its talks with the government about these demands.

There are at least 10 different opposition parties. Their views span the political spectrum, and they disagree on how best to dislodge Mr. Saakashvili. They are united in only one thing: their loathing of the Georgian president, whom they see as the man who fought, and lost, an avoidable war last year with Russia.

Opposition representatives say they themselves haven't done enough to lobby for Western backing. But they accuse Western diplomats of being too soft on Mr. Saakashvili and too hard on the opposition. "They didn't apply equal pres-

sure," says Salomé Zourabachvili, leader of the Georgia's Path party.

Mr. Biden spent about an hour Thursday in a meeting with four opposition leaders. Afterward, all four declared themselves satisfied. While declining to go into detail, they said U.S. policy toward Georgia in the future would be closely linked to progress on democratic reform.

Mr. Biden told Mr. Saakashvili before the meeting that he intended to discuss ways of solidifying democracy in Georgia.

Mr. Saakashvili said in an interview shortly before Mr. Biden's visit that he had no choice but to use force after provocation from pro-Russian militia in breakaway South Ossetia. He says he is introducing democratic reform as fast as he can. "Everyone expects miracles," he

said. The president cited an anticorruption drive and improvements to Georgia's frayed Soviet-era infrastructure as among his achievements since he swept to power in the bloodless 2003 Rose Revolution.

Many in the opposition want him out. Yet they can't agree among themselves on strategy. Mr. Saakashvili "survived, unfortunately, thanks to us," said Ms. Zourabachvili.

Mr. Saakashvili has played it cool, largely ignoring the protests, dismissing calls for his resignation, and shying away from large-scale police intervention.

Both sides describe the standoff with protesters as a battle of nerves. Mr. Saakashvili is confident he has won. The opposition "thought that the government would start to collapse," he said. "They were wrong."

ECONOMY & POLITICS

Retail sales jump in U.K.

Shopper confidence suggests stimulus has gained traction

BY LAURENCE NORMAN

LONDON—Surprisingly strong June retail-sales figures show the impact the U.K.'s tax cuts and higher spending have had on the economy, economists say.

A rare heat wave and a new round of discounts roused U.K. shoppers in June, with retail sales volumes rising 1.2% in June from May and increasing by 2.9% from June 2008, the largest annual gain since December, the Office for National Statistics said Thursday. Economists surveyed before the results came out had expected the sales volumes, which the office adjusts for retail prices, to increase 0.3% in June.

Prime Minister Gordon Brown had Wednesday defended his government's roughly £25 billion (\$41.2 billion) fiscal stimulus, calling it a "precondition" for the recovery.

The initial fiscal boost, whose centerpiece was a cut in the indirect value-added tax rate with a £12.5 billion price tag, was greeted with some skepticism when announced in November. Mr. Brown's political opponents say today's increased borrowing will lead to an excessive debt burden later, with public-sector net borrowing expected to balloon 12.4% of gross domestic product this year.

Mr. Brown told reporters that the government's antirecession measures would affect Labour's fortunes at the ballot box, which will be tested in a national election due no later than June. "It's got to be remembered: We said that in a period where you've got low inflation, it is possible to inject resources into the economy by that fiscal route," said Mr. Brown. "We did it. It is having an effect."

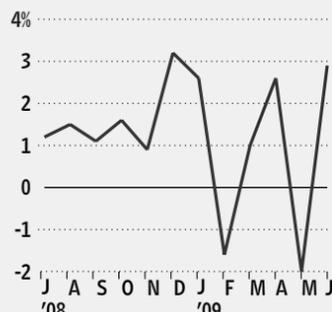
Thursday's retail sales data suggested June's strong result wasn't a fluke. The ONS said sales volumes increased 1.3% in the second quarter following a 0.8% rise in the first quarter.

The stronger sales growth will offer a prop for Friday's preliminary reading on second-quarter U.K. growth. Economists believe output shrunk 0.3% in the second quarter after a massive 2.4% quar-

Retail rising

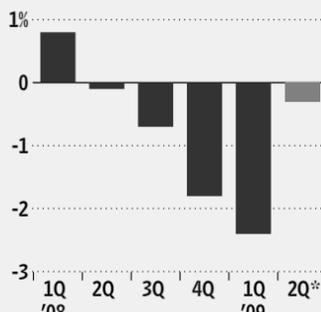
Surprisingly strong retail-sales volumes in June has been taken as a sign that the U.K.'s tax cuts and spending have had an impact

U.K. retail sales volumes, change from a year ago



*Projected
Source: U.K. Office for National Statistics

Gross domestic product, change from a year ago



terly contraction in the first three months of the year.

Economists warn retail sales could still weaken in the months ahead, as consumers battle rising joblessness and still-tight credit conditions. Overall household consumer spending—which, on top of retail sales, includes spending on utilities, vacations, eating out and vehicle purchases—fell 1.3% in the first quarter and dropped 1.1% in the final three months of 2008.

However, George Buckley, U.K. economist at Deutsche Bank, said fiscal policy has gotten some bang for its buck, even though it's difficult to say precisely how much. The government's measures have coincided with aggressive monetary easing from the Bank of England. In addition, measures taken to stabilize the banks have to be factored in.

Unlike in the U.S., where President Barack Obama's \$787 billion stimulus has been criticized for offering only limited support for output and jobs this year, Mr. Buckley said the VAT cut has "put money back into people's pockets."

What's more, public-finance figures on Wednesday showed that government capital spending—investments in transport, social housing and school or hospital building—was helping the economy.

From April to June net capital spending increased £7 billion, leaving the government on track to boost net capital spending £44 bil-

lion this financial year, which ends March 2010. The Treasury predicts that while the economy will contract 3.5% this year—the contraction would have been worse by a full percentage point without government spending, it said.

That borrowing will have to be paid back later. The opposition Conservative Party have pointed to warnings from ratings agency Standard & Poor's that the U.K. could lose its triple-A debt rating if it doesn't rein in deficits.

And with the ratio of net debt to gross domestic product expected to double to some 80% by the middle of the next decade from prerecession levels, the International Monetary Fund and Bank of England Governor Mervyn King are among those seeking more ambitious debt-reduction plans from the government.

In another warning Thursday, U.K. Financial Services Authority Chairman Adair Turner said in a speech that signs of economic recovery shouldn't distract from the need for radical and wide-ranging reform to the banking system.

"There are now green shoots, but even if they grow, and even if the recession turns out less severe than we feared possible three or four months ago, that should be no excuse for complacency about what occurred, and no excuse for a return to business as before," Lord Turner said.

—Natasha Brereton
contributed to this article.

Iceland pins joining EU on fishing policy pact

BY JOEL SHERWOOD

STOCKHOLM—Iceland's bid to join the European Union within three years hinges on winning palatable fishing terms from Brussels, Iceland's foreign minister said Thursday after handing in a membership application in EU presidency-host Sweden.

Before its rise and fall as a financial hub, fishing drove Iceland's economy and foreign policy, including the "cod wars" with the U.K. in the 1950s and 1970s.

"If we would get a rotten deal on fisheries, the Icelandic people would get quite angry," said Óssur Skarphédinsson at a news conference in Stockholm. "This is not only an issue of economics. It's also an emotional issue. It is also an issue that is related to sovereignty."

Iceland's parliament last week approved starting membership talks, to bring about a stable economic future following a volatile recent past. A banking-sector collapse last autumn crushed the county's currency and forced the government to seek emergency aid from the International Monetary Union.

The country has been in the free-trade European Economic Area for the past 15 years, but held off on EU membership to keep control over its fishery policies and fishing waters, a resource that has driven Iceland's economy for decades and provides around 40% of the country's exports.

Mr. Skarphédinsson, a former fisherman, noted Thursday that as an EEA member, Iceland already has implemented about 75% of EU directives and rules. The minister said Thursday that with so much already in place, he hoped for accession within three years. But, he added, "I think it could turn out to be difficult to get to an acceptable solution on the fisheries and on agriculture."

Standing with Mr. Skarphédinsson at the news conference, Swedish Foreign Minister Carl Bildt said he welcomed Iceland's bid and also highlighted that much has already been done.

"That being said, there are important issues that must be dealt with, and there will be a thorough debate both in the EU and in Iceland," he said.

Both ministers pledged confidence that negotiations would ultimately prove successful. Once completed, Iceland will take the final decision on joining to its electorate through a referendum.

Mr. Skarphédinsson's majority governing coalition, the Social Democratic Alliance party, has been an outspoken supporter of EU membership, which would require eventual adoption of the euro.

"Our experience with the Icelandic currency has been so bad, not only during the crisis but since 2001, it's most important for a lot of Icelandic industries to have a stable currency environment," he said.



Iceland's Foreign Minister Óssur Skarphédinsson, left, and Sweden's Foreign Minister Carl Bildt after Iceland submitted its application for EU membership.

Israel defense-missile test aborted

BY MARGARET COKER
AND JOSH MITNICK

TEL AVIV—Israeli and U.S. military officials this week aborted a test of a missile-defense shield under development by the two countries, raising questions about the reliability of Israel's defenses against a potential Iranian attack.

The news, which military officials were careful not to characterize as a failure of the Israeli missile-defense program, comes amid heightened tensions in the Middle East over the strengthening of Iranian hawks loyal to Iranian President Mahmoud Ahmadinejad.

Mr. Ahmadinejad's recent electoral victory has fueled renewed debate in Washington and European capitals about whether to rely on continued diplomacy to curb what Washington and Israel see as Iran's intention to build nuclear weapons. Iran says that its nuclear program is

for peaceful purposes.

The Obama administration has said it is keeping open all options, including a military strike, to prevent Iran from developing nuclear weapons. On Wednesday, U.S. Secretary of State Hillary Clinton raised eyebrows when she said that the U.S. could extend a "defense umbrella" in the Middle East if Iran succeeds in obtaining nuclear capability.

Wednesday's aborted Arrow II missile test raises questions about what kind of defensive strategies could effectively contain or counter an Iranian attack.

Iran's military capabilities include the Shihab III ballistic missile, which has a range of 2,000 kilometers and has the capability of carrying a nuclear warhead.

In the past year, Gulf Arab allies of the U.S. have signed contracts worth several billion dollars to buy upgraded Patriot military missile-defense systems from Raytheon Co.,

based in Waltham, Mass., as a potential deterrent to an Iranian attack.

Israel has spent more than a decade developing a homegrown missile-defense solution after the failure of the U.S. military's Patriot missiles to intercept Iraqi Scud rockets aimed at Israel in the 1991 Gulf War.

The Arrow II interceptor is being jointly developed by Israel Aerospace Industries Ltd. and Chicago-based Boeing Co. Israel already has deployed at least two Arrow II batteries at unknown locations in the country.

Boeing says in a fact sheet about the Arrow system that it passed two successful test flights in 2007. Israeli media have reported that the military has tested the Arrow at least 17 times and that 90% of those tests have been successful. However, it is unclear how many of those tests included a simulated missile interception, which was the goal of Wednesday's test, according to the U.S. Missile Defense Agency.

Kyrgyz voting day marred by opposition claim of fraud

ASSOCIATED PRESS

BISHKEK, Kyrgyzstan—The main opposition candidate here dismissed the presidential election Thursday as fraudulent and called for a rerun, claiming widespread ballot-stuffing and the intimidation of election monitors.

The dispute set the stage for potential confrontation in the Central Asian nation, which hosts a U.S. air base and is a focus of competition between Washington and Moscow for regional influence.

Turmoil has racked Kyrgyzstan—a poor country of 5 million on China's western border—since 2005, when protesters drove the Soviet-era leader out of office and ushered President Kurmanbek Bakiyev to power.

Mr. Bakiyev, 59 years old, campaigned this year on a platform of stability, and the election was viewed as a test of the country's commitment to democracy. Hours before the polls closed, Mr. Bakiyev's leading rival, Almazbek Atambayev, announced he was taking himself out of the running in protest, though legal issues prevented him from officially withdrawing.

An Interior Ministry spokesman had said any opposition demonstrations would be illegal and police would prevent them.

In a bid to reduce tensions, authorities moved back the promised release of preliminary results from late Thursday to early Friday.

ECONOMY & POLITICS

U.K. sets up a swine-flu hotline

Fast treatment sought as new cases doubled to 100,000 last week

BY NICHOLAS WINNING AND JENIFFER CORBETT DOOREN

The U.K. government launched a swine-flu telephone hotline and Internet site in England on Thursday, as the latest figures showed the number of new cases had doubled last week to an estimated 100,000.

The national pandemic flu service will allow people who suspect they have been infected by the H1N1 virus to be diagnosed and prescribed medicine by phone or online.

"We are the first country to move to this system," Prime Minis-

ter Gordon Brown said on Sky News television. "We're trying to make it possible for people to be treated quickly, because we know that to be treated in the first 24 or 48 hours makes a real difference."

Liam Donaldson, the U.K.'s chief medical officer, said there were an estimated 100,000 new cases of swine flu in England last week, up from 55,000 new cases the week before. Deaths attributed to the disease held steady at 26. The totals don't include cases diagnosed in Scotland, Wales and Northern Ireland.

The government has said it has signed contracts to supply enough swine-flu vaccines for the entire population. It expects to begin receiving supplies by the end of August, and to have enough to treat 30 million people by the end of the year.

In the U.S., health officials said

Thursday they expect to have 195 million doses of swine-flu vaccine available in October, and that their estimates already take into account production problems manufacturers are having.

They anticipate two doses would be needed for each person, limiting even the number of people at high risk for flu—including school-age children, teenagers and young adults—who would be able to get the shots in the early fall. Officials predict it will take until March to obtain enough doses for the entire U.S. population of just over 300 million people.

The new flu hasn't shown signs of mutating to become more dangerous, said Nancy Cox, chief of the flu division at the federal Centers for Disease Control and Prevention.

Still, health officials around the world are concerned about the virus,

because it can cause severe disease in some people. Arab health ministers banned children, the elderly and those with chronic illnesses from attending this year's hajj, the annual Muslim pilgrimage to Saudi Arabia, which takes place in late November.

But the ministers stopped short of canceling the hajj, a duty for all able-bodied Muslims in their lifetime. The ritual attracts about 3 million people every year to the holy cities of Mecca and Medina.

The ban, which applies to adults over the age of 65 and children under 12, could affect a large number of people, because many Muslims save up money their entire lives for the trip, while others go to cleanse their souls before dying.

—The Associated Press contributed to this article.

Mumbai trial told to proceed after guilty plea

BY SONYA MISQUITTA AND GEETA ANAND

MUMBAI—An Indian judge decided to continue the trial of the lone surviving gunman in the Mumbai terror attacks despite his surprise confession and request to be put to death.

Judge M.L. Tahilyani, hearing the case in the bomb-proof courtroom built for the trial inside a city jail, ruled that the statement by Mohammed Ajmal Kasab would be admitted into the court record but not used as an admission to the charges. He said Mr. Kasab hadn't admitted to many of the 86 charges against him.

The judge's decision means the three-month-old trial will proceed, with the prosecution continuing to present its case. Chief Prosecutor Ujjwal Nikam has brought more than 130 witnesses to the stand and presented video, audio, fingerprint and other evidence tying Mr. Kasab to the three-day siege of the city's two top hotel complexes, main train station, a hospital, a Jewish center and a restaurant that left more than 170 people dead, including nine attackers.

This week, Mr. Kasab admitted to the broad scope of the allegations against him, but denied some specific charges—including killing a police officer and the navigator of the boat in which he arrived.

Mr. Kasab had earlier pleaded not guilty to the 86 charges, which include conspiracy and murder.

In another twist Thursday, Mr. Kasab's lawyer, Abbas Kazmi, asked the court to consider removing him from the case. He said he was barely able to see his client for 15 minutes a day, and he didn't believe he had his client's trust.

Mr. Kasab told the court, "It isn't true that I don't have confidence in him." The judge urged Mr. Kazmi to continue with his defense.

Outside the courtroom, Mr. Kazmi said his client would rather face the death penalty than serve out a life sentence in an Indian jail.

Confidence rises among executives across Belgium

BY ADAM COHEN

BRUSSELS—Confidence among business executives in Belgium improved in July from June, reaching its highest level since November, the Belgian central bank said Thursday.

Though Belgium accounts for only about 4% of the European Union's gross domestic product, its business-sentiment survey is closely watched. The country of about 10 million people is one of the most open economies in the world, with exports accounting for about 75% of its GDP.

The central bank's main index remained in negative territory, rising to minus 22.8 in July from minus 23.6 in June. This marks the fourth month in a row the index has improved.

Improved sentiment was most noticeable in the trade and manufacturing segments of the index. The business-services component of the index slipped in July, falling to minus 35.5 from minus 28 in June.

The Belgian indicator comes a day before the closely watched German Ifo business-climate index.

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