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Economy & Politics: Serving in the European Parliament is cushy, but what's the point?

THE WALL STREET JOURNAL.

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Agence France-Presse

A man replaces the traditional prayer carpet in the Royal Mosque (Al-Rifai) in Old Cairo in preparation for the visit on Thursday of U.S. President Barack Obama, who will visit the site after his speech.

Obama's tightrope act

President faces many skeptics in Cairo speech

By ***Margaret Coker*** *in Abu Dhabi and* ***Ashraf Khalil*** *in Cairo*

Despite his personal history and his rock star-reception in other parts of the world, President Barack Obama will face a cynical—and in some corners, hostile—audience as he tries to mend bridges with the world's 1.4 billion Muslims in a keynote address in Cairo on Thursday.

While designed to mitigate the ill will generated by the Bush administration, the speech could end up inflaming sore feelings.

A challenge will be bridging the gaps among a large segment of the Muslim population that respects Mr. Obama's Muslim roots and American values such as free speech and rule of law, but sees U.S. foreign policy as rewarding undemocratic regimes.

One key audience for Mr. Obama is Muslim youth. Young adults make up about 30% of the region's population, while in countries like Saudi Arabia and Iran, the percentages are higher. Students from Cairo University and the city's Al Azhar seminary will be among the estimated 3,000 people attending the speech, according to Egypt's state-run press.

Despite the recent boom in oil prices and growing economies in the area, studies by the World Bank and regional think tanks show access to education and employment opportunities are spotty. The aggregate unemployment rate for young adults in the region is almost 25%, compared with a world average of 14%, according to the International Monetary Fund.

Amid such disadvantage, Mr. Obama's personal history still strikes a chord. But for Cairenes like 22-year-old business graduate Ereny Abdumalek, the visit of a U.S. leader credited with inspiring hope in young Americans doesn't make it any easier for her to achieve her potential.

Another risk will be Mr.

Please turn to page 31

U.S. banks tap investors for billions

By David Enrich

The U.S. banking industry's fund-raising telethon is nearly over, a resounding success that has surprised even some of the banks.

In the past month, the largest U.S. financial institutions have drummed up at least $65 billion by selling shares to investors. The sum leaves most of the banks holding considerably more capital than the U.S. government required as part of its recent "stress tests" of the top 19 banks.

On Tuesday, a parade of financial institutions, including **J.P. Morgan Chase** & Co., **American Express** Co., **Morgan Stanley, SunTrust Banks** Inc. and **KeyCorp**, successfully sold billions of dollars of shares through public offerings. Those sales came on the heels of similar offerings by other banks in the past few weeks.

The capital windfalls will help the banks weather a continuing flood of bad loans. They also will help satisfy capital-raising hurdles recently imposed by the Federal Reserve. In addition to requiring 10 banks to find a total of $74.6 billion in new capital after the stress tests, the Fed said Monday that banks would have to show their ability to raise capital through public stock offerings in order to exit the Troubled Asset Relief Program.

Raking it in

Some of the banks that have sold stock since the U.S. government's stress-test results were announced May 7

Bank	Amount
Bank of America	$13.5 billion
Wells Fargo	$8.6
Morgan Stanley	$6.9
J.P. Morgan Chase	$5.0
SunTrust Banks	$1.7
KeyCorp	$1.0
American Express	$0.5

Note: Figures exclude capital raised from debt offerings and other sources

Source: the companies

Investors who two months ago refused to touch bank stocks are suddenly eager to snap up the shares, wagering that the worst of the industry's troubles are in its rear-view mirror.

"It's easy to raise capital now," said an executive at a bank that recently raised capital through a public stock offering. Investors are "happy to gobble it up."

That newfound appetite, stoked in part by banks selling shares at slight discounts

Please turn to page 31

Airplane debris is found as hope vanishes

By Daniel Michaels and Antonio Regalado

The Brazilian air force was searching a patch of the Atlantic Ocean after finding plane remains that could belong to an Air France passenger jet that disappeared Monday morning as it was flying to Paris with 228 people on board.

There was still no confirmation that the plane seat and other debris found early on Tuesday morning by the Brazilian air force belong to Flight 447. If they do, the findings will set off one of the toughest, most urgent aircraft-crash recoveries in decades.

Agence-France Presse

A French soldier scans the Atlantic Ocean off the island of Cape Verde, searching for the Air France flight that disappeared early Monday.

The plane disappeared nearly four hours after taking off from Rio de Janeiro airport on Sunday night, and minutes after it was passing through an area of heavy storms and turbulence. The plane's computers sent automated messages to Air France headquarters signaling problems with its electrical systems—and then the crew failed to radio in for a scheduled contact.

Over the next hours and days, search teams will be looking, in particular, for the plane's "black boxes"—units that digitally record flight data and cockpit conversations and that are critical in determining whether the jetliner's fate was a fluke accident or the result of fundamental flaws in design or equipment.

Brazilian air force officials said search aircraft had spotted the debris about 650 kilometers northeast of Fernando de Noronha, an Atlantic island near the point where Flight 447 made its last radio contact Sunday night.

The debris was picked up using radar, which detected metallic material in the ocean. Late on Tuesday, Brazil's defense minister said a large amount of debris had been found in the ocean, confirming the Air France jet crashed.

"The search continues because it's very little material given the size of the air-

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Markets

4 p.m. ET

	CLOSE	PCT CHG
DJIA	8740.87	+0.22
Nasdaq	1836.80	+0.44
DJ Stoxx 600	214.24	-0.03
FTSE 100	4477.02	-0.65
DAX	5144.06	+0.03
CAC 40	3378.04	-0.04
Euro	$1.4304	+1.03
Nymex crude	$68.55	-0.04

THE WALL STREET JOURNAL.

LEADING THE NEWS

At Alfa, tough tactics still reign

Russia's downturn hasn't mellowed Fridman at all

BY GREGORY L. WHITE

MOSCOW—The financial crisis has taken the swagger out of many of Russia's billionaires, forcing them to beg for government bailouts and breaks from their creditors as they scramble to save their empires.

But not Mikhail Fridman, whose **Alfa Group** is sticking to the hardball business tactics that made him into one of Russia's richest men, and a focus of critics who say Russia's weak courts and tacit Kremlin support can benefit local companies at the expense of foreign investors.

"I wouldn't call us aggressive, I'd say we're dynamic and we energetically fight for our interests," Mr. Fridman says in a phone interview. "Not everybody likes that."

Last week, **BP** PLC asked him to take over as acting CEO at TNK-BP Ltd., ceding more control after a bitter conflict over management and strategy at the oil venture last year.

Itar-Tass/Landov

Battered billionaires

The financial crisis has hurt the fortunes of Russia's oligarchs

- **Mikhail Fridman (Alfa Group):** Took a $2 billion bailout loan
- **Oleg Deripaska (Basic Element):** Seeking to restructure $20 billion in debt
- **Mikhail Prokhorov (Onexim Group):** Sold assets last year, now buying distressed assets
- **Vladimir Potanin (Interros):** Renegotiated $3 billion in debt
- **Alisher Usmanov (Metalloinvest):** Seeking to restructure $5 billion in debt

Mikhail Fridman, left, with Russian presidential aide Arkady Dvorkovich in April.

Alfa is the leader of a group of Russian investors who own half of TNK-BP.

Days earlier, Norway's prime minister was in Moscow complaining to Russian counterpart Vladimir Putin about troubles faced by state-owned telecommunications company **Telenor** ASA at a Russian operation where its partner is Alfa. Mr. Putin said it was a commercial matter for Alfa and Telenor to resolve. Telenor has charged Alfa with trying to take its stake, which Alfa denies. Inside Russia, an Alfa-owned bank has filed a string of bankruptcy suits against major borrowers, despite Kremlin calls to go easy on struggling industries owned by other oligarchs.

The net worth of 45-year-old Mr. Fridman has been hammered like the rest of Russia's tycoons. Alfa narrowly escaped losing its major telecom asset to a margin call thanks to a Siberian court ruling that froze its shares just as creditors prepared to take them. A $2 billion government bailout loan then eased its finances.

Critics charge Alfa's approach is a prime example of why many investors still steer clear of Russia. Last year, a New York judge ruling in the Telenor case cited Alfa's units for "their extensive and brazen history of collusive and vexatious litigation... used to avoid compliance with their legal obligations."

Even some of Alfa's partners say the group takes advantage of its political connections in Russia to manipulate regulators and use court rulings to pressure its rivals. "This is just a return to the corporate raiding activities that were prevalent in Russia in the 1990s," BP's then-Chairman Peter Sutherland said at the height of the conflict last summer.

BP now denies any tension, but people close to TNK-BP note that Alfa appears to have gotten most of what it wanted when the conflict began.

Mr. Fridman says Alfa works within the law and dismisses the criticism as "PR" by Alfa's rivals. The group's foreign partners, he says, might complain about its tactics, but they're happy with their investments. Russian officials say Alfa doesn't get special treatment.

Alfa's strategy has helped it grow into one of Russia's biggest business groups, spanning banking, oil, retail and telecoms. Mr. Fridman, who got his start in the 1980s with a window-washing business, won't comment on the value of his stake as the group's largest shareholder. Before the crisis, Alfa's assets totaled more than $50 billion.

Alfa Bank, Russia's largest privately owned lender, has been a leader in filing bankruptcy claims against struggling industries, provoking public complaints from other tycoons, such as metals baron Oleg Deripaska, who says that the bank's hard line is threatening efforts to revive his companies.

In March, when President Dmitry Medvedev and other top officials publicly blasted unnamed business groups for "corporate egotism" for taking a tough line with borrowers, many analysts expected Alfa to soften its stance. But even after a private meeting with the president, Mr. Fridman stuck to his guns.

"I didn't feel any pressure from the authorities," he says.

—Guy Chazan contributed to this article.

CORRECTIONS & AMPLIFICATIONS

Tyson Foods Vice President for Human Resources Ken Kimbro said in an interview that the company is seeing an increase in local job applicants at its plants across the U.S. A May 26 News in Depth article about Tyson's Shelbyville, Tenn., plant incorrectly said Mr. Kimbro's comments specifically addressed Shelbyville. In addition, meetings between local elected officials in Shelbyville and management at the plant were initiated by Tyson, not the county mayor, as the article incorrectly stated.

GM's Hummer set to become a Chinese brand

BY JOHN D. STOLL

General Motors Corp. has reached a tentative deal to sell its Hummer brand to **Sichuan Tengzhong Heavy Industrial Machinery** Co., a little-known Chinese company.

Hummer Chief Jim Taylor on Tuesday confirmed sales negotiations with Sichuan Tengzhong. He said it would leave the bulk of Hummer operations in the U.S. and has committed to significant investment in the brand's future.

A sale is expected to be for less than $500 million and close by the end of the third quarter, according to people familiar with the matter.

Mr. Taylor declined to reveal the purchase price because the deal is still being negotiated and the agreement is subject to adjustments. The buyer plans to develop the Hummer portfolio and build alternative-fuel models for the brand.

The company "is quite capable of closing," GM Chief Executive Frederick "Fritz" Henderson said Tuesday in an interview with CBS. He said the sale would preserve 3,000 U.S. jobs.

Mr. Henderson said the auto maker will communicate with dealers to ensure they know the brand and will remain open and able to serve customers.

Sichuan Tengzhong, based in the southwestern Chinese city of Chengdu, makes everything from construction machinery and dump trucks to highway and bridge components. According to its Web site, the privately owned company has grown rapidly in recent years through a series of domestic acquisitions.

The deal to acquire Hummer, the icon of the gas-guzzling vehicles that helped upend Detroit, is a surprising move. It comes at a time when China's government is encouraging the sale of small-engine vehicles and pushing the development of electric-powered and other alternative-fuel vehicles. Any deal would require Chinese government approval.

—Matthew Karnitschnig 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.

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INDEX TO PEOPLE

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

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

LEADING THE NEWS

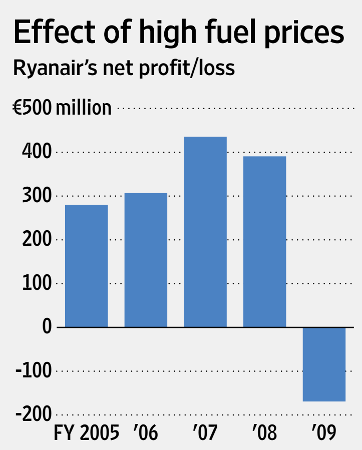
Ryanair hit by fuel costs

Higher oil prices and Aer Lingus stake contribute to net loss

BY QUENTIN FOTTRELL

DUBLIN— **Ryanair Holdings** PLC said Tuesday that it swung to a fiscal full-year net loss, hurt by soaring oil prices and a write-down tied to its holding in **Aer Lingus** PLC.

But the carrier added that it has resumed hedging its future fuel needs and expects to cut its fuel bill next year by hundreds of millions of euros. Dublin-based Ryanair, Europe's biggest budget airline by passengers carried, reported a net loss of €169.2 million ($239.6 million) for the 12 months ended March 31, compared with a year-earlier net profit of €390.7 million. The latest earnings were weighed down by a €225 million write-down on Ryanair's 29.8% stake in Aer Lingus, as well as €51.6 million charge related to depreciation of aircraft prices.



Note: For fiscal years ended March 31.
Source: the company. Photo: Associated Press.

The airline said its sales rose 8.4% to €2.94 billion from €2.71 billion and the number of passengers booked rose 15% to 58.5 million.

Lower oil prices have encouraged Ryanair to restart hedging its fuel requirements. It said it has hedged 90% of its fuel needs for the first three quarters of fiscal 2010 and 5% of its fourth-quarter requirements. If it hedged the balance of its needs at current rates, its fuel bill would be €450 million lower than last year.

In fiscal 2010, Ryanair said it expects after-tax profit to at least double from the previous year to between €200 million and €300 million.

Meanwhile, Ryanair Chief Executive Michael O'Leary said Tuesday that Ryanair plans to charge travelers to use onboard toilets starting next year, with the charge expected to be £1 ($1.64). Mr. O'Leary said passengers would be encouraged to use the toilet before boarding flights, or to wait until they disembarked if they weren't willing to pay.

Mr. O'Leary also said that Ryanair's cash position is strong enough that "we could buy Lufthansa with cash," referring to carrier **Deutsche Lufthansa** AG. However, he added that Ryanair has "no intention of buying Lufthansa." Ryanair said it has €2.3 billion in cash "and rising" on its balance sheet.

Peugeot family considers diluting its 30% holding

BY SEBASTIAN MOFFETT

PARIS—The biggest shareholder of **PSA Peugeot Citroën** said it would be willing to dilute its stake, a move that could pave the way for the French car maker to seek alliances amid the auto industry's recent consolidation.

Thierry Peugeot, administrator of the Peugeot family's 30% holding in the car maker, told French newspaper Les Echos that alliances could be a key for the company's future development. Asked whether that could mean diluting the family's stake, he said: "We would be prepared...to examine the question." Mr. Peugeot said that increasing economies of scale would be key to reducing costs at the car maker.

A Peugeot Citroën spokesman confirmed the contents of the interview, which appeared Tuesday.

The statements threw Peugeot Citroën, Europe's second largest auto maker after **Volkswagen** AG of Germany, into the continuing complex realignment of the world auto industry. **General Motors** Corp., once the world's largest auto maker, filed for bankruptcy protection on Monday, and **Chrysler** LLC recently agreed a partnership with **Fiat** SpA of Italy.

Analysts said the most likely partners for Peugeot Citroën were Fiat and **BMW** AG of Germany.

However, Mr. Peugeot also appeared to say that the family wanted to stay in charge. "I think that having a core shareholder is a major plus for PSA," he said. The family's stake had fallen as low as 21% in the past, Mr. Peugeot said.

"They want to remain in control essentially," said Michael Tyndall, an auto specialist at Nomura Securities.

The company was formed by a 1976 merger of Peugeot and Citroën. Peugeot had been founded by two brothers in 1810 as a steel company, and went on to make bicycles and cars. Thierry Peugeot is a sixth-generation descendant of one of the brothers.

CORPORATE NEWS

Sony Ericsson bets on high end

Handset maker plans three pricey models as it tries to revive sales, compete with iPhone

BY GUSTAV SANDSTROM

STOCKHOLM—Sony Ericsson is betting on the release of several high-tech phones to lift its sagging sales and expand its market share, but the new offerings will have to compete in a shrinking market crowded with premium handsets.

The mobile-phone maker, a joint venture between Sweden's **Telefon AB L.M. Ericsson** and Japan's **Sony** Corp., plans to launch the three multi-feature, high-end phones in the fourth quarter in a bid to regain customers. The new flagship model, called the Satio, could have a price tag of about $800.

But the market is already filled with premium handsets and consumers are losing their appetite for phones in general amid the economic slowdown: World-wide mobile phone unit sales fell 9.4% in the first quarter from a year earlier, according to research firm Gartner Inc.

While overall phone sales have been dropping, sales of more sophisticated devices are holding up relatively well. Unit sales of smart phones rose 12.7% in the first quarter from a year earlier, Gartner said.

James Barford, an industry analyst at research firm Enders Analysis, said Sony Ericsson is wise to beef up its presence in the premium segment, which has been less affected by the recession.

"It probably is a good idea to have more strength in the high end," he said. "They have been quite weak in the high end as of late, and there is a lot of money and a lot of margins to make there."

Sony Ericsson's market share has suffered because of its dearth of high-end offerings. In the first quarter, the company's market share fell to 5.4% from 7.5% a year earlier, Gartner said. During the same period, **Nokia** Corp. maintained its market-leading position, helped in part by introducing its 5800 touch-screen smart phone in new regions. The Finland-based company will further reinforce its high-end portfolio when its new flagship smart phone, N97, starts selling this month.

South Korea's **Samsung Electronics** Co. also gained ground in the first quarter thanks to demand for touch screens such as its Omnia device, while iPhone maker **Apple** Inc. doubled its market share, according to Gartner.

Sony Ericsson is doing the right thing by launching the new devices, said Neil Mawson, an analyst at Strategy Analytics, though he added that the move won't turn the business around overnight.

"It's a baby step in the right direction but they've clearly got a long way to go," Mr. Mawson said, noting that Sony Ericsson has so far been slow in upgrading its product portfolio to effectively compete with rivals.

The new phones will build on Sony Ericsson's experience in music, imaging and games, said Joakim Liljedahl, head of the company's business-management operations for the Nordic region.

Rather than basing a handset around a single feature such as the Walkman audio brand or the Cybershot camera, the company plans to load the handsets with multiple features, dubbing the system Entertainment Unlimited.

Over the past years, Sony Ericsson has focused heavily on the Walkman and Cybershot brands. However, consumers have increasingly looked for converged devices with operating systems that support multiple applications, and for features such as touch screens and full keyboards.

Sony Ericsson late last year launched a new premium multimedia phone, Xperia, to meet the demand but according to Mr. Mawson, it has sold poorly, hampered by its price tag of about $670.

The company's new Satio phone offers a 12-megapixel camera and is built around the open Symbian operating system that allows users to download a wide range of applications. The Aino phone offers high audio and video quality and the ability to integrate the device with Sony's PlayStation 3 console, while the Yari is tailored for games.

But even though the company might be able to differentiate from competitors such as Apple by providing superior cameras or music players, it may find it hard to attract consumers from the wide range of other high-end phones already on offer.

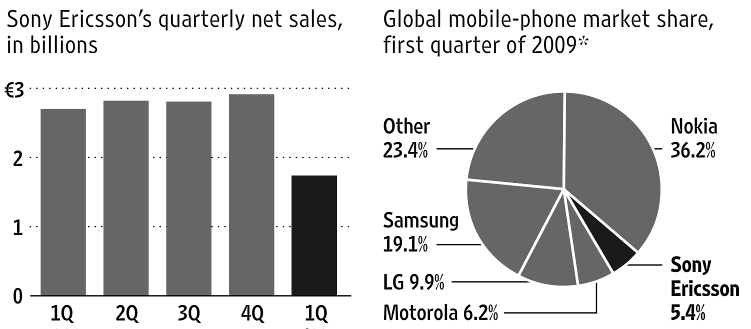
The Satio will retail at about 6,000 Swedish kroner ($811), while the Aino will sell for 5,000 kroner and the Yari for 3,500 kroner, according to the company's preliminary estimates.

As a comparison, Nokia's coming flagship phone, the N97, will cost about €550 ($779) before taxes and subsidies. Nokia plans to launch the phone this month—six months before the first Sony Ericsson model will reach consumers.

Mr. Liljedahl said further premium-oriented handsets will be launched under the Entertainment Unlimited concept, though the company will still offer Walkman and Cybershot phones to consumers looking for a particular function or a lower price.

Losing strength

Sony Ericsson is hoping new premium phones will stanch flagging sales and stretch its market share



*Doesn't add up to 100 due to rounding

Source: the company (net sales); Gartner (market share)

Sony Ericsson's Yari and Satio phones

U.S. role in filing risks protectionist backlash

BY BOB DAVIS

WASHINGTON—The restructuring of **General Motors** Corp. as a state-owned enterprise could undermine longstanding U.S. efforts to get nations to reduce subsidies for favored companies.

Trade experts say the U.S. could be accused by foreign governments of unfairly subsidizing car production and favoring domestic hiring and production. While that is unlikely to result in the U.S. being hauled before the World Trade Organization any time soon—trade cases can take months or years to assemble—it can give a green light to other countries to further subsidize their own.

"A lot of countries want to build domestic car industries," said Philip Levy, a trade expert at the conservative American Enterprise Institute, a Washington think tank. "India wants one. China wants one. Now other countries will pursue whatever policies they want and we'll have a hard time resisting them."

The Obama administration has sworn off protectionist measures at several summits of the Group of 20 industrialized and developing nations, and President Barack Obama has tried to limit "Buy America" provisions in the $787 billion stimulus package.

But the White House has also taken steps to back U.S. companies at the expense of their foreign rivals. As part of negotiations with the United Auto Workers union, the administration scaled back GM's plans to build fuel-efficient cars in China and agreed that GM would build about 160,000 small cars annually at a GM plant in the U.S. that is now shuttered.

Mr. Levy called that a "nontariff trade barrier" to foreign car makers that otherwise might have bid to make the cars for GM. That is the kind of charges the U.S. regularly makes against China and South Korea, among other nations.

In a speech Monday, Mr. Obama said he expected that "the share of GM cars sold in the United States that are made here will actually grow for the first time in three decades." He described government intervention as an emergency measure. "What we are not doing, what I have no interest in doing, is running GM," Mr. Obama said.

That view was echoed by congressional Democrats, who said the GM rescue shouldn't be compared to more assertive government efforts to build national champions.

Thomas Donohue, president of the U.S. Chamber of Commerce, said if U.S. intervention in the auto industry was limited, it likely wouldn't create much damage to U.S. trade relations. The Canadian government is taking a stake in GM, which could give the restructuring a sense of multilateralism.

Some other governments may balk at challenging the U.S. because they also support domestic auto makers. The German state of Lower Saxony holds just over 20% of Volkswagen AG. The German government and the European Commission have fought for years over a German law that essentially allows Lower Saxony to block VW's major decisions.

It is far from clear that the U.S. will be able to extricate itself cleanly from its involvement in GM. Fred Bergsten, director of the Peterson Institute for International Economics, a free-trade think tank in Washington, said the "the pressures will be immense" to take protectionist steps.

U.S. support for GM has both trade and investment implications. On the trade front, the issues include whether U.S. support amounts to unfair subsidies and whether, as a government-owned entity, GM is bound by international procurement rules that limit the U.S. government from discriminating against foreign suppliers.

When it comes to investment, GM's moves overseas could face tougher scrutiny. The U.S. often closely examines investment by state-owned companies to make sure the firms are acting in a commercial rather than political fashion. That level of scrutiny might now be applied to GM overseas. Foreign countries "can turn U.S. rhetoric back on itself," Mr. Bergsten said.

U.S. lawmakers seek to influence plant locations

BY NEIL KING JR. AND KATE LINEBAUGH

WASHINGTON—The Obama administration has said repeatedly that it won't use its majority stake in **General Motors** Corp. to meddle in the company's daily affairs. Lawmakers on Capitol Hill aren't being so shy.

The areas of potential concern to lawmakers range from proposed plant and dealership closings to longer-term plans for more fuel-efficient cars. And key elected officials are already promising to weigh in even as President Barack Obama and his aides say they will shield GM from outside pressure.

"I think members will express themselves for sure. We should do that," said Rep. Sandy Levin, (D-Mich.) whose district lies just north of Detroit. "We should express the interests of our constituents."

The administration's bid to rescue GM has stirred wide debate over what role the government should play as the majority owner of the country's largest car maker. The government will secure a 60% stake in the company when it re-emerges from bankruptcy as early as this summer.

Mr. Obama promised Monday that the federal government would exercise its rights as a GM shareholder only in "the most fundamental corporate decisions." Beyond appointing part of a new board of directors, he said, the government's goal was "to get GM back on its feet, take a hands-off approach and get out quickly."

Lawmakers have already shown they have muscle with GM, and they aren't likely to back off now. Members of the Michigan delegation rebelled last month when word got out that GM, post-bankruptcy, planned to boost its imports of cars made at GM factories in China. As a result, GM agreed as part of its talks with the United Auto Workers union to reopen two idled plants by 2011 to manufacture as many as 160,000 compact cars a year.

Rep. Gary Peters, (D-Mich.) whose district north of Detroit includes three plants set to cease production, is one of many lawmakers in the region who want the refitted plants in their backyard.

He has backing from Democratic Michigan Gov. Jennifer Granholm, who said Monday that she is going to be "aggressive" about trying to snare a facility that will help keep some automotive jobs in the state, which has the highest unemployment rate in the country.

Ms. Granholm, besides countless television appearances pleading for aid, has made about a dozen trips to Washington to meet with Mr. Obama, the president's automotive task force and dozens of other officials.

Tennessee and Wisconsin have a chance to beat out the Michigan bid. Democratic Rep. Lincoln Davis of Tennessee pledged to lobby GM to get the new plant to open in his district in Spring Hill.

Skeptics say that despite the government's pledge to stay out of the way, the process is going to get messy.

"I think where GM builds its next plant is going to be more of a political decision than a business decision," said Rep. Pete Hoekstra (R-Mich.)

Ford gains in U.S. market

Japanese makers see sales fall sharply as GM's decline lessens

By John Kell

Japan's auto makers posted steeper declines in U.S. sales in May than most of their American counterparts. Most car companies, however, reported their highest figures of 2009, though well below prior-year levels.

Ford Motor Co., which posted the most modest decline at 24%, beat rival **Toyota Motor** Corp. for the second straight month after lagging behind in U.S. sales for over a year. Toyota logged a 41% drop amid a 55% plunge for its Corolla sedan.

While Ford and **General Motors** Corp., whose sales fell 29%, were able to post smaller declines in their May sales from a year earlier, **Chrysler** LLC, the third-largest U.S. auto maker, reported a steeper 47% drop. The company filed for bankruptcy protection May 1.

Japanese auto makers **Nissan Motor** Co. and **Honda Motor** Co., meanwhile, posted declines of 33% and 39% respectively. Honda's results were especially hurt by slumping Civic and Accord sales.

Ford sales analysis chief George Pipas said U.S. auto sales strengthened at the end of May with liquidation sales by Chrysler dealers and a strong Memorial Day holiday weekend performance by GM dealers. He added that annualized light-vehicle sales were about 10 million last month, a little higher than the 9.86 million seen in April.

Ford is looking to take advantage of the woes at GM and Chrysler, announcing Tuesday a 10,000-vehicle increase in second-quarter production and projecting third-quarter output up some 10% from a year earlier—Ford's first significant production increases in almost two years.

Ford said it would raise production to capitalize on GM's and Chrysler's woes.

The company has been reporting higher U.S. market share for months, and said Tuesday its Ford, Lincoln and Mercury-brand share grew in May to the highest level since 2006.

GM sold 190,881 light vehicles in May. Volumes rose 11% from April. There were 26 selling days in May, one less than the prior year. Truck sales, including crossovers, were down 22%, while car sales tumbled 38%.

Toyota reported sales of 152,583 on similar car and truck declines. Still, Senior Vice President Don Esmond said the company was "encouraged that consumers are beginning to return to showrooms and that the industry continues to show signs of stabilization."

Ford's sales were 161,197 amid a 37% drop in sport-utility vehicles and 29% decline for trucks and vans. Among the highlights, Ford said its Fusion cracked the top three of America's best-selling midsize sedans last month, putting a domestic car in that echelon for the first time since July 2002. Also, hybrid-vehicle sales set a record for Ford.

Chrysler's sales totaled 79,010 as the company reported its highest retail results of the year. The company didn't produce any vehicles for fleet sales during the month as it worked through bankruptcy, resulting in a fleet sales reduction by 90% over the same period a year ago.

Honda reported May sales of 98,344 as car sales plunged 49%, with the Civic and Civic hybrid posting steep declines of 60% and 54%, respectively. Sales of the Accord dropped 46%.

Nissan's total was 67,489. The company was seen by some analysts as potentially falling behind Korea's **Hyundai Motor** Co. in monthly U.S. sales for the first time. But Hyundai reported a 20% drop to 36,937, again falling significantly below Nissan's results. Still, Hyundai said its market share rose to its highest level of the year, as the company continued to reduce incentive spending.

Reuters

A new license-plate format helped boost new-car registrations in France last month. Above, new cars sit in lot at Toyota's plant near Valenciennes, France.

French car registrations increase amid incentives

By A.H. Mooradian

PARIS—French new-car registrations rose 12.4% in May from a year earlier, boosted by government cash incentives and the introduction of a new license-plate format.

A total of 207,287 new cars were registered in May, according to data published Tuesday by the French Automobile Manufacturers Association. When adjusted for the number of working days, May registrations were up 18.6%, reversing a 7% annual decline in April.

About 30% of the new registrations were triggered by the French government's cash incentive for car owners to scrap their aging vehicles and replace them with new ones, said François Roudier, director of communications for the association. The program was intended to stimulate production and sales in the French automotive sector, which is suffering amid the recession.

The scrapping bonuses, which are also offered in several other European countries, particularly boosted sales of compact and subcompact cars. Car makers across the continent have added production shifts to cope with increased demand for the small vehicles.

Registrations were particularly strong in the first week of May, when a new license-plate format was launched. Some consumers had held off buying new vehicles before the switch.

Other factors bolstering May new-car registrations included the government's continuing eco-bonus program, which rewards buyers of low-emission vehicles, as well as new sales promotions and discounts, Mr. Roudier said.

For the first five months of 2009, French new-car registrations fell 1.3% from a year earlier.

WPP wins shareholder vote on its executive-bonus plan

By Aaron O. Patrick and Quentin Fottrell

WPP PLC Chief Executive Martin Sorrell overcame stiff shareholder opposition Tuesday to a pay package that gives him and other top executives of the advertising giant big rewards for outperforming rivals.

Martin Sorrell

At a shareholder meeting in Dublin, 24.8% of shares cast opposed or abstained on a new executive-remuneration package that has attracted criticism from some corporate-governance experts. By European standards, the vote against the plan was a sizable display of dissatisfaction.

The plan allows executives to be rewarded with free shares of WPP if they agree to not sell some of their current holdings and if WPP hits certain performance targets. In return for holding on to up to $19 million worth of his WPP shares for five years, Sir Martin could receive five times as many shares for free—but only if WPP's return beats eight of its nine competitors.

If WPP's return is in the middle of its peer group, executives would get one and a half shares for every one they pledge to the scheme. The companies used to compare WPP's performance include **Omnicom Group** Inc., **Interpublic Group** of Cos. and **Publicis Groupe** SA.

Like most companies, WPP has been hit hard by the global economic downturn as marketers cut spending. On Tuesday, Sir Martin said revenue is shrinking faster than previously thought. WPP's sales fell 6.7% in the first four months of 2009 from the year-earlier period, excluding the impact of currency changes, acquisitions and divestments, he said.

This year will be a "very difficult year, particularly in the first half, and we are taking necessary steps to deal with any revenue downturn," Sir Martin told the meeting.

Sir Martin declined to comment on the shareholder vote or his remuneration. His current WPP stake is valued at £74 million ($122 million), according to regulatory filings.

CORPORATE NEWS

Barneys' CEO search proves costly

Lenders start to balk as job remains vacant for more than a year

By Vanessa O'Connell And Joann S. Lublin

It's not only the $2,000 handbag that's a tough sell for **Barneys New York** these days. It's the corner office, too.

Barneys has spent more than a year without filling its top slot, an unusually long time for a CEO hire and one of the longest-running hunts for a new chief executive now going on anywhere.

The protracted search has complicated the challenges facing the high-end fashion retailer, owned by Dubai investment fund Istithmar World. Some companies are refusing to finance shipments to Barneys from designers and manufacturers. Without financing by these companies, retailers often must provide deposits upfront or agree to pay cash on delivery for merchandise.

The lack of a CEO has contributed to strained relations between Barneys and retail lenders including **Rosenthal & Rosenthal** Inc. It is "a problem, because there's no leader there," said one person familiar with the matter.

In April, Istithmar added what it then referred to as "a significant level of additional capital" to allay lender and vendor concerns about Barneys liquidity, and to enable Barneys to meet its 2009 inventory needs.

A person close to Istithmar said that investment "got most of the [financing] turned back on," and said the retailer is now receiving the inventory it needs to do business in the current market.

"We have tremendous faith in the people who run that organization," said that person. "We don't think that Barneys has been any more impacted than its competitors," the person continued. "We don't think the place would be any better off if they had a CEO in place."

The open CEO post "just makes communication a little more difficult," said Gary Wassner, president of **Hilldun** Corp., another New York-based lender that recently resumed financing vendor shipments to Barneys after a halt of about 60 days.

Bloomberg News

A long-running hunt for a CEO complicates life for Barneys New York. Its Madison Ave. outlet earlier this year.

Concerns about the retailer's financial stability had prompted Hilldun to stop financing shipments to Barneys in late February. It resumed last month following the cash infusion and moves by Barneys to provide it with more financial disclosure, Mr. Wassner said.

"If we're talking about a bill that's past due, we can deal with anyone in accounts payable who has access to the information. But when we talk about a long-term strategy, or looking at numbers or projections, or a parent company's commitment, we need to talk to management," he said.

Barneys isn't alone in its long search. Retailers **Sears Holdings** Corp. and **Children's Place Retail Stores** Inc. have also been seeking new chief executives for more than a year. A retail executive talent shortage following industry consolidation may be among the factors in the protracted searches. In contrast, **Yahoo** Inc.'s CEO search lasted less than two months.

A Children's Place spokesman said the company "has been performing well" under interim CEO Chuck Crovitz and "is actively interviewing a number of highly qualified candidates." Sears, of Hoffman Estates, Ill., which also has an interim CEO, said its search continues.

Barneys doesn't disclose sales or financial results. Credit ratings agency Standard & Poor's in April lowered the company's credit ratings to CCC, a "distressed debt" rating eight notches below investment grade, and warned that vendors may tighten terms or limit shipments to Barneys if its liquidity declines.

"When we evaluate the company from a credit ratings standpoint, one of the key attributes we look at is management," said David Kuntz, an associate director at the ratings agency. "Without a CEO in place, it's very difficult for us to gauge what the direction and leadership of the company is," he said.

A retail-executive talent shortage after consolidation may be a factor.

Barneys has sought a new chief executive since May 2008, when Howard Socol, its chairman, president and CEO, tendered his resignation amid strategy differences with the retailer's then-new owners. The luxury retailer had identified a serious candidate from outside its ranks late last year, but its board never made a formal offer, according to a person familiar with the matter.

An Istithmar spokesman declined to comment on when a new CEO would be hired. David Jackson, Istithmar CEO and chairman of Barneys board of directors, has said in the past he expected to fill the position during the first half of the year. Barneys' board meets Wednesday but has no plans to discuss the search, the person close to Istithmar said.

In the absence of a CEO, "there's no conductor leading the symphony," says Melanie Kusin, a vice chairman of recruiters Heidrick & Struggles International Inc., which didn't seek the Barneys CEO assignment. "It shows up in critical areas such as innovation, marketing, merchandising and the customer experience," said Ms. Kusin.

Barneys spokeswoman Dawn Brown disagreed, adding that the retailer benefits from having seven executive vice presidents overseeing its operations. The executives, including a 20-year veteran in charge of the women's division and a 30-year veteran atop the men's division, are "doing an amazing job" with the "normal tension" one expects in running a business, Ms. Brown said.

A search for a business leader lasting more than a year suggests "the board does not know what it wants or that something is preventing good candidates from being attracted to the position," said David Lord, a search-industry consultant in Harrisville, N.H., who advises companies about choosing recruiters, but didn't bid to do so for Barneys.

Barneys has approached several outside CEO candidates, according to an uninvolved retail-industry recruiter. Among them is Caryn Lerner, president and CEO of **Holt Renfrew** & Co., a Canadian retailer. She told Barneys she wasn't interested, largely because she feared that its owners wouldn't give her a free hand, the recruiter said. Neither Ms. Lerner nor Istithmar's Mr. Jackson would comment on the matter.

There isn't "concrete evidence that a CEO-less Barneys is suffering any more than other retailers in luxury retail," said Imran Amed, a London consultant to luxury goods firms.

Still hunting for a CEO

- **Sears Holdings:** Retailer began its hunt for a permanent CEO in January 2008.
- **Children's Place Retail Stores:** Operating under an interim CEO since September 2007.
- **Tyson Foods:** Launched its search for a new chief executive in January 2009.
- **Freddie Mac:** Short-lived CEO exits in March, starting a hunt.

Source: WSJ reporting

Micron Technology to spin off imaging unit

By Matthew Karnitschnig

Micron Technology Inc. agreed to spin off its imaging unit in a transaction that will put two private-equity firms—**Riverwood Capital** and **TPG Capital**—in control of the business.

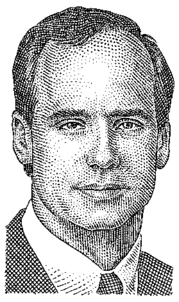
The move comes as Micron is struggling to weather a prolonged slump in the market for memory chips, its core business. The Boise, Idaho-based company has lost nearly $3 billion over the past two years and been forced to cut thousands of jobs.

The planned spinoff, and the substantial loss Micron will incur as a result, amount to a tacit acknowledgment that the company's diversification strategy under Chief Executive Steve Appleton has failed to shield it from market pressure in its core chip business.

Micron said it would maintain a 35% stake in the unit, called Aptina Imaging, which makes image sensors for cameras, phones and other digital devices.

The exact price couldn't be learned, but Micron said it would book a loss of about $100 million as result of the transaction. Aptina posted revenue for its last fiscal year, ending in August, totaling about $650 million. **OmniVision Technologies** Inc., a rival company with fiscal 2008 revenue of $507 million, has a market value of about $575 million.

The deal is typical of the kinds of investments private equity is prepared to make at a time of scarce credit and volatile markets. Riverwood, based in Menlo Park, Calif., and TPG, of Fort Worth, Texas, aren't expected to borrow any money for the deal. Such an arrangement holds appeal for the seller because acquisitions that rely upon financing run a higher risk of not closing.



Steve Appleton

Micron acquired the basis for Aptina in 2001 with the purchase of Photobit Corp., a company started by scientists from NASA's Jet Propulsion Laboratory in 1995. Photobit was a pioneer in the development of complementary metal-oxide semiconductors, or CMOS, sensor-chips that measure light and convert the data into an image. Image sensors, which often rely on a rival technology known as a CCD, or charge-coupled device, are the key components in digital cameras.

Micron hoped to ride the boom in digital cameras and believed that building out the sensor business would help cushion it from volatility in the memory-chip market. For a time, Micron was the largest producer of CMOS-based image sensors by revenue but slipped behind OmniVision in 2007.

Though the business showed promise, the recession has taken a toll on all three of Micron's businesses—dynamic random access memory, or DRAM, chips used in personal computers, NAND flash chips used in portable music players, and Aptina's image sensors. As a result, the company has decided to refocus on its chip operations.

In 2008, Micron put the image sensors in a free-standing division and rebranded the business Aptina.

—Peter Lattman contributed to this article.

Mexican miner tops key rival in bid for Asarco

By Joel Millman

Mexico's largest mining company said Tuesday it is offering $2.9 billion to take its U.S. copper unit, Asarco LLC, out of Chapter 11 bankruptcy, where the Tucson, Ariz., company has languished since August 2005.

A unit of **Grupo Mexico** SAB said its bid is worth $500 million more than the reorganization plan offered by **Vedanta Resources** PLC, which Asarco's current management prefers. Grupo Mexico and Vedanta are vying for approval of their plans by Asarco's creditors.

Tuesday's bid comes a week after Grupo Mexico's announcement that it had placed $1.3 billion in an escrow account to "demonstrate the seriousness of its intentions to regain control of its subsidiary," despite the challenge from Vedanta Resources, a London-based mining conglomerate with most of its assets in India.

Grupo Mexico said the balance of the $2.9 billion it would pay Asarco's creditors would come from a $250 million settlement with asbestos claimants, who are considered creditors in the bankruptcy case, plus cash Asarco already has on hand.

Vedanta couldn't be reached for comment.

The $250 million Grupo Mexico has earmarked for asbestos claimants suggests that the Mexican company may have locked in the approval of those claimants, a key constituency in the Asarco bankruptcy case.

Sander Esserman, chief attorney for the claimants, who have argued they are owed compensation for decades of asbestos contamination left by Asarco before Grupo Mexico bought it in 1999, has said his clients would oppose Vedanta's purchase of the American company. "With Grupo, there's more certainty of closing," Mr. Esserman said.

The battle to control Asarco goes back decades to the period when international mining interests fought to exploit the rich copper belt from Mexico's Sierra Madre to the American West. Grupo Mexico's control of the Cananea open-pit mine in the Mexican state of Sonora dates to the 1930s when the Mexican government forced Asarco to sell its Mexican interests to a local operator. Sixty years later, Grupo Mexico outbid larger mining groups in a $1 billion takeover of Asarco.

Grupo Mexico has been accused of looting Asarco by slicing off the U.S. unit's rich assets in Peru. Critics claim Grupo Mexico later forced Asarco into bankruptcy, too late for the parties alleging environmental damage by the company to receive funds to clean up contaminated sites across the West.

Grupo Mexico has denied using the bankruptcy process to avoid settling environmental claims, as well as allegations that it unfairly shifted Asarco's Peruvian mines to its Americas Mining Co. unit. Earlier this year, a U.S. court ruled against Grupo Mexico in a civil case, concluding that the company acted contrary to Asarco's interests in merging the then-named Southern Peru Copper Co. with Americas Mining in 2004.

Last week, Judge Richard Schmidt, who is overseeing Asarco's bankruptcy reorganization, let a third bidder, bondholder Harbinger Capital Partners, file a reorganization plan for Asarco. That plan calls for a $500 million cash infusion, offering creditors a total of $1.8 billion, according to court documents.

—Jackie Range contributed to this article.

CORPORATE NEWS

News Corp. aims to rehire Carey

Chernin's departure opens way for return of the DirecTV CEO

BY SHIRA OVIDE
AND VISHESH KUMAR

News Corp. is in discussions to lure back **DirecTV Group** Inc. Chief Executive Chase Carey as a top lieutenant to CEO Rupert Murdoch, filling out the company's executive suite, according to a person familiar with the matter.

While it isn't clear which title Mr. Carey would be given, he would be taking the place of President and Chief Operating Officer Peter Chernin, who is slated to leave the New York media company when his contract expires at the end of the month.

The 55-year-old Mr. Carey is a former News Corp. executive who helped develop the Fox Sports cable network and held several posts at the media conglomerate. He took the helm at DirecTV in 2003, when the satellite-TV broadcaster became part of News Corp. Since then, DirecTV has become a part of **Liberty Media** Corp.

Mr. Carey remains well-respected at News Corp. and has stayed in touch with senior executives there, according to people familiar with the company. Mr. Carey couldn't be reached to comment.


Bloomberg News

The 55-year-old Chase Carey, above, is a former News Corp. executive who helped develop the Fox Sports cable network in the U.S..

The appointment, if made, would complete an executive team that has been overhauled since February, when News Corp. announced Mr. Chernin's departure.

In addition to being the most senior nonfamily executive at News Corp., Mr. Chernin oversaw the television and movie business, one of the largest operations at News Corp., which also owns Dow Jones & Co., publisher of The Wall Street Journal. He also dealt with a range of other issues, from actors' contract disputes to dealing with investors.

News Corp. didn't name a direct successor to Mr. Chernin in February. Instead, it tapped several new or existing executives to pick up Mr. Chernin's tasks. Those executives, now running the television and movie operations and the company's digital-media efforts, were initially slated to report to Mr. Murdoch, who is also News Corp.'s chairman. Under the scenario being discussed, they would report to Mr. Carey, though Mr. Murdoch will remain involved, according to the person familiar with the matter.

The talks with Mr. Carey were reported earlier by the entertainment blog The Wrap.

Mr. Carey's appointment at News Corp. isn't assured. One hurdle is his DirecTV employment contract, which runs through the end of next year, according to the person familiar with the situation. DirecTV and Liberty Media declined to comment.

At DirecTV, Mr. Carey is credited with increasing subscribers and revenue despite growing competition from cable providers, which have the strategic advantage of easily offering bundles of video, data and telephone services.

If Mr. Carey returns to News Corp., it would come as DirecTV is at a crossroads. News Corp. owned an effective controlling investment in the El Segundo, Calif., company until last year, when it struck a deal to transfer its stake to Liberty Media, the conglomerate controlled by cable mogul John Malone. Now Liberty Media plans to push DirecTV and some other assets into a separate public company, a move investors see as making DirecTV more attractive for a possible sale.

—Roger Cheng contributed to this article.

Saudi's Saad works on restructuring its debt

BY OLIVER KLAUS

Saad Group, the conglomerate owned by Saudi billionaire Maan al-Sanea, said it is working on plans to restructure the debt of some units, a day after its credit rating was cut to junk.

"Recent events, specifically affecting the Bahraini banking sector, have led to a short-term liquidity squeeze affecting Saad Group companies in the Middle East," the company said in a statement emailed to Zawya Dow Jones Tuesday by a London-based spokesman.

Saad Group, founded in 1980 and based in Al Khobar, is one of Saudi Arabia's biggest closely held companies. Mr. Sanea, the company's owner and chairman, is the world's 62nd richest man, according to Forbes's billionaires list published in March. A consortium led by Mr. Sanea made international headlines in 2007 when it bought a major stake in **HSBC Holdings** PLC. It it still owns just under 3% of the bank.

Moody's Investors Services on Monday downgraded Saad Group as well as Saad Trading Contracting & Financial Services Co. and Saad Investments Co. to B1, or junk level, from Baa1, with ratings on review for further downgrades. The move followed press reports that the Saudi Arabia Monetary Authority, the country's central bank, may have ordered that Mr. Sanea's accounts be frozen, Moody's said.

"The events of the past few days have resulted in heightened risk of default at entities of the Saad Group, if they face increased contagion from disputes originating from the shareholder," the ratings firm said.

Saad Group didn't comment on the downgrade or the alleged freezing of the accounts. A central bank spokesperson referred questions to Gov. Mohammad Al Jasser, who couldn't be reached for comment. On Sunday, a representative for the bank declined to comment on the freezing of the accounts.

The development has raised concerns that some family-run businesses in the Middle East's largest economy are increasingly feeling the pinch of the world financial crisis.

Saad Group, which has interests in sectors such as banking, civil contracting and cargo services, said it was "planning for an orderly restructuring of the debt of affected companies." It cited "the failure of companies owned by a prominent Saudi family business and the unexpected and unprecedented regional reaction to that failure" as one reason for the situation. The company didn't name the family. It also didn't disclose which of its units were affected or the size of the debt restructuring it was seeking, and declined to comment when asked.

EMC tries to outbid rival for data firm

BY WILLIAM M. BULKELEY

EMC Corp. started a bidding war in the technology industry with an offer to pay nearly $2 billion in cash for **Data Domain** Inc., looking to scuttle an agreement by rival **NetApp** Inc. to buy the smaller data-storage company.

Takeover battles among technology firms have been scarce since the stock-market meltdown last fall. But EMC's action follows **Oracle** Corp. outbidding **International Business Machines** Corp. to win **Sun Microsystems** Inc. Analysts say the combination of depressed prices for small companies and cash hoards at large companies could lead to more competitive deals.

EMC has about $10 billion in cash, but its move surprised analysts, some of whom questioned the price the maker of data-storage machines was willing to pay for Data Domain, which had sales of $275 million in 2008. Data Domain has about $247 million in cash and investments.

EMC valued its offer at $30 a share, compared with NetApp's $25-a-share offer. EMC revealed its offer Monday after regular trading had ended. Digital Domain's shares jumped 20% to $31.60 in afternoon trading Tuesday on the Nasdaq Stock Market.

EMC is offering to pay about 60 times the annual earnings of Data Domain, calculated Toni Sacconaghi of Sanford C. Bernstein & Co. "A lot of tech companies have healthy cash balances," he said. "They're not earning any [interest], so an acquisition even at a very high multiple" appeals to them.

EMC Chief Executive Joseph Tucci defended the proposed price, saying EMC thinks the storage market will grow rapidly. He said EMC had been looking at Data Domain for some time, but "someone moved before we did."

Spokespeople for NetApp and Data Domain declined to comment. The companies announced plans to merge last month in a cash-and-stock deal initially valued at $1.5 billion. NetApp's offer was a 40% premium to where Data Domain shares had been trading.

Analysts have been forecasting consolidation in the storage market, where large customers often want to buy from fewer vendors.

Data Domain, of Santa Clara, Calif., specializes in technology for "deduplication," or avoiding repeated storage of the same data. That can happen when one person uses email to send pictures to hundreds of fellow employees, or a single order from a customer is copied into many different databases.

The technology can reduce demand for storage devices, and it is a selling point at a time when corporate computer chiefs are trying to cut hardware costs and save floor space and electricity use in computer rooms

Customers have scaled back storage purchases, in the current recession. In April, EMC reported first-quarter revenue declined 9.2% to $3.15 billion. Though much smaller, NetApp suffered less. In the first quarter its revenue fell 6.2% to $879.6 million.

GLOBAL BUSINESS BRIEFS

Iberdrola SA

Power Company Sells Stake In Wind-Turbine Maker

Spain's **Iberdrola** SA said Tuesday that it sold a 10% stake in wind-turbine maker **Gamesa Corp. Tecnológica** SA in a €391.7 million ($554.6 million) deal, as part of a previously announced plan to sell assets. Iberdrola, the country's top power company by market value, said it will book an €112 million capital gain related to the transaction and that it will remain Gamesa's top shareholder, with 14%. The shares were sold to qualified and institutional investors. Iberdrola is shedding assets and cutting debt, which surpasses €31 billion. Gamesa is the main provider of turbines for wind parks operated by Iberdrola Renovables SA, the world's largest wind-power company by capacity.

Novolipetsk Iron & Steel Works

Russia's OAO **Novolipetsk Iron & Steel Works** on Tuesday swung to a first-quarter net loss, blaming the relatively high cost of coking coal—a key raw material—and a drop in steel sales. The company said it doesn't expect any significant improvement in the steel market in the second quarter of 2009, but said price stabilization and a revival in demand could start in the second half of the year. The company reported a net loss of $193.8 million for the three months ended March 31, compared with a net profit of $617.7 million a year earlier. Revenue fell 45% to $1.29 billion. Steel production in the quarter fell 26% to 2.1 million metric tons, while steel sales fell 10% to 2.3 million tons.

Nissan Motor Corp.

Russian Prime Minister Vladimir Putin and **Nissan Motor** Corp. President Carlos Ghosn on Tuesday presided over the opening of the Japanese car maker's first plant in Russia, banking on the revival of the country's car industry despite the global financial crisis. The Russian auto market was on track to become Europe's largest before the crisis struck. Mr. Ghosn said Russia remained the Japanese car maker's No. 1 market in Europe and No. 5 in the world. Nissan sold 146,000 cars in Russia last year, a 26% increase from 2007, he said. The new plant, which cost $200 million, is initially expected to produce 50,000 cars per year. Total car sales in Russia fell 53% in April and 44% in the first four months of the year.

Bouygues SA

French building-to-broadcasting conglomerate **Bouygues** SA on Tuesday posted a 29% drop in first-quarter net profit and cut its revenue outlook for the full year. Net profit in the first quarter totaled €159 million ($225.1 million), down from €224 million a year earlier. In May, the company reported first-quarter revenue of €6.7 billion, down from €6.8 billion a year earlier. For 2009, the company now expects revenue of €31.3 billion, down from a previous forecast of €31.7 billion. It blamed lower advertising revenue at its media unit Télévision Française 1 SA, which is suffering from the worsening economic climate, as well as a drop in orders at its construction unit.

—Compiled from staff and wire service reports.

ECONOMY & POLITICS

A cushy job, but what is the point?

Pay, perks are good at European Parliament, but powers are somewhat lacking; struggling to get voters interested

By John W. Miller

GROOT-AMMERS, Netherlands—Wanted: 736 Europeans to earn $120,000 a year with 12 weeks off, plenty of perks and little accountability.

The Old World elects its representatives to the European Parliament over four days starting Thursday. At a time of economic crisis, candidates are on the hustings trying to explain to a confused continent why the chamber deserves their attention and their hard-earned tax euros.

Cornelis Visser has his work cut out for him. On a recent Friday afternoon, the 43-year-old Dutch Christian Democrat was in this bucolic Dutch canal town of 3,000, meeting 13 local officials and farmers.

Cornelis Visser

"I haven't figured out how to get people interested," he said, before saying grace, digging into a lunch of sandwiches and meatball soup and taking questions on milk quotas and European rules for disposing of cow dung. "It's difficult to explain what we do."

The Parliament lacks the punch of a national chamber such as America's Congress or Britain's Parliament. It can't allocate money or initiate legislation: The European Commission and the European Union's national leaders do that. The Parliament's main tasks are tweaking or blocking regulations, such as retail labeling laws—not the sexiest stuff. It can suggest laws, but few make the books. One that did recently is an import ban on products made from seals. Parliamentarians posed in front of a giant inflatable seal to celebrate.

The legislature's power, however, could rise considerably under a new treaty designed to strengthen the EU. While it still wouldn't be able to initiate legislation, its right to block or amend laws would be expanded. The Lisbon Treaty, however, still faces obstacles—including a September referendum by Irish voters, who rejected the document last year.

For many Europeans, who groan that the Parliament is a runaway gravy train that never seems to stop for them, the body already has too many resources.

"Our concern isn't the European Parliament; it's what happens when we wake up tomorrow," says Benoit Bonaventure, a 42-year-old Belgian who was furloughed from his job at a car-glass factory in February. Mr. Bonaventure, who makes about $35,000 a year, often gripes about the lifestyle of the bureaucratic and political elite of Brussels.

The Parliament's members enjoy $350 per diems, a $5,000 annual budget for nonwork travel, and up to $9,000 a year for language and computer classes. Members pay 22% income tax, well below what most Europeans must pay. Upon leaving office, members receive a "transitional" payment: a month's salary for every year served. That's five months' pay for a one-term parliamentarian.

For a job with such sweet terms, getting elected isn't all that tough. Election turnout is so low—as low as 20% in some countries—that winning election can require little more than getting on a large party's ticket or appealing to niche constituencies.

In Sweden, the Pirate Party, which advocates legalizing online copyright infringement, is expected to pick up two seats. In London, 19-year-old Steven Cheung says he can win with a coalition of Chinese immigrants, many of them restaurant owners like his father. This year, ultranationalist parties from the U.K. to Romania may for the first time win seats, running on anti-immigrant planks.

Libertas, a maverick party started by Irish entrepreneur Declan Ganley, is campaigning in 14 of the EU's 27 countries. Its goal: an aggressive downsizing of EU institutions.

One of Mr. Ganley's main issues is the Parliament's two homes. Each month, the entire legislature and up to 2,000 staff leave their plush digs in Brussels and travel six hours to France to spend a week at Parliament's second home in Strasbourg.

The lavish French home, inspired by Roman amphitheaters and completed in 1999 at a cost of $650 million, is kept at the insistence of France as part of the original deal that made Belgium the home of the EU.

The monthly Strasbourg commute costs EU taxpayers $300 million a year. In 2000 and 2002, standing water from disused plumbing caused outbreaks of Legionnaires' disease.

EU officials say the Parliament is misunderstood and that the real problem is one of perception.

In response, the Parliament last year launched Europarl TV. The $13 million-a-year venture (which ended up as a Web-only offering) sends out news videos and televised debates. Each report comes with 23 little boxes offering subtitles in each of the EU's official languages. How many clicks does it get? "You won't get me to answer that," says an EU official.

This year, the Parliament paid Berlin ad firm Scholz & Friends $25 million to run a continental ad blitz showing EU regulation at work. One ad on food safety shows a picture of a properly packaged chicken.

Explaining what the Parliament does "would be too complicated," says Scholz managing director Lutz Meyer. "We focused on the idea that the EU as a whole matters."

For the election, the EU also hired music channel MTV International to run spots recorded by rockers. Says Andrew Fletcher, bass player for 1980s band Depeche Mode: "We're very popular in Europe, so what I'm a believer in is one Europe." The musicians never mention the Parliament.

When MTV executive Antonio Campo dall'Orto met with EU officials, they suggested he look at "Europe Is Bling," a 2007 online trivia game on the EU, hosted by "Mr. Bling," a bald white rapper with a goatee, sunglasses and earrings. "Me like Europe. Europe is bling. Bling!" he raps.

"We wanted somebody youth could relate to," says Ans Persoons, who directed the initiative. "So we picked an American rapper, but we wanted him to be European, so we hung a big gold euro sign around his neck." Only 200 people competed for the game's €5,000 ($7,079) prize.

"We'll do better next time," says Ms. Persoons. "A lot of organizations try to communicate about the EU, but it's not easy."

Back in Holland, Mr. Visser's farmer voters say they haven't seen any of the new advertising. "The EU's problem is one of scale," says Wilbert de Jong, a local politician at the meeting. "There's simply too much distance between the village and Brussels."

Agence France-Presse/Getty Images (2)

The European Parliament can tweak or block rules on things such as a ban on seal products, left, and car safety, right.

Euro-zone unemployment rate climbed to 9.2% in April

By Nicholas Winning

The unemployment rate in the euro zone rose to its highest level in nearly 10 years in April, as struggling businesses shed workers to survive the recession.

The jobless rate in the 16 countries that use the euro rose to 9.2% in April from 8.9% in March, the highest level since September 1999, according to the European Union's statistics agency, Eurostat.

The data showed 3.1 million people have lost their jobs since April 2008, when the unemployment rate was 7.3%. That sharp rise darkens the outlook for consumer spending and suggests it may take longer for the region to recover from recession.

Even amid early signs that the worst of the recession was over, economists said the worst was yet to come for the labor market.

"Unfortunately, leading labor market indicators—such as survey measures of hiring intentions or the number of temporary workers—point to further heavy job losses in the months ahead," Martin van Vliet, an economist at ING, said in a note. "The jobless rate could easily climb to 12% late next year or early 2011."

The European Commission, the EU's executive arm, last month raised its forecast for 2009 euro-zone unemployment to 9.9% from the 9.3% it predicted in January and added it expected it to rise even further, to 11.5%, in 2010.

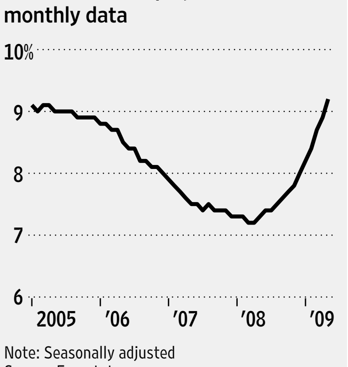
Eurostat said 14.6 million people were out of work in the euro zone in April—more than the population of Austria and Ireland combined.

The data are likely to fuel debate about European Central Bank monetary policy, although economists expect the ECB to leave interest rates steady at a record low of 1% after its meeting Thursday.

Eurostat said Spain, where a slump in construction led to record economic contraction in the first quarter, showed the highest unemployment rate in the EU, at 18.1%. Latvia was second with a 17.4% rate, followed by Lithuania with 16.8%.

Higher levels

Euro-zone unemployment rate, monthly data



Note: Seasonally adjusted
Source: Eurostat

Releasing more-recent national data Tuesday, the Spanish government said the country's swollen jobless rolls eased in May thanks to jobs created through the government's €8 billion ($11.33 billion) infrastructure plan. But despite the improvement from the previous month, May jobless claims were still up 54% from a year earlier.

In the U.K., figures showed that consumer confidence strengthened in May, buoyed by a more-optimistic assessment of the outlook for the economy and the job market over the next six months.

This suggests that consumers believe the measures taken by the government and the Bank of England to support the economy are working, and indicates that they in turn won't cut back on spending as sharply as many economists had expected.

The Nationwide Building Society, a mortgage lender, said its measure of consumer confidence rose to 53 in May from 51 in April. The pickup in confidence was driven by a more-upbeat assessment of the prospects for the economy.

Nationwide said 28% of those polled believed the economy will be better in six months, the highest proportion since the survey began in May 2004. The same proportion expected the economy to be in worse shape in six months, down from 32% in April, while 42% expected it to be in the same condition.

The survey was conducted from April 20 to May 17, so it reflects consumers' responses to the U.K. government's budget. That projected a rapid and massive rise in government borrowing, and a deep contraction in the economy this year with a return to growth next year.

"What is clear from our findings is that while consumers remain pessimistic about the present situation, they appear to be much more confident about the future than they were at the beginning of the year," said Martin Gahbauer, Nationwide's chief economist.

—Paul Hannon contributed to this article.

Questioning Tiananmen

Twenty years later, democracy activist recalls China clashes

By Jason Dean

BEIJING—As Chinese soldiers marched into downtown Beijing on the night of June 3, 1989, Shen Tong was west of Tiananmen Square with a group trying vainly to get the troops to turn back. The 20-year-old Peking University undergraduate, a prominent member of the democracy movement that swept the Chinese capital that spring, narrowly avoided injury. The girl next to him was shot in the face and killed.

Mr. Shen survived, and days later fled to the U.S., where he was hailed as a hero. He cowrote a book about the Tiananmen protests, and for years worked as a democracy activist.

But Mr. Shen's future didn't go as he had expected. Today he runs a software company in New York that does business in places including China. He has returned to Beijing several times. While still a strong believer in democracy, he has grown increasingly uncertain about the meaning of the events of 1989.

"I'm not sure that we really made the difference that we intended," Mr. Shen says. "We do know it was a tremendously significant event, but we don't know what it really means."

The historical significance of most big events seems to crystallize over time. But the legacy of Tiananmen has, if anything, become less clear in the subsequent two decades.

There is little uncertainty about what happened—though the details remain shrouded in official secrecy. In April and May of 1989, students, workers and others in Beijing and other Chinese cities held peaceful demonstrations for democracy.

The leaders of the Communist Party, on June 3 sent heavily armed forces into the capital to end the protests. By the time they cleared Tiananmen Square the next day, hundreds of people in the surrounding area were dead, mostly unarmed civilians. No one outside the leadership knows exactly how many.

The crackdown put a freeze on major political reform that has yet to thaw. But in the years after Tiananmen, the Communist Party claimed a new legitimacy with a reenergized program of economic development. China's economy is now six times its size in 1989, adjusted for inflation, and could soon surpass Japan as the world's second largest after the U.S.

Development has been uneven—farmers and factory workers have benefited much less than the urban middle class, and corruption and human-rights abuses are pervasive. But at the same time, economic liberalization and technological change have given many Chinese independence to live as they choose, as long as they don't challenge Communist Party rule.

Within China, the government has largely buried the history of 1989. Most young people know little or nothing about those events. Most of those who do have accepted the government's claim that it was forced to act to prevent chaos. Those who know what happened generally speak of it only among friends or family.

Meanwhile, a world that recoiled at the bloodshed in June 1989 has accepted China's leaders and their central role in global affairs. Some of those most opposed to the Communist Party's practices have felt compelled to deal with it.

Last week, U.S. House Speaker Nancy Pelosi—a longtime China critic, who was expelled from the country in 1991 after unfurling a banner in Tiananmen Square memorializing those killed in the crackdown—returned to Beijing to talk to Chinese leaders about cooperation on climate change.

Those who helped shape Tiananmen also have differing views of its legacy.

Wu'er Kaixi, a student leader in 1989, says the democracy movement should be credited with much of China's economic progress in the past 20 years, as the government accelerated economic reforms to regain legitimacy it lost on June 4.

"The longer the time passes, the more I think of it as a great movement," he says.

Wang Juntao, a veteran democracy activist whom the government labeled one of the orchestrators—in 1989, believes China is closer to democracy now. The Chinese people have " found that we were right—without democracy the Chinese government will become more violent and self-interested," says Mr. Wang, now 50, who was imprisoned before being expelled in 1994 to the U.S.

Other participants have returned to China, or never left. Most lead lives that have nothing to do with politics. "People generally have tremendous difficulty linking that part of their life with their life today—except the extreme minority who carried on the movement at great cost," Mr. Shen says. For many people in China, he says, June 1989 is "frozen in history."

Mr. Shen first returned to China in 1992. After arriving in the U.S. in 1989, he cowrote "Almost a Revolution," about his involvement in the democracy protests, completed his undergraduate degree at Brandeis University, and started graduate studies at Boston University and Harvard University. He also started a group called the Democracy for China Fund.

In China, he traveled around speaking to other activists. Back in Beijing, the night before a scheduled news conference, police arrested him at his mother's apartment. He was released after eight weeks and put on a plane back to the U.S.

Chinese authorities also detained several people who met with Mr. Shen. One wasn't released for nearly two years. Fellow democracy activists criticized Mr. Shen for endangering his collaborators. Mr. Shen said that the others were aware of the risks. Still, he says today, "They are on my conscience."

Mr. Shen stayed away from China for nearly a decade. He continued to work for democracy, but his interests broadened. In the mid-1990s, he started businesses in publishing and television production. He stopped his doctoral studies without a degree.

In May 1999, U.S.-led forces in Yugoslavia bombed China's Embassy in Belgrade, killing three. Washington said the incident was an error, but the bombing triggered protests by college students in Beijing, who pelted the American Embassy with rocks and bricks.

Watching the protests on TV, Mr. Shen was struck by how effective the government had been in replacing the democratic ideals of previous generations with a combination of nationalism and economic growth. "I felt profound sadness," he says.

In 2000, Mr. Shen founded a new company, VFinity, which sells software that clients use to manage and search video and other digital content.

In 2001, Mr. Shen returned to Beijing to visit family. It was the first of about half a dozen return visits—each requiring agreements in advance with Chinese authorities not to engage in political activities while there.

As his business developed, China's market beckoned. In 2006, VFinity opened an office in Beijing. Some critics have suggested VFinity's software could be used by Chinese authorities for surveillance purposes. Mr. Shen says VFinity hasn't sold its product to police agencies, though he says it's impossible to ensure they don't ultimately get access to the software.

Mr. Shen says there is no simple formula to reconcile his feelings about the Chinese government and what it did in 1989 with the practical considerations of doing business there.

Businesses can choose not to go to China, but "I don't think that needs to be the case," he says.

Overall, he says, the country's economic reform policy, without political change, "is clearly not sufficient, but it's better than the alternative" of no reform at all.

Democracy for China Fund (right); The Wall Street Journal (left)

Shen Tong, left, last month in the offices of his company, VFinity, in New York, and right, in 1991 at a protest in front of the United Nations in New York.

World Bank economist moves to U.S. Treasury

By Bob Davis

WASHINGTON—The U.S. Treasury chose World Bank economist David Dollar as economic emissary to China despite sharp criticism of his economic research.

Mr. Dollar co-wrote several influential studies that argued for the effectiveness of aid and the importance of tariff cuts in liberalizing economies and reducing poverty.

But in 2006, a detailed review of World Bank research led by Princeton economist Angus Deaton called the aid paper "unconvincing" because of methodological problems. The paper's results "provide only the weakest of evidence for their central contention, that aid is effective when policies are sound," the review said. The reviewers said the work on trade and growth raised "serious questions about whether the review is really supported by the evidence."

The reviewers were especially biting about the World Bank's use of the material to promote globalization when there were other studies reached different conclusions.

The World Bank defended Mr. Dollar's work on trade and said that work "stimulated a useful and ongoing debate."

Mr. Dollar is now the World Bank's country director for China. He will remain in Beijing for his Treasury job. Mr. Dollar didn't respond to a request for comment.

U.S. Treasury Secretary Timothy Geithner called Mr. Dollar and David Loevinger, who was appointed as the Washington-based senior coordinator for China affairs, "uniquely qualified to serve in these roles because of their deep expertise and extended experience" in U.S.-China economic issues.

Bloomberg News

David Dollar is currently the World Bank's country director for China.