Economy & Politics: In retirement, Chirac wins acclaim he never found as president

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EDITORIAL&OPINION

Oil spilleth over
Mining a wealth of black gold
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Breaking news at europe.WSJ.com

Aung San Suu Kyi meets U.S. envoy in Yangon

Associated Press

Myanmar's detained opposition leader spoke with U.S. Assistant Secretary of State Kurt Campbell on Wednesday, which marked the highest-ranking talks between her and an American official in 14 years.

GM reversal on sale angers Germany

BY MARCUS WALKER AND VANESSA FUHRMANS

BERLIN—German politicians reacted with anger and disbelief Wednesday at **General Motors** Co.'s decision to scrap the sale of its European division, as the failure of the nearly completed deal handed Chancellor Angela Merkel her biggest political setback since winning re-election in September.

Ms. Merkel had fought for months to arrange Opel's sale to Canadian auto supplier **Magna International** Inc. and its Russian partner **Sberbank**, and had offered billions in state financing aid in return for promises to protect German factories.

GM's decision late Tuesday to keep Opel and its sister British brand Vauxhall after all, and to pursue a restructuring that could involve heavier job losses and plant closures in Germany, blindsided Ms. Merkel, according to people familiar with the matter.

The chancellor's spokesman said GM's move was surprising and disappointing. Her economics minister, Rainer Brüderle, called GM's decision "completely unacceptable."

The failure of the Opel sale is a personal defeat for Ms. Merkel and her top aides, who have spent "hundreds of hours" on Opel in the past year, according to a senior German official.

The announcement came at an embarrassing time. Ms. Merkel was in Washington, where she had just met with President Barack Obama and held a warmly received speech before a joint meeting of Congress. Throughout her meetings, Ms. Merkel had no indication that GM, which is majority owned by the U.S. government, was about to back out of the Opel sale.

GM's chief executive, Frederick "Fritz" Henderson, notified the chancellor's delegation that the Magna deal was dead shortly before Ms. Merkel was due to board a plane home.

The White House distanced itself from the GM decision, saying it had no direct involvement. "Business decisions by GM are made by the corporate leadership at GM and not by anybody at the White House," spokesman Robert Gibbs told reporters.

GM's expected request for financial aid from Germany is a headache for the chancellor, political observers say. Either Germany must finance GM's controversial restructuring plan, or it must turn down aid and risk seeing Opel slide into insolvency—potentially costing more jobs and votes.

The dilemma is particularly acute in North Rhine-

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U.S. Fed holds steady, shows more optimism

BY JON HILSENRATH AND LUCA DI LEO

The Federal Reserve affirmed its plan to keep interest rates low for an "extended period" in the face of still high unemployment and low inflation but expressed growing confidence that an economic recovery is at hand.

"Economic activity has continued to pick up," the Fed said in a statement, noting that consumer spending had picked up. The Fed's rate-setting panel voted 10-0 to maintain the target federal-funds rate for interbank lending at a record-low range of zero to 0.25%.

Separately, the Fed scaled back one of its asset-purchase programs. The Fed will buy $175 billion of debt issued by mortgage giants Fannie Mae and Freddie Mac, less than the $200 billion the Fed had previously said it would. The move is likely to be seen inside the Fed as a minor adjustment. The firms haven't been issuing much new debt, and it wasn't clear how much the program was helping to hold down mortgage rates.

Since the financial crisis began in 2007, the Fed has slashed its benchmark lending rate from a peak of 5.25% to hit its current level near zero in December 2008. The central bank has also passed a slate of emergency measures to lift credit markets and lending.

Economic data since the last Fed meeting, Sept. 23, have continued to show that

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Inside

Buffett connects

How a 'courtesy call' turned into a quick agreement
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Markets

4 p.m. ET	CLOSE	PCT CHG
DJIA	9802.14	+0.31
Nasdaq	2055.52	-0.09
DJ Stoxx 600	239.13	+1.80
FTSE 100	5107.89	+1.40
DAX	5444.23	+1.70
CAC 40	3670.33	+2.40
Euro	$1.4835	+1.07
Nymex crude	$80.40	+1.01

LEADING THE NEWS

U.S., EU complain to WTO over China

Steep levies, quotas on raw materials raise trade tensions

By John W. Miller

BRUSSELS—The U.S. and European Union filed a formal complaint at the World Trade Organization over China's steep export tariffs on strategic raw materials, further ratcheting up pressure on China's trade policies.

At issue are levies and quotas China imposed two years ago during the commodity boom, as part of an attempt, only marginally successful, to stem the rising flow of key industrial minerals from the country.

It is the latest volley amid rising trade tensions among the world's three major trading blocs, as President Barack Obama prepares for a visit to China this month. This year, the WTO has ruled against Chinese restrictions on distribution of Western music and movies; against the EU over subsidies for commercial aircraft; and received a Chinese complaint over EU antidumping measures.

Overall, the number of new antidumping measures—tariffs enacted to discourage imports of goods being sold below cost—rose to 281 in the year to June 2009, a 27% jump from a year earlier. The biggest target: China.

The recession is "making everything more and more complicated," says Fredrik Erixon, an analyst with the European Centre for International Political Economy, a Brussels think tank. "It's the result of one country becoming a trade giant in only 10 years, and two other trade giants having trouble adjusting to that fact."

As Chinese manufacturers have made increasingly sophisticated consumer goods, such as iPods, cellphones and computers, they have grown dependent on cheap and accessible minerals such as zinc, silicon and tantalum.

The 2007 quotas and export tariffs, some as high as 95%, came as economies were scrambling to get minerals. China wasn't the only country to use export duties to keep resources at home. Russia, Ukraine, Argentina, South Africa and India have put tariffs or other forms of restrictions on exports including wood, chemicals and iron ore. As another part of its plans to secure natural resources, China signed a host of lucrative contracts in resource-rich nations.

There is little evidence that the tariffs worked as export volumes continued to rise, though slightly, after they were imposed. Because commodity prices jumped, the value of Chinese exports of key industrial metals rose to $13.3 billion in 2008 from $9.7 billion, according to Global Trade Information Services.

Still, EU and U.S. officials say the policy offers an unfair cost edge to Chinese companies.

On June 23, the EU and U.S., joined by Mexico, asked for meetings with China at WTO headquarters in Geneva. The talks achieved nothing. "We always believe these measures under dispute are legal," said a Chinese trade official Wednesday.

In their complaint, U.S. officials say they are challenging the tariffs on nine minerals: bauxite, coke, fluorspar, magnesium, manganese, silicon metal, silicon carbide, yellow phosphorus and zinc.

When China joined the WTO in 2001, it made commitments to keep tariffs low. Analysts say the current regime is likely to be found illegal, although China will attempt to invoke a loophole in WTO law. "The tariffs do raise issues under WTO rules, says Nikolay Mizulin, a Brussels-based lawyer for Hogan & Hartson LLP.

The WTO will consider the request to convene a three-person arbitration panel at a meeting Nov. 19. The panel will then rule toward the middle of 2010. A ruling against China would force Beijing to drop the tariffs or face retaliatory trade sanctions.

Trade tiffs

Recent trade disputes in 2009

Aug. 12: WTO rules against Chinese restrictions on movies and music distribution

Sept. 12: U.S. slaps duties on imports of Chinese tires.

Oct. 9: EU Commission recommends extension of imports tariffs on shoes from China and Vietnam

Oct. 24: China complains to WTO about EU anti-dumping measures

Nov. 4: EU, U.S., Mexico complain to WTO about Chinese export tariffs

Sources: WTO, EU

A worker transfers rolls of copper tubes at a plant in southeast China

Fitch downgrades Ireland amid declining output

By Michael Wilson And Quentin Fottrell

DUBLIN—Fitch Ratings cut Ireland's credit ratings by two notches on Wednesday, as the Organization for Economic Cooperation and Development warned of falling output and rising debt.

The ratings firm cut the country's sovereign rating to AA-minus from AA-plus, and said the downgrade "reflects the severity of the decline in nominal [gross domestic product] and the exceptional rise in government liabilities." The agency said falling GDP will mean a tax-revenue shortfall of around €2 billion ($2.9 billion) in 2009, putting pressure on the government's budget deficit. Liabilities associated with banking-sector support measures are also weighing substantially on Ireland's debt position, Fitch said.

The Bank of Ireland seemed to share Fitch's bleak view; the chief executive of the country's biggest private-sector bank said the outlook remains "challenging." The bank reported a 73% drop in first-half profit, hit by restructuring and impairment charges, the crisis and the slump in the property market. It posted net profit of €168 million for the six months to Sept. 30, down from €628 million a year earlier.

Finance Minister Brian Lenihan saw some good in the Fitch news. "While this is a somewhat disappointing development iIt is worth noting that Fitch has given us a stable outlook. This provides us and the markets with some certainty," he said in a statement.

"It is also, however, a reminder of the risks and challenges we face if we do not continue to bring stability and sustainability to the public finances," he said.

He said the government must improve competitiveness and address the difficulties in the banking system.

In the 16-country euro zone, Ireland was among hardest hit by the recent downturn after a decade of heady growth left banks heavily exposed when the housing market collapsed.

Gross government debt, including the forthcoming National Asset Management Agency, is expected to rise to over 110% of GDP by the end of 2010, Fitch said.

"As recently as the end of 2007, gross government debt was just 25% of GDP," the ratings agency said. "The rise in debt is likely to push the ratio of debt interest payments to tax revenue above 15%, one of the highest among Fitch-rated sovereigns in the 'AA' range."

The OECD gave a cautious outlook for Ireland Wednesday, forecasting that GDP would decline 7.5% in 2009 and fall 2.4% in 2010.

"The priority now is to restore the banking sector to good health," the organization said in its report on Ireland. "Substantial fiscal consolidation is needed."

CORRECTIONS & AMPLIFICATIONS

The European Court of Human Rights ruled that the display of crucifixes in Italian public schools violated religious and educational rights, but the court didn't order Italy to take crucifixes off the walls. A front-page headline on Wednesday incorrectly said crucifixes were banned at Italian schools.

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

Cameron scrambles for new Europe policy

With Lisbon signed, he pledges obstacles to a federal Europe

By Joe Parkinson
And Alistair MacDonald

U.K. opposition leader David Cameron pledged that, if elected, he would hold a referendum on any further transfer of sovereignty from the U.K. to the European Union, aiming to repair damage from his abandonment of a "cast-iron guarantee" of a referendum on the now-ratified Lisbon Treaty.

In a speech Wednesday, Mr. Cameron said an elected Conservative Party would pass a law that obliged U.K. governments to hold a vote if further powers were transferred to the EU and would also pass a U.K. sovereignty bill that would ensure "the final word on our laws is here in Britain" and not in EU courts.

"We will give the British people a referendum lock to which only they should hold they key," he said, adding that his party would "never allow Britain to slide into a federal Europe."

Mr. Cameron had given a "cast-iron guarantee" in 2007 to hold a referendum on the Lisbon Treaty, which his party opposes. However, with the Czech Republic approving the treaty on Tuesday, Mr. Cameron said there was no practical purpose to holding a referendum.

Mr. Cameron has taken the Conservatives on a relatively smooth journey to a double-digit lead over the Labour government in part by successfully papering over party divisions on the EU that helped damage the party when it was last in power in the 1990s. Some of that old strife has re-emerged this week.

Bill Cash, a Conservative member of Parliament who rebeled against his party on European policy in the 1990s, said that Mr. Cameron was mistaken to say that the party can't hold a referendum on a treaty that is already law. He pointed to a vote that took place in 1975 on the U.K.'s membership of the then European Economic Community, which it was then a legal part of.

Robert Olds, a director of the Euro-skeptic think tank the Bruges Group, said that Mr. Cameron demonstrated on Wednesday that he didn't "understand" Europe.

The Tories are favorites to win next year's U.K. election but they have come under pressure in local and European elections from the U.K. Independence Party. UKIP supports the U.K.'s withdrawal from the EU.

Mr. Cameron was mocked in Parliament, where he is used to having the upper hand over Prime Minister Gordon Brown. Former Labour minister David Blunkett told him his cast-iron guarantee had "turned out to be made of plywood." Still, the issue has yet to produce a widespread break in Conservative ranks.

Aside from the referendum pledge, Mr. Cameron also said a Conservative government would seek an opt-out clause from the Charter of Fundamental Rights, greater protection from EU encroachment into the U.K. criminal-justice system, and restoration of U.K. control over social and employment legislation.

Mr. Cameron also sought to reach out to Europe, saying a Conservative government wouldn't seek "to sabotage the operation of the European Union" and would be an "active member" of the bloc.

A spokesman for the European Commission said "the commission does not comment on political party manifestos." However, one EU official singled out for concern Mr. Cameron's proposal for a sovereignty law placing ultimate authority in U.K. courts.

"Any questioning of the primacy of community law would of course create difficulties," the official said.

Mr. Brown's Labour Party has welcomed the ratification of the Lisbon Treaty, which the party also promised to hold a referendum on. But after the treaty was revised following "no" votes in France and the Netherlands, the government said it wouldn't hold a vote because it no longer represented a significant transfer of U.K. sovereignty.

—Laurence Norman contributed to this article.

Associated Press

David Cameron, Britain's opposition Conservative Party leader, answers questions during a news conference in London on Wednesday. He said a Conservative government wouldn't seek 'to sabotage the operation of the European Union.'

New rules clamp down on parliamentary perks

By Alistair MacDonald

U.K. lawmakers were told Wednesday that they likely won't be allowed to seek reimbursement for mortgages on their second homes or to employ family members, as part of an attempt to cap the expense-claim scandal that has ended careers and hurt the reputation of the self-styled "mother of all Parliaments."

The suggested rules were contained in a report ordered earlier this year by Parliament, in the wake of embarrassing revelations that the legislative body's expense system had been used to reimburse politicians for everything from toilet seats and dog food to interest payments for mortgages that no longer existed.

But the proposed changes may not sate an angry public, which will make its own judgments in an election next year.

The report by Sir Christopher Kelly, a former civil servant, is meant to build "safeguards for the taxpayer" into the system, and it calls for a whittling down of parliamentary perks. Among the changes: members of Parliament who live outside London would have to rent residences in the capital, rather than claim interest payments on second homes purchased in London.

The new rules also would stop MPs from constituencies within a "reasonable" commuting distance of Parliament from claiming reimbursement for a second residence at all.

Sir Christopher, the chairman of the Committee on Standards in Public Life, an advisory body to the government, also called for an end to claims for cleaning, gardening and furniture, which produced some of biggest headlines from the leaked receipts published in the spring by the Daily Telegraph newspaper. Prime Minister Gordon Brown recently agreed to repay £12,000 ($20,000) in expenses, primarily related to cleaning and gardening services, that he had charged to taxpayers.

Another measure would ban future British politicians from employing family members, a widespread practice in U.K. political circles. MPs who currently employ a family member will be able to do so for one more full Parliament before the practice is outlawed altogether in about five years.

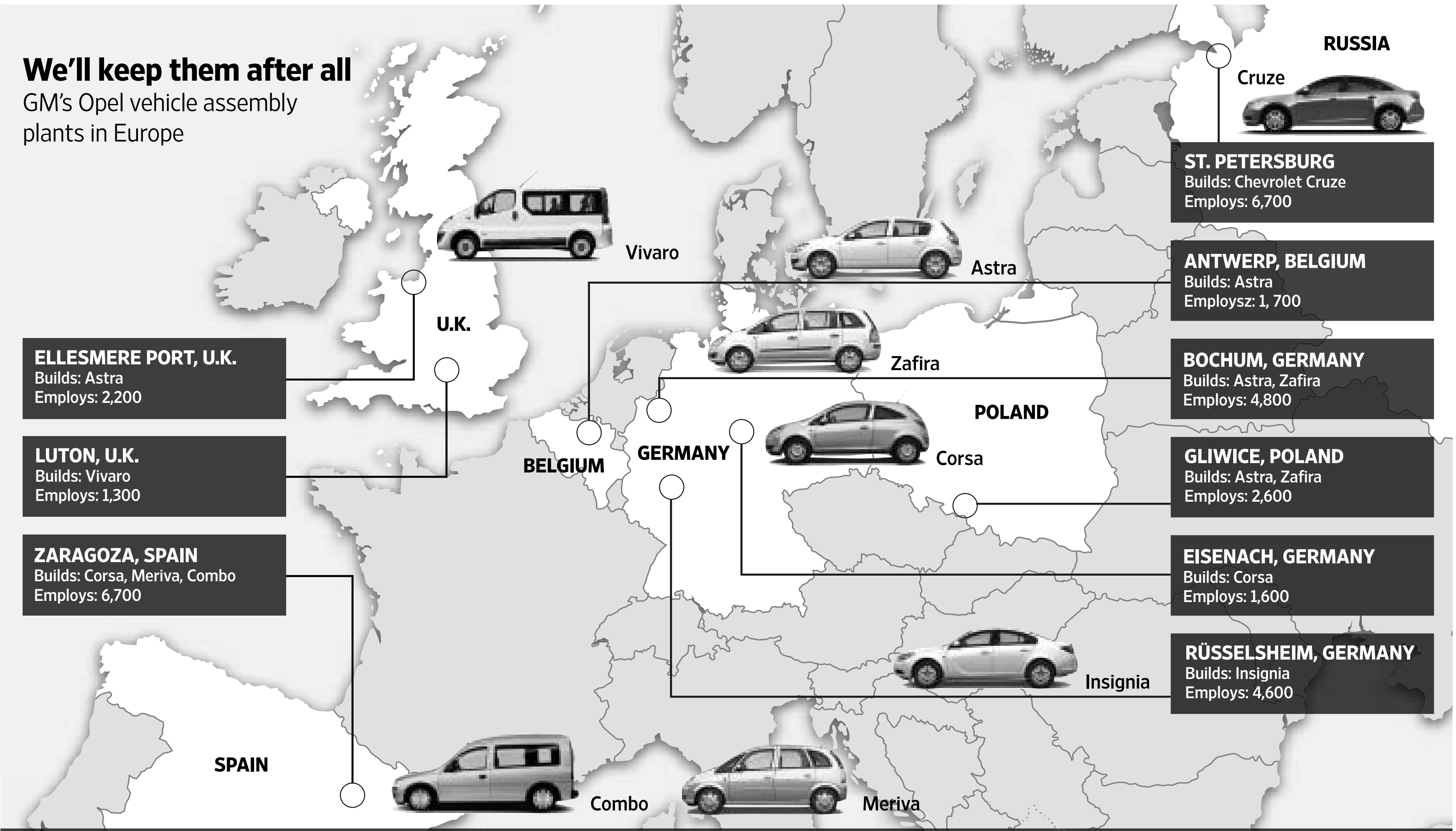
The report has the backing of the leaders of Britain's three main parties—ruling Labour, the Conservatives and the Liberal Democrats—and will feed into a review by the new Independent Parliamentary Standards Authority. After consultation with MPs, the authority hopes to begin implementing a new expense regime by April.

"People want to know that the system will be different: It will be open, it will be transparent, it will fair," Mr. Brown said in Parliament on Wednesday.

But some MPs said the new rules were an overreaction that will increase bureaucracy and make being a politician so expensive that only the wealthy will be able to do it.

"We are so desperate to pander to the people at the foot of the guillotine that we are not being intelligent," said Roger Gale, a Conservative MP for North Thanet in southeast England.

LEADING THE NEWS: GM REVERSES ON OPEL



General Motors at a glance | The company says its overall health has improved lately

U.S. PLANTS
228 locations, 36 states, 151 cities

EMPLOYEES
209,000 world-wide

BRANDS
Buick, Cadillac, Chevrolet, GMC, GM Daewoo, Holden, Opel, Vauxhall and Wuling

SALARIES*
CEO $1.3 million a year
CFO $720,000 a year

FIRST-QUARTER NET LOSS
$5.98 billion
2009
$3.28 billion
2008

U.S. VEHICLE DELIVERIES
September 2009
284,300

EUROPEAN SALES VOLUME
September 2009, Opel/Vauxhall
121,890

TOTAL DEBT
$17.3 billion as of June 1, 2009†

U.S. GOVERNMENT BAILOUT
$50 billion allocated by the government
$30.1 billion used by GM
$2.5 billion additional funds requested

*Salaries have been reduced but the new levels have not been disclosed

†Excludes debt related to GME and excludes preferred stock

Source: the company

GM reversal on sale of Opel, Vauxhall angers Germany

Continued from first page

Westphalia, the most populous of Germany's 16 states, where GM's plan could lead to the closure of a factory in the economically struggling city of Bochum.

That is potentially explosive for Ms. Merkel's conservative ally, state premier Jürgen Rüttgers, who needs union-labor votes to win reelection in May 2010.

Losing the state would rob Ms. Merkel's center-right alliance of its majority in Germany's upper house of parliament, jeopardizing the government's ability to pass economic legislation, including its signature policy of income-tax cuts.

While many German politicians denounced GM's decision on Wednesday, Mr. Rüttgers was particularly scathing, saying the U-turn in Detroit "shows the ugly face of turbo-capitalism," and pledging for fight for the Bochum plant.

Government representatives said it was unknown whether the government in Berlin would meet any GM requests for financing aid, adding that Germany would have to study GM's proposals first.

GM is expected to ask European governments that host Opel or Vauxhall plants for about €3 billion ($4.4 billion) to revamp the operations. Around €2 billion of that sum will come from Germany, GM officials hope.

However, Ms. Merkel is deeply skeptical about giving taxpayer aid to Opel without it having a new owner, according to a person familiar with her thinking. The chancellor rejected Opel's first pleas for aid a year ago because she saw no way to make sure that German public money wasn't effectively subsidizing GM in Detroit, this person said.

The chancellor saw a sale of Opel to Magna as the only way to make sure German taxpayer aid stayed in Germany, this person said. In addition, Germany's political class takes an overwhelmingly dim view of GM's management of Opel in recent years, blaming Detroit for the German brand's financial losses and sinking market share.

Mr. Brüderle said Wednesday that GM must repay a €1.5 billion bridge loan that Germany had extended to smooth the sale of Opel, and which expires Nov. 30.

"I can't imagine that Germany would support and give money for a GM strategy of cuts and closures at Opel," said Tilman Meyer, a political scientist at Bonn University. "If GM's decision was based on getting state aid, then they may have miscalculated," he said.

GM's reversal also denied investment banks hefty fees they would have received for advice on a highly complex deal. KPMG advised the Magna consortium. **Commerzbank** AG and Frankfurt-based boutique **Freitag & Co.** were hired by General Motors to find buyers for the European business. Morgan Stanley and Blackstone advise General Motors in the U.S.; both are expected to have a role in the restructuring of GM's global operations. Commerzbank and Morgan Stanley declined to comment. Blackstone, Freitag & Co and KPMG didn't respond to requests for comment.

—Liam Vaughan contributed to this article.

Magna, Sberbank will examine basis for GM's pullout

By Will Bland

MOSCOW—**General Motors** Corp.'s decision to retain its European unit is "genuinely surprising," and the spurned bidders, Canada's **Magna International** Inc. and Russian state-controlled OAO **Sberbank**, will scrutinize the legal basis for the pullout, said Dmitry Peskov, a spokesman for Russian Prime Minister Vladimir Putin.

"The Russian government supported and will continue to support this deal" to sell Opel/Vauxhall to Magna and Sberbank, Mr. Peskov said. "Even if it doesn't take place, the government has serious plans to restructure and modernize auto manufacturing."

Sberbank, Russia's biggest bank, and Magna were each prepared to commit €500 million ($744 million) for equal stakes of 27.5% in Opel. Russia's second-largest car maker OAO **GAZ Group**, controlled by billionaire Oleg Deripaska, was an industrial partner to the bid.

"Our interest was based on our desire to increase our presence in the passenger-car segment," a spokeswoman for GAZ said. GAZ produces mostly vans and minibuses.

The problematic deal with Opel, with its international political overtones, is wrapped up in the "superstitions of the U.S. State Department," Mr. Deripaska earlier told the Russian press. The State Department has denied Mr. Deripaska a visa to visit the U.S., although he recently visited the country in cooperation with the Federal Bureau of Investigation and met with Detroit executives.

A Sberbank spokeswoman said the bank couldn't immediately comment on the GM decision on Opel.

"The motivation, it seems to me, is very simple: to keep Opel within the zone of political and economic influence of American business and American politics," said Oleg Morozov, deputy head speaker in the lower house of Russian parliament for Mr. Putin's United Russia Party.

Privately, Russian officials said the collapse of the Opel deal could have repercussions for GM's operations in Russia, with other countries' auto makers getting business from the Kremlin, as it seeks to modernize the industry, Russia's Interfax news agency reported.

Russia's biggest auto maker, OAO AvtoVAZ, is working with France's Renault SA and Japanese sister company Nissan Motor Co. to produce new car models starting in 2012.

Russian auto demand has dropped by half in the past year after unemployment jumped and bank credit dried up amid the country's first recession in a decade.

LEADING THE NEWS: THE GM OPEL REVERSAL

GM may not close as many Opel plants

By John Stoll

General Motors Co. will review a restructuring plan for its Opel and Vauxhall units "very soon" that could include fewer plant closures, a senior executive said a day after GM decided to keep the European operations.

John Smith, GM's top executive handling the Opel restructuring, also said Wednesday the company could repay aid to the German government if necessary, and had a "Plan B" to restructure without assistance from European states, declining to elaborate.

Mr. Smith said on a conference call with reporters that GM was "already working to freshen the Opel viability plan" following a decision Tuesday by GM's board of directors to keep control of the operation.

GM will soon commence an internal review on the business, which hasn't made money in a decade. The Opel/Vauxhall brands have continued to lose market share, with sales down 11.4% year-on-year in the January-September period compared with a 6.6% industrywide decline.

The company plans to approach the German government and other European states soon to seek a €3 billion ($4.4 billion) financing for the turnaround plan.

The plan parallels restructuring proposals GM developed earlier for Opel and Vauxhall, which would cut structural costs by 30% and eliminate 10,000 jobs.

However, GM may not close all three Opel plants envisaged by that plan. Mr. Smith said it had found "a very interesting proposal" for one of the plants that could keep it open, declining to be specific.

He also addressed the €1.5 billion bridge loan GM received in May from Germany that is proving to be a key sticking point following GM's decision to keep Opel, rather than sell control to **Magna International** Inc. and its Russian partners, OAO **Sberbank** and car maker OAO **Gaz**.

Mr. Smith said GM has already paid back some of the loan and now owes €900 million. "We can and we will repay the bridge loan," he said. Once the bridge loan is repaid, a trust board that has been in place as the custodian of a 65% Opel stake will be dissolved, he said.

He added that Opel was performing "at or slightly above plan" and had a "healthy cash balance," though it needed funding for the restructuring.

GM is continuing to draw down cash from the U.S. Treasury, and an Obama administration official said the U.S. loan agreement includes "restricted and unrestricted money" that would provide leeway to use at least some of the funds for Opel.

The official, who spoke on condition of anonymity, said the government isn't aware of any U.S. funds being used on Opel up to this point. The official noted that Opel's operations have generated money that will ultimately allow GM to start paying back the Treasury loans.

GM's Mr. Smith expressed confidence in eventually securing German government support, despite the political tensions that followed Tuesday's decision. He said GM's plan somewhat mirrors Magna's plan.

"The plans are very similar...If they like the Magna plan, they will also like the GM plan," he said.

Mr. Smith, speaking about the GM board's decision, said the directors concluded that selling Opel would have left GM with "potentially a pretty big strategic hole." He said the directors, since first taking up the Opel issue in August, have always been on the fence as it relates to the strategic question of whether to keep the unit or sell control.

The GM board was persuaded to keep Opel by the unit's "improving business environment" and its strategic importance to GM, GM Chief Executive Frederick "Fritz" Henderson said in a statement Tuesday evening.

New Opel cars are seen on a car transporter at the Adam Opel factory in Ruesselsheim, Germany

Workers in Britain hail GM's Vauxhall reversal

By Terence Roth
And Jonathan Buck

LONDON—Worker representatives of General Motors Corp.'s U.K. Vauxhall unit hailed GM's abrupt decision not to sell its European operations almost as a reprieve.

"This is an incredible turnaround from General Motors," said Tony Woodley, head of the Unite union. "It is fantastic news for the U.K. and right that General Motors does not break up its family and instead retains ownership of Vauxhall."

The reaction was in stark contrast to the reaction from workers at GM's larger German unit, Adam Opel AG, where workers threatened protests over GM's decision to jettison a plan to sell its European units to Magna International Inc.

Although GM's latest plans for Opel and Vauxhall are unclear, Unite's Mr. Woodley said he expects GM to adhere to previous plans to keep U.K. auto-production sites intact, although he acknowledges the need for some restructuring.

Magna didn't have an express plan to shutter Vauxhall facilities, and last month assured union leaders it wouldn't seek layoffs.

In exchange for job guarantees, the work force agreed to make cost-cutting a two-year pay freeze.

Vauxhall operates two plants in the U.K. at Luton and Ellesmere Port and employs about 5,000 workers. The union says Vauxhall supports 25,000 jobs in manufacturing and services, as well as 403 components companies.

The Luton plant may be most vulnerable. It has annual capacity of 150,000 vehicles, but currently is producing only 65,000, including the Trafic van for Renault SA and the Primastar van for **Nissan Motor** Co. Ellesmere Port has annual capacity of 210,000 vehicles and currently is making 120,000, but it builds a new van that is to come to market next month and has an Astra station wagon in the pipeline for 2010.

British policy makers in recent months had fear that the takeover plan by Magna would favor the retention of German plants of GM's Opel which included substantial financial support from the German government.

U.K. Business Secretary Peter Mandelson on Wednesday said he was eager to talk to GM about its Vauxhall plans.

"I have always said that if the right long-term sustainable solution is identified, then the government would be willing to support this,"

LEADING THE NEWS: AUTOMOBILES

Toyota to pull out of Formula One racing

In new blow for sport, auto maker plans to withdraw after this year amid 'severe' economic conditions

By Norihiko Shirouzu

Toyota Motor Corp.'s decision to withdraw from Formula One racing deals another blow to the motor sport and reflects the continuing efforts of the Japanese auto giant's recently installed leader to contend with the global auto-market slump.

Toyota said Wednesday it would leave Formula One after this year, citing "the current severe economic realities." The move comes as Toyota is struggling with losses after the collapse of car sales in the U.S. and other major markets. Running a Formula One racing team is expensive, costing as much as hundreds of millions of dollars a year.

Akio Toyoda, who has made a series of changes since taking over as Toyota president earlier this year, told a news conference in Tokyo that he personally made the final decision to withdraw. "I have been saying since I became president in June that I would focus on product...[and] for now, we would shift our resources to that."


Bloomberg News

Tadashi Yamashina, chairman of Toyota Motorsport GmbH, cries during a news conference in Tokyo, Wednesday.

Toyota, the world's biggest car maker by sales, is expected on Thursday to report a net loss for the quarter ended Sept. 30. It has said it expects a pretax loss for the full fiscal year through March of about 700 billion yen ($7.75 billion).

Toyota's departure adds to a heap of woes facing Formula One recently. Last year, Honda Motor Co. said it was dropping out of F1 because of the global economic slowdown. Then, in July, BMW AG followed suit, citing falling sales, poor racing results and the mismatch between F1's gas-guzzling extravagance and BMW's quest for a greener image. In September, Renault SA's team was penalized for intentionally crashing one of its cars to help another Renault car win a race. And on Monday, Bridgestone Corp. said it wouldn't renew its exclusive deal to supply tires for F1 when its contract expires in 2010.

Toyota was one of a handful of companies that both sponsored its own team and provided engines for other teams. With its departure, Renault, Daimler AG's Mercedes-Benz unit and Ferrari are the only three top-tier auto makers still in the sport. The loss of sponsors and team owners is "a sign that the cost of participation is too high during a downturn," said Caroline Reid, author of "Formula Money," a book about the business of Formula One.

Chrysler's CEO affirms recovery is taking shape

By Jeff Bennett and Kate Linebaugh

Chrysler Group LLC broke even in September and finished the month with more cash than it had at the end of June, the company's chief executive said Wednesday.

The auto maker had $5.7 billion at the end of September, up from $4 billion at the end of June, when it exited from bankruptcy protection, Chief Executive Sergio Marchionne said at a daylong event where Chrysler planned to lay out a five-year recovery plan.

"All expectations both internally and externally will be met," Mr. Marchionne said at Chrysler's headquarters in Auburn Hills, Mich.

Chrysler's recovery plan was hammered out in cooperation with its new alliance partner, **Fiat** SpA, and spells out a slew of new vehicles it aims to launch over the next five years.

In opening remarks, the company's new chairman, C. Robert Kidder, said he and other directors are confident Chrysler will re-emerge stronger than ever.

The company's finance chief, Richard Palmer, said Chrysler generated cash in the last few months, despite declining vehicle sales, and believes it won't burn cash in the months ahead as it increases spending on new models.

"Going forward, we don't expect to consume cash," he said at a lunch with reporters.

Mr. Palmer, who moved to Chrysler this summer from Fiat, also said the company plans to focus on boosting sales to fuel its turnaround.

"The priority is to sell more cars," he said. "The way to generate cash is selling more cars."

Chrysler kicked off its six-hour meeting by discussing Dodge. The Dodge portfolio will include a new compact model along with a subcompact hatchback and a midsize sedan.

These cars will be introduced in 2012 and 2013. A midsize truck is under consideration for introduction in 2011.

"We are going to take some risks going forward," said Dodge-brand Chief Executive Ralph Gilles. He added that the auto maker will refresh all its current models through the end of the quarter to be ready for next year.

Chrysler plans to update the interiors, replace the engines and improve the driving of four of its existing vehicles by the fourth quarter of 2010, according to Mr. Gilles. A new, seven-passenger crossover vehicle will be added to the lineup in a year, Mr. Gilles said.

"It is the beginning of a new era at Dodge," Mr. Gilles told the audience of financial analysts, media and executives. "Every car that we have will have a soul."

The vehicles to be refreshed by the end of next year are the Avenger sedan, the Journey sport-utility vehicle, the Caravan minivan and the Charger sedan. Chrysler will begin producing Dodge Caliber compact cars with refreshed interiors at the end of this month. The Nitro SUV will also be repositioned to be more of a lifestyle vehicle.

The company will phase out the Viper sports car in July next year but aims to bring it back with the help of Fiat's expertise in 2012.

Chrysler also vowed to improve the quality of its vehicles, which have often scored poorly in customer-satisfaction surveys.

"We get it, we are not in denial," said Doug Betts, Chrysler's top quality executive. "We've got an issue to deal with both in terms of what people think of our quality and the reasons behind what they think. We have changed and are changing a lot."

Mr. Betts said Chrysler has completely overhauled the way it identifies and fixes quality problems.

—Neal E. Boudette contributed to this article.

CORPORATE NEWS

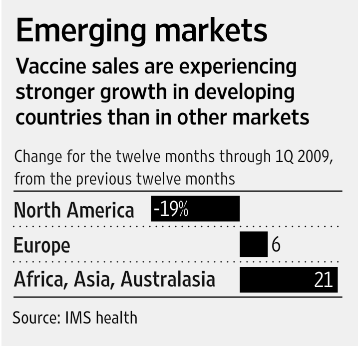
Novartis adds Chinese vaccines

Swiss drug maker aims to boost presence in emerging-market inoculations

BY JEANNE WHALEN


Reuters

Novartis aims to expand in vaccines. Above, getting a flu shot in Beijing.



Novartis AG's planned purchase of an 85% stake in a Chinese vaccine maker underscores big pharma's growing interest in a corner of healthcare—emerging-market inoculations— that previously offered little prospect of profit.

The Swiss drug maker said it has reached an agreement to pay $125 million in cash for the stake in **Zhejiang Tianyuan Bio-Pharmaceutical** Co., a privately held company that makes vaccines against a variety of viral and bacterial diseases. The firm holds about 3% of China's $1 billion vaccines market, which is now the third-largest in the world, Novartis said. The deal is still subject to the approval of Chinese authorities, Novartis said.

Other drug companies are also piling into the region. This summer, France's **Sanofi-Aventis** SA acquired a majority stake in India's **Shantha Biotechnics**, which sells vaccines in India and the developing world. Sanofi declined to disclose the exact size or price of its stake, but said the deal gives Shantha a total value of €550 million ($809 million).

In the past, vaccine use in these countries has been limited to basic shots against polio, measles and tuberculosis. But as the economies grow, both government and private spending on healthcare is rising quickly. Vaccines are one of the first tools developing countries spend money on, because they prevent disease and therefore save money in the long run.

Novartis, Sanofi and others aim to expand production and sales of existing inoculations in these markets, and to accelerate development of new shots. Shantha currently sells vaccines for hepatitis B, diphtheria, tetanus and other diseases, but is also developing new inoculations against typhoid, cholera and rotavirus, which causes severe diarrhea in infants and children, killing more than 600,000 a year worldwide, according to the U.S. Centers for Disease Control and Prevention.

Jacques Cholat, vice president of international commercial operations at Sanofi's vaccine unit, said the company expects a "minimum" of double-digit sales growth from Shantha in the coming years, from a current level of about $90 million annually. Sanofi is already laying plans to expand Shantha's production capacity, he said, though he declined to say by how much.

Tido von Schoen-Angerer, executive director of an access-to-medicines campaign at Doctors Without Borders in Geneva, said he was concerned that multinational ownership of vaccine makers in emerging markets will lead to higher prices. "It is actually really worrying...how much will they be allowed to produce very cheap vaccines?" he asked in a phone interview.

Mr. Cholat said it isn't in Sanofi's interest to raise prices. "We are obsessed at being able to maintain Shantha's vaccines at high quality yet affordable prices. If we lose this attribute we will lose our market share," he said.

About 90% of Shantha's sales come from governments in the region and from United Nations agencies, which buy vaccines to distribute in poor countries world-wide, Mr. Cholat said. Sanofi wants Shantha to expand sales to those buyers, he said. One U.N. agency recently awarded Shantha contracts worth $340 million to produce 125 million doses of a vaccine that protects infants against five diseases. That works out to about $2.70 per dose. A similar vaccine can cost up to €25 in Western markets, Mr. Cholat said.

A Novartis spokeswoman said executives weren't available to comment on the company's acquisition. In a statement, Novartis said that sales at Tianyuan more than doubled to $25 million in 2008 from 2006. According to the company's Web site, it has 247 employees and is one of China's largest private manufacturers of flu vaccine.

Novartis said it aims to "expand Tianyuan's product portfolio and R&D pipeline," and also to use the acquisition to help introduce Novartis vaccines in China. Novartis said it expects "sustained double-digit growth in the future given the government's commitment to improve access to quality healthcare."

China has spawned a number of vaccine makers in recent years. One of the most prominent—**Sinovac Biotech** Ltd.—is producing swine-flu vaccine for the Chinese government.

Total's output grows as net declines 37%

BY ADAM MITCHELL

PARIS—**Total** SA reported growing momentum Wednesday in its oil and natural-gas production that could help offset the expected drag on the French oil giant's fourth-quarter earnings from continued weakness in its refining business.

Like Europe's other large integrated oil companies, however, Total's third-quarter earnings weren't immune from the sharp decline in demand for European refined products. The economic downturn and growth of refining capacity in Asia and the Middle East have forced companies to reduce their refinery utilization due to weak margins, and Total said it expects that trend to persist.

Total reported net profit for the three months ended Sept. 30 fell 37% to €1.92 billion ($2.84 billion) from €3.05 billion a year earlier. Sales fell 31% to €33.63 billion from €48.85 billion.

The company achieved a better-than-expected 1% rise in third-quarter production from a year earlier to 2.24 million barrels of oil equivalent a day, as it started up some new projects.

"Total's production is back on track," said Chief Executive Christophe de Margerie, crediting the ramp-up of offshore fields in Nigeria and the Gulf of Mexico, as well as start-ups in Norway, Angola and a liquefied-natural-gas unit in Qatar.

With new projects up and running, including an LNG project in Yemen that came on stream in mid-October, ramp-ups and lower maintenance levels than in the third quarter should boost production over the coming months, Total said.

Total's output growth cheered market observers, who hope it will continue to gain momentum.

Total posted a better-than-expected 1% rise in third-quarter production from a year earlier to 2.24 million barrels of oil equivalent a day.

Much lower oil prices than in the year-earlier period combined with the weak refining environment also hit other integrated oil companies' results.

Norway's **Statoil** ASA said Wednesday that its third-quarter hydrocarbons production rose, while refining margins slumped. The company said it maintained a cautious outlook, given no firm evidence that industry investment, employment and private consumption have recovered.

Statoil reported a 14% rise in third-quarter net profit rose to 7.41 billion Norwegian kroner ($1.29 billion) from 6.5 billion kroner a year earlier, even as revenue fell 30% to 122.45 billion kronor from 173.84 billion kronor. A foreign-exchange gain of just under two billion kronor, compared with a 13.77 billion kronor loss the previous year, helped offset the effect of lower oil and natural-gas revenue.

—Elizabeth Adams contributed to this article.

Gas Natural plans asset sales to cut debt

BY BERND RADOWITZ

MADRID—Spain's Gas Natural SDG SA said Wednesday it expects further asset sales to reduce its massive debt load, after higher financial costs restrained third-quarter net profit.

It is in talks with three parties over the sale of 2,000 megawatts in gas-fired generation capacity, and expects their sale in coming months, Chief Executive Rafael Villaseca said in a conference call.

The sale of the power plants won't count toward a €3 billion ($4.4 billion) divestment target the company had established when disclosing its €16.76 billion takeover of Union Fenosa SA last year, and thus will lower debt even further, Gas Natural said.

The company's net financial debt stood at €21.92 billion at the end of the third quarter, compared with €4.94 billion a year earlier, and was only slightly lower than the €22.06 billion reported at the end of the second quarter.

The larger debt almost tripled the company's cost of net financial debt to €236 million from €80 million a year earlier, limiting its third-quarter net-profit rise to 21%, despite the contributions from Union Fenosa, which was consolidated for a full quarter for the first time.

Net profit reached €292 million, compared with €242 million a year earlier, as revenue rose 23% to €4.05 billion from €3.29 billion. Earnings before interest, taxes, depreciation and amortization, or Ebitda, meanwhile, almost doubled to €1.24 billion from €629 million.

If market conditions continue to be good, Gas Natural plans to issue at least another €1.25 billion in bonds to improve its debt profile, a spokeswoman said. Gas Natural this year has already issued €4.75 billion in bonds and Mr. Villaseca said it aims to reduce net financial debt to €18 billion by year-end.

On Tuesday, the CEO said that the company had also received six or seven offers for gas-distribution assets in the Madrid region and expects their sale to be concluded in coming months. Gas Natural needs to sell the power plants and gas-distribution assets to satisfy demands by Spanish competition authorities following the Fenosa takeover.

The company already has sold €2.3 billion in assets, among them Fenosa's 5% stake in Compañía Española de Petróleos SA, or Cepsa.

Enel's net falls, but revenue up with consolidation

BY LIAM MOLONEY

ROME—Enel SpA, the Italian utility spearheading the country's nuclear renaissance, Wednesday said third-quarter net profit fell 43% from a year earlier, when results were boosted by a tax gain.

The Rome-based company said quarterly net profit fell to €1.19 billion ($1.75 billion) from €2.07 billion in the year-earlier period. The 2008 results had been boosted by a €704 million tax gain.

The results at Enel, which earlier this year completed the multibillion-euro takeover of Endesa SA, were boosted by the full consolidation of the Spanish utility. Revenue climbed 7.8% to €17.23 billion.

Enel confirmed it sees 2009 results topping last year's and forecast its debt pile to fall by the end of December from the €54.07 billion on Sept. 30.

An acquisition spree in recent years netted Endesa and Russia's OAO OGK-5, but turned Enel into Europe's most-indebted utility.

"We expect a further reduction in debt levels at the end of 2009," Chief Executive Fulvio Conti said in a statement. "We confirm the target of reducing debt to €45 billion by the end of 2010."

In March, Enel announced a capital increase of up to €8 billion and other multibillion-euro measures such as asset disposals and a change of dividend policy. The plans are designed to pay off a large chunk of borrowings, reducing net debt to €41 billion by the end of 2013.

Enel confirmed it expects to sell assets valued at a total of about €10 billion by the end of 2010, including about €3 billion in assets it has already sold. The company expects to cash in on the sale of its Spanish high-voltage grid by the first half of next year, while other nonstrategic assets are to be sold by the end of 2010, it said. The sale of its minority stake in renewables company Enel Green Power SpA is under way, it said.

CORPORATE NEWS

M&S will add name-brand goods

Retailer ending 50 years of selling only its brands in nod to consumer demands

By Kathy Sandler

LONDON—Food and fashion retailer **Marks & Spencer Group** PLC broke with a half-century of tradition by disclosing Wednesday it would start selling branded products such as Coca Cola and British yeast spread Marmite alongside its own-brand fare next year.

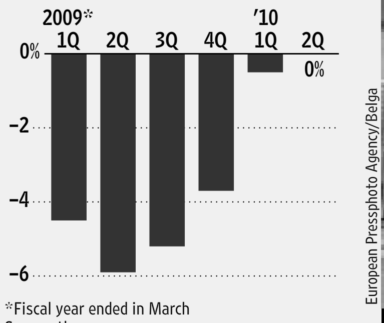
The decision marks another stage in the transformation of one of the U.K. high-street's most iconic stores, which has had to respond to penny-pinching consumers by offering cheaper products, and to the growing tide of Internet shoppers by revamping its Web site and improving its retail channels.

Earlier this week, M&S launched a price-comparison advertising campaign, which directly pits its low-priced foods against similar private-label products at upmarket rival Waitrose, part of the John Lewis Partnership. Until now, M&S had mostly stayed away from other supermarkets' tit-for-tat advertising campaigns.

From next year, the company will sell branded products in all its stores again, about 50 years after it cleared its shelves of popular household names. Its hope is that the new-found convenience of doing all their shopping in one place will retain old—and lure new—customers as the battle for grocery spending becomes increasingly competitive. The move follows extended trials in some parts of the U.K., where consumers could buy PG Tips tea bags, Wrigley's chewing gum and Jack Daniel's whiskey.

Food fight

By adapting its strategy, Marks & Spencer has been battling falling food sales at its U.K. stores. Change from a year earlier in like-for-like food sales



*Fiscal year ended in March
Source: the company

European Pressphoto Agency/Belga

The flagship Marks & Spencer store in London

Speaking after the company's fiscal first-half results presentation, Executive Chairman Stuart Rose insisted the roll-out of well-known brands wouldn't fundamentally change the M&S model, which focuses on high-quality own-branded products. He noted the retailer would only be selling a selection of 400 products compared to other supermarkets, which typically sell over 10,000 branded items.

Still, it marks a further change in M&S's product offering. As the recession hit its home market, M&S, which has a reputation for quality but is also perceived as a more luxurious grocery store, quickly lost market share to lower-priced rivals.

From a nadir in its fiscal third quarter last year, when U.K. like-for-like sales fell 7.1%, M&S has introduced new, cheaper products, run competitive promotions and pushed value alongside quality, culminating Wednesday in better-than-expected first-half profit that pushed the company's shares up 6% in London trading.

M&S's profit before tax, property disposals and exceptional items from continuing operations—the key figure tracked by analysts—rose to £298.3 million ($489.6 million) in the six months ended Sept. 26 from £297.8 million a year earlier.

Net profit was down slightly at £220.8 million from with £223.2 million a year earlier, while total sales rose 2.8% to £4.34 billion from £4.22 billion. Stripping out sales from store opened in the past 12 months, sales in the U.K. fell 0.9%, a marked improvement on previous quarters.

Under Mr. Rose's stewardship, Marks & Spencer has also added contemporary clothing lines, revamped stores and expanded the company's international footprint. However, it hasn't fully embraced the tech-savvy consumer: Despite running a thriving clothing, furniture and housewares Web shopping site, it doesn't yet sell its food range online.

Carlsberg trims sales forecast, but net climbs

By Gustav Sandstrom

Carlsberg A/S on Wednesday posted a 22% rise in third-quarter net profit as lower expenses helped boost margins, but the brewer cut its sales forecast for 2009 and said it expects next year to be challenging as well.

The Copenhagen-based maker of Tuborg, Carlsberg and Kronenbourg beer said it expects beer markets to continue shrinking in Europe and Russia this year and it plans to continue cutting costs to cope with the downturn and preserve profitability.

Carlsberg said it now expects net revenue of 59 billion to 60 billion Danish kroner ($11.7 billion to $11.9 billion) for the full year, down from the 61 billion kroner previously expected. But it stuck with its forecast for operating profit of at least 9 billion kroner and net profit of at least 3.5 billion kroner. It also raised its free cash flow guidance to at least 6.5 billion kroner from at least 6 billion kroner.

Net profit for the three months ended Sept. 30 rose to 1.49 billion kroner from 1.22 billion kroner a year earlier. Revenue fell 11% to 16.36 billion from 18.44 billion, hurt by stagnant sales in most European markets.

"Our efforts to drive sustainable efficiency improvements without losing top-line focus have been successful and sufficient to offset the impact from the challenging markets," said Chief Executive Jorgen Buhl Rasmussen.

Carlsberg said the important Russian market declined about 10% in the first nine months of the year and is expected to fall at the same rate in the full year. However, it improved its market share in the country by 2.2 percentage points to 40.9%. The brewer also said it gained market share in Asia, while overall market share was flat in Northern and Western Europe.

The company faces another threat to its business in Russia. The country's parliament is discussing a proposal to triple the beer tax in 2010, to nine rubles (31 U.S. cents) a liter from three rubles. Carlsberg, which holds more than 40% of the country's beer market, expects the assembly to decide on the issue in November or December.

Carlsberg said last month it would oppose a proposal to triple Russian beer taxes next year, which is under review by the Russian parliament. A final decision on the proposal is expected in late November or early December, Carlsberg said Wednesday, adding that, if implemented, the move will hurt Russia's beer market.

Mr. Rasmussen said in an interview that if the tax is raised, Carlsberg will set up a pricing strategy that may differentiate between its various brands and market segments.

The extent of the impact will depend on a number of factors including the size of the increase, companies' product pricing decisions and macroeconomic developments, Mr. Rasmussen said, declining to elaborate.

Despite the potential short-term impact from raised taxes, Mr. Rasmussen said he expects the Russian beer market to grow in the long run because beer makes up a relatively small part of total alcohol consumption in Russia.

Time Warner profit falls; outlook raised

By Shira Ovide

Time Warner Inc.'s third-quarter earnings fell as advertising sales continued to slide, but the company increased its financial outlook for the full year amid expense cutting and some signs of strength at its cable-television networks.

The profit decline in large part was the result of continued weak performance from two troubled business units: AOL, which Time Warner plans to spin off into a separate company before the end of the year, and the Time Inc. magazine division.

The results underscore the spotty advertising spending reflected in media company financial results. Wary companies are beginning to spend on advertising again, albeit carefully, helping ease ad revenue declines. Companies like Time Warner also have trimmed expenses to offset the declines.

Across all of Time Warner, ad revenue fell 12% in the three months ended Sept. 30 from a year earlier, an improvement from a 15% decline in the second quarter. Time Warner said ad declines are expected to moderate for the rest of 2009. Revenue company-wide fell nearly 6% to $7.1 billion.

Time Warner raised its full-year earnings target to at least $2.05 a share, compared with prior expectations of about $1.98 a share in earnings this year.

Overall, Time Warner posted a profit of $661 million, or 55 cents a share, down from $1.1 billion, or 89 cents a share, a year earlier. The 2008 results included 26 cents a share from discontinued operations and reflect the performance of Time Warner's cable unit, which was spun off in March.

Operating profit fell 10% from a year earlier. The company's results were hurt by higher pension expenses and a strengthening of the U.S. dollar compared to foreign currencies.

Cost cutting helped Time Warner's film division post a 6% increase in operating income to $291 million, even as revenue dropped 3.5% from a year earlier. The third-quarter box office results from the latest "Harry Potter" movie and other releases were lower than in the year-earlier quarter, which included revenue from the film "The Dark Knight."

Time Warner Chief Executive Jeff Bewkes said he expects declining sales of DVDs—which are the major source of movie-studio profits—to ease, even as the company's film studios are more careful about how many DVDs they ship to avoid costly returns.

Operating income for the company's cable-TV networks rose 3% to $938 million. Ad revenue for the networks—which include CNN, TBS and HBO—dropped 1% from a year ago, an improvement from the 3% decline of the second quarter.

Time Warner said the latest advertising results were hurt by its news networks, which include CNN. Ratings have been declining for the news channel, and results last year were helped by interest in the presidential election. International network results also were hurt in the third quarter by the strengthening U.S. dollar compared to other currencies.

Time Warner said its TV ad sales are expected to decline in the fourth quarter from a year earlier, in part because of lower prices paid for commercials booked this summer, tough comparisons from election-boosted results last year, and recent ratings declines at Time Warner's entertainment channels such as TNT and TBS. Mr. Bewkes said he was "not happy" with some of the declining ratings, but he said they were "anomalies."

Executives said prices are improving in the fourth quarter for commercials sold close to air time.

Adidas guardedly optimistic for 2010

By Natascha Divac

FRANKFURT—Sportswear and equipment maker Adidas AG on Wednesday expressed cautious optimism for 2010, the year of the football World Cup in South Africa, as it stuck to its 2009 outlook despite a 30% fall in third-quarter net profit.

"Consumer and retailer sentiment still hovers between fear and optimism," said Chief Executive Herbert Hainer. It is still too early to give a detailed outlook for 2010, he said, but added that he was "cautiously optimistic" about next year's prospects.

The world's second-largest sports-goods maker by sales has been hurt by the downturn in consumer spending. Its bottom line also has been hit by rising costs and by the Russian ruble's decline in value against the euro. Russia is one of Adidas's most important markets.

Adidas's net profit fell to €213 million ($313.4 million) in the three months ended Sept. 30 from €302 million a year earlier. Sales at the Herzogenaurach, Germany-based company, which produces the Adidas and Reebok sports brands as well as TaylorMade golf equipment, were down 6.3% at €2.89 billion from €3.08 billion.

Adidas expects a low- to mid-single-digit percentage drop in full-year sales excluding currency fluctuations, as well as a decline in net profit amid weak consumer spending and rising unemployment in many of its major markets.

ECONOMY & POLITICS

Chirac burnishes image with his pen

Former French president's memoir comes amid swelling of popular support that eluded him while in office

By Max Colchester

PARIS—In retirement, former French President Jacques Chirac has achieved something that eluded him while in office: popularity.

Days after he was ordered to stand trial on embezzlement charges, Mr. Chirac is rated as France's most admired political figure, according to French polling agency Ifop. During Mr. Chirac's presidency, from 1995 to 2007, his approval ratings slipped to 30% as he struggled with issues such as unemployment and crime.

The publication of his memoirs—the first volume comes out in France Thursday—could cement a newly found status as the nation's grandfather.

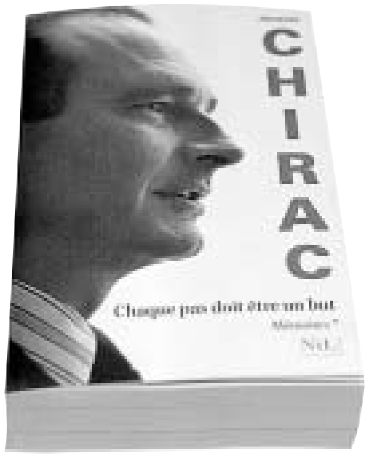
"He is looking to rehabilitate himself," says Vincent Tiberj, a political researcher at Paris-based university, Sciences Po. "This is part of the transformation."

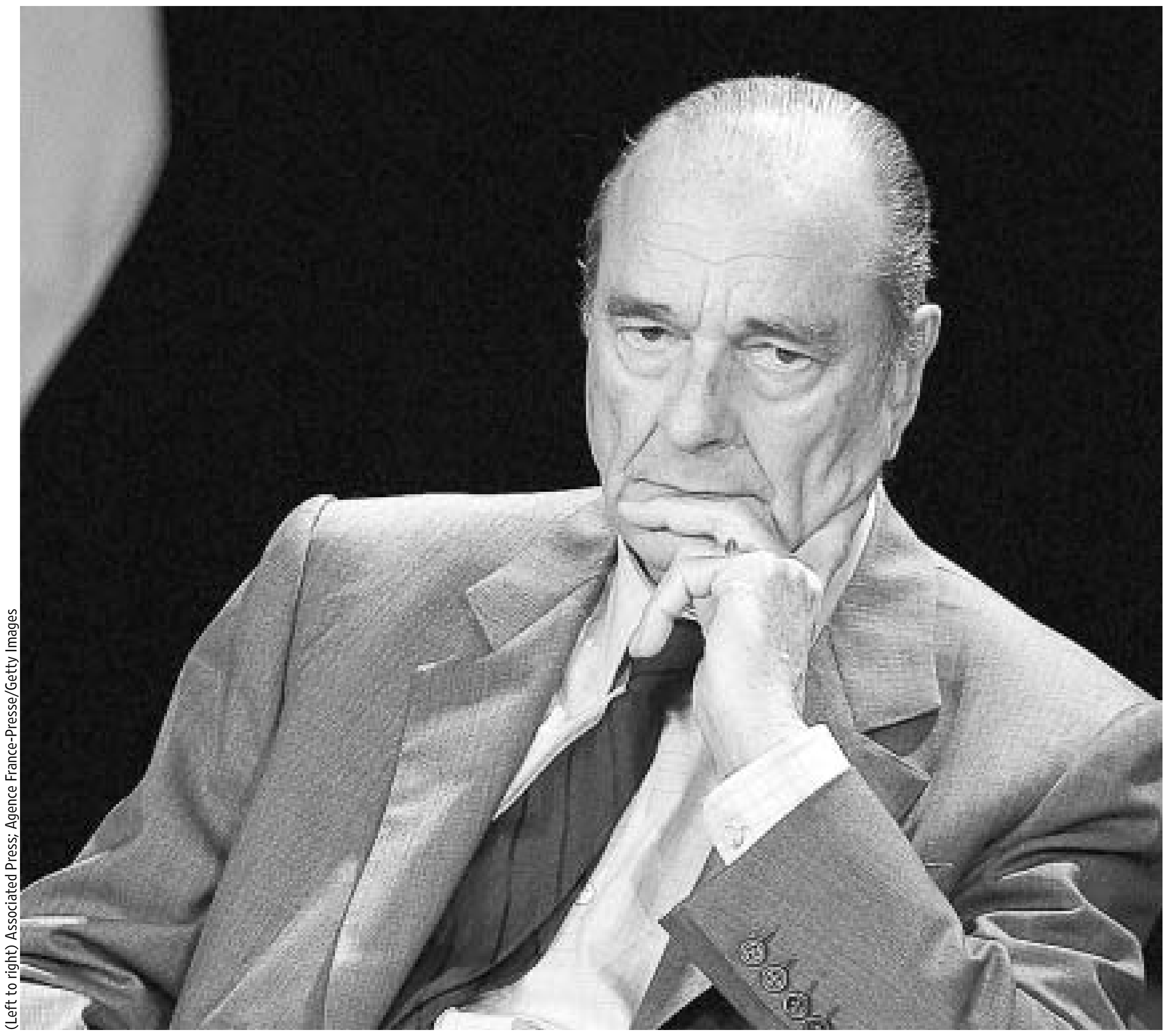
In his book, titled "Each Step Should Be a Goal," the 76-year-old Mr. Chirac retraces his career until his election to the presidency in 1995. He breaks his silence on his successor Nicolas Sarkozy, and weighs in on erstwhile rivals including former President Valéry Giscard d'Estaing.

In extracts published by the newspaper Le Figaro, and confirmed by the book's publisher, Mr. Chirac describes Mr. Sarkozy as "nervous" and "distinguished by his undeniable knack for communication."

Mr. Chirac praises Socialist politician and former President François Mitterrand and British Prime Minister Margaret Thatcher.

Mr. Chirac also pays tribute to his wife, Bernadette, and skims over his renowned penchant for women. In a recent television documentary, Mr. Chirac described his romantic life as "reasonable."





(Left to right) Associated Press; Agence France-Presse/Getty Images

A copy of former French President Jacques Chirac's memoir on display in Paris Tuesday. Mr. Chirac, seen at a meeting in Amiens in 2006, mentions former political rivals in his book.

The book doesn't dwell on a corruption case for which the former president was recently ordered to stand trial. Last week an investigating magistrate indicted Mr. Chirac on charges of embezzlement for allegedly giving aides fictitious jobs while he was mayor of Paris in 1977 to 1995. Mr. Chirac has repeatedly denied the allegations.

A spokeswoman for Mr. Chirac's publisher, Nil Editions, said the house expects to sell at least 230,000 copies as interest builds around the former leader. Bernadette Chirac's memoirs sold around 300,000 copies. "That was a lot but there is no reason why her husband can't do better," said Elisabeth Franck, a Nil Editions spokeswoman.

Mr. Chirac's recent popularity is partly linked to moments of his presidency—notably his stand in 2003 against the war in Iraq and images of him leaping with excitement after France won the 1998 World Cup. His association with moments of Gallic greatness is fixed in people's minds, says Pascal Perrineau, who heads the center of political research at Sciences Po.

Others say Mr. Chirac's likeability has grown as his differences with the current president become evident. Mr. Chirac embodied an aloof style of governance, leaving much day-to-day running of the country to his prime ministers. Mr. Sarkozy is known for a more hands-on approach, which hasn't proved popular with voters.

"Jacques Chirac is nothing like Nicolas Sarkozy," says Mr. Tiberj, the Sciences Po researcher. "This is probably his biggest advantage."

Beyond the new book, the Museum of the President Jacques Chirac in central France—which houses a collection of manuscripts and memorabilia from his administration—has seen a 10% increase in visitors this year, according to a museum spokesman.

A recent video of Mr. Chirac gallantly offering his chair to a woman at a conference—and then being told to hush by his wife—has become an Internet sensation.

Western companies saw an opening as good business

As we approach the 20th anniversary on Nov. 9, we will chronicle the events that precipitated the fall of the Berlin Wall as they played out in the pages of The Wall Street Journal.

East and West

As the Berlin Wall Fell

West German industry was ready to pounce should pressure for economic reform in East Germany force the nation's new leadership to open the country's borders to Western investment.

"In fact, given the right guarantees about protecting foreigners' interests, the likes of Volkswagen AG and Deutsche Bank AG could begin a de facto industrial reintegration of the two Germanys," the Journal wrote on Nov. 8, 1989, just one day before the fall of the Berlin Wall.

Many West German companies were poised to seize the advantage. Firms like Volkswagen, AEG and Adidas were already using products made under contract with East German factories.

West Germany and its allies continued to grapple with reunification and the rapid changes taking place in East Germany. Just the day before, East Germany's entire 44-member cabinet of ministers resigned, "possibly providing the Communist leadership with an opportunity to introduce more reforms," the Journal wrote.

"If East Germany opened up its borders, there would be a great race of German industry to invest there," said a top aide to West German Chancellor Helmut Kohl.

At the time, East Germany's economy, built around 3,600 state-owned manufacturing combines, was roughly one-eighth the size of West Germany's.

"But for Egon Krenz, East Germany's new leader, pressure is mounting to allow more Western business involvement. His party is losing control of its people, who are tired of stores that lack everything from bananas to bath mats, and of 10-year waits for telephones," the Journal wrote.

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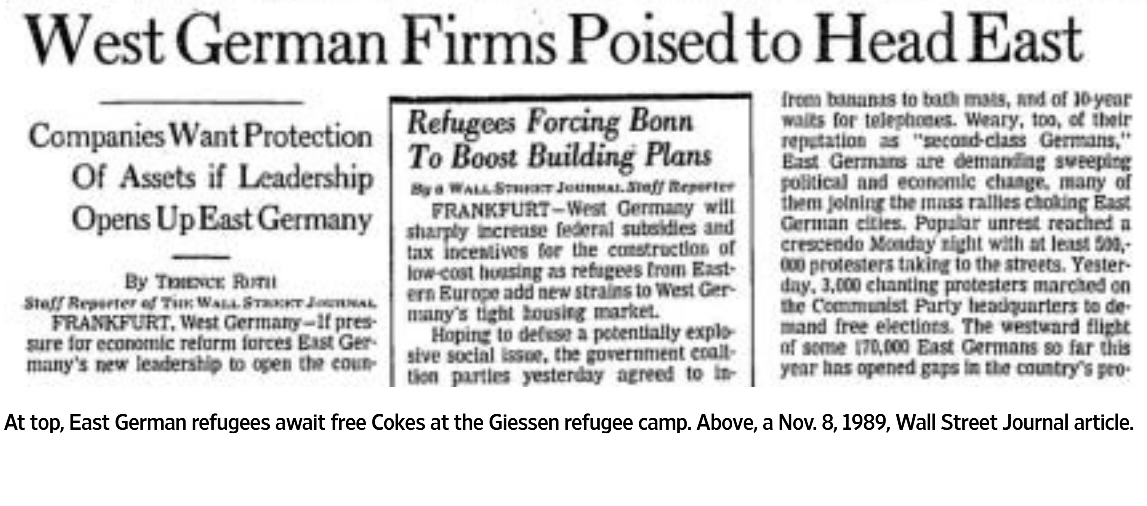

West German Firms Poised to Head East

Companies Want Protection Of Assets if Leadership Opens Up East Germany

By Terence Roth
Staff Reporter of The Wall Street Journal

FRANKFURT, West Germany—If pressure for economic reform forces East Germany's new leadership to open the coun-

Refugees Forcing Bonn To Boost Building Plans

By a Wall Street Journal Staff Reporter

FRANKFURT—West Germany will sharply increase federal subsidies and tax incentives for the construction of low-cost housing as refugees from Eastern Europe add new strains to West Germany's tight housing market.

Hoping to defuse a potentially explosive social issue, the government coalition parties yesterday agreed to in-

from bananas to bath mats, and of 10-year waits for telephones. Weary, too, of their reputation as "second-class Germans," East Germans are demanding sweeping political and economic change, many of them joining the mass rallies choking East German cities. Popular unrest reached a crescendo Monday night with at least 500,000 protesters taking to the streets. Yesterday, 3,000 chanting protesters marched on the Communist Party headquarters to demand free elections. The westward flight of some 170,000 East Germans so far this year has opened gaps in the country's pro-

At top, East German refugees await free Cokes at the Giessen refugee camp. Above, a Nov. 8, 1989, Wall Street Journal article.

Israel claims seizure of weapons shipment

Officials say cargo intercepted by navy was for Hezbollah

By Charles Levinson
And Josh Mitnick


Agence France-Presse/Getty Images

The Israeli military displayed weapons it said were seized on a ship 160 kilometers offshore, at the Port of Ashdod, Wednesday.

ASHDOD, Israel—Israeli officials said naval commandos seized a cargo ship carrying nearly 600 tons of weapons bound for Hezbollah militants in Lebanon, 160 kilometers off Israel's Mediterranean coast.

Commandos boarded the Antiguan-flagged ship, the Francop, Tuesday evening with the permission of the ship's crew as part of routine anti-smuggling operations, Israeli Navy Brig. Gen. Rani Ben Yehuda said.

"In a random check of the containers we found a variety of weaponry camouflaged as civilian goods," Gen. Ben Yehuda said. "Clearly these weapons are for terror purposes. There is no doubt they came from Iran, and were headed through Syria to Hezbollah."

Hezbollah officials in Beirut refused to comment on the Israeli allegations. A spokesman for the Iranian mission to the United Nations in New York also had no comment. Syrian Foreign Minister Walid Moallem, in televised comments made during a visit to Tehran, called the Israeli commandos "pirates" and denied the ship was carrying weapons.

Israeli Prime Minister Benjamin Netanyahu called the raid a "preventive operation against a ship that was providing weapons that would be targeting Israeli cities."

The raid came a day after Israel's military intelligence chief warned that, despite months of relative calm on Israel's borders, Hezbollah in Lebanon and Hamas militants in Gaza are stockpiling Iranian and Syrian arms.

Israel fought an inconclusive 34-day war against Hezbollah in 2006 and defense officials say a second, larger confrontation with the Iranian-backed Shiite militants is inevitable.

Among the seized weapons on display by the Israeli military were Katyusha rockets, mortars, hand grenades, and crates of ammunition for Kalashnikov rifles.

The seized cargo represented "a drop in the sea" compared with the total quantities of Iranian arms reaching Hezbollah, Gen. Ben Yehuda said.

Giora Eiland, the head of the Israeli National Security Council until 2006, said the operation was "tactically insignificant and does not create any strategic change in Hezbollah's military capabilities."

"The most significant implication of this raid is if Israel manages to use this event to change the perception in the international community and within Lebanon itself of what is actually happening in Lebanon," Mr. Eiland said.

Israeli military officials refused to say whether they had any specific intelligence about the ship ahead of time or if they had been tracking it. Military experts in Israel expressed doubt that the military would have raided the ship without specific intelligence.

Gen. Yehuda said the ship carried about 300 containers, 36 of which contained weapons that documents on board the ship showed as having originated in the south Iranian port of Bandar Abbas and were bound for Syria. He said the type of weapons found left little doubt that they were bound for Hezbollah.

Gen. Ben Yehuda said the ship had picked up the weapons in the Egyptian port city of Damietta and was due to make stops in Cyprus, Beirut and Syria. He said an Iranian ship had brought the cargo from Iran to Damietta.

Israeli officials and an employee for United Feeder Services, the Cyprus-based company that was operating the ship, said the ship's crew had no idea they were transporting weapons.

Five U.K. soldiers killed by Afghan police officer

By Alan Cullison

KABUL—An Afghan policeman shot dead five of his British trainers at an outpost in southern Afghanistan, stoking fears that the Taliban have embarked on a campaign to infiltrate the country's security forces.

The incident comes a month after another Afghan policeman shot dead two U.S. Marines in Wardak province, neighboring Kabul. It marks one of the deadliest attacks for the British in Afghanistan, where 229 soldiers have lost their lives since the occupation began eight years ago.

The U.S. and its allies lately have sought to shift more responsibilities to Afghan army and police units as part of an exit strategy from Afghanistan. But the Afghan National Police commanders say their recruits are underpaid and outgunned.

The British troops killed Tuesday were part of a police mentoring group. They were on patrol with Afghan police officers in Helmand, a volatile province in southern Afghanistan where the U.K. maintains a heavy presence.

The soldiers took a break from the afternoon heat at an Afghan police outpost in the district of Nad-e-Ali, where they reclined and drank some tea, said Dawood Ahmadi, spokesman for the governor of Helmand.

Inside the police post one of the Afghan officers opened fire, killing five British soldiers and wounding eight others, including two Afghan policemen. The gunman then escaped on a motorcycle.

Mr. Ahmadi said the British soldiers might not have been wearing their body armor at the time of the attack. "Coalition forces usually do joint patrols with Afghan forces. They sleep in the same outposts, and they eat the same food. They have built a trust between each other," he said. "But unfortunately that trust has been misused by some Afghans."

Gen. Stanley McChrystal, the head of international forces in Afghanistan, discussed the incident with Afghanistan's interior minister, Hanif Atmar. Mr. Atmar promised the attack will be investigated, saying it appeared to be an isolated incident.

The violence recalls earlier, less serious, attacks on U.S. forces by Afghan police. Last month an Afghan policeman killed two U.S. Marines and wounded two others while on patrol in Wardak province and then fled. Last fall, two others were killed in eastern Afghanistan in separate attacks.

Afghan police also have attacked their own troops. In the province of Kunduz, one recruit poisoned eight of his comrades at an outpost in September, and after killing his commander, called in the Taliban, with whom he was allied. Then he and the Taliban shot or beheaded the poisoned officers. "He was of course with the Taliban," said Abdul Razak Yaskubi, police chief of Kunduz province. "The Taliban are trying to penetrate all the Afghan security forces."

Police officials say Afghanistan's recent cycle of presidential elections has placed a strain on the police force.