Money & Investing: Trading-case suspect is tied to Tamil probe

THE WALL STREET JOURNAL.

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THE WALL STREET JOURNAL.

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Breaking news at europe.WSJ.com

Euro strength worrisome

Regional finance ministers to discuss currency's impact on economic upturn

By Stephen Fidler And Gabriele Parussini

Finance ministers for the 16-nation euro zone meet Monday in Luxembourg against a backdrop of growing political concern that the strength of the European single currency may jeopardize the region's economic recovery.

The currency discussions at a regular ministers' meeting come amid signs that the strong euro—which has risen about 20% against the U.S. dollar since March and has gained sharply against the British pound and the Chinese yuan—is moving up the European political agenda.

The dollar hit a 14-month low against the euro last week, in part encouraged by expectations of a prolonged period of low U.S. interest rates.

Economists say the value of the euro against a basket of currencies, weighted according to euro-zone trading patterns, has increased 10% during the past year, enough to wipe by some estimates one percentage point off the region's economic growth.

According to people familiar with the agenda, the ministers' currency discussions late Monday will aim to seek common ground ahead of a meeting of finance ministers from the Group of 20 leading nations in St. Andrews, Scotland, in early November. They said governments are worried that euro strength will place too much of a burden on the euro-zone economy.

At a summit in Pittsburgh last month, G-20 leaders agreed that they would seek what they called a framework to deliver strong, sustainable and balanced growth: the balance coming from curbing the U.S. trade deficit by encouraging surplus countries, such as Germany and China, to consume more and become engines of growth.

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Money matters

EU treaty opponent isn't sure of success

By Charles Forelle

Czech President Václav Klaus, the last remaining obstacle to the European Union's Lisbon Treaty, indicated over the weekend that it may be too late to stop the agreement, which he has vehemently opposed.

His comments came in an interview with a Czech newspaper Saturday, but in a conflicting signal that suggests the drama may still play on, he filed court papers arguing that the treaty—which gives new authority to Brussels decision-makers and creates powerful new EU posts—robs the Czech Republic of sovereignty and is incompatible with its constitution.

Pressure on Mr. Klaus to sign has increased almost daily since Irish voters approved the treaty in an Oct. 2 referendum and the reluctant Polish president gave his assent a week later. That left the Czech Republic's approval. Parliament and the prime minister are on board, but Mr. Klaus's signature is also needed.

Earlier this month, Mr. Klaus said he would refuse to sign unless the Czech Republic received a "protocol" to

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In the spotlight

Climate change is no laughing matter for British protesters

Reuters

SHOW'S OVER: British police officers usher away a demonstrator dressed as a clown after a demonstration at the coal-fired Ratcliffe Power Station in central England on Sunday.

Art auctions show demand on upswing

By Kelly Crow

With the contemporary art market slowly recovering, London auction houses held a key round of sales over the weekend that showed prices are already bouncing back for a few mid-career European artists with bright palettes and loyal followings.

After months of scaled-back spending, collectors began competing for colorful paintings by German artists such as Martin Kippenberger and elegant metal sculptures by several British artists. On the other hand, bidders largely bypassed video art and anything priced over £1 million ($1.6 million). Those preferences will likely affect price levels for work by dozens of artists and may set the tone for next month's major fall art auctions in New York.

Overall, the world's chief auction houses—**Sotheby's** and **Christie's International** PLC—sold a combined £26.3 million worth of postwar and contemporary art. The result easily surpasses their combined presale estimate of £18.7 million but is down 51% from a larger round of sales last October. A two-part sale by boutique auction house **Phillips de Pury & Co.** brought in £6.7 million, down 16% from last year.

All the auction houses struggled to find enough quality material for these sales. Christie's contemporary sale on Friday evening only had 25

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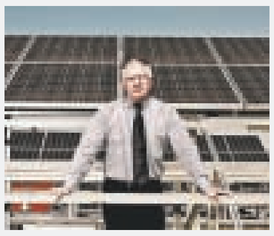


New energy

A look at five technologies that could change everything
Journal Report, pages R1-R8

Markets

	CLOSE	PCT CHG
DJIA	9995.91	-0.67
Nasdaq	2156.80	-0.76
DJ Stoxx 600	245.58	-0.69
FTSE 100	5190.24	-0.63
DAX	5743.39	-1.50
CAC 40	3827.60	-1.45
Euro	$1.4875	-0.43
Nymex crude	$78.53	+1.22

LEADING THE NEWS

U.S. urges Arab states to boost oil for China

Move aims to reduce Beijing's reliance on Iran for energy

BY JAY SOLOMON

WASHINGTON—The Obama administration, accelerating efforts to pressure Iran over its nuclear program, is encouraging key Arab states to boost oil exports to China in order to reduce Beijing's reliance on Iranian energy and Chinese resistance to tougher economic sanctions on Tehran, said U.S. and European officials involved in the diplomacy.

The strategy is producing an early dividend: the United Arab Emirates has agreed to boost its exports to China to between 150,000 to 200,000 barrels per day from a current level of 50,000 over the next six months, according to a senior Emirati official. The official said Abu Dhabi plans to make a significant additional increase "within the next three years."

Saudi Arabia also appears prepared to offer China more oil to make up for any losses it incurs as part of an international effort to punish Iran, according to people familiar with Saudi thinking. The kingdom, long at odds with Tehran, also has been considering ways it can use its large purchases of Chinese weapons and consumer products as leverage to persuade Beijing to distance itself from Iran.

Washington and its European allies increasingly view China as the make-or-break player in an intensifying international effort to pressure Tehran economically over its nuclear program. Iranian officials are scheduled to meet representatives from the U.S., France and Russia in Vienna in a bid to conclude an agreement for the international community to better monitor and manage Tehran's stockpile of low-enriched uranium.

Beijing is the second-largest buyer of Iranian oil. The Asian giant has pledged tens of billions of dollars in new investments in Iran's oil and gas infrastructure in coming years. Chinese Premier Wen Jiabao damped U.S. hopes for broad cooperation on Iran last week, praising Beijing's "widened and deepened" relationship with Tehran following a meeting with Iranian Vice President Reza Rahimi.

China and Russia have the ability to block new sanctions proposals being discussed at the United Nations Security Council. Beijing has repeatedly expressed its opposition to enacting expansive financial penalties against Tehran. Changing tack, the Obama administration has engaged in discussions in recent months with key oil-producing Arab states to find ways to use their energy and financial ties with Beijing to win Chinese cooperation on the Iranian nuclear issue, said senior U.S. and Arab officials.

The U.S. hopes nations such as Saudi Arabia, the U.A.E and Kuwait can step up oil exports to China as a signal that they could offset any losses China might incur by pressuring Iran. Washington also hopes these countries can impress upon China that the Arab states' markets and energy reserves are far more important to Beijing than Iran's.

Growing sanctions against Iran could lead to significant instability in the Persian Gulf. Saudi Arabia and the U.A.E. could be important partners in guaranteeing Beijing's continued oil supply. China's oil consumption is expected to grow to around 20 million barrels of oil a day by 2030 from its current level of eight millions barrels A day.

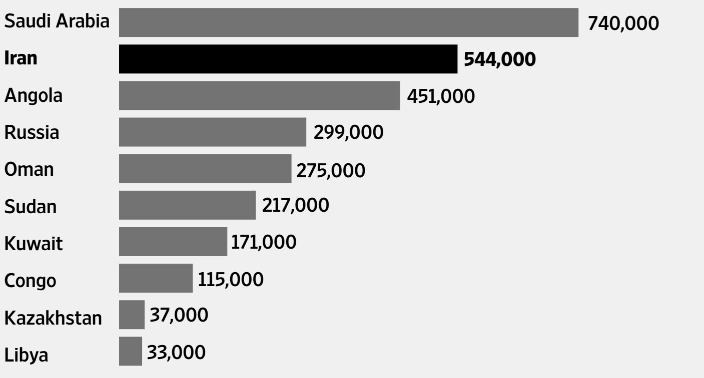
Saudi Arabia is currently the largest oil exporter to China, sending 740,000 barrels a day during the first five months of 2009. Iran is currently the second-largest supplier at about 540,000 barrels a day.

"We've been telling the Arab states to directly express their concerns to Russia and China about Iran's actions," said a U.S. official involved in the dialogue. "And we stressed that they should use their leverage."

Extra pressure

The Obama administration is encouraging Arab nations to step up oil exports to China, which heavily depends on imports from Iran.

China's major oil suppliers, January to May 2009, barrels per day



Sources: FACTS Global Energy

The Emirates' second-most-powerful leader, Abu Dhabi's Crown Prince Sheikh Mohammed bin Zayed Al Nahyan, visited Beijing in August to discuss a wide array of energy and security issues with Chinese officials, according to senior Emirati officials.

China's Ministry of Foreign Affairs and Beijing's National Energy Administration didn't respond to requests for comment about the U.A.E. offer of additional oil.

A spokesman at Saudi Arabia's Washington office didn't respond to requests for comment.

Many diplomats and Middle East analysts, however, are skeptical that the U.S. and the Arab states will succeed over the long term in breaking Beijing's reliance on Iranian crude.

Saudi Arabia and the U.A.E. are both constrained in exporting oil by quotas established by the Organization of Petroleum Exporting Countries. Industry analysts question how the two countries could significantly boost exports to China without flouting those quotas and flooding markets with excess oil.

Riyadh and Abu Dhabi also might have to shuffle export contracts in order to find supply for China.

Beijing also views Iran as a crucial partner in helping China achieve energy independence. China is investing in massive joint exploration, extraction and refining projects in Iran. In 2004, Beijing signed a deal valued at as much as $100 billion to buy liquefied natural gas from Iran in exchange for a 51% stake for China Petroleum & Chemical Corp., or Sinopec, in the Yadavaran gas field.

Oil-industry analysts note that many of China's energy ventures in Iran have yet to bear fruit, due to technological deficiencies and contract disputes. But Beijing is still seen as unwilling to turn its back on opportunities to develop China's own refining and extraction capabilities.

"The Chinese are wooing Iran because they are banking that the best energy security is to be their own producers," said Patrick Clawson, an Iran expert at the Washington Institute for Near East Policy.

U.S. officials, however, view the U.A.E.'s action as an important early signal from a key oil-producing Arab state. Washington's support for the deal also is a sign to Beijing that the Obama administration is willing to view China as a strategic partner in oil development in the Middle East, rather than a competitor.

"With the U.S. supporting the U.A.E., Washington has essentially accommodated itself to the idea that China has a benign interest in Persian Gulf oil," said a U.S. official working on Middle East energy issues.

A pivotal player in the Obama administration' emerging strategy is Dennis Ross, the White House's point man on Iran and broader Middle East issues. Mr. Ross has written since last year's presidential campaign about the importance of the U.S. aligning with the Arab states against Iran. Saudi Arabia and the U.A.E. view a nuclear-armed Iran as a threat to the broader Middle East.

In a book Mr. Ross cowrote this year, he cited the need for Saudi Arabia to flex its economic muscles to contain Iran. "The Saudis need not broadcast what they are doing—but they do need to be enlisted to quietly pressure the Chinese to change their approach to Iran lest they lose out on a profitable future with Saudi Arabia," he wrote in "Myths, Illusions & Peace—Finding a New Direction for America in the Middle East."

Earlier this month, the U.S. hosted a meeting in Washington of 10 allies to discuss ways to pressure Iran financially. Saudi Arabia and the U.A.E. were among the "like-minded nations" who attended, according to participants. China and Russia were not. Efforts to target Iran's energy industry were among eight areas the group decided to focus on in the future.

Both Saudi Arabia and the U.A.E. have expressed an interest in significantly increasing their exports to China and Asia's other emerging economies. China experts said Beijing is likely to try and balance its relations between the Gulf states on one side and the Iranians on the other.

"From Iran's side, it's inclined to bind its interests with China's," said Yin Gang a prominent Chinese expert on the Middle East. "But for China...it will consider striking a balance" between Iran on the one side and the Arab states on the other.

—Sue Feng 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.

Suicide bomber targets Iranian Guards

Five senior officers are among 42 slain near Pakistan border

By Farnaz Fassihi

Two blasts in Iran's restive southeast on Sunday killed at least 42 people, including five senior Revolutionary Guard Corps officers, and injured dozens of others, according to state media.

The attacks took place in the Sistan-Baluchistan province, a region long plagued by Sunni insurgents, who have in the past targeted Iranian soldiers and Revolutionary Guard officers. But Sunday's violence comes as Tehran continues to struggle on another front: keeping a lid on protests and opposition activities across the country, following contested presidential elections in June.

Poll-related unrest has largely died down, after months of crackdowns on demonstrators, the opposition and the media. But authorities haven't been able to completely stifle an antiregime movement that, in the days immediately after the election, staged the country's biggest protests since the Iranian Revolution 30 years ago.

While the insurgency activity in the southeast has never amounted to a serious threat to Tehran's regime, Sunday's attacks could be an unwelcome distraction for Iran's security services. By targeting a pillar of the regime, the attacks increase pressure on President Mahmoud Ahmadinejad to retaliate forcefully or clamp down further on the restive region.

The Revolutionary Guard had taken over security responsibility for the region earlier this year because of recent violence, putting their officers in the line of fire. But the attack could have larger, national resonance, because it successfully targeted the country's most powerful military force. The Guard has seen its power base expand under Mr. Ahmadinejad. More recently, the force has taken center stage in coordinating the bloody crackdown on opposition members and election demonstrators this summer.

Iranian state media said a Sunni insurgency group, Jundallah, which had claimed responsibility for a series of previous attacks, said it was responsible for Sunday's bloodshed. It was impossible to independently verify the claim.

Mr. Ahmadinejad and other Iranian officials vowed swift reprisal, and they blamed foreign backing for the attacks.

"The Revolutionary Guard will retaliate with force," said the ground commander of the Guard's armed forces, Gen. Mohamad Khakpour, according to the semi-official Fars News Agency. Iranian state press on Sunday repeated allegations the insurgent group had been set up by the Central Intelligence Agency.

The U.S. condemned the attacks on Sunday and said reports of "alleged U.S. involvement are completely false," according to Ian Kelly, a spokesman for the State Department.

Iran's Foreign Ministry summoned a senior Pakistani diplomat in Tehran, state television reported. Abdul Basit, Pakistan's foreign-ministry spokesman, denied the attack was planned from Pakistan, but said the country was looking into the matter.

Iranian state press reported the first of two blasts took place at a "unity" gathering of Shiite and Sunni tribal leaders Sunday morning, in the Pishin area, near the Pakistan border.

State media reported Revolutionary Guard commanders Brig. Gen. Nour Ali Shoushtari and Brig. Gen. Rajab Ali Mohammadzadeh died in that attack, along with several tribal and local leaders from both the Shiite and Sunni communities. Gen. Shoushtari is the deputy commander of the Guard's ground forces. At around the same time, a bomb detonated near the convoy of a group of other Guard commanders in the same area, state media reported.

Jundallah, a militant group from Iran's Sunni Muslim minority, has waged what has amounted to a low-level insurgency in the province for several years. The group alleges the persecution of Sunnis.

In May, Jundallah took credit for a suicide bombing at a Shiite mosque that killed 25 people in Zahedan, the capital of Sistan-Baluchistan. Thirteen members of the group were hanged for the attack.

Separately, on Saturday, Iran released Iranian-Canadian journalist Maziar Bahari. Mr. Bahari, who worked for Newsweek magazine, had been arrested shortly after the election and kept in solitary confinement. He wasn't charged or sentenced. His family said it posted $300,000 bail.

—Zahid Hussain contributed to this article.

Reuters

Gen. Nour Ali Shoushtari of Iran's Revolutionary Guard was among those killed in Sunday's suicide bombing. This undated picture is from Iran's Fars News Agency.

Junk-bond investors say default rates nearing peak

By Duncan Kerr

Europe's junk-bond bankers and investors are preparing for an extraordinary rally to give way to more normal returns, as default rates peak and sub-investment-grade companies rush to refinance their debt.

In a survey of more than 70 high-yield investors, bankers, issuers and private-equity sponsors by Financial News and the European High Yield Association, more than 50% expect default rates to peak in the first half of next year. They believe the average default rate on Europe sub-investment-grade bonds will peak at 12.72%. At the end of September that rate was 9.3%, up from 0.7% a year ago, according to Moody's Investors Service.

The emergence of a red-hot junk-bond market in Europe has disrupted traditional patterns of fund raising on the continent. Historically, many of the European companies selling junk bonds relied on bank loans. But with banks less willing to lend, the companies are being forced to issue bonds in the public markets to refinance their debt arrangements. More than half those polled in the survey expect 20% to 40% of bank debt in Europe to be refinanced on the bond markets over the next 24 months.

"Fundamentally, banks are still in a very different place to where they were two years ago," said Doug Henderson, head of European credit finance at Goldman Sachs in London. "If the leveraged buyout market is to come back meaningfully near term, then it is going to be dependent on raising money in the capital markets to take some of the pressure off the banks."

Issuance has been on the rise since the market for sub-investment-grade companies reopened in May, following a of dearth of new issues last year. To date, sustained inflows into high-yield bond mutual funds have helped keep pace with demand from issuers. But reduced return expectations and growing risks suggest investors may be more wary.

While it is almost certain that European default rates will rise, opinions are split on what the peak will be and when it will occur.

The outlook is worrying for European high-yield investors, who have enjoyed a bull run since the beginning of the year, with average returns from the sector of more than 60%, according to Credit Suisse data.

While the stellar returns may be at their end, and some companies will default, investors are not expecting to incur large losses. Investors surveyed said returns will fall, with the average expected returns over six months of 8.87%, and 10.87% over 12 months.

Two-thirds of the investors involved in the survey believe issuance will be between €10 billion ($15 billion) and €30 billion next year, with one-fifth expecting €30 billion to €40 billion. About €15 billion has been issued this year. Last year, €32 billion in high-yield bonds denominated in euros and dollars were issued globally, according to Credit Suisse.

—For more, visit efinancialnews.com.

A leader delaying Lisbon Treaty? Czech

President Klaus, a committed euroskeptic, takes another turn in the spotlight with his continued refusal to sign

BY CHARLES FORELLE

PRAGUE—The European Union's Lisbon Treaty, meant to streamline the bloc's decision making and increase its global clout, has been approved by 27 national parliaments and, earlier this month, 1,214,268 voters in an Irish referendum.

For it to come into effect, one more man needs to say yes: Czech President Václav Klaus, a committed euroskeptic who so far has refused to sign on.

His refusal has drawn the ire of other EU leaders—and shined a spotlight on a man never shy to be in its glare. At the moment, Mr. Klaus is the most-watched man in Europe, and the "will-he-or-won't-he" game plays on.

The delay already means the EU won't install a new cadre of top executives—supposed to happen in two weeks' time—until next year. Content a few months ago to steam privately while publicly proclaiming respect for the Czech process, EU leaders now are boiling over. "The moment of choice has arrived for him, and it won't be without consequence," French President Nicolas Sarkozy told Le Figaro last week.

During the weekend, conflicting signals emerged: In a legal filing with the Czech high court (where allies have tried to buy him some time by lodging a last-ditch complaint about the treaty), Mr. Klaus said Lisbon would strip the Czech Republic of sacred sovereignty, but in a Saturday interview with a Czech newspaper he said it appeared too late to stop the treaty.

Mr. Klaus's intransigence has its roots in a deep skepticism of the European project and an isolation borne of his status as a lone classical free-market liberal among leaders of a continent that has long tilted left.

But Mr. Klaus is more than just stubborn. He is a deliberate provocateur, a wily political combatant, an irascible contrarian (global warming is his current bugaboo), and the dominating presence of Czech politics for two decades. He has been president or prime minister for more than half of the young democracy's life.

To admirers, Mr. Klaus is a hero raging against the EU machine. Opinion polls show only a slight majority of Czechs in favor of the treaty. His detractors compare him to Herostratus, the ancient Greek who burned the temple of Artemis at Ephesus in a misguided quest for fame.

"He has always been the same: arrogant, self-confident—some would say dogmatic—merciless," says Dusan Triska, an economist. "He loves to discover your weak point and play with it in public." And Mr. Triska is an admirer: Mr. Klaus's friend for more than 30 years, his colleague in the post-Communist economic reforms and his academic collaborator to the present day.

Reuters

Czech President Václav Klaus (left) and Russia's President Dmitry Medvedev outside Moscow last week

Man in the Spotlight | Václav Klaus's long career in Czech politics

November - December 1989: Velvet Revolution overthrows communism in Czechoslovakia

December 1989: Václav Klaus becomes finance minister in the new federal government.

July 1992: Mr. Klaus becomes prime minister

January 1993: Czechoslovakia splits in two; Mr. Klaus remains prime minister of the Czech Republic.

December 1997: Mr. Klaus resigns as prime minister; later becomes speaker of the lower house of parliament.

March 2003: Mr. Klaus becomes Czech president after lengthy balloting in parliament.

December 2007: Mirek Topolánek, the Czech prime minister, signs the Lisbon Treaty along with other EU leaders.

March 2008: Mr. Klaus begins second term as president.

Oct. 2, 2009: Irish approve Lisbon Treaty in a referendum, making Mr. Klaus's signature the last real hurdle.

Source: WSJ Research

The office of the Czech Republic's president is largely ceremonial—the prime minister wields most executive power—but has a sort of mythic status. The dissident leader Václav Havel was its first occupant, and he conceived it as a semi-monarchical post above the fray of politics. (The president is chosen by parliament, not elected popularly.)

Mr. Klaus, by contrast, has plunged in to the hurly-burly. His supporters say he has every right to balk at the Lisbon Treaty: The Czech constitution requires the president's signature.

Critics say that authority should be symbolic, like the Queen of England's.

"In this particular political issue, the nation's sovereignty is Klaus's sovereignty," says Bohumil Dolezal, a dissident and Klaus adviser in the 1990s who has been sharply critical in recent years. He "is using the holes in the constitution to increase his power."

Mr. Klaus's office declined an interview request, and his top spokesmen didn't respond to repeated requests for comment.

The Lisbon Treaty is a watered-down version of the failed efforts at a European constitution, which was thwarted in 2005 after French and Dutch voters rejected it amid concerns that it would create a federal superstate. Many of those worries persist over the Lisbon Treaty. A chief concern is that Lisbon lessens the number of areas of law in which national governments can veto EU actions; the treaty also establishes the powerful posts of EU president and foreign minister.

In Ireland, the only country to hold a referendum on Lisbon, voters rejected it in June 2008: EU leaders pleaded successfully with the Irish government to run the vote again.

Roll the clock back 20 years, and Mr. Klaus was a functionary at the Czech national bank when the Velvet Revolution swept Prague in November 1989. The dissidents—writers and poets, mostly—needed economists, and Mr. Havel selected Mr. Klaus. He became finance minister and showed early political skill.

He formed his own party, outmaneuvered the dissidents and rose to prime minister. Mr. Havel wanted to create a West-German-style economy—social-democratic capitalism, heavy on regulation. Mr. Klaus would have none of it.

He wanted "capitalism with no adjectives," Mr. Dolezal says. The result was a controversial experiment in a free-wheeling market economy: Hundreds of state-owned companies were handed to the people; everyone over the age of 18 could get a booklet of shares, and they were invited to trade them.

"It was like the beginning of capitalism 150 years ago," says Jirí Dienstbier, a dissident leader who is now a Czech senator, "without principles, without laws, without rules."

Mr. Klaus was proud of the program, called "voucher privatization," and he and Mr. Triska imagined it would be hailed as a success by the Western economists who were their heroes, Mr. Triska said.

That didn't happen.

Investment funds bought people's vouchers on the cheap, then racked up fortunes. Scammers cashed in, and the program was savaged by prominent economists.

Despite the criticism, Mr. Klaus's early experiences left him convinced that regulation was anathema. It put him on a collision course with the EU.

But the Czech political scene was roiled, and party infighting brought down Mr. Klaus's government in 1997. He negotiated a soft landing that made him speaker of parliament. In 2003, he engineered his election as president.

Mr. Klaus drifted from the Civic Democratic party, known by its Czech initials ODS, that he founded. ODS did badly in 2002 elections, and Mr. Klaus ceded the party leadership to Mirek Topolánek—who has less-strident free-market views.

According to Petr Mach, a protégé of Mr. Klaus, Mr. Topolánek agreed that ODS would demand a referendum before agreeing to the Lisbon Treaty. Instead, as prime minister a few years later, Mr. Topolánek signed it. "Topolánek simply broke this promise," Mr. Mach said. "This led Klaus to be more and more distant from the party."

Mr. Topolánek's office declined an interview request.

The Lisbon Treaty dance has become an *opera bouffe*. Last Wednesday, as European leaders waited nervously to hear what Mr. Klaus would do, he went to Russia to meet President Dmitry Medvedev, denounced the treaty at a news conference, and used the occasion to promote the Russian-language version of his anti-environmentalism book, "Blue Planet in Green Shackles." His cozy relationship with Russia has unnerved European counterparts.

The week before, just after the Irish vote, EU officials tried in vain to get hold of Mr. Klaus. Swedish premier Fredrik Reinfeldt, who holds the EU's rotating presidency, complained he couldn't get Mr. Klaus to return his calls. Mr. Klaus was in Albania, heralding the publication of "Blue Planet" in Albanian.

His provocations appear to have done nothing to diminish his popularity. As president, Mr. Klaus is arguably the Czech Republic's most popular politician.

But the Lisbon Treaty affair is trying public patience. "He's a narcissist," said Frantisek Dostál, a toolmaker, pausing in a shopping gallery in central Prague, a few yards from a satirical statue of the Czech martyr St. Wenceslas riding the belly of a horse strung upside down from the ceiling. "He wants to be seen."

Says Vera Franková, a university lecturer: "It's another one of his efforts to gain more visibility. The fame has gone to his head."

Klaus tries to halt EU treaty, but says move may be futile

Continued from first page

the treaty ensuring EU courts couldn't overrule Czech courts on certain human-rights matters. He raised the specter of Germans expelled from Czechoslovakia after World War II petitioning EU courts to get land back—a touchy issue.

The demand has triggered another complication: The prime minister of Slovakia now wants a similar concession, the Associated Press reported Sunday, though Slovakia has ratified the treaty. Slovakia split with the Czech Republic in 1993.

Lawyers say a protocol would require the EU to reratify the treaty—a time-consuming process that would all but certainly kill it.

But in the newspaper interview Mr. Klaus appeared more resigned. "The train carrying the treaty is going so fast and it's so far that it can't be stopped or returned, no matter how much some of us would want that," he said in an interview with Lidové Noviny, according to Agence France-Presse.

On Friday, Czech Prime Minister Jan Fischer said he was negotiating with Mr. Klaus over a way to satisfy his demand. One option is a political promise by other leaders that they will insert the protocol the next time they write a treaty. Mr. Klaus has been cold to that idea before.

Meanwhile, a court challenge against the treaty mounted by several senators allied with Mr. Klaus continues. The court is expected to meet Oct. 27, though there is no guarantee it will issue a ruling.

In a filing, Mr. Klaus wrote that the treaty "contains commitments that de facto mean giving up basic attributes of the sovereign state." The court ruled in favor of the treaty in another challenge last year: Mr. Klaus and his allies say this one is broader.

If Lisbon passes, "Europe will be driven by Germany and France," says Jirí Oberfalzer, a Czech senator challenging the Lisbon Treaty at the constitutional court. "This approach means that our economies are being pulled into the crazy concept of centrally planned Europe."

—Leos Rousek contributed to this article.

LEADING THE NEWS

Darling pushed on budget

Business group urges an earlier balancing by cutting spending

By Laurence Norman

LONDON—U.K. Chancellor of the Exchequer Alistair Darling should announce plans to balance the budget two years earlier than planned, paid for by knocking an extra £120 billion ($196 billion) off public spending, the country's leading business lobby group said Monday.

Warning that market confidence in British debt could be shaken without a credible plan, the Confederation of British Industry said the treasury should seek to balance the budget by the 2015 financial year, which ends March 2016, or two years ahead of the current schedule.

"Without a fully credible plan for achieving budget balance, there is a danger that the sterling adjustment becomes disorderly and risk [premiums] on U.K. debt go up," CBI Director-General Richard Lambert wrote in a letter sent to the chancellor.

The confederation's proposals come ahead of the pre-budget report in which Mr. Darling will set out his tax and spending plans and economic forecasts. The date of that report hasn't been set, but it is expected in the next few weeks.

With the recession taking a big bite out of tax receipts, Britain is expected to run a budget deficit of some £175 billion this year and next, amounting to some 12% of gross domestic product.

To meet its 2015 balanced budget target, the CBI says the increase in nominal-spending growth should be slowed to 2% per year from 2012-15, versus the current 3% increase marked in now. That would cut public spending by £70 billion from the current plans. The CBI also suggests the public sector's total wage bill should be frozen at 2010 levels for two years, which would save some £19 billion.

To achieve the needed spending cuts without hitting front-line public services, the CBI proposes a radical shake-up of public service delivery to achieve another £136 billion in efficiency savings.

The CBI said it had no estimate of how many jobs would be lost from its spending proposals. It added, though, that closing the deficit shouldn't be done through further tax increases.

To further enhance the credibility of the debt-reduction plans, the CBI suggests an independent Fiscal Policy Committee to "scrutinize the government's public finance and economic forecasts," Mr. Lambert wrote. The business group also says Mr. Darling should establish new fiscal rules to replace the abandoned Golden rules, which promised to keep net debt to GDP under 40% and balance the budget, excluding investment, over the economic cycle.

The CBI's proposals seem to line the group up closely with Conservative party's ideas. They have also called for public spending cuts to achieve faster debt reduction and have promised an Office for Budget Responsibility to review government plans.

However, the CBI sided with Prime Minister Gordon Brown on the need to avoid spending cuts during the recession. Messrs. Brown and Darling argue that spending cuts too soon would create a double-dip recession. They promise a gentler approach that aims to halve the deficit over the next four years.

The Conservatives have said they would start cutting spending next year if they win power. The CBI said significant spending cuts should start in 2012.

Meanwhile, Ernst & Young's ITEM Club said it believed the U.K. economy will grow just 1% next year after a projected decline of 4.5% in 2009.

In a report, the economic group said it expects demand to be subdued by global economic and credit market weakness and "to relapse as tax holdings and other government-support programs draw to an end."

—Nicholas Winning contributed to this article.

Bloomberg News

U.K. Chancellor of the Exchequer Alistair Darling is expected to set out his tax and spending plans and economic forecasts in the next few weeks.

CORPORATE NEWS

Panasonic adds to push into Europe, India

Factories outside Japan will make the most of lower local costs as part of aggressive plan to raise sales

By Yuzo Yamaguchi

TOKYO—Consumer electronics maker **Panasonic** Corp., which already has a big chunk of Japan's home appliance market, is accelerating its push into Europe and India by considering local production in those regions to take advantage of lower costs.

The move comes as the Osaka-based electronics giant last month launched an aggressive plan aimed at raking in one trillion yen ($11 billion) in revenue sometime after the year ending March 2011 from so-called white goods, such as washing machines and refrigerators.

Panasonic, well-known for its televisions and consumer electronic products, is forecasting room for growth outside Japan for its white goods. At home, the market for these appliances is already crowded with other big Japanese names such as Toshiba Corp. and Hitachi Ltd.

"When it comes to white goods, Panasonic has a big share [at home] but it would be hard to raise it up to 50% or so," said Kazunori Takami, Panasonic's managing director who heads its home appliance division.

Currently, Panasonic is one of the top brands at home, grabbing a 20%-plus share of the white goods market.

Localizing production would help Panasonic cut costs in distribution and manufacturing and make quick deliveries in a tough game to catch up with solid European brands like Electrolux AB and Miele.

European brands dominated the refrigerator market in Western Europe, wrestling about a 68% share in 2008, followed by American brands with 7.3%, according to Euromonitor International, a London-based research firm. European brands also had 64% of the washing machine market.

Getty Images

A visitor looked at Panasonic television sets at the IFA technology trade fair in Berlin last month.

Such a benefit would also be a prerequisite for the Japanese supplier to appeal to the masses in the emerging Indian market, where Korean vendor Samsung Electronics Co. offers locally made and fully automatic washing machines for as little as $220.

Panasonic, which tapped into the European market in March, sells top-end washing machines for between €600 and €800 ($895 and $1,190) and refrigerators for about €1,000 in a bid to build up the brand image as a supplier of premium goods. Now, it is planning to come up with less-expensive products as early as next year to attract less-affluent buyers.

By expanding its target segment further and its product lineup, it could shift partial or entire production from China to Europe in "three, or four to five years" to cut costs in distribution, Mr. Takami said.

"We can't rely on China permanently...we're now doing thorough research for our global strategy."

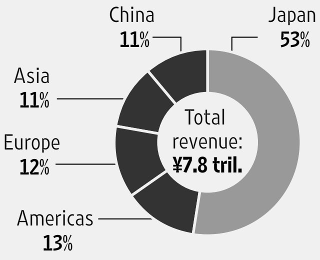
The executive said it's uncertain where a new plant would be located, but he didn't rule out the possibility of making products in Europe. One focal point to consider would be whether Panasonic would ship products from the new plant mainly to Europe or other areas.

Mr. Takami said his ideal view is that Panasonic's European white goods sales will generate about 10% of its one trillion global revenue target. It expects its European white goods sales to nearly double to 70 billion yen in the year ending March 2013 from 36 billion yen estimated for the current fiscal year ending March 2010.

Panasonic plans to take a different approach in India, aiming to target the middle-income segment quickly. "We'll aim at a lower [price] segment" in India than in Europe by bringing in more products next year, he said.

Plugged in

Share of Panasonic's total revenue by region in the year ending March 2009



Source: the company

Panasonic may also move faster to consider building a plant in India to shift production from Thailand.

The executive didn't give a target for India sales, but noted that he expects Chinese white goods sales to account for 10%, and Southeast Asian white goods sales to account for more than 10% of its one trillion yen target.

Panasonic sees emerging markets—defined by the company as Brazil, Russia, India, China, Vietnam, Mexico, Indonesia, Nigeria, Turkey and the Balkan states—overtaking North America and Europe as the biggest overseas market for its overall consumer products by 2013.

"Panasonic will have to take quick action to meet local demand with price-competitive and distinguished products," said Osamu Hirose, an analyst at Tokai Tokyo Research Center Co.

—Daisuke Wakabayashi contributed to this article.

Nokia, Sony Ericsson hunt for higher profit margins

By Gustav Sandstrom

Mobile handset makers **Nokia** Corp. and Sony Ericsson are hoping that their new high-end products over the holiday season will help lift profit margins amid intensifying competition.

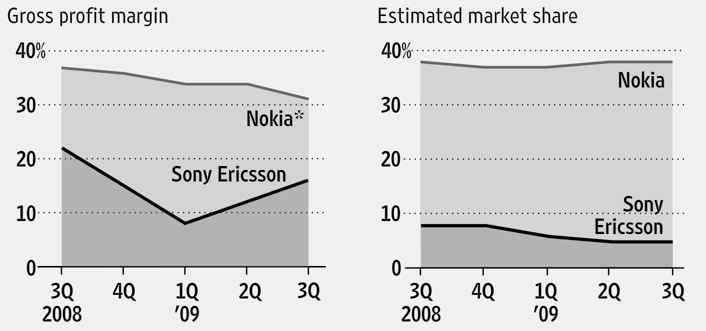
The economic slowdown and sluggish consumer spending have eroded sales and margins at both companies. Meanwhile, high-end competition has increased as rivals such as **Apple** Inc. and **Samsung Electronics** Co. have released devices including the iPhone 3GS and the Samsung Jet smart phone.

Nokia's earnings on Thursday showed that even as the company raised its outlook for mobile-phone-industry volumes in 2009, its share of the smart-phone segment had fallen. On Friday, Finland-based Nokia installed new leaders of its cellphone division: Chief Financial Officer Rick Simonson will head a new mobile-phone unit, and the company's global marketing vice president, Jo Harlow, will head a new smart-phone unit.

The two new units are consistent with the company's desire to unify its phone offerings and the services it offers over the phones, a spokesman for Nokia, Thomas Jonsson, said Friday.

Balancing act

Nokia and Sony Ericsson are banking on sales of new products to expand their market shares and profits



*Devices and Services segments
Source: the companies

The market polarization between inexpensive low-end phones and advanced high-margin devices is continuing, Sony Ericsson Chief Executive Bert Nordberg said Friday. Mr. Nordberg added that his company will focus on gaining value shares in the high end of the market.

He said launching the right products will be crucial for Sony Ericsson to return to a profit, and that the company will have to continue investing in product development.

Nokia and Sony Ericsson also have to fend off mobile operators looking for new sources of revenue. **Vodafone Group** PLC last month announced Vodafone 360, a service that brings together customers' mobile and messaging contacts with their online social-networking information. U.K.-based Vodafone is to launch the service by Christmas.

Nokia and Sony Ericsson have several new high-end devices they hope will appeal to customers who increasingly demand a slick interface so they can access applications on the move. These include new touch-screen smart phones. Nokia also is offering a netbook computer and a new take on the company's popular N97 high-end mobile phone.

While Nokia has long relied on its Symbian operating system, which is increasingly perceived as slow and less user-friendly than rival mobile-phone platforms, it is about to launch the N900, its first mobile phone powered by the applications-friendly Linux platform.

Sony Ericsson, meanwhile, has started to ship the company's new Satio flagship phone.

Both companies aim for the launches to primarily boost profit margins rather than market share.

Nokia also hopes to boost its gross margin and profit by launching an increasing number of touch-screen and full-keyboard devices, Mr. Simonson told Dow Jones Newswires. He added that those efforts would be more important than gaining market share.

The question is whether all these initiatives are groundbreaking enough to get ahead of the competition. Sony Ericsson's Satio comes with a touch screen and good music and imaging quality, but most competitors already have put a number of touch screens onto the market. Likewise, Nokia's N97 mini is essentially a trimmed-down version of its old N97 high-end phone, and while the N900 may offer an operating system that is good for applications, it will make up only a fraction of total sales so it will take more launches of the same kind to move the company's profit margin.

Sony Ericsson, a joint venture between **L.M. Ericsson Telephone** Co. of Sweden and **Sony** Corp. of Japan, said Friday that its third-quarter net loss widened to €164 million ($244 million) from €25 million a year earlier. The most recent loss was narrower than the loss of €227 million that analysts had expected, as margins improved and the company cut costs. Sales fell 42% to €1.62 billion, below expectations for €1.71 billion.

The company kept its guidance for a 10% industry volume contraction in 2009 from 2008, although it said the rate of decline is slowing.Sony Ericsson's market share has fallen over the past year, while Nokia's share of the handset market has remained largely flat. An increasing part of the market has been taken over by South Korean rivals Samsung and **LG Electronics** Inc. and, in the high-end smartphone segment, by Apple.

CORPORATE NEWS

Business-jet skid goes on

Pickup in demand is forecast for 2011, and slowly at best

By Andy Pasztor

Global demand for business jets, already near a five-year low, is likely to erode further before rebounding slowly in 2011, according to the latest forecast by **Honeywell International** Inc.

Business aircraft manufacturers, such as **Bombardier** Inc.; Gulfstream, a unit of **General Dynamics** Corp.; and Cessna Aircraft Co., a unit of **Textron** Inc., expect a tough slog through the end of the next decade before they see overall deliveries approaching last year's record level, according to the annual outlook. And when the turnaround does arrive, it will be driven for the first time by resurgent European and Asian clients, rather than the traditional U.S. customers.

Released Sunday during a generally downbeat industry gathering in Orlando, Fla., the closely watched report by the avionics and parts maker presents a dramatic reversal of business-jet fortunes from just a year earlier.

Last October—despite early warning signs of credit woes, eroding prices for used planes and general economic weakness—Honeywell forecast that record industry results would continue. Honeywell executives said at the time that neither oil price shocks nor widespread corporate cost cutting appeared to reduce the appetite of most blue-chip customers for newer planes.

Honeywell last year projected that hefty order backlogs would insulate most suppliers and manufacturers from moderate economic downdrafts. The company predicted nearly 1,400 new business-jet deliveries this year, with larger, more expensive models leading the way.

Those numbers mistakenly assumed years of robust economic growth world-wide. The rosy predictions also didn't forecast the credit crunch that would wreak havoc with many customers.

Now, the Morris Township, N.J., aerospace supplier sees global business-jet deliveries plunging to fewer than 800 aircraft this year from 1,140 last year, at least a 30% decline by unit volume and a 40% decline in dollar terms.

Deliveries are forecast to slip below 700 next year. From there, annual deliveries are expected to gradually increase through the middle of the next decade, according to the report.

Honeywell's analysis seeks to explain how the company miscalculated so badly. "As the extent of the recession worsened and the insidious nature of the credit crisis was revealed," the report says, order backlogs once considered firm shriveled rapidly.

Along with a drop-off in new orders, the result has been industry-wide layoffs, furloughs, development delays for some models and in some cases, entire production lines that have been temporarily shuttered.

"By 2012, a combination of pent-up demand and global economic recovery" will increase orders and deliveries, the report says. But unlike the seemingly unstoppable booming demand of previous years, the latest outlook envisions more of a "measured recovery."

The report sees global demand steadily growing through 2019.U.S. customers are likely to account for 48% of all corporate and charter purchases. The U.S. share was projected at 55% in the last survey.

With thousands of lost or deferred aircraft orders around the world and the mix of aircraft changing, the anticipated value of deliveries is falling.

Over the next 10 years, as many as 11,000 new business jets will be delivered, based on customers' plans. Revenue is now projected to total about $200 billion through 2019—a third less than the previous prediction, which covered 2008-2018.

To make its forecast, Honeywell surveyed 1,200 corporate flight departments, aircraft manufacturers and industry experts.

In the used-jet segment, where prices for older models slipped substantially over the past year, the report notes that newer models also are experiencing "significant price erosion." And in all regions worldwide, the survey finds "flat to lower usage rates" for business jets in the near term. Honeywell determined that flight activity is down between 12% and 24% from 2008.

Continuing earlier patterns, fractional-jet fleets—which allow customers to reserve only a portion of a plane's total flight hours—are suffering disproportionately. new jet deliveries to fractional operators through the first half were off more than 66% from a year earlier.

For the industry, other long-term concerns include mandated emission reductions and enhanced security restrictions, said Rob Wilson, president of Honeywell's business and general-aviation operations.

Bloomberg News

Gulfstream tail fins on a Hong Kong tarmac last month

GETTY IMAGES/Jason's Travel Photography

Visit SEOUL

A dynamic city of contrasting sights and delights

Vibrant business metropolis offers nature, entertainment, culture and tranquility

Steve Stankiewicz

For decades, Seoul has been seen as one of Asia's premier business destinations: a no-nonsense metropolis where contracts were signed, deals done and money made. It is still that — but in recent years this capital of 10 million has been reinventing itself as a tourist destination.

"Korea is where there is more concentrated energy than anywhere else in the world, and Seoul is the essence of Korea," says Charm Lee, president of the Korean Tourism Organization. "It is a kaleidoscope of culture."

There are immaculately restored fairy tale medieval palaces with daily events — such as colorful changing of the guard ceremonies — that bring them to life. The most important treasures of Korean culture are showcased at the National Museum. And the Korean War is remembered at the National War Memorial.

"Seoul is the most vibrant, open city in Asia in terms of cultural manifestations and entertainment," says Sam Koo, CEO of the Seoul City Tourism Organization. "There are more daily live artistic performances in Seoul than any other Asian city."

Regular visitors

Venues such as the Seoul Arts Center, which draws over two million visitors a year, the 53,202-square-meter Sejong Cultural Center and the city's stadiums regularly host local and international performers from Beyonce to the New York Philharmonic.

21st century Seoul is visible in various urban renewal projects. Cheonggyecheon Stream's clear waters — once badly polluted and buried for three decades under an overpass but restored in 2005 at a cost of almost $300 million (€200 million) — wind through the central business district, while the brand new Gwanghwamun Plaza in Seoul's central intersection, once isolated as a traffic island, is now accessible to pedestrians.

And there are plenty of locations from which to view Seoul's spectacular geography of skyscrapers, broad rivers and forested mountains. A cocktail bar is perched atop the city's highest office tower, the 63 Building on Yeouido Island; a restaurant/coffee shop tops the futuristic Samsung Securities Building that bestrides downtown; and a revolving restaurant is set into the tower sprouting from the peak of city-center landmark Mount Namsan.

A cruise along the broad waters of the Han River offers a different perspective of the city, and Seoul's park life is ever expanding. Seonyudo Island, just west of Yeouido, is a surreal blend of landscaped gardens and abandoned water works. The plazas of World Cup Stadium Park, on the western outskirts of the city, are a blur of roller bladers, and the grassy plateau of Haneul, or Sky Park, also on the western outskirts, is a popular spot from which to watch the sun sink into the distant Yellow Sea. Wilder nature is on the doorstep.

"Of all the major cities in the world, Seoul has some of the best opportunities for accessible hiking in fairly spectacular mountains," says David Mason, a professor of tourism at Kyung Hee University. The forested hiking trails and temple-studded granite peaks of sprawling Mount Bukhan National Park actually lie within the city limits.

Ancient rituals

Despite its dynamism, however, Seoul is not just about excitement. The meditative calm of the Buddhist lifestyle is on tap in temple-stay programs, and in the eerie mountainside village of Kuksadang where shamans and priests enact ancient moonlit rituals.

The willow-reflecting ponds and pavilions of Biwon, the Secret Garden, once a pleasure ground of Korean royalty, and the quiet streets of Bukcheon, the capital's last remaining village of traditional cottages, are time capsules: A fruit tea in a quiet teahouse here imparts a uniquely Korean energy.

"There is an Oriental concept of 'calmness within movement,'" says tourism boss Mr. Lee. "Seoul is a place where you can find tranquility amid the dynamism."

Accommodation ranges from some of Asia's plushest hotels to backpacking hostels. International hotel brands are well represented while business hotels cater to those with more modest wallets. For budget travelers, Seoul is dotted with hundreds of basic, bargain-priced yogwans (inns), and a handy sleepover option is a jimjilbang, or all night spa-sauna, where visitors can also get a massage, take a plunge or partake of herbal beauty treatments.

To sense Olde Corea, a hanok (Korean traditional cottage) guesthouse is the place. Here, guests sleep on floor mattresses, in beamed rooms set in lantern-lit courtyards — insulated from the surrounding city by centuries of tradition.

GETTY IMAGES/Rob Koenen

Getting around

As long as visitors avoid rush hours, getting around Seoul is easy. Tour buses circulate the major sights and the city's subway is cheap, modern and extensive. All stations and ticket machines are marked in English and taxis offer phone translation services. And Seoul has some of Asia's most spectacular urban roads. These include the expressways flanking the Han River — offering excellent nighttime views of bridges, floodlit by multicolored strobes — and alpine highways snaking around the contours of Mount Namsan, and the Bugak Skyway.

A place to eat, drink and dance

"Korean food is one of the last undiscovered Asian cuisines," says Lee Eu-na, CEO of Cookand.net, a foodies Web site based in Seoul. There is much to discover: Seasoned with garlic and sesame, soy and chili, it is an explosion of colors and a world of contrasts, ranging from subtle Buddhist vegetarian dishes to the sizzling meats grilled at the table.

Kimchi, Korea's famous pickled vegetable condiment, is just part of the story: Every meal comes with a plethora of side dishes. The Mapo district is aflame with barbeque restaurants; at Noryangjin Fish Market, fish is chosen from the stalls then prepared and consumed at upstairs restaurants; and refined restaurants in the alleys of the arts and crafts district, Insadong, offer traditional Korean feasts, as served to the royalty of yore.

On the drinks front, makgeolli, a traditional rice brew is recommended but visitors should beware soju, Korea's powerful firewater: It packs a punch.

"Korea is different to the West because here the party never stops," says Michael Hurt, fashion photographer and author of "The Seoul Fashion Report," a book published earlier this year. "In America there is last call; in Seoul you can still be drinking cocktails when the sun comes up."

An evening can start in a DVD saloon or noraebang (private karaoke), then move on to the clubs. Seoul's nightlife is clustered in convenient hubs and the city is one of the world's safest with street crime virtually unknown. Sinchon, the student district, is a jungle of neon signage, advertising hundreds of bargain-priced hot spots, while the Hongik University District is jammed with hip-hop, live music and trance venues. The Apgujeong/Cheongdam Dong area offers top-end wine bars and clubs, while Itaewon is the foreign community's playground, buzzing with Western-style pubs, garden bars and jazz joints.

GETTY IMAGES/Commanding Artists

Korean food ranges from subtle Buddhist vegetarian dishes to the sizzling flavors of meats grilled at the table.

This vibrant city aims to become a top tourist destination

Oh Se-hoon, mayor of Seoul, has been a leading promoter of the city's reinvention as a global tourist destination. In an interview with Andrew Salmon, the mayor talks about the city's progress so far

Q: In the past, Seoul was never a must-visit destination for foreign tourists. Has this changed?

A. Yes! It has always been true that tourists from Europe or North America used to prefer to visit nearby European countries or Oceania for the nice natural surroundings rather than faraway Asian countries. For those visiting Asia, Japan or Hong Kong were favored destinations. We started overseas marketing in earnest in 2008 to enhance brand value and publicize the name of Seoul around the world, keeping in mind that the competitiveness of the city sets the bar for national competitiveness.

The view of foreigners toward Seoul as a tourist destination has changed, perhaps as a result of such efforts. At our request, global marketing-research company AC Nielsen analyzed the effects of overseas marketing activities. A survey of 2,100 potential travelers to Seoul from the U.S., China, Thailand and Japan, aged between 18 and 54, found that the majority ranked Seoul as the city they would like to visit the most, compared with cities in Japan, China and Thailand. We are planning programs, such as the 2010 World Design Capital and the Visit Korea Year 2010, to make Seoul a top tourist destination.

Q. Are the city's efforts to boost cultural activities achieving results? Also, how do you see the link between design and tourism?

A. Culture is an important factor in urban competitiveness; it is difficult to remain ahead of other cities based simply on economic strength and human capital. In terms of employment opportunities and stimulating production, the cultural industry is superior to the manufacturing or services industries. Cultural capital is an important resource that makes a city attractive. When culture flourishes, tourists and investors are naturally attracted and the value of products made in the city increases.

Urban design is an immediately apparent visual aspect of a city's culture. Seoul is upgrading its competitiveness through the refurbishment of overall urban design. Seoul Design Headquarters, a newly launched organization, has been assigned the duty of refurbishing the design of public buildings in the city and encouraging the design element of new privately built buildings. Dongdaemun Design Plaza, designed by the world-famous architect Zaha Hadid, is an example of such efforts.

In 2007, the International Council of Societies of Industrial Design designated Seoul as the World Design Capital 2010 in recognition of our efforts. The Seoul Design Olympics, first held in October 2008 as an annual event, is part of such efforts. It is a design festival for world-famous names in the public, industrial, fashion and graphic design sectors. The city is also carrying out a "Street Renaissance" in which it will make its streets more accommodating to pedestrians and a "City Gallery" project in which art will be displayed in public spaces.

Oh Se-hoon, mayor of Seoul

Q. What events will be held in Seoul as part of Visit Korea Year 2010?

A. The Korean Government has declared 2010-2012 as Visit Korea Years and selected Seoul — which is also the World Design Capital 2010 — as the partner city. On Nov. 11, the opening event for the Visit Korea Year 2010 and the World Lantern Festival will be held in central Seoul's Cheonggye Plaza. Major events in 2010 include the Hi Seoul Festival in the first week of May — Korea's largest festival; a range of spring events held in connection with Seoul's year as World Design Capital, including the World Design Cities Summit, the Seoul Living Design Fair and the International Digital Printing and Graphic Design Show; and the World Lantern Festival in November.

Q. Could you recommend three must-visit places or must-do things in Seoul for foreign tourists?

A. I would recommend the Moonlight Rainbow Fountain along the Banpo Bridge on the Han River and nearby Banpo Hangang Park. The gush of water from the 380 nozzles on both sides of the bridge create a fantastic scene in combination with the multicolored lights and music that accompanies it. It has been recognized by the Guinness Book of Records as the world's longest bridge fountain. Then, I would recommend the six royal palaces. Built during the Joseon Dynasty (1392-1910), they offer visitors a glimpse of the architectural styles of the past. And each has a unique atmosphere depending on the season. Thirdly, the beautiful nightscape, as seen from the Seoul "N" Tower on top of Mount Namsan, in the middle of the city, provides a really nice experience.

The text of this Special Advertising Section was written by Andrew Salmon.

GM, Chinese firm target India

Deal with U.S. firm would give SAIC access to hot market

BY PATRICIA JIAYI HO

Bloomberg News

GM produces Buicks in China in partnership with SAIC. Above, a Buick in Shanghai

BEIJING—**General Motors** Co. is in discussions with partner **SAIC Motor** Corp., China's largest auto maker by sales volume, on cooperation in India, a person familiar with the matter said Friday.

Such a partnership, if realized, would mark another means by which Chinese auto makers are expanding into global markets.

Recent attempts by Chinese companies to enter deals overseas have focused on acquiring foreign technology.

In this case, an alliance with GM in India would help SAIC gain access to customers in one of the fastest-growing auto markets.

The move would also further raise the profile of GM's relationship with SAIC, its chief joint-venture partner in China, set to become the world's largest auto market this year.

GM Chief Executive Frederick "Fritz" Henderson said Tuesday in a Shanghai news briefing, "We have an extremely strong partnership with SAIC and we continue to grow that partnership in multiple ways."

The person familiar with the talks said details of cooperation between SAIC and GM in India haven't been finalized.

A media report in India said SAIC may buy a stake in GM's Indian unit. GM declined to confirm the report.

GM's Shanghai-based spokesman Michael Albano said, "We're often talking to [SAIC] about opportunities to improve both companies."

He said, "India, among other countries, might be part of those discussions."

GM sees India "as a great growth opportunity," Mr. Albano said. "We probably could see the need to expand the portfolio," he said. Currently, GM mainly produces passenger vehicles in India.

GM and SAIC have a 50-50 joint venture in China, Shanghai General Motors Corp., which makes passenger vehicles.

With **Wuling Automobile** Co. and SAIC, GM makes microvans in a joint venture called SAIC-GM-Wuling Automobile Co.

The Wuling venture is exporting some models to Peru under the Chevrolet brand.

GM said last month it will start exporting Wuling vehicles to other markets in South America, as well as to markets in North Africa and the Middle East.

Outside of China, SAIC has a 9.8% stake in GM's Korean unit, GM Daewoo Auto & Technology Co.

U.S. approves cancer vaccine made by Glaxo

BY JENNIFER CORBETT DOOREN

After a long delay, the U.S. Food and Drug Administration approved for sale one of GlaxoSmithKline PLC's most important new products, Cervarix, a vaccine designed to protect against cervical cancer in women, the company said Friday.

The vaccine will compete against Merck & Co.'s Gardasil, which was approved in 2006. FDA's approval follows a recommendation by an outside panel of medical experts in September. The panel said the vaccine was safe and effective at preventing an infection that can cause cervical cancer in women as well as a precancerous condition that can lead to cervical cancer.

The vaccine is approved for use in girls and women ages 10 to 25.

Glaxo first sought FDA approval for Cervarix in 2007, but the FDA said it needed more information before it would consider approving the vaccine. Glaxo refiled the application for Cervarix in March.

During last month's FDA advisory committee meeting the agency raised concerns about a higher rate of miscarriages among females who received Cervarix and said it couldn't rule out a "small effect" on pregnancies. (Cervarix and Gardasil aren't approved for use in pregnant women.)

Analysts say Glaxo could have a hard time catching up to Gardasil in the U.S.

The agency has said it would require a post-marketing safety study to monitor the outcome of pregnancies in women who might receive Cervarix along with other potential safety concerns.

Glaxo has hopes that the vaccine will become a big seller, but analysts say the company could have a hard time catching up to Gardasil in the U.S.

Cervarix is designed to protect against cervical cancer and other conditions linked to two strains of human papillomavirus a common sexually transmitted disease.

Cervarix protects against HPV strains 16 and 18, which are linked to about 70% of cervical-cancer cases in the U.S. Gardasil also protects against the same strains along with two others that are linked to genital warts in both men and women. There is also evidence that Cervarix protects against cancer caused by another HPV strain that is closely related to types 16 and 18.

The FDA has said that about 40 strains of HPV infect the human genital tract, so neither Cervarix nor Gardasil protects against all HPV infection.

HPV vaccines are designed to be administered before people become sexually active. In the U.S. the Centers for Disease Control and Prevention recommends that Gardasil be offered to girls ages 11 to 12, along with other vaccines that are routinely given to that age group. Once vaccines are approved by the FDA, they are later considered by a CDC advisory panel. Private insurance companies typically wait for CDC panel endorsement of vaccines before agreeing to pay for them.

GM continues to support Opel sale to Magma

BY JOHN D. STOL
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European Pressphoto Agency

The Opel plant in Bochum, Germany, this month.

General Motors Co., looking to finalize the sale of its Opel unit to **Magna International** Inc. as soon as midweek, doesn't plan to reconsider the bidding process that led to the sale of its German unit despite concerns by the European Union related to that process, according to people familiar with the matter.

While the auto maker continues to prefer a sale to Magna, GM executives are prepared to move to its Plan B if that deal should fall through, these people said. That backup plan calls for GM keeping control of Opel and implementing deeper restructuring actions than Magna is planning.

If forced to go alone, GM would fund the restructuring, which includes far more drastic headcount reductions, by soliciting government support or putting Opel into insolvency.

GM Chief Executive Frederick "Fritz" Henderson had hoped to sign the Magna deal last week, but regulatory issues have postponed the move. Mr. Henderson, named CEO in late March, is juggling a full slate of restructuring initiatives in the U.S., Asia and Europe aimed at bringing GM into the black following a 40-day bankruptcy this summer.

His plan for Opel—which met strong scrutiny from GM's new board—was thrown into question late last week after the EU's competition commissioner, Neelie Kroes, sent a letter to German Economics Minister Karl-Theodor zu Guttenberg saying GM "should have the opportunity to reconsider the bidding process."

Mrs. Kroes pointed to "significant indications" that Germany had made €4.5 billion ($6.72 billion) in state aid for Opel contingent on Magna winning the bid, therefore violating EU state aid and market rules.

Belgian private-equity group **RHJ International** Inc. made a bid for Opel, an offer that GM's senior management initially favored. Yet once it became clear that Germany's offer of financial aid was only open to Magna, GM's board abandoned the RHJ option and agreed to a marriage with Magna.

Berlin also opposed the idea of GM keeping and revamping Opel itself, one option GM's board also considered. Under the preliminary agreement that GM reached with Magna last month, the Canadian auto-parts maker and its partners would acquire a 55% stake in Opel and its U.K.-based sister company **Vauxhall**. Opel employees would hold 10%, while GM would retain the remaining 35%.

Mr. Guttenberg Saturday sought to assure that Mrs. Kroes's requests could be satisfied and that the sale to Magna and its Russian partners—auto maker OAO **GAZ Group** and state-controlled OAO **Sberbank**—would go through as planned. Speaking to reporters, he said he was confident "that the right answers will be found" to allay the European commissioner's concerns.

Despite Mrs. Kroes's reservations about the deal, it doesn't appear she's aiming to scuttle it. The commissioner's spokesman said over the weekend that GM needed to be "formally told" that the aid would be broadly available. That suggests Germany could resolve the EU's concerns relatively simply—if it's willing to make the assurance.

If GM were to consider another plan for Opel, German Chancellor Angela Merkel could then find herself in the awkward position of financing an outcome that slashed far more Opel jobs in Germany and shuttered some of its plants. Ms. Merkel and her conservative allies are eager to preserve the Magna deal ahead of critical regional elections next May.

Magna has said that roughly 4,000 of the 10,500 Opel jobs it would have to cut across Europe would be in Germany, but it has indicated it wouldn't shut any plants there. Government officials in the U.K., Spain and Belgium have raised objections, arguing German jobs would be protected at the expense of those in their countries.

GM's go-it-alone, Plan B would likely include thousands of more job cuts, and at least one plant closure in Germany, say people familiar with the matter.

EU rules restrict how governments can dole out aid, to prevent states from giving an unfair boost to one company over another in Europe's common market. As competition commissioner, Mrs. Kroes must sign off on state-aid deals.

—Charles Forelle and Phred Dvorak contributed to this article.