Weekend Journal: Do cultural traditions need the same protections as historic sites?

THE WALL STREET JOURNAL.

VOL. XXVII NO. 155 EUROPE FRIDAY - SUNDAY, SEPTEMBER 11 - 13, 2009

DOWJONES A NEWS CORPORATION COMPANY europe.WSJ.com

GM to sell Opel, Vauxhall units

Magna-led group including Russian partners will hold a 55% stake; Germany guarantees loans

By Vanessa Fuhrmans, John D. Stoll and Marcus Walker

General Motors Co. agreed to sell its Opel and Vauxhall units to a consortium led by auto-parts maker **Magna International** Inc., ending months of uncertainty over the fate of operations that have formed the backbone of GM's European presence for more than 80 years.

GM said Thursday that Magna and its partners, Russian auto maker OAO **GAZ Group** and state-controlled OAO **Sberbank**, would acquire a 55% stake in Opel. Opel employees would hold another 10% stake, while GM would retain the remaining 35%. The U.S. auto maker said the German government would continue to support the sale with loan guarantees.

If concluded, a sale would turn Canada-based Magna into a major international car maker, fulfilling the long-time ambition of the company's dominant shareholder, Frank Stronach, an Austria-born tool-and-die maker who rose from humble beginnings to build one of the world's largest auto-parts makers.

The agreement, announced by German Chancellor Angela Merkel in Berlin, ends months of often-tense negotiations among Detroit, Washington and Berlin that put the competing priorities of the different factions into stark relief. Germany was a strong proponent of Magna and its Russian partners, while GM and the U.S. favored alternate solutions that would have left GM with more control over the companies.

In recent weeks, GM weighed keeping the operations, an outcome strongly opposed by Germany's political and labor establishment. In the third week, GM appears to have acknowledged a deal was impossible without Germany's financial and politi-

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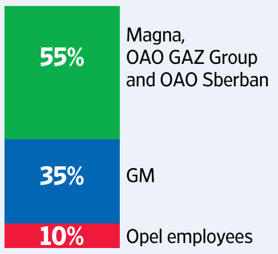
New owners

GM agreed to sell a 55% stake in Opel to Magna and its partners.



Source: GM

What's News

The Bank of England kept its bond-buying program and key interest rate unchanged, as it takes more time to assess whether its past actions have been sufficient to propel the U.K. into a sustainable recovery. Page 27

■ The IEA raised its forecast for world oil demand for the third consecutive month, a day after OPEC said it would keep output steady. Page 3

■ The ECB called resurgent protectionism a threat to global economic recovery. Page 3

■ Obama continued to press for a health-care overhaul after outlining a $900 billion plan in a contentious speech to the U.S. Congress. Page 2

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■ U.S. stocks were riding telecom and energy shares higher. Europe's main index finished up, but stocks in London and Paris slipped. Page 18

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■ William Morrison's net rose 42%, but the U.K. supermarket operator expects the industry's growth to slow. Page 6

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■ Investors expect PAI Partners to cut its most recent fund 20% to 40% rather than dissolve the firm. Page 17

■ Aides to Israel's Netanyahu conceded they misled journalists about his activities, amid reports he made a secret trip to Moscow. Page 10

■ The U.S. trade deficit widened 16.3% in July on a jump in imports. Page 11

■ Standard Chartered is dropping out of the bidding for ING's Swiss and Asian private-banking business. Page 18

■ Venezuela's Chávez said he will recognize the independence of two Russian-supported Georgian separatist regions, on a Moscow visit.

■ Died: Aage Bohr, 87, Danish nuclear physics professor and Nobel laureate.

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Breaking news at europe.WSJ.com

Agence France-Presse/Getty Images

Italian Prime Minister Silvio Berlusconi, left, shakes hands with Italian swimmer and world champion Federica Pellegrini during a meeting of young people of PDL (People of Freedom) in Rome on Wednesday.

Berlusconi rejects swipes at his lifestyle

By Stacy Meichtry

ROME—Italian Prime Minister Silvio Berlusconi on Thursday rejected criticism that his government had been weakened by months of scrutiny over his personal life, and defended his penchant for "beautiful women."

Speaking at a joint news conference with Spanish Prime Minister José Luis Rodríguez Zapatero, Mr. Berlusconi also denied any involvement in an alleged prostitution ring that is being investigated in the Italian port city of Bari.

Mr. Berlusconi isn't a target of the probe, prosecutors told Italy's Ansa news agency. However, prosecutors have put a Bari businessman, Giam-

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Harvard lost $10.9 billion in past year

By John Hechinger

Harvard University, disclosing investment returns that trailed well behind the performance of the average college, said its endowment over the last year shrank by 30%, or $10.9 billion.

The dismal returns at Harvard and other wealthy schools in the year ended June 30 have exposed weaknesses in their exotic and—unexpectedly—high-risk approach to investing. The school's positions in such illiquid assets as private-equity partnerships were pummeled, after stellar results over the previous decade. In the category Harvard calls "real assets," including timber, commodities and real estate, losses approached 40%.

In a report released Thursday, **Harvard Management** Co., through which the university manages the endowment, showed it had trimmed its risk profile by raising cash, cutting by $3 billion its future commitments to invest in private equity and other investment funds, and reducing its "real asset" category to 23% from 26% of its model portfolio. It also said it had "clawed back" previous bonuses to portfolio managers who performed poorly in the past year, and planned to bring more assets under internal management, which would give it the ability to move faster to sell assets and raise cash in tumultuous markets.

Harvard's overall investment loss of 27% dwarfed the 18% drop of the median U.S. college endowment calculated by Wilshire Associates. After subtracting spending and adding new donations, Harvard's endowment stood at $26 billion on June 30, down from $36.9 billion a year earlier. The decline, which Harvard forecast last December, far surpassed the school's loss of 12.2% in 1974, its previous worst showing of the last four decades.

Facing a cash crunch, Harvard has laid off staff, suspended some faculty searches and delayed a major expansion of its campus. Spending from the endowment—about $1.6 billion over the last year—supports a third of Harvard's budget.

The endowment remains the largest in higher education—and is so much bigger than other schools' that the loss was larger than the entire endowments of all but six other colleges last year.

Other wealthy schools, including Yale, Stanford, Princeton and the Massachusetts Institute of Technology, have predicted losses similar to Harvard's. They all follow an investment model that de-emphasizes traditional stocks and bonds and instead loads up on alternatives unavailable to the average investor.

Yale and Harvard, pioneers in the method, had said that they could afford to take big risks because they were investing for decades, even centuries. Many lauded and copied the schools, saying they had found a high-return, low-risk strategy. But Eric Bailey, managing principal of Cap-Trust Financial Advisors LLC, a Tampa, Fla., firm that advises college endowments, says, "If it looks too good to be true, it probably is."

Yale on Thursday estimated that its endowment fell 30% to $16 billion as of June 30 from $22.9 billion a year

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Inside

Forbidden fruit

Selling luxury in the age of abstinence is a tougher task
WSJ. magazine

Markets

3 p.m. ET

	CLOSE	PCT CHG
DJIA	9612.14	+0.68
Nasdaq	2079.14	+0.91
DJ Stoxx 600	240.47	+0.16
FTSE 100	4987.68	-0.33
DAX	5594.77	+0.37
CAC 40	3705.87	-0.05
Euro	$1.4562	-0.14
Nymex crude	$71.94	+0.88

LEADING THE NEWS

Obama steps up pitch for U.S. health overhaul

Some compromises in $900 billion plan; opposition skeptical

BY JONATHAN WEISMAN AND JANET ADAMY

WASHINGTON—President Barack Obama gave an emotional, sometimes contentious address to Congress on Wednesday, combining tough talk to opponents with olive branches on policy in a bid to break the impasse on revamping the U.S. health-care system.

The U.S. president kept up the pressure Thursday, saying the need for change was underscored by new census figures showing the number of Americans without health insurance had increased to 46.3 million in 2008 from 45.7 million in 2007. "We have talked this issue to death....The time for talk is winding down," he said in a speech to a nurses' group.

In his address to Congress, Mr. Obama set the size of a health-insurance plan at $900 billion over 10 years, a figure smaller than versions approved in the House and fully paid for, he said, by spending cuts and tax increases. Most individuals would be required to purchase health insurance, but the costs would be mitigated by generous tax credits. Large employers would also face a requirement to offer health coverage to employees or pay a fine, while most small businesses would be exempt.

The president pledged to tackle medical-malpractice lawsuits, in an overture to opposition Republicans. He singled out his former presidential rival, Sen. John McCain, in embracing one of the Arizona Republican's health-care proposals. And he promised new cost controls that could scale back his plan if health-care inflation isn't brought under control.

But Mr. Obama chastised Republican leaders who talked of death panels. The president called it "a lie, plain and simple." He warned, "I will not waste time with those who have made the calculation that it's better politics to kill this plan than improve it....If you misrepresent what's in the plan, we will call you out."

Republicans in turn held aloft copies of health-care bills they have drafted in a quiet rebuke to a president who has said they have offered nothing constructive.

One Republican, Rep. Joe Wilson of South Carolina, shouted "You lie" when Mr. Obama said his plan wouldn't cover illegal immigrants, although the Democratic bills circulating in Congress do exclude illegal immigrants from eligibility for subsidies. The outburst was a rare break in the decorum that usually marks joint sessions of the U.S. Congress, and other Republicans joined the ranks of those decrying it. Mr. Wilson later issued a statement apologizing to Mr. Obama for "this lack of civility," but the flap gave a big boost Thursday to fund-raising efforts by his Democratic rival in the 2010 congressional election.

Overall, Mr. Obama tried to make the case to Americans that his plan would provide more stability for those who already have insurance, and coverage for those who don't. Republicans say the plan is too expensive and will lead to excessive government control.

Mr. Obama embraced for the first time a proposal to impose a fee on insurers that sell high-end plans—a concession that could hit not only lawyers and bankers but also unions that bargained for premium health plans.

And in an effort aimed at key Republican negotiators in the Senate, the White House outlined a new pilot program to move medical-malpractice cases out of the courts and put them before expert panels and arbitrators. White House officials say the program, first floated by President George W. Bush, would be instituted by executive order and wouldn't be included in the health-care legislation.

"I don't believe malpractice reform is a silver bullet," Mr. Obama said, "but I have talked to enough doctors to know that defensive medicine may be contributing to unnecessary costs."

It was one of the few areas of the plan that Republicans praised, and it won strong endorsement from doctors, who say the threat of lawsuits drives up medical costs by encouraging defensive medicine.

"We think this is just an excellent first step," said Rebecca Patchin, board chairman for the American Medical Association, the influential doctors' group.The McCain initiative endorsed by Mr. Obama would allow high-risk individuals to join insurance pools that couldn't deny them coverage for pre-existing conditions. That would be in effect until 2013, when a broader, federally controlled insurance exchange would go into force.

That exchange should carry a government-run "public option," Mr. Obama said, touching on an issue that has sparked some of the biggest controversy over the proposed health-care overhaul. Mr. Obama insisted that a public insurance plan would be maintained by premiums, not funded by taxpayer dollars.

But he appeared willing to consider alternatives, citing ideas such as nonprofit cooperatives, or a trigger mechanism that would start up the public plan only in states where health costs aren't going down. That eased investors' concerns that insurers will face a government competitor, moving their stocks a bit higher Thursday.

In an interview, Mr. McCain said he was glad to get a nod from the president, but said Mr. Obama must do more to win over Republicans. "I think the cost is still the key issue and how you pay for it," Mr. McCain said.

Senate Finance Committee Chairman Max Baucus said Thursday that Mr. Obama's address lifted his committee's chances to advance health-care legislation. Many of his proposals were "uncannily similar" to ideas being worked on by committee members seeking to hammer out a bipartisan agreement, he said.

—Greg Hitt and Naftali Bendavid contributed to this article.

Getty Images

U.S. President Barack Obama at a cabinet meeting Thursday, where the discussion was dominated by health care.

CORRECTIONS & AMPLIFICATIONS

Japan's public debt is roughly 170% of its gross domestic product, according to government figures. An Economy & Politics article on Thursday incorrectly said its debt was more than double GDP.

A drawing that appeared with a Corporate News article Thursday on e-commerce fashion company **Yoox** SpA incorrectly showed Jon Moulton, founder of private-equity firm Alchemy Partners, not Federico Marchetti, Yoox's founder and chief executive.

The 1996 Government Procurement Agreement, a multinational treaty to prevent discrimination against foreign companies, contains a clause that exempts purchases relating to national security, such as the Pentagon's ongoing tender for Air Force refuelling tankers. A Tuesday Economy & Politics article incorrectly implied that the GPA might cover the tanker contract.

Microsoft Corp. recently announced that prices for a new version of its Zune HD music player will start at $219.99. A Marketplace article in some editions Thursday about an Apple iPod event incorrectly said the new Microsoft device would sell at $199.

Navigon's MobileNavigator app for the iPhone doesn't synchronize with a Web site for planning trips. A Thursday Personal Technology column incorrectly said it did.

Jaeger Ltd. Finance Director Graham Edgerton and Andrew Mackenzie, a Jaeger nonexecutive director, each own 4% of London clothier **Aquascutum** Group PLC. An article Wednesday incorrectly said the stakes were held by Aquascutum designers Michael Hertz and Graham Fiddler.

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.

THE WALL STREET JOURNAL EUROPE (ISSN 0921-99)
Boulevard Brand Whitlock 87, 1200 Brussels, Belgium
Telephone: 32 2 741 1211 Fax: 32 2 741 1600
SUBSCRIPTIONS, inquiries and address changes to:
Telephone: +44 (0) 207 309 7799
Calling time from 8am to 5.30pm GMT
E-mail: WSJUK@dowjones.com Website: www.services.wsje.com
Advertising Sales worldwide through Dow Jones International. Frankfurt: 49 69 971428 0; London: 44 207 842 9600; Paris: 33 1 40 17 17 01
Printed in Belgium by Concentra Media N.V. Printed in Germany by Dogan Media Group / Hürriyet A.S. Branch Germany. Printed in Switzerland by Zehnder Print AG Wil. Printed in the United Kingdom by Newsfax International Ltd., London. Printed in Italy by Telestampa Centro Italia s.r.l. Printed in Spain by Bermont S.A. Printed in Ireland by Midland Web Printing Ltd. Printed in Israel by The Jerusalem Post Group. Printed in Turkey by GLOBUS Dünya Basınevi.
Registered as a newspaper at the Post Office.

Editeur responsable: Patience Wheatcroft M-17936-2003

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

World recovers its demand for oil

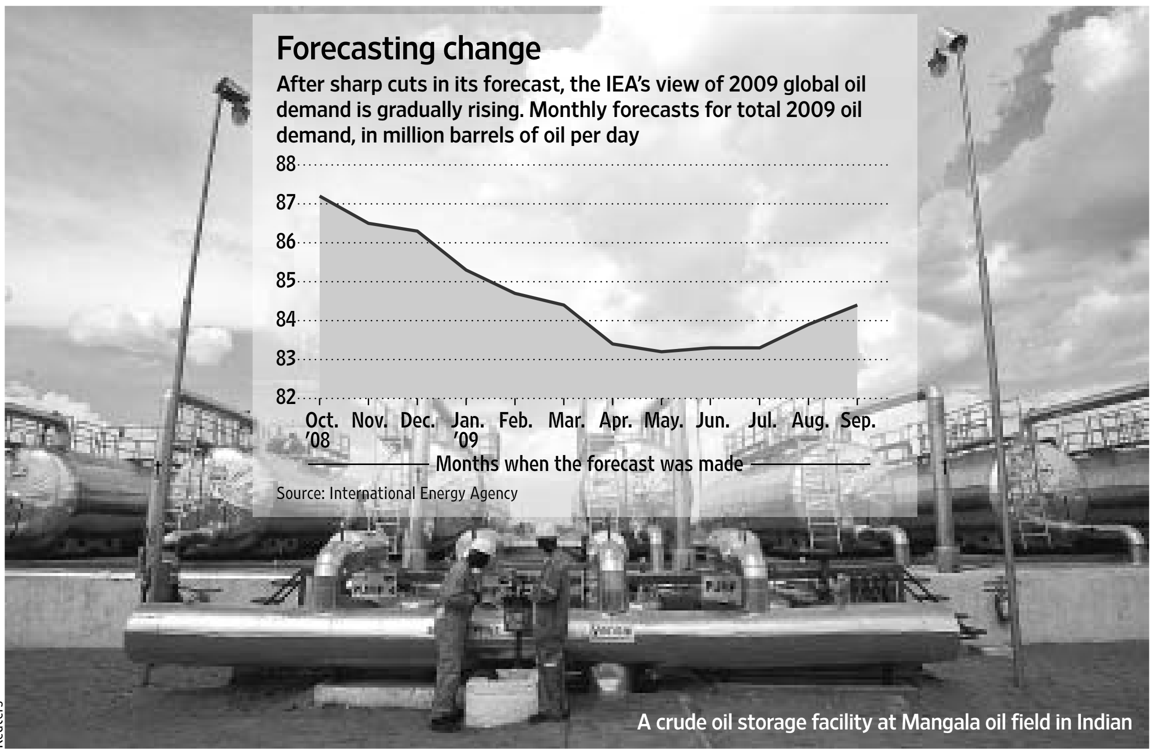
OPEC keeps targets as China and U.S. boost IEA's forecasts

By James Herron

The International Energy Agency raised its forecast for world oil demand for the third consecutive month on Thursday, citing stronger-than-expected economic growth in developing Asian economies and North America.

The Organization of Petroleum Exporting Countries, citing similar factors, had decided late Wednesday at a meeting in Vienna to keep its oil output unchanged.

The IEA said global oil demand in 2009 and 2010 is now expected to be 500,000 barrels a day higher than the organization's August estimate, at 84.4 million barrels a day in 2009 and 85.7 million barrels a day in 2010. In noon trading in New York on Thursday, the price of crude was up four cents at $71.35 a barrel.



A crude oil storage facility at Mangala oil field in Indian

Reuters

"Economic prognoses from the [Organization for Economic Cooperation and Development] and [International Monetary Fund] are being revised higher, while baseline oil demand in the U.S., China and other Asia appears to be running stronger than preliminary estimates suggested," the Paris-based organization said in its monthly report.

OPEC members also described a brighter outlook for oil consumption in Asia. "I am more confident today than what I was back in May" about China's economic recovery, said Saudi Oil Minister Ali Naimi.

"We're looking East more these days," said Kuwaiti Oil Minister Sheikh Ahmad Abdullah al-Sabah.

The IEA cautioned that demand from rich countries will remain weak for the remainder of the year and the extent of an apparent rebound in Chinese demand is obscured by the amassing of oil reserves there. "It's difficult to discern the true strength of Chinese demand at the final consumer level," said the report's editor, David Fyfe.

Projected oil consumption this year will be down 1.9 million barrels a day, or 2.2% lower, compared with last year, reflecting the still weak economy, the IEA said.

In August, OPEC was still pumping significantly above its output target as some members continue to exceed their quotas, the report said. Excluding Iraq, which isn't subject to quotas, OPEC supply in August was 26.3 million barrels a day, 1.4 million barrels a day above the group's target. OPEC said Thursday that compliance with its target of 24.9 million barrels a day is 68%-70%.

Members in Vienna pledged to redouble their efforts to comply with quotas to reel in excess supply.

The report also highlighted high stock levels in heating oil and diesel ahead of the winter as a potential drag on the oil price. How the winter heating season plays out will be a key factor in future OPEC decisions, said Mr. Fyfe.

Bischoff backs deferring executives' bonuses

By Margot Patrick

LONDON—Win Bischoff, the incoming chairman at **Lloyds Banking Group** PLC, said bonuses paid to senior bank executives should be both deferrable and paid in shares, as he weighed in on the debate over how banks can improve their remuneration policies to guard against banking crises.

Traders' bonus pay also should be deferred until the profit or loss on their trades is fully determined, he said, though that could result in traders taking more short-term positions to get paid sooner.

"Senior management being paid in shares and deferred is, as a concept, right," Sir Win told a conference Thursday. But he went on to point to the example of Lehman Brothers Holdings, where managers and employees received much of their bonuses in shares but the bank still collapsed a year ago, and said that while such a move isn't a cure-all, it "is still helpful."

Win Bischoff

He said the U.K. Financial Services Authority's increased focus on weighing up a bank's risky trading activities when it calculates how much capital it needs to hold also is important.

Sir Win, who starts his new job Tuesday, is to receive an annual salary of £700,000 ($1.2 million) and won't participate in any of the bank's incentive plans.

His priorities will include helping the bank reduce its reliance on the U.K. government, its 43.5% shareholder, and working to integrate HBOS PLC, the troubled bank it agreed to merge with at the height of the financial crisis last year.

The role of bonuses and whether they encouraged risky activities that helped spark the financial crisis has been hotly debated and has elicited an outpouring of public anger.

Goldman Sachs Group Inc. Chairman and Chief Executive Lloyd Blankfein said Wednesday that the anger was "understandable and appropriate" and that there was little justification for paying big bonuses when a bank had lost money that year.

Speaking alongside Sir Win in London, U.K. Treasury Minister Paul Myners said shareholders need to take a more active role in setting executive pay. Remuneration committees should have greater powers, and they and their advisers should be more accountable to shareholders, he said.

Minister says Moscow opposes harsher Iran action

By Marc Champion

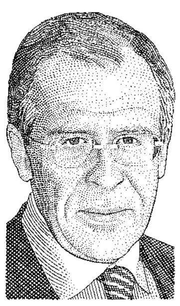
Russia's Foreign Minister Sergei Lavrov made clear that Moscow won't back tougher sanctions such as a ban on petroleum sales to Iran, and said the world would have enough time to respond if Tehran ever did try to enrich uranium to weapons grade.

Speaking Thursday to a group of Russia-policy experts known as the Valdai Club, Mr. Lavrov also said that while he welcomed the Obama administration's willingness to listen as well as its change in "style" from its predecessor, "life will show" whether the U.S.'s so-called reset in relations between the two countries would bring real change.

"I don't think anyone in this room believes that any U.S. administration would forget its strategic goal: to stay No. 1," and pursue its interests all around the world, Mr. Lavrov said.

Iran is a foreign-policy issue on which the Obama administration is keen to secure Russian help, as the U.S. and its European allies seek to persuade Tehran to abandon its uranium-enrichment program. Iran says the program is for purely civilian purposes, but it can also be used to make fuel for nuclear weapons. Such a switch would require Iran to change the configuration of the centrifuges that produce the fuel, a change that would be picked up instantly by cameras installed by international inspectors. If that happened, said Mr. Lavrov, there would be time to respond.

Mr. Lavrov said there was "something there to use" in proposals Iran recently sent to the six nations involved in the process. The proposals didn't address the nuclear issue, but Mr. Lavrov said it was promising that Iran said it was ready for comprehensive talks on security in the region.



Sergei Lavrov

"They need an equal place in this regional dialogue," he said, adding that "the negotiations we want to start cannot be finished by a deadline somebody sets." The U.S. has made clear it wants to see action by year-end, worrying that Iran can use extended talks to build up its uranium stocks and capability.

"Iran is a partner that has never harmed Russia in any way," Mr. Lavrov said. On possible sanctions if Iran doesn't cooperate, Mr. Lavrov said Russia had agreed only to sanctions in the past aimed at pressing Iran to engage with inspectors from the International Atomic Energy Agency.

Sanctions aimed at pushing Iran to agree to demands to shut its nuclear program were a different matter. "I do not think those sanctions will be approved by the United Nations Security Council," Mr. Lavrov said. Russia wields a veto on the 15-member council.

ECB is worried protectionism remains a threat

By Geoffrey T. Smith

FRANKFURT—Resurgent protectionism is a real threat to the global economic recovery, the European Central Bank warned in its monthly bulletin for September, published Thursday.

"A sluggish global recovery and rising unemployment may increasingly tempt governments to adopt restrictive trade policy measures, which could lead to a retaliatory spiral of ever harsher trade restrictions and tensions," the ECB said.

The ECB's current forecasts imply that the euro zone will experience a significant further rise in unemployment. The 0.2% growth in gross domestic product that is the midpoint of its new forecasts for 2010 is below the level the area needs sustain employment levels. Nearly one in ten people in the euro zone was out of work in July.

Governments across the globe have been keen to say they want no repeat of the 1930s, when protectionist measures such as the Smoot-Hawley tariff played a key role in turning the recession that followed the 1929 stock market crash into a depression.

The heads of government of the Group of 20 leading economies promised in November last year to avoid resorting to protectionism to shore up their economies, but the ECB pointed to studies showing that 17 out of those 20 governments had gone on to announce protectionist measures. It cited a study by Global Trade Alert saying that 67 new restrictions other than tariffs and quotas have been implemented since November.

The ECB acknowledged that the spread of international supply chains throughout the global economy, as well as a complicated global network of regional and bilateral trade deals, had so far limited the desire or ability of companies to press for protection through tariff increases.

However, it estimated that "a unilateral five-percentage-point increase in import tariffs by a large economy may lower world GDP growth by up to one percentage point over four years, and the adverse impact would be amplified if all countries were to impose tariff restrictions at the same time."

Trade ministers from the world's major economies agreed last week to resume low-level talks on the stalled Doha Round of trade liberalization, which has been frozen for over a year. The agreement followed the appointment of a new ambassador to the World Trade Organization by U.S. President Barack Obama.

News in Depth

Bursting bubble

U.S. income gap shrinks in slump at the expense of the wealthy > **Pages 14-15**

LEADING THE NEWS: THE OPEL DEAL

Relief in Germany that Opel deal survived

Merkel has dodged a potentially big hit before the election

BY GEOFFREY T. SMITH

FRANKFURT—The decision by **General Motors** Co. to agree to sell its big European division to a consortium led by Canada's **Magna International** Inc. came just in time for German Chancellor Angela Merkel.

Ms. Merkel had appeared to be cruising to an easy victory in general elections scheduled for Sept. 27 until an airstrike requested by German commanders in Afghanistan left scores dead and unleashed a political storm at home.

Her popularity ratings suddenly fell off. Polls showed dwindling chances that her center-right Christian Democratic Union Party could have a strong enough showing to govern without her current coalition partners.

But by bringing GM and its U.S. government owners around to deciding in favor of her preferred partner, Ms. Merkel demonstrated her skills as a crisis manager. She presented the outcome as a coup that preserves jobs as Germany struggles to emerge from its worst recession in 70 years.

"This result is in line with what the federal government wanted, and it's in line with what Opel employees had hoped for," Ms. Merkel said at a news conference.

Reuters

Chancellor Merkel said on Thursday that GM's agreement with Magna 'is in line with what the federal government wanted.'

GM set conditions on the deal that it didn't disclose, but company executives Thursday pledged that no assembly plants would be shut.

The chancellor faced embarrassment just 24 hours earlier, when GM appeared to be leaning toward keeping the German Opel and U.K. Vauxhall brands, which would have been restructured. German union officials feared that would mean plant closures and possibly liquidation, putting high political stakes on the outcome.

"The federal government badly wanted a deal with Magna," said Joerg Hinze, an analyst with the Hamburg-based HWWI research institute. A tie-up with Magna was seen as the best way to save as many German jobs as possible, and make it easier to justify the €4.5 billion ($6.5 billion) in subsidies the government has offered help rescue Opel so far.

Ms. Merkel's government had supported Magna and its partner, Russian state-owned savings bank OAO **Sberbank**, financially and politically since May.

While Ms. Merkel could get a boost in the polls, the deal's longer-term consequences may be even more profound. If completed, it would represent the biggest Russian investment in Western European manufacturing industry to date, adding a significant economic tie with Russia that until now has been largely based on banking and energy.

"It would mark a milestone in Germany's de facto disengagement from the U.S. and its strategic shift eastwards," said Douglas Busvine, an analyst at policy research firm Medley Global Advisors.

For Russian Prime Minister Vladimir Putin, the deal would be especially satisfying, creating an industrial partnership that could help revive a Russian manufacturing sector in apparent terminal decline.

"Putin's thinking is to develop Russia's strategic industries in partnership with internationally established companies," said Chris Weafer, chief strategist at Uralsib Bank in Moscow.

Success with Opel could help erase memories of the failure to build a Russian alliance with Franco-German European Aeronautics Defence & Space Co. EADS was one of many European companies to reject strategic partnerships with Russian companies, fearful of sharing technology and becoming beholden to the Kremlin and its foreign policy.

Access to GM at question in Chinese deal with Saab buyer

BY PATRICIA JIAYI HO

BEIJING—By helping a Swedish sportscar maker in its bid for Saab, **Beijing Automotive Industry Holding** Co. may have found another way to get what it wanted in its failed bid for Opel: access to the same advanced GM technology that drives cars from both Opel and Saab.

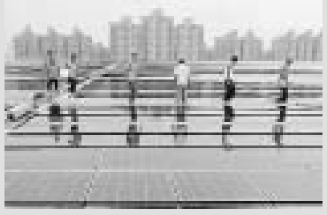
Beijing Auto's bid for Opel was rejected by **General Motors** Co., in July, as the companies failed to resolve differences over intellectual property rights. China is a strategic market for GM, and the auto maker expects its sales here to rise by more than 40% for the full year.

Turned down once by GM, which owns both Opel and Saab, Beijing Auto has struck a deal to take a minority stake in **Koenigsegg Group** AB and help Koenigsegg close the funding gap it needed to buy Saab. Details of the deal, which was still being finalized, weren't disclosed.

Economy & Politics

Green dream

Western companies see a big market for clean technology in China > **Page 9**



Associated Press

Beijing Auto's interest in Saab could provide technology it had sought from Opel. Above, Beijing Auto vehicles at a Beijing expo in May.

Brands across GM's empire tend to use the same kinds of vehicle underpinnings, said John Bonnell, director of forecasting for Asia at market-research firm J.D. Power & Associates. For example, Saab's 9-5 sedan shares a platform with the Opel Insignia. The cars share the same basic construction and have similar engines and transmissions.

It remains unclear what kind of access Beijing Auto would have to Saab technology as a noncontrolling minority shareholder of Koenigsegg, but it's possible Koenigsegg's deal for Saab could give Beijing Auto backdoor entry to the same technology it had sought in its Opel bid.

"In the negotiations they're going to have to address that question," Mr. Bonnell said. GM is "going to hold onto their intellectual property as best as they can."

But with a binding agreement already signed between GM and Koenigsegg, it may be harder for GM to block the Chinese company's participation in the transaction and the indirect stake in Saab. The companies signed a deal in August.

Mr. Bonnell said it won't be an easy path for Beijing Auto to gain access to GM's technology. "If GM wanted to keep them from buying Opel technology, they're going to try to keep them from doing it with Saab," he said.

"As part of the proposed transaction, GM and Saab will continue to share technology and services during a defined time period," GM said in a statement Thursday. "This has not changed." The statement didn't comment on Beijing Auto's role in the deal.

A person close to Beijing Auto told The Wall Street Journal Wednesday that while the tie-up between Koenigsegg and Beijing Auto is still being worked out and is "very complex," the Chinese auto maker is interested in producing Saab vehicles for Koenigsegg in China and wants to acquire technology for its own brand.

The agreement between Beijing Auto and Koenigsegg is expected to be finalized later this year.

Saab has a negligible presence in China currently, selling about 750 imported vehicles last year, out of 9.4 million autos sold industry-wide.

The companies have released scant details about their deal, but Koenigsegg said last month it needed around $425 million in financing to satisfy its business plan for Saab.

Officials in Beijing Auto's public relations office declined Thursday to comment further on the deal.

Beijing Auto has joint ventures with **Hyundai Motor** Co. and **Daimler** AG to produce and market cars in China. Its unit, Beiqi Foton Motor Co., is a leading commercial vehicle maker in China.

Passenger vehicle sales in China grew 37% in the first eight months. Beijing Auto sold 580,000 vehicles in the first half this year, and is targeting sales of 1.13 million for the full year. It is aiming to increase sales volume by a third each year, reaching two million units in 2011.

By comparison, J.D. Power expects Saab to sell 56,913 vehicles globally this year, compared with 92,382 in 2008 and 123,497 in 2007.

Beijing Auto wants "to get bigger and stronger, and to match up with the giant auto groups in China," said Tony Liu, a senior vice president at market-information provider Sinotrust. "They're aware that to be in the automotive business in the long run, they have to have technology and their own brand products."

While larger rivals such as **SAIC Motor** Corp. has the Roewe sedan and **China FAW Group** Co. has cars such as the Red Flag and Besturn, Beijing Auto has yet to mass produce its own brand passenger car.

Beijing Auto's bid for Opel was rejected by General Motors Co. in July.

Beijing Auto unveiled its own models at the Beijing Auto show last year, and plans to launch sales next year, Mr. Liu said.

GM recently set up a third vehicle-making joint venture with China FAW Group to produce light trucks. Sales of its passenger auto and minivan joint ventures with SAIC and **Wuling Automobile** Co. rose 50% in the first eight months this year from a year earlier to 1.11 million, in contrast to the weakness in markets in the U.S. and other developed countries.

LEADING THE NEWS: THE OPEL DEAL

GM launches ad campaign to rebuild trust

Some commercials will star chairman, echoing '80s Iacocca

By John D. Stoll

General Motors Co. on Monday is launching an ad campaign with the challenge "May the Best Car Win" and offering a 60-day, money-back guarantee, according to a person familiar with the plan.

The campaign is designed to win the trust of car buyers after GM's collapse earlier this year, which led to a bankruptcy filing and a $50 billion bailout from the U.S. government.

In some ads, GM's new chairman, Edward E. Whitacre Jr., will tell potential buyers that he, too, was skeptical of the auto maker before joining the company, this person said.

Mr. Whitacre's appearance in GM ads mirrors a move by one-time Chrysler Chairman Lee Iacocca, who starred in that auto maker's ads following a government bailout in the 1980s. Mr. Iacocca's challenge to buyers: "If you can find a better car, buy it."

GM's emphasis on its chairman could also stray from the company's stated goal of taking the emphasis off the company and placing it on its four brands—Chevrolet, Cadillac, GMC and Buick.

At the heart of GM's effort is an attempt to convince buyers that its cars are as good as the competition's. Mr. Whitacre's message will be that the company so fervently believes in its products that it is willing to "put its money where its mouth is" by offering customers a two-month guarantee, this person said. The company will also tout its 100,000-mile, five-year warranty in the ads.

Mr. Whitacre was installed as chairman by the Treasury Department. He and the company's new board did an extensive product review in August and told management that the company needed to do a better job communicating the attributes of the vehicles, some of which are considered either best in class, or near the top of the class.

The auto maker didn't disclose figures, but it will be "spending heavily" on it, said the person familiar with the matter. The campaign will span many channels, including television, Twitter and in-person events. Trade publication Automotive News first reported Mr. Whitacre's plans to appear in ads.

Steering toward Opel


March 2009

July 2009

September 2009

November 2008:
Opel seeks €1 billion in loan guarantees from Germany in case parent General Motors withdraws its support.

March 31, 2009: Chancellor Angela Merkel says Germany is willing to offer financial guarantees.

April:
Fiat begins talks with GM on buying a majority stake in Opel.

May:
Canadian auto-parts supplier Magna International emerges as possible bidder.

May 30:
Germany selects Magna as its preferred bidder for Opel; agrees to provide €1.5 billion in bridge financing, giving it a say in what happens to the European unit.

July 6:
China's Beijing Automotive Industry, or BAIC, submits a €660 million bid for a 51% stake.

July 13:
Belgian private-equity firm RHJ International says it is in talks with GM for an Opel stake.

July 23:
GM rejects BAIC bid.

July 28:
GM indicates board may have trouble accepting Magna bid.

Aug. 19:
Germany offers €4.5 billion in credit available to a Magna/Sberbank deal.

Aug. 24:
GM considers retaining Opel and Vauxhall operations.

Aug. 25:
Germany presses GM to reach a deal with Magna.

Sept. 2:
RHJ modifies offer, agreeing to put in more cash and seek lower loan guarantees.

Sept. 10:
GM agrees to sell its Opel and Vauxhall units to a consortium led by Magna.

Source: Dow Jones Newswires

Associated Press; Getty Images; European Pressphoto Agency/Belga

GM will sell Opel, Vauxhall units to Magna-led group

Continued from first page

cal support.

GM's board decided at a two-day meeting that picking Magna was the easiest way to exit a business that is at best marginally profitable, or would break even over the long run, people familiar with the matter said.

GM's board was unanimous on the recommendation even as directors agreed that handing over a major strategic asset involved a great risk, the people said.

The decision came after a spirited debate on the issues and a bit of finger-pointing at the management team over how they got in the jam in the first place, one of the people said.

The argument for Magna was: "You're going to break your back trying to restructure Opel against serious headwinds from labor and politicians....This was a perfect opportunity to get out of a not very good business for us," one of the people said.

GM also concluded that the effort to restructure was "wrought with complexities," including a need to replace the entire Opel management team and rebuild from the bottom up, one of the people said.

"It was doable, but it would have been an enormous effort," this person said. GM's management team can now focus on expanding its Chevrolet brand in Western Europe, the person said.

Opel's focus will remain in Western and Eastern Europe. Under the proposed deal, Opel won't be allowed to sell cars in China until 2015, and is barred from the U.S. altogether.

For the Obama administration, snubbing Magna would have complicated German-U.S. relations at a time when Washington is counting on German support on a number of fronts, from the financial crisis to Afghanistan.

GM tentatively agreed in May to sell control of Opel to Magna, which had pledged to keep Opel's German factories running. Facing national elections Sept. 27, German politicians, particularly Ms. Merkel, threw their support behind Magna's plan with €4.5 billion ($6.5 billion) in loan guarantees.

As GM emerged from its bankruptcy proceedings earlier this year in U.S. government hands, its interest in a deal with Magna waned. The company shifted toward a bid from **RHJ International** Inc. Then GM's new board, led by former AT&T Corp. Chief Executive Edward E. Whitacre Jr., raised questions about how a sale would affect GM's strategy in Europe.

GM was also concerned about losing Opel's intellectual-property rights, especially to Russia. But Germany insisted on Magna, convinced that the auto-parts maker would be a more reliable guarantor of German jobs.

While GM and U.S. authorities have been concerned about the transfer of technology to Russia, German leaders and Opel view Russia as one of the most promising auto markets in the world.

In recent years Russia has become one of Germany's fastest-growing export markets, although trade collapsed during the recession, as well as Germany's key energy supplier. Ms. Merkel's government saw the Magna deal partly as an opportunity to promote the German auto industry's engineering skills in a Russian economy that, although rich in natural resources, needs heavy investment and modernization in coming years.

Ms. Merkel and Russian President Dmitry Medvedev jointly expressed their support for the Magna-Sberbank bid for Opel at a bilateral summit on the Black Sea coast last month. Mr. Medvedev cited the Opel deal as the kind of Russian investment that could help to boost his country's high-tech expertise and help diversify the Russian economy away from oil and gas.

For the Kremlin, the Opel bid has received top-level political attention from the start, with Prime Minister Vladimir Putin and Mr. Medvedev pushing for it in private talks, as well as public statements. Russian officials hope the deal will secure a future for the country's auto industry, which employs millions of Russians but is technologically far behind international rivals after decades of underinvestment.

Sberbank, the Kremlin-controlled national savings bank, will provide financing, but officials have said the bank could to sell the Opel stake to a local auto maker eventually.

Russian officials greeted Thursday's announcement with caution. "This decision didn't come easily for GM or for us," Sberbank Chief Executive German Gref said in a prepared statement. "The talks weren't easy at all, and the structure of the deal is unprecedented in its complexity, just the agreement on intent runs to more than 1,000 pages. It's early to declare that a final decision has been made. This is, for the moment, a very important intermediate stage of the deal."

In Germany, GM's decision to sell Opel to Magna could be a boost for Ms. Merkel ahead of the upcoming election. The chancellor has invested significant political capital in arranging a sale to Magna in order to save as many jobs as possible at Opel's German factories.

In the past week, the German government threatened to call in a $1.5 billion loan to help keep Opel afloat if the Magna deal didn't happen.

Even before GM officially announced its decision on Thursday, Ms. Merkel claimed credit for the outcome, saying that "that it was a long road," but that Germany's perseverance had paid off and that she was "very pleased" by the outcome.

The deal could also help her Social Democrat challenger in the election, Foreign Minister Frank-Walter Steinmeier. Mr. Steinmeier has campaigned even harder than Ms. Merkel for Opel's sale to Magna.

The near-breakdown of the Magna deal, and GM's flirtation with other options, including retaining Opel, threatened to add to the bad news that has buffeted Ms. Merkel's previously smooth campaign for re-election.

Ms. Merkel's conservative Christian Democrats have been slipping in some opinion polls following defeats in regional elections. The controversy over a deadly airstrike in Afghanistan last week also put Ms. Merkel on the defensive.

—Gregory L. White contributed to this article.

CORPORATE NEWS

William Morrison's profit rises

U.K. supermarket chain expects sector's growth to slow due to falling commodities prices

By Lilly Vitorovich

LONDON—Sales growth in the U.K. grocery sector is slowing quickly, a trend analysts say will hurt players in the intensely competitive food-retail industry.

William Morrison Supermarkets PLC Thursday became the first major grocery chain to detail the extent of the growth slowdown, as Chief Executive Marc Bolland cautioned that the industry's growth rate will fall to low single digits.

The growth of the the U.K. grocery market has been propelled by inflation in both food commodities and oil prices. But Mr. Bolland, who helped engineer a turnaround at Morrison by focusing on low-priced fresh foods, said market growth is expected to fall to "smaller single digit numbers" in the second half of the year as prices stabilize.

According to the British Retail Consortium, overall store prices fell 0.1% in August from a year earlier, compared with 0.5% annual inflation in July. The group's director general, Stephen Robertson, said the decline was driven by a big drop in food inflation, in the wake of falling global commodity prices. It was the first time shop prices have fallen on an annual basis since February 2007.

William Morrison, which runs the Morrisons chain of supermarkets, said net profit rose 42% to £309 million ($510.8 million) for the six months ended Aug. 2, up from £218 million in the year-earlier period. Morrison's earnings were driven by higher sales and a pensions credit of £91 million.

Turnaround man

At Morrison, Marc Bolland has put in place a broad plan to boost profit. He cautioned Thursday that the industry's solid growth rate is declining as prices fall.

Highlights from first half of 2009:

- 22 new stores opened
- 1,600 new products launched
- IT system overhauled
- market share taken from heavyweight Tesco

Background: 20 years at Heineken

- **1995:** appointed head of Slovak operations
- **1999:** became director of export division
- **2001:** named executive board member
- **2005:** became chief operating officer

Outside posts:

- Adviser, Ajax football team, Amsterdam

Source: The company

Bolland has been CEO since September 2006

The CEO on Thursday predicted that Morrison, which has been the best performer in the U.K. grocery sector so far this year in terms of sales, will continue outperforming the market, underpinned by new customers and locations as well as the opening of more smaller stores.

Revenue rose 5% to £7.46 million as the company opened 22 new stores. Net selling space increased by 300,000 square feet, bringing the total to 11.4 million square feet.

While falling prices will be welcomed by embattled U.K. consumers, the trend will cause many headaches for retail executives here, who face the risk of a deepening price war similar to that in the U.S. and continental Europe. The U.K.'s leading grocers are already fighting for shoppers' time and money—slashing prices, launching new budget brands and taunting rivals in advertising.

Asda Group Ltd., the U.K. supermarket business of U.S. retailing giant **Wal-Mart Stores** Inc., last month said food-price inflation in its stores at the of June was the lowest in two years.

The fourth-largest player in the U.K. supermarket sector by sales, Morrison has gained more than a million new customers in the past two years and has its eye on more than 100 locations for new stores around the country. **Tesco** PLC is the market leader, followed by Asda and **J Sainsbury** PLC.

Citing industry data from market-research firm Taylor Nelson Sofres, Mr. Bolland said the U.K. grocery market grew 5.9% during the first six months of the year. Morrison in that period increased its sales, excluding fuel, by 9.2%, well ahead of Tesco's 5%, Asda's 8.3% and Sainsbury's 7.6%.

Pali International analyst Nick Bubb said the key for Morrison is that the company is "still delivering strong profit growth and are confident on their own performance."

"The worry for Sainsbury, by contrast, is that their own gross margins are under a lot more pressure than Morrison's so they're more exposed to an industry slowdown and Tesco's Clubcard push," he added.

Sainsbury wasn't available to comment.

A Tesco spokesman Thursday declined to comment on the potential impact of falling prices on business. The company is scheduled to report interim results Oct. 6.

Fraud Office starts probe of sports retailers

LONDON—The U.K.'s Serious Fraud Office said Thursday it is investigating two of the country's biggest sports retailers after one of them blew the whistle on alleged price-fixing.

By Hannah Benjamin, Rachael Gormley and Jason Douglas

The Serious Fraud Office said it is investigating **JJB Sports** PLC and **Sports Direct International** PLC for suspected criminal offenses under the Fraud Act and the Enterprise Act, following a referral from U.K. regulator the Office of Fair Trading, or OFT.

JJB said Thursday that OFT officials visited its offices in Wigan, England, after it requested immunity from prosecution in exchange for informing the regulator about a "suspected agreement or concerted practice" to hinder competition in the sports retail market between June 2007 and March 2009.

JJB said the OFT has granted it immunity provided it continues to cooperate.

Sports Direct International, majority-owned by Mike Ashley, who also owns English football club Newcastle United, said officials from the OFT and Serious Fraud Office visited its offices in Shirebrook, England, in relation to the probe into suspected price-fixing. It said it is cooperating fully with the investigation.

The OFT said the investigation is at an early stage and it won't be able to determine whether the law has been broken until this process has been concluded.

Sportswear and football kits are big business in the U.K. and Sports Direct and JJB Sports are two of the leading retailers. Both are expecting a huge boost to sales after England's soccer team Wednesday secured qualification for the 2010 football World Cup.

This isn't the first time the market has been probed by the antitrust authorities. In 2003, the OFT fined 10 companies £18.6 million ($31 million) for fixing the price of Umbro replica football kits. With more than £8 million, JJB Sports was hit with the biggest fine.

JJB Sports has had a turbulent year. Faced with plunging sales and heavy debts, the company placed two unprofitable units into administration, one of which it had bought from Sports Direct. It also sold its fitness-club business to its founder David Whelan for £83 million.

In March the company fired its Chief Executive Chris Ronnie. He had been suspended in January after the liquidators of Icelandic bank Kaupthing Bank hf. seized his 27.5% stake in JJB. Mr. Ronnie couldn't be reached for comment.

JJB subsequently hired a former **Next** PLC chief executive, David Jones, to turn the business around. But Sir David soon had to explain to shareholders why he had taken a personal loan from Sports Direct's Mr. Ashley. Sir David said he borrowed the money before he joined and would repay it.

Shares in JJB closed down 10% at 34.75 pence Thursday, while Sports Direct shares fell 16% to 108.9 pence.

Under a 2002 U.K. law, running a cartel became a criminal offense and anyone convicted could face an unlimited fine or prison. However, if a business ends its involvement and informs the OFT, it can escape prosecution or pay a smaller fine.

BBC argues against sharing licensing fees with its rivals

By Tim Hanrahan and Paul Sonne

BBC Trust Chairman Michael Lyons said in an open letter to U.K. television watchers that the **British Broadcasting** Corp. won't "ask the public for more money than it needs to do its job," but that it doesn't believe viewers want their license fees diverted to private broadcasters.

Sir Michael also indicated that cuts to the size of its television, radio and online offerings may be coming. "The seismic shifts currently taking place in the economy and in technology require us to think bigger even though it may mean the BBC becoming smaller," said Sir Michael. The BBC Trust is the governing body of the BBC.

The BBC faces the threat of having to cede around 3% of its license fee to commercial rivals. In its recent Digital Britain report, the U.K. government said it would propose "top slicing," or skimming off a portion of the BBC's license fee to help struggling commercial rivals produce public-service TV.

Sir Michael cited research on viewers opinions on the license fee, which is currently £139.50 ($230.62) a year for all television-watching households. Offered six possible options for what should happen to the license fee once a digital-switchover project is finished, about half of respondents said they would prefer the license fee to be lowered by £5.50. Last month, James Murdoch, **News Corp.**'s top executive in Europe and Asia, said state support gives the BBC an unfair edge. He described as "chilling" what he called the BBC's influence in the U.K. media industry. News Corp. owns The Wall Street Journal.

Home Retail sees sales trends at Argos improve

By Michael Carolan and Lilly Vitorovich

LONDON—**Home Retail Group** PLC on Thursday posted better-than-expected second-quarter sales at its U.K. retail chains Argos and Homebase and raised its first-half profit forecast.

General-merchandise chain Argos booked a 1.4% fall in sales for the 13 weeks to Aug. 29, an improvement from the first quarter, when sales were down 2.8%. Comparable sales at home-improvement business Homebase, meanwhile, grew 1.6%.

"We are pleased that both Argos and Homebase performed well, delivering cash margin ahead of our expectations," said Chief Executive Terry Duddy.

Home Retail said first-half pretax profit before exceptional items will be in line with the £121 million ($200 million) it recorded last year. This compares with market expectations of between £80 million and £120 million.

Home Retail said toy sales were strong, while furniture sales were challenging.

However, the better-than-expected sales performance came at the expense of a continuing decline in gross margins. A change in the mix of products sold, higher levels of discounting and adverse currency fluctuations resulted in a 1.25-percentage-point decline in gross margin for Argos and a four-percentage-point fall at Homebase. The company didn't disclose year-earlier margins.

Mr. Duddy said the drop was partly due to greater discounting to compete with rival Kingfisher PLC and a decision to clear out old stock. The CEO said the full-year gross margin at Argos is now expected to fall two percentage points. Homebase margins, meanwhile, are seen dropping 3.5 percentage points.

Argos sales benefited from growth in the consumer-electronics category, where strong television and personal-computer sales offset weakness in the gaming market. Toy sales were also strong, while furniture sales were challenging, Home Retail said. The improving sales trend at Homebase, meanwhile, was led by more expensive categories such as kitchens.

Rival retailer **Kesa Electricals** PLC also benefited from an uptick in the U.K., though continued weakness in continental Europe left that company's fiscal first-quarter sales looking sluggish.

Kesa, which is Europe's third-largest electrical-goods retailer by sales behind Metro AG's Media Markt and DSG International PLC, posted a 3.9% fall in same-store sales for the three months ended July 31. This came despite a 0.3% rise in same-store sales at Comet in the U.K. Sales in France, Kesa's next major market, dropped 3.7%, while same-store sales outside those two countries declined 10%.

CORPORATE NEWS

P&G plans price cuts, expansion

New CEO lays out strategy to bolster sagging market share

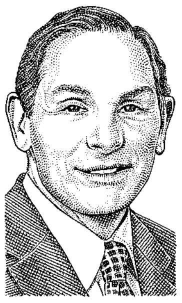
BY ELLEN BYRON

Procter & Gamble Co. Chief Executive Robert McDonald on Thursday detailed measures to address lackluster profits and sagging market share, including price cuts, overseas expansion and plans to reposition the company's Cheer brand as a low-price detergent.

Mr. McDonald, who assumed the post in July, offered his most detailed game plan yet on how to reignite flagging sales as cash-strapped shoppers forgo the company's premium products for less-expensive options. At a conference, he assured investors that P&G was "in touch with reality" and "maintaining a sense of urgency."

The Cincinnati consumer-goods company issued a forecast for fiscal second-quarter organic sales, which exclude foreign exchange, acquisitions and divestitures. It predicted a gain of 1% to 4% for the period, ending in December, compared with a year earlier. P&G confirmed its previously issued guidance that the current quarter's organic sales will be flat to down 3%.

"We acted with urgency to protect the structural economics of our business last year, and we are acting with urgency this year to deliver profitable market-share growth," Mr. McDonald said in a prepared statement.



Robert McDonald

Mr. McDonald's strategy includes cutting prices, a move P&G previously resisted because of high commodity costs and a fear of hurting its brands' image of superiority. But throughout the recession, less-expensive versions of household staples have dented the dominant market share that P&G's products have long held. To narrow the price differences with competitors, the company said P&G would cut prices or increase promotional spending on about 10% of its business.

Tide and Cheer laundry detergents are among the brands targeted for price reductions. Tide, which can cost more than twice as much as private-label versions, will have "targeted interventions" on its larger sizes, the company said. P&G also is testing Tide Basic, a version that costs about 20% less than regular Tide. Meanwhile, P&G plans to reposition Cheer as a value brand, cutting its price by about 13%.

P&G also plans to accelerate its global expansion. With about four billion of the world's consumers currently using P&G products, Mr. McDonald wants to reach an additional billion people by 2015. He estimates that while American shoppers on average each spend about $110 a year on P&G's products, world-wide consumers spend just $12. By 2015, P&G wants to raise the global average to $14 per person per year. "We know how to do that," Mr. McDonald said.

Some analysts remain skeptical of P&G's plans. "The company is broadly losing share across its portfolio in the core U.S. market, and emerging-market sales have lagged peers," Goldman Sachs analyst Andrew Sawyer wrote in a research note. "Although the company is clearly devoting more resources to brand support, many of its key competitors are doing the same on a proportionate basis."

In afternoon trading on the New York Stock Exchange, P&G's shares were up 4.3% at $56.07.

France Télécom halts job changes amid suicides

PARIS—**France Télécom** SA said Thursday it will temporarily suspend job shuffling linked to its restructuring, reacting to a wave of suicides at the French telecommunications giant.

France Télécom said it will suspend the job changes until Oct. 31 in order to re-evaluate the conditions under which they are taking place.

The company also said it would increase medical and social assistance for workers and will hire about 100 new local human-resources employees.

France Télécom workers held protests Thursday following a series of suicides that union leaders blame on the company's failure to help employees deal with the stress linked to the continuing restructuring.

Wal-Mart taps DHL executive as chief in Asia

BY JOAN E. SOLSMAN

Wal-Mart Stores Inc. named Scott Price to lead its Asian operations.

He joins the retail giant from **Deutsche Post** AG's DHL Express, where he headed European operations and previously led the Asian-Pacific operation. Mr. Price also spent a decade at Coca-Cola Co. as a manager for various Asian operations.

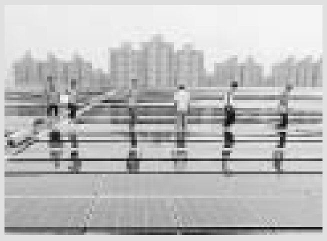
The world's largest retailer has faced some labor complications in China this year, where it wanted to cut jobs at the middle-manager level, prompting criticism from the national labor union. It has about 630 stores in China, India and Japan.

Wal-Mart has had a number of management changes since Chief Executive Lee Scott's retirement earlier this year. Former international chief Mike Duke succeeded Mr. Scott, and the former head of Sam's Club, Doug McMillon, filled Mr. Duke's old job.

Economy & Politics

Green dream

Western companies see a big market for clean technology in China > **Page 9**



Bharti Airtel adds to bid for MTN

Indian telecom offers $14 billion for stake in South Africa firm

Indian telecommunications provider **Bharti Airtel** Ltd. has raised its offer for South Africa's **MTN Group** Ltd. by about 7%, say people familiar with the matter, increasing the likelihood that the two companies will reach a deal to create a global behemoth in mobile phone services.

By ***Costas Paris*** *in Singapore and* ***Amol Sharma*** *in New Delhi*

Bharti, India's largest cellphone company by subscribers, has offered to add about $900 million, bringing its total bid to $14 billion in cash and stock for a 49% stake in MTN, according to several people familiar with the situation.

Under the initial proposal the companies unveiled in May, MTN and its shareholders in turn would offer about $10.5 billion in cash and shares for a 36% interest in Bharti.

The transaction would be India's largest cross-border deal, surpassing **Tata Steel**'s $12 billion acquisition of Anglo-Dutch steelmaker Corus in 2007. A combined Bharti-MTN would have over 200 million users and $20 billion in revenue, creating one of the largest telecom companies in the world.

Bharti's push to expand overseas shows how Indian firms, from tractor makers to cellphone service providers, are looking for opportunities to grow outside their home market. Compared to the U.S. and Europe, the Indian telecom sector is booming, but carriers are beginning to spot signs of a slowdown and are scouring for new market opportunities to sustain their growth.

"There is definitely room for growth in India, but the quality of the growth is much lower than it used to be" said Kunal Bajaj, managing director of BDA, a technology and telecom consulting firm.

Reuters

A combined Bharti-MTN would have over 200 million users and $20 billion in revenue. Above, a cellphone user in South Africa

Bharti and MTN have twice extended their talks and are now negotiating ahead of a Sept. 30 deadline. A deal would need approval from boards, shareholders and regulators before being finalized.

India has 442 million mobile phone users and the market continues to expand quickly, with carriers adding several million new customers every month. But there are signs of a deceleration in revenue growth in India as carriers begin to target lower-paying customers from the countryside.

While Indian cellphone users have typically spent $6 to $8 per month, some of the new customers that carriers are now attracting are spending as little as $3 per month, said Mr. Bajaj, the telecom consultant.

Bharti, which has heavily emphasized rural sales, added a record 8.55 million subscribers in its most recent quarter, bringing its total to 105.2 million. But its revenue growth of 17% was down from 44% the previous year. Average revenue per user per month fell to $5.80 from $8.10 a year ago.

Harit Shah, a telecom analyst at Angel Broking, said Bharti and other Indian firms will have to contend with other threats in India, such as a shortage of high-quality radio spectrum and a coming policy that will let users switch carriers and keep their number, or number portability.

"There are too many headwinds for Bharti in the Indian market right now," Mr. Shah said.

In a statement, Bharti said it hopes a deal with MTN would allow "further diversification of Bharti income streams into the fast growing and relatively under-penetrated African and Middle Eastern markets." MTN operates in 21 countries in Africa and the Middle East.

Key MTN shareholders such as state-owned pension fund manager Public Investment Corp. have been eager for Bharti to sweeten its bid. Initially, Bharti offered MTN shareholders $13.1 billion—roughly $7.4 billion in cash and $5.7 billion in global depositary receipts.

Some MTN shareholders have indicated they want the cash component of the $14 billion offer to be boosted to $10 billion, and Bharti is considering that, according to a person familiar with the negotiations.

Singapore Telecommunications Ltd., Bharti's biggest shareholder with a 30% stake, would see its stake reduced substantially. But SingTel is considering purchasing about $3 billion worth of global depositary receipts from MTN shareholders to maintain its position, according to a person familiar with the deal.

—Nisha Gopalan, Robb M. Stewart and P.R. Venkat contributed to this article.

Cadbury's pact with Hershey looms in battle

BY ILAN BRAT

One important element of a combination of **Kraft Foods** Inc. and **Cadbury** PLC could rest in the hands of a competitor: **Hershey** Co.

Twenty-one years ago, Hershey bought Cadbury's U.S. chocolate business, including factories and the exclusive rights to make and sell well-known brands such as Cadbury and York Peppermint Patty. Hershey paid $270 million, plus the assumption of $30 million in debt, according to documents filed with the U.S. Securities and Exchange Commission.

The August 1988 agreement also gave Hershey the right to sell Cadbury's Creme Eggs, Caramello and other chocolate products in the U.S., as well as Peter Paul Almond Joy, Peter Paul Mounds and York Peppermint Patty bars world-wide for 25 years. The agreement was designed to automatically renew every 10 years unless Hershey objected.

Such arrangements sometimes include a clause calling for them to be dissolved upon a change of control of one of the companies. A person familiar with the agreement said the original terms remain in play. That means Hershey could maintain the exclusive license to those Cadbury brands even if Kraft buys the British confectionery maker.

It is unclear how significant a part of Hershey's sales the Cadbury brands represent; Hershey doesn't break it out, and a spokesman declined to say. But the old arrangement would deprive Kraft of an opportunity to use those brands to boost its chocolate sales in the U.S. and elsewhere, industry analysts said.

More important, the agreement could be a nice bargaining chip for Hershey amid any Kraft-Cadbury talks. Hershey could vie for a large cash settlement as payment for rescinding the agreement. It also could refuse to renegotiate the contract should Kraft and Cadbury move to cancel it.

Still, the Cadbury-Hershey arrangement isn't expected to be a large impediment for Kraft because international expansion "is where this deal has luster for Kraft," said Matt Arnold, a consumer analyst with Edward Jones.

"It could make sense...for Kraft to find a way to take back that distribution in the U.S. and take care of it themselves," he said.

Kraft spokesman Michael Mitchell said the Northfield, Ill., company anticipates "no impact on the current arrangement" between Cadbury and Hershey.

Jet Airways cancels flights as pilots protest

BY SANTANU CHOUDHURY AND ANIRBAN CHOWDHURY

NEW DELHI—**Jet Airways (India)** Ltd. canceled more than 260 flights Thursday, including 44 to overseas destinations such as New York, London and Brussels, as a standoff between pilots and the airline's management entered its third day.

The standoff began with pilots taking sick leave to protest the firing of two colleagues in July. Two more pilots were sacked by the airline Wednesday. The total number of protesting pilots reached 432 Wednesday, out of 760 at the airline.

The protesting pilots are part of the recently formed National Aviators' Guild, which claims to represent more than 650 pilots. They have rejected management calls to disband the union.

Girish Kaushik, the guild's president, said all protesting pilots will return to work only after the four sacked pilots are reinstated. He said the pilots and the airline management are scheduled to jointly meet the central labor commissioner Friday to discuss the situation.

Executives at Jet didn't respond to calls seeking comment.

Chevron gives Gorgon direction with LNG deals

BY BILL LINDSAY AND ROSS KELLY

Chevron Corp. moved closer to a final decision on its proposed Gorgon liquefied natural gas project after signing three binding sales agreements to supply nearly three million metric tons a year of LNG from the Australian field to Japanese and South Korean energy companies.

Chevron said Japan's **Osaka Gas** Co. will buy 1.375 million metric tons annually of LNG starting in the second half of 2014 for 25 years, with **Tokyo Gas** Co. agreeing to purchase 1.1 million metric tons annually over the same period.

Subject to Australian foreign investment approval, Osaka Gas will also acquire a 1.25% interest in Gorgon, and Tokyo Gas will purchase a 1% stake in the project from Chevron.

Chevron has also agreed to supply its 50%-owned energy company, **GS Caltex** Corp. of South Korea, with 0.5 million metric tons annually of LNG for up to 20 years from Gorgon and other Chevron gas projects. The remaining 50% of the South Korean company is owned by **GS Holdings** Corp.

The Gorgon field has potential reserves of more than 40 trillion cubic feet of gas and an estimated economic life of at least 40 years. With production due to start in 2014 after five years of construction, Gorgon is Australia's largest single resource project and the sales agreements build on earlier deals with energy-hungry Asian importers.

The latest move comes as the head of **ConocoPhillips**' Australian unit said Australia could become the world's biggest exporter of LNG by 2020.

ConocoPhillips Australia President Joseph Marushack said that a final investment decision is still expected to be made for its massive Gladstone LNG joint venture in Queensland state with **Origin Energy** Ltd. by the end of 2010, with the first gas slated to be shipped in 2014.

"Australia is ideally positioned to become a really dominant supplier," Mr. Marushack told an oil-and-gas conference in Darwin. "Today it's the world's sixth-largest supplier. In 10 years it could rank second—maybe first."

Qatar ranked first among LNG exporters in 2008, shipping 39.68 billion cubic meters, according to **BP** PLC's Statistical Review of World Energy. Malaysia, Nigeria, Indonesia and Algeria also exported more than Australia's 20.24 billion cubic meters of LNG last year.

ConocoPhillips' forecast isn't surprising; there are more than a dozen LNG projects slated for startup in Australia and Papua New Guinea by 2016. There has been some debate among market watchers whether Australia will be able to leapfrog Qatar, which is also adding more LNG production capacity.

Another Gorgon partner, **Exxon-Mobil** Corp., last month struck two deals over Gorgon LNG, including a 20-year deal with **Petro-China** Co., the listed unit of China National Petroleum Corp., to buy 2.25 million metric tons of LNG a year, and a 20-year agreement with **Petronet LNG** Ltd., India's largest LNG importer, for 1.5 million tons.

—David Winning contributed to this article.

Sarkozy pushes ahead with carbon tax

In 2007, surveys showed the French supported taxing emissions. A recession later, they aren't so keen.

By David Gauthier-Villars

PARIS—France is likely to begin taxing carbon-dioxide emissions by both households and companies starting next year in the hope that consumers and producers gradually shift to more environmentally friendly goods.

From Jan. 1, a special tax of €17 ($24.74) will be levied on each metric ton of CO_2 emitted by fossil fuels such as heating oil, gasoline, coal and natural gas, French President Nicolas Sarkozy said in a speech Thursday. "We cannot keep on taxing labor, taxing capital and ignore taxes on pollution," he said.

Parliament has yet to approve the measure, but it is likely to pass as part of the wider annual budget plan.

Like other European countries and the U.S., France is seeking ways to meet a series of environmental commitments. The French government has pledged by 2050 to cut its CO_2 emissions to one-quarter of 1990 by relying on nuclear power—which generates few greenhouse gases—better insulating buildings and boosting the use of renewable energies.

France wants to emulate Finland and Sweden, which have succeeded in curbing CO_2 emissions with the introduction of greenhouse-gas taxes in the early 1990s. Mr. Sarkozy is also eager to show that France is making progress on its environmental promises ahead of a United Nations conference on climate change in Copenhagen in December.


Associated Press

Carbon struggle

Starting Jan. 1, France will slap a special tax of €17 on each ton of carbon dioxide emitted by gasoline, heating oil and natural gas consumed by households and industries.

In practice, the tax will add:

4.5 European cents to the price of a liter of heating oil

4 European cents to the price of a liter of gasoline

0.4 European cent to the price of a kilowatt hour generated by gas*

*The carbon tax would add roughly €80 to the annual gas bill of a household with a two-bedroom apartment.
Sources: French government, WSJ research

French President Nicolas Sarkozy, here visiting a factory in central France on Thursday, said he would press ahead with a tax on carbon emissions but promised to return all the money raised to taxpayers.

The carbon tax, however, has become a hard sell. When Mr. Sarkozy was elected president in 2007, surveys showed that French people backed the idea. More recent opinion polls suggest enthusiasm has faded as people grow wary that the tax will dent their spending power amid the economic crisis.

In his speech, Mr. Sarkozy said the tax would help the French economy grow while being energy conscious. And he said the tax would be offset by subsidies for some payers. Taxes and subsidies would rise, but Mr. Sarkozy offered few details on the timeline or rate of change.

Yet, environmentalists were skeptical of the tax benefit. They said it has been set at a low level and criticized the subsidies planned for households and business.

"With this tax, the incentive to shift to energy-efficient goods will be close to zero," said Pascal Husting, head of the French branch of environmental movement Greenpeace.

Mr. Sarkozy's plan falls short of recommendations from a report he had commissioned that called for setting the tax at €32 per ton of CO_2 in 2010 and increasing it by 5% every year after in order to reach a level of €100 in 2030. The €100 mark is necessary to achieve the broader goal of slashing CO_2 emissions, the report said.

The French president said he opted for an across-the-board level of €17 per ton because he was concerned that households wouldn't agree to pay significantly higher taxes on CO_2 emissions than big industrial emitters—which are already subject to a European Union mechanism aimed at reducing greenhouse gases. European CO_2 emission certificates trade at about €15.

Green movements are also worried that money raised won't be used efficiently.

Mr. Sarkozy, who has pledged not to increase taxes despite France's rapidly widening budget deficit, has said all of the money raised through the new tax would be returned to taxpayers.

Households subject to income tax will be awarded tax rebates as early as February 2010; those that are exempted from income tax will receive a check from the fiscal administration. Companies won't be awarded rebates but a local corporate tax will be scrapped.

West eyes the potential for clean technology in China

By James T. Areddy

SHANGHAI—A group of Western companies says it can see a $500 billion to $1 trillion market annually for clean technology in China, according to a report published Thursday meant to highlight how a big new industry might develop in the world's most populous nation.

The China Greentech Report 2009 outlines more than 300 clean energy, construction, transport, water and other businesses that might realistically open in China. The report was assembled by a group called China Greentech Initiative, made up of more than 80 predominantly large Western companies and organizations with interests in the environmental sector. The headline figure of up to $1 trillion annually reflects revenue the group says ultimately could be generated from widespread adoption of cleaner solutions, a best-case scenario given expectations about China's growth trajectory.

The figures are neither a projection, nor is the report the first attempt to draw attention to the seemingly vast market potential in China. "The story that has emerged is largely an optimistic one, tempered by the complexity of China's markets and the challenges that must be overcome," says the report.

The report's outline of China's potential market size for companies from China, the U.S. and other countries is designed to convince government and corporate policy makers that spending money to tackle the world's environmental challenges will have a financial payoff.

China, the world's fastest-growing resources consumer, and the U.S., the biggest, together generate 40% of global emissions and use a third of the energy. Support by leaders of these countries for corporate clean-technology efforts, at forums such as a major climate conference planned for December in Copenhagen, is therefore considered crucial.

Today, without government support, many wind, water, solar and other clean technologies don't yet make financial sense.

When projects do get government backing, they can be on a grand scale.

This week, China's government gave preliminary approval for an Arizona-based company, **First Solar** Inc., to develop a colossal system of panels over the coming decade to produce 2 gigawatts, or 2 billion watts, of electricity in the desert of Inner Mongolia. Yet questions remain as to just how big the project is, such as how many billion dollars it may cost, how funding will be arranged and how its power output will be priced.

Earlier this week at a Greentech Initiative conference in Shanghai, Fu Zhihuan, a senior Chinese legislator, summed up the bilateral relationship by noting the U.S. has "technology, capital and expertise." Mr. Fu added, "China has huge markets."

How likely businesses will be to realize the growing ambition remains unclear.

China and the U.S. have already signed at least 17 bilateral agreements on the environment in the past 12 years. Still, corporate executives at this week's Shanghai conference blamed both nations for holding back progress through trade barriers, trade secrets, trade-finance difficulties and other issues.

Going green | China's renewable-energy capacity targets, by type

	Energy from renewable sources (in percentage)	Hydro power (in gigawatts)	Wind power (in gigawatts)	Biomass power* (in gigawatts)	Solar power (in gigawatts)	Solar water heating (in million square meters)	Bioethanol (in million tons)	Biodiesel (in million tons)
2005 Actual:	7%	117	1.3	2	0.07	80	1	0.05
2010 target:	10	190	10	5.5	0.3	150	3	0.2
2020 target:	20	300	100	30	20	300	10	2

* From agriculture or forestry

Sources: China Greentech Initiative (chart), Associated Press (photo)

Above: Workers walk on the roof, covered by solar panels, of the Theme Pavilion for the 2010 World Expo in Shanghai.

Lebanon's Hariri steps down

Premier-designate resigns as effort fails to build a coalition

By Nada Raad

Associated Press

Lebanese premier-designate Saad Hariri, seen after his June victory, stepped down after failing to form a unity government.

BEIRUT—Lebanese Prime Minister-designate Saad Hariri, whose Western-leaning coalition won a majority in June parliamentary elections, said Thursday he is abandoning efforts at forming a cabinet, dimming the short-term prospect of a unity government here.

Mr. Hariri must now step down as premier-designate, and President Michel Suleiman will restart consultations with the country's ethnic and sectarian blocs on a replacement. Mr. Hariri, son of slain former Prime Minister Rafik Hariri, can be reappointed, and some analysts and politicians here expect he will be.

Either way, his failure to secure a cabinet deal dashes hopes for now that Lebanon's peaceful elections in June will translate into a power-sharing government between Mr. Hariri's Western-leaning coalition and the opposition, led by Hezbollah, the Shiite political and militant group backed by Iran and Syria.

Lebanon has long been the stage upon which foreign capitals vie for influence in the wider Middle East. Washington and its allies, including Saudi Arabia, backed Mr. Hariri and his allies. Meanwhile, Hezbollah has consolidated its political power here in recent years.

In May 2008, Hezbollah's militia briefly seized swaths of Beirut, during the final throes of an 18-month political stalemate with the government. The muscle-flexing forced the government into a series of political concessions, including granting the Hezbollah-led opposition veto power. Several analysts and polls suggested the opposition was set to capture a majority in the June vote.

Washington and other Western capitals watched the election closely, worried that a win by the opposition could signal rising regional influence by Tehran. Instead, Mr. Hariri's victory appeared to demonstrate that popular support for Iranian proxies such as Hezbollah might be on the wane, giving the Obama administration fresh leverage in the Mideast.

While Mr. Hariri had promised to embrace opposition figures, including Hezbollah, in his new government, he also had expressed big differences over how the two sides might govern together.

Earlier this week, Mr. Hariri submitted a proposed 30-member cabinet to Mr. Suleiman, an independent former army commander, after failing to win a deal on the makeup with opposition politicians. The opposition quickly rejected his ministerial line-up.

"We had a real chance of forming a national unity government but we missed it," Mr. Hariri said Thursday as he announced his resignation.

Many analysts expect a drawn-out process because of Lebanon's convoluted electoral and political system, which divvies up parliament seats and top posts by religion, ethnicity and sect.

Still, Hezbollah officials on Thursday held out the prospect of an eventual compromise. "In the end, we have no alternative other than dialogue and a national unity government," said Hezbollah lawmaker Mohammed Fneish.

Netanyahu is questioned about Russia visit

By Charles Levinson

JERUSALEM—Aides to Prime Minister Benjamin Netanyahu conceded Thursday they misled journalists about the premier's whereabouts on Monday, amid reports in Israeli and Russian newspapers that he made a secret trip to Moscow to lobby Russian support for tougher action against Iran's nuclear program.

The deceptive action by the prime minister's office triggered anger in the Israeli media. It has also spurred speculation that the unusual covert mission underscored the growing sense in Israel that time is running out on efforts to halt Iran's nuclear program.

The controversy surrounding Mr. Netanyahu's disappearance began on Monday when representatives for the prime minister were unable to answer journalists' questions about Mr. Netanyahu's whereabouts. Later Monday evening, Mr. Netanyahu's military attaché—rather than his usual media handler—issued a statement explaining the prime minister's 12-hour disappearance by saying he had visited a "security facility in Israel."

On Wednesday, Israel's largest and most influential newspaper, Yediot Ahronot, citing government officials, reported that Mr. Netanyahu had flown covertly to Moscow to protest the sale of Russian antiaircraft missiles to Iran. Anonymous leaks by Russian and Israeli officials to journalists in each country confirmed the visit took place. Official representatives for the Russian and Israeli governments both issued vague statements declining to neither confirm nor deny the trip took place.

Israeli government spokesman Mark Regev referred to Monday's statement that Mr. Netanyahu had visited a security facility, and observers noted the visit could have preceded the trip to Moscow.

Russian Foreign Ministry spokesman Andrei Nesterenko told reporters on Thursday, "I am not saying yes or no, I am just saying I don't have any information."

A statement by the Israeli prime minister's office late Wednesday night conceded the initial statement on Monday had intentionally sought to mislead journalists. It said the prime minister had been "busy with confidential and classified activities" and said the military attaché" who issued Monday's statement "acted on his independent initiative."

"The prime minister crossed all the red lines in his relations with the public," declared the Yediot Ahronot newspaper.

The reported trip comes on the heels of reports of Russian arms deals to Syria and Iran, including the mysterious disappearance of a Russian freighter, the Arctic Sea, which a senior European Union official has said may have been carrying advanced air-defense missiles to Iran. Those missiles would make a military strike against Iran's nuclear facilities more difficult, according to military analysts.

U.K.'s Straw to be questioned on release of Lockerbie bomber

By Alistair MacDonald

A U.K. parliamentary committee said Thursday it will question Britain's justice secretary on the prisoner-transfer agreement the U.K. signed with Libya, the start of what will likely be a period of formal scrutiny related to the controversial decision by Scotland to release the Lockerbie bomber.

Separately, in their first conversation since the prisoner's release, U.S. President Barack Obama pressed U.K. Prime Minister Gordon Brown about the issue in a phone call Thursday. "The prime minister said the decision had been one for the Scottish government," a Downing Street spokesman said.

The Commons Justice Select Committee will take "oral evidence" from Jack Straw, the U.K.'s secretary of state for justice, on Oct. 20 on "his role and responsibilities of his department" in the development of the prisoner-transfer agreement between the U.K. and Libya, the committee said.

Scotland released terminally ill Libyan Abdel Basset al-Megrahi, citing "compassionate grounds related to his illness." The release has triggered scrutiny over a prisoner-transfer agreement signed last year between the U.K. and Libya. When the agreement was being negotiated in 2007, Scotland lobbied the U.K. to exclude Mr. al-Megrahi from it.

Correspondence between Scotland and the U.K. indicates that Mr. Straw attempted to negotiate such an exclusion, but the U.K. ultimately dropped its objections because of other national interests. Mr. Straw has subsequently acknowledged that this included British commercial interests, which many believe involved oil companies that have pursued business in Libya.

The select committee session will include questions on the decision not to exclude Mr. al-Megrahi from the prisoner deal. It will also examine Mr. Straw's interactions with the Scottish government.

The session could be one of many focusing on the Lockerbie case. Both Mr. Brown and the Scottish government are under wider pressure to launch a broader look into Mr. al-Megrahi's release.

EU plans to give developing states climate-shift aid

By Alessandro Torello

BRUSSELS—The European Commission proposed Thursday that the European Union contribute as much as €15 billion ($21.8 billion) a year by 2020 to help developing countries fight climate change.

The aid pledge, if it holds, will be vital to forging a global climate deal at a summit in Copenhagen in December. Developing countries are expected to demand that rich nations support some of the colossal costs of cutting industrial pollution. The plan also represents an attempt by the EU to claim a global leadership role in the effort.

The European Parliament and EU governments need to debate and approve Thursday's proposal. But it is unlikely any other player, including the U.S., will deliver more.

Developing countries are likely to need €100 billion a year by 2020 to limit their greenhouse-gas emissions and adapt to the effects of climate change, according to the commission, the EU's executive arm. If an agreement is reached in December, the EU could contribute €2 billion to €15 billion a year by 2020, it added.

The EU's goal at the Copenhagen summit is to reach a deal to keep the global average temperature increase under two degrees Celsius.

"We need to have an agreement [in Copenhagen]—there is no alternative," Environment Commissioner Stavros Dimas said, presenting the commission plan that will form the basis of the EU position at the talks once it is analyzed by the 27 member countries and the European Parliament.

A crucial part of the debate will be about the role that emerging countries such as China, India or Brazil will be called to play in tackling climate change, as their economies now start weighing on global wealth. The countries are responsible for a sizable amount of greenhouse-gas emissions.

Reducing China's emissions alone is expected to cost more than $500 million. The country built hundreds of coal-fired power plants during its economic boom in the early 2000s.

The wealth of a country—measured in terms of gross domestic product—and its weight in global greenhouse-gas emissions are the two main parameters that could be used to assess how much each nation will contribute in financing the fight against climate change.

The EU would contribute the full €15 billion if wealth became the main parameter in Copenhagen, the commission said.

If an agreement is reached in Copenhagen, the EU should consider making available €500 million to €2.1 billion a year as early as 2010 to finance the start-up of investments in developing countries until 2012, the commission said.

Nongovernmental climate organizations Greenpeace and WWF welcomed the financial offer, but complained the EU isn't offering enough money.

Numbers could change in the final stage of the negotiations, said Arno Behrens, head of energy at Brussels-based think tank Center for European Policy Studies. "You wouldn't put everything on the table right now," he said. Mr. Behrens's research shows developing countries would need around €200 billion a year by 2020, twice as much as the commission estimated.