Corporate News: Is a retailer's Web-site overhaul all that glitters?

THE WALL STREET JOURNAL.

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Switzerland SF 5 - Syria SE 210 - Turkey TL 4.5 - U.S. Military (Eur) $2.20 - United Kingdom £1.50

What's News

Shanghai's Composite Index skidded 6.7% to levels last seen in May, dragging down oil prices and other markets, as fears about an overhang of new stock issues added to concerns over tightening credit. Pages 3, 19, 20

■ **France and Germany** urged the G-20 nations to use the summit this month to curb bankers' bonuses and push for tougher financial-sector rules. Page 2

■ **Consumer prices** in the euro zone fell 0.2% in August from the year-earlier period, a less sharp decline than the 0.7% drop in July. Page 2

■ **Jérôme Kerviel will be tried** on charges related to the world's biggest-ever trading loss, reported by Société Générale in 2008. Page 20

■ **Brazil proposed** laws that give Petrobras the primary role in developing key offshore oil reserves, at the expense of foreign rivals. Page 3

■ **Baker Hughes agreed** to buy BJ Services in a deal valued at $5.5 billion. Page 19

■ **The U.S. and its allies** need to change course in Afghanistan to salvage the faltering war effort, the top American commander said. Page 4

■ **Turkey and Armenia said** they agreed to establish diplomatic relations after mediation from Switzerland.

■ **Venezuela's Chávez began** a two-week trip that will include visits with the leaders of Iran, Libya and Russia.

■ **Lufthansa and JetBlue** reached a code-sharing agreement that could raise the ire of rivals. Page 7

■ **Mariella Burani's auditor** refused to sign off on the fashion house's results, raising doubts over its ability to continue operations. Page 8

■ **Areva's profit sank** due mostly to a charge related to the troubled construction of a Finnish reactor. Page 6

■ **The European Commission** warned that Germany's aid to Opel must not interfere with the car maker's business decisions. Page 5

■ **Havas posted** a 19% drop in first-half profit, and the French ad firm didn't provide a full-year outlook. Page 5

■ **Bertelsmann posted** a first-half loss, blaming the deficit on revamping costs and the ad slump. Page 7

EDITORIAL&OPINION

The locusts' revenge
Free marketeers capitalize on crisis and recession in Germany. Page 14

Breaking news at europe.WSJ.com

Animal house | Spider-Man and Wolverine join the Disney family

Everett Collection (Spider-Man); Bloomberg News (Mickey Mouse); The Kobal Collection (Wolverine)

World-wide box-office sales of films based on Marvel characters, in millions:

1998	Blade	$131
2000	X-Men	$296
2002	Spider-Man	$822
2003	Daredevil	$179
	X2: X-Men United	$408
	Hulk	$245
2004	Spider-Man 2	$784
2005	Elektra	$57
	Fantastic Four	$331
2006	X-Men: The Last Stand	$459
2007	Ghost Rider	$229
	Spider-Man 3	$891
	Fantastic Four: Rise of the Silver Surfer	$289
2008	Iron Man	$585
	The Incredible Hulk	$263
2009	X-Men Origins: Wolverine	$363

Source: Box Office Mojo

Disney to acquire Marvel

Deal valued at $4 billion may herald wave of entertainment consolidation

By Ethan Smith, Lauren A. E. Schuker and Nat Worden

In what could mark the beginning of a fresh wave of consolidation among entertainment companies, **Walt Disney Co.** said Monday it will acquire the comic-book publisher and movie studio **Marvel Entertainment** Inc. for about $4 billion in cash and stock.

The deal adds to Disney's roster of players in its animated empire, including 5,000 characters such as Iron Man, Spider-Man, X-Men, Thor and Captain America.

The deal marks one of the largest acquisitions in Disney's history and the first big media deal since companies began hoarding cash last fall during the global financial crisis. Disney last made a big purchase in 2006 when it acquired Pixar Animation Studios Inc., the creator of "Toy Story," for $7.4 billion in stock.

The transaction, which is to close by the end of 2009, reflects growing pressure on Hollywood studios to find efficient new ways of making money amid waning DVD sales. One strategy, for instance, is to focus on strong brands that consumers may keep paying for on DVD, and that can feed other businesses, such as theme-park rides and toys.

Disney Chief Executive Robert Iger has long maintained that DVD sales are in an irreversible decline, but he said that Marvel's strong brand profile should offer a measure of protection.

"They're not bulletproof," Mr. Iger said, referring to Marvel, during a conference call with analysts Monday morning. "They are not immune from the changes that we're seeing. But they have established a footing that we think is more solid than what you typically see in the non-character branded

Please turn to page 30

BofA is facing a world of hurdles

By Dana Cimilluca

LONDON—In his first weeks as **Bank of America** Corp.'s corporate and investment banking chief, Tom Montag already faces what may prove to be one of his biggest tests: steadying the turmoil-ridden overseas operations BofA acquired in the Merrill Lynch deal.

Top bankers have streamed out of the former Merrill overseas operation, dealing a blow to BofA's hopes of substantially expanding the bank outside of the U.S. for the first time. Under Brian Moynihan, Mr. Montag's predecessor, some top bankers feared that BofA wasn't committed to the things they care about: from aggressively chasing every deal to paying top dollar for star bankers.

Mr. Montag is moving quickly to repair the damage. Addressing managing directors in his group by phone two weeks ago, he said he expects the U.S. giant to make about 50% of its big corporate loans abroad in the coming years, a tall order for a bank that historically confined itself to U.S. shores and currently makes roughly 15% of such loans abroad.

Mr. Montag will soon make one of his most sensitive decisions as he sets out to transform BofA into a global bank, naming a management team as early as next week. A deli-

Please turn to back page

Loan sharks operate swimmingly in crisis

By Alistair MacDonald And Jeanne Whalen

LONDON—During Britain's boom, easy credit helped Eduardo Ireneo pile up £1,750 (€1,991) in bank debt. When the boom turned to bust in 2007, though, banks cut him off and he turned to a loan shark, an illicit credit source that is gaining steam here.

Mr. Ireneo's case sheds light on a revival of illegal lenders,who are making hay as people's incomes fall and legitimate borrowing avenues shut down. For Mr. Ireneo, a caregiver at a London nursing home, financial problems led him to a loan shark who charged a staggering 60% interest rate.

"We are seeing a massive increase in people coming forward," says Alan Evans, from the South West Illegal Lending Team, set up at the end of 2007 by the U.K. government's Department for Business Innovation and Skills to deal specifically with the rising tide of illegal loans.

Inquiries to Mr. Evans's office have gone up from one per week after his team was launched in March 2008 to up to 10 a week this year. From an office in the center of Bristol that is, for safety reasons, reinforced with steel and covered by security cameras, Mr. Evans estimates that about 80% of his cases are related to the financial crisis.

In a recent report, the U.K. think tank New Local Govern-

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Cutting red tape

Japan's new cabinet will contain a bureaucracy buster
News in Depth, pages 16-17

Markets

4 p.m. ET

	CLOSE	PCT CHG
DJIA	9496.28	-0.50
Nasdaq	2009.06	-0.97
DJ Stoxx 600	236.00	-0.64
FTSE 100	4908.90	closed
DAX	5464.61	-0.96
CAC 40	3653.54	-1.07
Euro	$1.4344	-0.20
Nymex crude	$69.96	-3.82

LEADING THE NEWS

Merkel, Sarkozy pledge to seek caps on bank pay

Leaders urge G-20 to adopt new rules for financial sector

By Andrea Thomas

BERLIN—German Chancellor Angela Merkel and French President Nicolas Sarkozy pledged to fight unjustified remuneration of bankers, and said the coming Group of 20 summit of the world's leading and developing economies must generate visible results that help prevent a repeat of the financial crisis.

The French and German leaders told reporters Monday after bilateral talks in Berlin that they will send a letter to the European Union outlining their joint initiative.

Last week, Mr. Sarkozy urged other countries to follow France's example and limit bonuses given to bank traders to avoid the kind of risk-taking blamed for fueling the financial crisis.

Germany has expressed support for Mr. Sarkozy's desire to rein in bonuses at the international level. Ms. Merkel told reporters after meeting Mr. Sarkozy on Monday that "this opportunity must not be missed."

The G-20 leaders are due to meet in Pittsburgh on Sept. 24-25.

Ms. Merkel said "no bank must be allowed to get so big that it can get into a situation where it could blackmail governments." She added that banks' cross-border linkage as well as their size could be a cause for concern.

Many analysts say they believe the tougher Franco-German proposals for regulating the financial sector have little chance of being accepted at the G-20 summit, due partly to resistance from the U.S. and U.K., which are home to larger financial centers than Continental Europe.

Ms. Merkel also said she wants leaders to discuss exit strategies from extraordinary spending policies to support economies, banks and companies, which have led to ballooning deficits. The G-20 talks on exit strategies would also cover interest-rate policies, she said.

"We both are firmly convinced that the G-20 summit in Pittsburgh must generate concrete results," Ms. Merkel said, adding: "The agenda is being put together, but at present, it's unclear whether it will generate the necessary results."

Mr. Sarkozy said that the "scandalous" system of bonus payments for bankers must be altered and that speculative excesses must not be repeated. He said he was in broad agreement with the German chancellor on G-20 issues. French banks agreed last week to new rules for bankers' bonuses, including penalties for securities traders whose trades lose money for their firms after they get their bonuses.

U.K. Prime Minister Gordon Brown is due to visit Ms. Merkel in Berlin on Sept. 6 to discuss the G-20 summit.

Perceived greed by bankers and corporate executives has become a campaign theme for politicians competing in Germany before national elections in four weeks' time.

In the latest dispute over pay, Karl-Gerhard Eick, chief executive of insolvent retailer Arcandor AG, is under fire from politicians and labor unions over his €15 million ($21.46 million) severance package.

The company hired Mr. Eick about six months ago to turn it around, and critics have called his severance pay a reward for failure.

European Pressphoto Agency/Belga

French President Nicolas Sarkozy and German Chancellor Angela Merkel at a joint news conference in Berlin on Monday.

CORRECTIONS & AMPLIFICATIONS

Aegis Group PLC won several large accounts in the past months with an estimated value of about £300 million, or about $490 million. A Corporate News article on the French advertising and marketing company's first-half results on Monday incorrectly converted the estimated value of these accounts to $430 million.

Riverview Community Bank in Vancouver, Wash., shrank its loan portfolio by 3% from the first to the second quarter of this year. A News in Depth article on Monday on how access to credit is shaping the U.S. economic recovery incorrectly stated that the lender's loan portfolio had declined 24%.

Euro-zone declines in price are slowing

By Geoffrey T. Smith

FRANKFURT—Consumer prices in the euro zone fell 0.2% in August from the year-earlier period, the European Union's statistics arm Eurostat reported in a preliminary estimate Monday.

That represents a less sharp decline than the 0.7% drop registered on the year in July. The European Central Bank expects prices to rise again on an annual basis within a few months, largely because the extraordinarily high level of energy prices in the period before the 2008 financial crisis will no longer be included in the statistical base.

"No breakdown is available at this stage; however, it is clear that the ending of aggressive seasonal sales and the higher energy prices (due to rising crude-oil price) pushed prices higher, while fresh food prices were lower than normal," said Dominique Barbet at BNP Paribas.

Oil prices peaked at over $147 a barrel in the third quarter of 2008, but fell to around $115 a barrel by the end of the year.

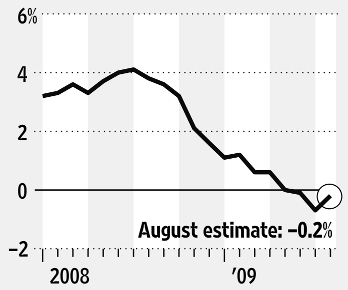
Italian consumer prices rose on the year in August, reversing the declining trend seen in the past 12 months, lifted by prices in alcoholic beverages, tobacco and services, preliminary data from Italian statistics office Istat showed.

In August, consumer prices rose 0.2% on the year, after a flat reading in July. On the month, consumer prices were up 0.4% in August, the biggest increase since July 2008, after being flat the previous month.

A deep recession in Spain, meanwhile, continued to narrow its current-account deficit, a record of the country's economic transactions with the rest of the world. The deficit stood at €3.33 billion ($4.76 billion) in June, compared with €7.92 billion in last year's period. In recent years Spain's current-account deficit had ballooned to become the second-largest in absolute terms, behind the U.S., as Spain's economy soared on the back of a debt-fueled boom of housing investment and consumer spending. The subsequent bust has dragged on Spain's appetite for overseas goods. The Bank of Spain said imports fell by 29% in June.

Deflation averted?

Euro zone's harmonized consumer price index, change from a year ago



Note: July 2009 figure is preliminary
Source: Eurostat

INDEX TO BUSINESSES

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

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INDEX TO PEOPLE

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

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

LEADING THE NEWS

Brazil rewrites oil rules

State-run Petrobras would have big role in offshore projects

BY JEFF FICK

RIO DE JANEIRO—Brazil's government Monday embarked on a major shift in its energy policy, proposing new laws that give state-run energy giant **Petrobras** the primary role in the development of key offshore oil reserves at the expense of foreign rivals.

Brazilian President Luiz Inácio Lula da Silva said the regulatory framework represented a new Independence Day for Brazil.

The proposals will mostly freeze foreign oil companies out of the action in Brazil, and those that do participate will be placed in subservient roles to Petrobras and a new state-owned company, Petrosal, which will manage the government's stake.

Petrobras will be made operator of the so-called subsalt blocks currently under government control, receiving a 30% stake in all of the blocks. The subsalt region lies under more than 2,000 meters of water and a further 5,000 meters under sand, rock and a layer of salt.

The government will be allowed to contract Petrobras directly, although some blocks will be put up for auction. While foreign companies will be allowed to compete in the auctions, any consortia operating in the subsalt blocks will have Petrobras as the lead partner. Brazil was once seen as one of the world's most promising oil frontiers. A concession-based auction system opened exploration and production areas up to foreign competition in the 1990s, and privatization of Petrobras forced the company to adopt free-market efficiencies in order to compete.

The shift away from free-market principles started in late 2007, shortly after Petrobras revealed the Tupi discovery. Petrobras estimated recoverable reserves at Tupi of between 5 billion and 8 billion barrels of oil equivalent - the Western Hemisphere's largest oil discovery in more than 30 years.

President Lula's populist government responded swiftly with protectionist measures, yanking offshore blocks in the subsalt region where the Tupi discovery was made out of concession auctions.

Lockerbie bomber in bad shape

Associated Press

A Libyan official described Abdel Baset al-Megrahi, seen in a hospital bed in Tripoli on Sunday in an image taken from British television, as a "dying man."

Oil slides 3.8% amid doubts about China

A WSJ NEWS ROUNDUP

NEW YORK—Crude-oil futures slipped below $70 a barrel Monday as a sharp drop in China's stock market triggered concerns about the strength of a global economic recovery.

China's surging equities prices earlier this year and improving economic indicators have provided major support for oil futures, hinting at the potential for rapidly growing developing economies to draw down global crude inventories.

But growth has come only with massive government support. Investors are beginning to doubt China's ability to maintain its expansion rate, and to question whether other major economies can shake their downturns.

Shanghai's benchmark stock index has become volatile, partly on concerns that bank lending could tighten. Stock markets elsewhere were weaker Monday as well.

The Shanghai Composite Index skidded 6.7% Monday, adding to a nearly 3% drop Friday, on concerns of a tightening in bank lending. China raised some red flags last week as government officials seemed to suggest they would cut back on bank lending in coming months.

"Any cracks in Chinese armor are going to leak oil," said Phil Flynn, an analyst with PFGBest in Chicago. "The rebound in the Chinese stock market is where the oil rally really began."

Light, sweet crude for October delivery fell $2.78, or 3.8%, to settle at $69.96 a barrel on the New York Mercantile Exchange.

Oil prices still haven't deviated far from a trading range between $70 and $75 a barrel that has held for most of August. High inventory levels are preventing a move higher, but optimism that the world economy is in recovery are cutting short any downward corrections.

Ahead of an OPEC meeting in Vienna next month, oil ministers from the group have indicated they will not push for output cuts, a sentiment reinforced by a weekend decision of the United Arab Emirates' main oil exporter to sell more crude and ease up on OPEC-led supply curbs.

LEADING THE NEWS

U.S. commander seeks shift in Afghanistan

McChrystal calls for unity of forces, defense of populace

BY YOCHI J. DREAZEN AND PETER SPIEGEL

WASHINGTON—The U.S. and its allies need to change course in Afghanistan to salvage the faltering war effort and prevent the Taliban from extending their recent gains, the top American commander in Afghanistan warned in a highly anticipated strategic assessment.

Gen. Stanley McChrystal said conditions on the ground were "serious," but expressed confidence that the war could still be won if the U.S. and North Atlantic Treaty Organization better coordinated their efforts and focused more heavily on protecting the populace from Taliban attack.

The report, which wasn't released publicly, concluded that the Taliban had survived a series of recent U.S. military strikes and were pushing deeper into once-stable parts of northern and western Afghanistan, according to three officials familiar with its contents.

Associated Press

Gen. Stanley McChrystal, right, the head of U.S. and NATO forces in Afghanistan, during a visit in June to a market in Dund, in the southern province of Kandahar.

In the report, Gen. McChrystal argued that the U.S. and its allies needed to devote more troops to vulnerable Afghan population centers in Kandahar province, in the south, and Khost province, in the east, the officials said. It also emphasized the importance of limiting corruption in Kabul and building stronger local and provincial governments across the country, the officials said.

The report didn't call for any additional U.S. forces. Gen. McChrystal will instead detail any request for more troops in a second document this month, according to U.S. officials familiar with the matter. The commander is considering asking for up to eight additional brigades, or roughly 40,000 troops, but the officials said no decisions had been made.

"The situation in Afghanistan is serious, but success is achievable and demands a revised implementation strategy, commitment and resolve, and increased unity of effort," Gen. McChrystal said in a statement announcing the completion of the assessment.

The report comes amid mounting American concern about Afghanistan, whose security situation has deteriorated. August was the deadliest month of the war for the U.S. military, which lost two more troops on Monday, bringing the month's toll to 47. Two British troops were also killed Monday, pushing the U.S. and NATO death toll for 2009 to 306, the highest annual toll for foreign troops since the war began in 2001.

Recent public opinion polling in the U.S. shows that popular support for the war is waning. There are also signs of increasing dissent over the war effort from within President Barack Obama's Democratic Party.

Sen. Russell Feingold, the Wisconsin Democrat who has long been a critic of war efforts in Iraq and Afghanistan, last week called for a "flexible timetable" to withdraw U.S. forces from Afghanistan.

Obama administration officials are increasingly concerned that political support for the war may run out before the new military leadership in Kabul is able to turn the tide on the ground in Afghanistan.

Defense Secretary Robert Gates said in a May interview that public support for the Afghan war would dissipate in less than a year unless there was "a perceptible shift in momentum" there.

Other senior administration officials said they need to show progress by next summer, a task that will be difficult to achieve in the face of the Taliban's increasing reach and battlefield sophistication.

Posters of provincial council candidates are pasted on a billboard for Afghan President Hamid Karzai in Kabul, Monday.

Associated Press

Karzai poll win remains elusive

BY ANAND GOPAL

KABUL—Hamid Karzai maintained his lead in Afghanistan's protracted presidential vote count with the release of more results, but with relatively few votes in from the areas in which he is most popular, he edged no closer to victory over his chief rival.

Mr. Karzai, the incumbent, had 45.8% of votes counted as of Monday, preserving a lead of nearly 13 percentage points over the next largest vote-getter, Abdullah Abdullah, according to officials with the country's elections commission. A majority over 50% is necessary to avert a runoff between the top two candidates.

Hamid Karzai

Election officials have been announcing results piecemeal over the last week, as ballots come in from around the country. Monday's figures represent 48% of all polling stations, or nearly three million votes. This suggests that overall turnout was much less than during the 2004 presidential vote, although election officials said that a final turnout figure is still weeks away.

Most of the results reported from the Aug. 20 election are from northern provinces, where Dr. Abdullah enjoys the majority of his support. Few votes have been counted in the restive southern provinces, which are dominated by the Pashtun ethnic group and where voters are likely to support Mr. Karzai, a fellow Pashtun. In the Karzai stronghold of Kandahar province, for example, only 14% of polling stations have been counted.

The vote has seen widespread allegations of fraud. Leading candidates have accused the Karzai campaign of attempting to steal the election by stuffing ballots and intimidating voters, charges the Karzai camp denies. The electoral-complaints commission has processed nearly 2,000 allegations of misconduct.

The commission said it had registered 640 major complaints, all of which must be investigated before final results are released. Results aren't expected to be finalized until mid- or late September, after officials work through the allegations.

Voters who cast ballots faced retaliatory attacks from militants who told Afghans not to vote. In an example of the extreme threats that voters faced, an Afghan man said Monday that Taliban militants cut off his nose and both ears as he tried to vote, the Associated Press reported.

The allegations and political uncertainty come at a time when insurgent-related violence has been at a high. July and August have been the deadliest two-month stretch for foreign troops in Afghanistan since the start of the war in 2001.

China's Metallurgical targets $2.3 billion IPO

BY NISHA GOPALAN AND ELLEN SHENG

HONG KONG—**Metallurgical Corp. of China** is raising about $2.3 billion from a Hong Kong share sale, in what could be the biggest initial public offering in the city in 18 months.

The state-owned contractor, which also is selling Shanghai-listed Class A shares, is offering 2.87 billion Class H shares ahead of a Hong Kong listing Sept. 24. according to a term sheet seen by Dow Jones Newswires. H shares are the Hong Kong-listed, Hong Kong dollar-denominated shares of companies registered and based in mainland China.

The last time a Hong Kong initial public offering raised more than this amount was in March 2008, when state-owned railroad builder China Railway Construction Corp. raised $2.6 billion ahead of a Hong Kong listing, according to data provider Dealogic.

Metallurgical Corp. of China is offering 3.5 billion yuan-denominated A shares for sale in an IPO ahead of a Shanghai listing. The company said last week it expects to raise at least 16.85 billion yuan ($2.47 billion) from the A-share sale.

Meetings with prosective investors begin Monday for the China listing, while meetings about the Hong Kong listing runs from Sept. 7 until Sept. 16. Informal talks involving the Hong Kong portion began Monday.

Combining the A- and H-shares, 18.3% of the company's shares will be floated, according to the term sheet.

Citigroup Inc., Morgan Stanley, China International Capital Corp and Citic Securities Co. are in charge of the H-share deal.

—Amy Or contributed to this article.

Chrysler seeks new ad ideas, looks beyond longtime agency

BY SUZANNE VRANICA AND KATE LINEBAUGH

Chrysler Group LLC is looking beyond its longtime ad agency, **Omnicom Group** Inc.'s BBDO, for help with its advertising pitches.

The Auburn Hills, Mich., auto maker, which emerged from bankruptcy-court protection about two months ago, is tapping ad firms in addition to BBDO because it has grown dissatisfied with the agency's creative output, according to a person familiar with the matter.

A BBDO spokesman referred requests for comment to Chrysler.

"As we launch a new company with a brand-focused organization, we are looking for fresh ways to communicate in the marketplace," Chrysler said in a statement. "As a result, we are currently soliciting creative input on a limited number of specific projects from a select group of agencies."

Chrysler, now managed by **Fiat** SpA of Italy, is one of BBDO's largest clients. It spent $801.3 million on U.S. ad time and space in 2008, according to TNS Media Intelligence. Chrysler has pared back ad spending for much of 2009.

BBDO has worked on Chrysler's Dodge brand for decades and won additional duties for the Chrysler and Jeep brands in 2000. At that time, the Chrysler business was one of the more-profitable accounts in the ad industry.

Over the past few years, however, BBDO's compensation on the car account has been slashed as troubles arose in the auto sector, according to people familiar with the matter.

CORPORATE NEWS

Blue Nile retools site to woo women

Online jeweler seeks more upscale image to separate itself from rivals, but doesn't want to lose male customers

BY GEOFFREY A. FOWLER

Kevin P. Casey for The Wall Street Journal

Blue Nile—which is tweaking its Web site to appeal more to women—markets and fulfills orders from its Seattle location. Above, a diamond is secured in a ring setting.

Blue Nile Inc. is expected to unveil a major overhaul of its Web site Tuesday as the online jeweler tries to broaden its appeal, especially to women. But like other e-commerce sites retooling to combat slowing growth, it faces the tricky task of trying to make improvements without losing core customers.

The vast majority of those who buy rings and necklaces from Blue Nile are men, drawn to the extra information and control—as well as possible discounts—they get by shopping online instead of at a high-pressure jewelry counter. Yet most Blue Nile purchases are given to women, whom the retailer would like to have a more premium view of its brand.

"We haven't been as innovative a Web site in recent years as we should be," said Blue Nile's chief executive, Diane Irvine. The Seattle company sold $295 million in jewelry last year.

Most e-commerce sites fueled their early growth by offering variety and the ability to compare products and prices. But even the most successful have evolved little past a screen with a search box and small photos of products. Most shopping sites don't come close to matching the retail experience—with the ability to touch and browse products and the one-on-one service of a salesperson—perfected over decades by malls and retailers.

So some companies are experimenting with new online experiences. **Amazon.com** Inc. is now testing a site called Windowshop.com, where people can browse and sample music, movies and books by scrolling through panels that fly by on the screen. **Makeover Solutions** Inc.'s DailyMakeover.com allows users to apply different makeup brands to a photo of themselves. To date, the site has added makeup and hairdos to nine million photos, said the company's chief executive Jeannette McClennan.

Kevin P. Casey for The Wall Street Journal

Blue Nile's redesign of its Web site—led by Eric Vadon and Sue Bell, above—will include larger and more artistically cropped photos.

Blue Nile's new look is its first overhaul in a decade. Its old site was built around accessibility, with an online interface that shoppers could use to customize computer purchases. Yet shoppers still had some complaints.

A customer "once wrote in and said, 'I received my purchase in the mail, and it was so much more impressive in person than on the Web site,'" said Eric Vadon, the lead designer of the new site.

Blue Nile embarked on a redesign process last year, which included some initial hiccups. To appeal to women, one outside design agency suggested redesigning the site in bubblegum pink instead of its signature blue. "There was no way we could do that—it was way too feminine. We were going to lose our guy," said Sue Bell, the Blue Nile senior vice president who oversaw the project.

Instead, Blue Nile dropped the design firm, which it declined to name, and decided to emphasise an upscale, rather than effeminate, look. It removed a left-hand navigation bar (still standard on many e-commerce sites), leaving space on the screen for much larger—and more artistically cropped—photos of products. The changes are intended to make the experience more akin to window shopping.

"Making the images larger, you can see the shadows and details, so the quality really shines through," said Mr. Vadon.

Blue Nile also rebuilt a system for shoppers to create custom engagement rings—its largest business—based on criteria they can adjust with sliding scales while watching an image of the product evolve on the screen. Shopping is now largely contained within a single page, to cut down on the confusion and tedium of clicking back and forth.

The company says it doesn't have a tally for the cost of the redesign, since it was completed by internal staff.

Blue Nile's overhaul comes as it faces competition on both ends of the market. Luxury giant **Tiffany** & Co. offers a visually rich Web site, and **Bidz.com** Inc. offers a discount-oriented jewelry store.

What's more, the recession has ravaged the $60 billion annual U.S. jewelry industry. Blue Nile's revenue fell more than 23% in the fourth quarter of last year, but the drops have since moderated.

A redesign carries risks, since unlike traditional retailers, it can't be live tested in select outlets first, and online customers can't turn to salespeople to ask for help if they get lost. "It could be very dangerous to try to integrate too much flash that serves no purpose for shoppers," said Sucharita Mulpuru, an e-commerce analyst at Forrester Research.

Ms. Irvine said Blue Nile has taken on a redesign now because of the market's relative weakness, which has made competitors less likely to expand. "Rather than feel like we didn't take advantage of this time, I believe that it is critically important to move while we can," she said.

Havas, posting drop in profit, fails to provide '09 outlook

BY RUTH BENDER

French advertising and marketing group **Havas** SA on Monday posted a 19% drop in first-half net profit because of lower ad spending and didn't provide an outlook for the rest of the year. Organic revenue, a closely watched metric in the advertising industry that strips out currency effects, acquisitions and disposals, fell 9.8% in the second quarter.

Net profit for the six months ended June 30 fell to €40 million ($57 million) from €49 million last year. Revenue fell 7.9% to €700 million.

Havas, whose clients include French utility Électricité de France and car maker PSA Peugeot-Citroën, said operating profit totaled €71 million, down from €82 million last year. In June, Chairman Vincent Bolloré said that he expected organic revenue to decline a maximum of 10% in 2009. Mr. Bolloré is the controlling shareholder in Havas and also owns nearly 30% in U.K.-based rival Aegis Group PLC.

The company, which has lost several large accounts this year, including French retailer Carrefour SA, said net new business totaled €813 million in the first half. Digital businesses, which include online advertising, posted organic growth of 5% and now account for 16.4% of group revenue.

The advertising industry has been hard hit by the global recession, as marketers cut back ad spending, causing advertising companies to lay off thousands of workers and trim costs as revenue shrinks.

Last week, rival WPP PLC cautioned that improving sentiment in the world economy isn't yet translating into rising orders for expensive advertising campaigns and U.K.-based rival Aegis Group PLC cautioned that it doesn't expect an upturn in the advertising market in the second half. Still, some ad industry executives have indicated that the worst of the downturn was over.

CORPORATE NEWS

In piracy case, China fights hero

Popular support for 'Tomato Garden' software creator complicates Beijing's enforcement

By Loretta Chao

BEIJING—Hong Lei and his partners were the biggest pirates of **Microsoft** Corp. software in China, but since his arrest last December, the 30-year-old creator of a popular Chinese clone of Windows called Tomato Garden Window XP has become something of an Internet hero.

The phenomenon underscores the challenges faced by Microsoft and other technology companies as they battle rampant piracy in China, despite official efforts to crack down.

Users of Mr. Hong's software have launched fan sites, including one where they swap stories about how they "grew up" using his software, recognized by a cartoon icon of a smiling tomato wearing sunglasses. A survey of 184,000 people on Chinese Internet portal Sina.com, asking about the detentions, found that 80% of respondents supported Tomato Garden and only 4.4% supported Microsoft. Online forums are full of Mr. Hong's supporters.

"People regard Hong Lei as a talent, a national hero," said Fengming Liu, vice president for Microsoft in Greater China. "This is part of the problem."

Last week, after a court in the eastern city of Suzhou sentenced Mr. Hong and three others to 2 to 3-1/2 years in prison for copyright infringement, the banner at the top of Mr. Hong's Web site read: "Hong Lei is judged. Tomato is finished." On Monday, court officials said the four would be transferred to a prison to start serving their sentences on Tuesday.

A banner on the Tomatolei.com Web site last week offered support for convicted software creator Hong Lei, reading in part 'Tomato garden needs your support.'

Microsoft products are offered in a variety of illegal ways in China.

Mr. Hong was more than a simple distributor of bootleg software. He and his partners built a sophisticated business distributing copies of an altered version of Windows XP that made what the court estimated at more than a million U.S. dollars in advertising revenue. And he developed a loyal base of customers, many of whom saw him as a standard-bearer for Chinese innovation and were proud of the way he stole a march on Microsoft.

Many users of pirated software outside China share the view that there is nothing wrong with using pirated IT products. But experts say the sentiment plays out differently here. "In China you have the additional layer of nationalism—Chinese hackers sticking it to a big American corporation is a story with which many Chinese netizens are bound to sympathize," said Eric Priest, an assistant professor at the University of Oregon School of Law who researches copyrights and the Chinese entertainment industry.

Microsoft products are offered in a variety of illegal ways in China, from pre-installations using stolen license keys at computer stores to sophisticated advertising-supported operations like that of Mr. Hong. As of the second quarter, China made up 18% of global personal-computer shipments, according to research firm IDC—but new licenses for Windows from China make up only about 2% of Microsoft's global sales each year, according to people familiar with the situation.

According to the court's judgment, reviewed by The Wall Street Journal, prosecutors said Mr. Hong was the creator of Tomato Garden and oversaw Tomatolei.com, the Web site where users could download the software free and chat with each other. In China, a licensed copy of Windows Vista is 499 yuan, or about $73.

Chinese users say that Tomato Garden looks and operates like Windows, except with different colors, and can be activated without a serial number, which is required in licensed copies.

Unlike many software pirates in China, who simply sell unauthorized copies on CD-ROMs or who pre-install the software onto computers for a significant markdown, Mr. Hong and his partner Sun Xianzhong allegedly sold advertising to a number of companies including **Baidu** Inc., China's leading Internet search company, and e-commerce company **Alibaba Group**, of which **Yahoo** Inc. owns a 39% stake.

It turned out to be a lucrative business model. Baidu, for example, paid 936,000 yuan, and Alibaba paid 1.6 million yuan to the company, prosecutors said. Based on estimates of how much money the software was able to generate, the court fined Messrs. Hong and Sun, two others and their company about 11 million yuan.

A Baidu spokesman said the company has "not had this relationship [with Tomato Garden] since last year." "Baidu takes IP matters very seriously," he said.

An Alibaba spokesman said the payment refers to an advertising deal made by Yahoo China, which is owned and operated by the group, because the company was assured by the vendor that its products were authorized. "We do respect intellectual property rights. In this case we are a victim in that respect as well," the spokesman said.

According to the judgment, Mr. Hong's lawyer, Mao Qinyong argued that prosecutors overestimated the number of downloads of Tomato Garden, and that advertising revenue earned from the operation shouldn't be viewed as income from the distribution of pirated software. When reached for comment, Mr. Mao declined to elaborate. Mr. Sun's lawyer, Yu Goufu, said Mr. Sun hasn't requested an appeal.

The case against Tomato Garden could be the beginning of stronger crackdowns by the government on piracy. An official at China's National Copyright Administration said that Tomato Garden was chosen as a key case for the administration's campaign against online piracy last year after they received complaints from Microsoft that the operation was going on. The official declined to say what the focus of this year's campaign is, and wouldn't comment further.

A July report by China's state-run News Agency said the administration has shut down more than 800 illegal Web sites so far through its campaigns, but none have been as big as this one. Microsoft and the Business Software Alliance, a Washington-based industry group, praised the government's handling of Tomato Garden as a milestone in China's efforts to crack down on piracy.

The Tomato Garden case "so far is the largest for Microsoft," said Mr. Liu, the Microsoft vice president, in an interview. The fine, which will be paid to authorities, "is a lot to pay for a Chinese company," he said.

Despite being a legal victory, the public arrest and prosecution of Mr. Hong has turned him into a martyr of sorts, potentially turning more Chinese users against Microsoft. "He must be a genius," said Lu Yuchao, a 25-year-old user of Tomato Garden in Shanghai, who bought a copy of the software for 10 yuan, or about $1.50, when his computer crashed. "It's just so convenient...I've been using it and it works very well."

Xiao Xiaomeng, a university student who has used Tomato Garden for years, said he thinks Mr. Hong is "a great guy," and said he wouldn't buy a legitimate copy of Windows unless Microsoft drops the price to 30 yuan.

Another user in Jiangxi, who declined to give his name, wrote on a message board that the "spirit of Tomato Garden" would help China create its own operating system some day.

Industry groups say piracy is a worse problem in China than in other markets. Some say this is partially because end-users, including some large commercial users, face virtually no penalty for using pirated software.

To combat this, Microsoft has tried a number of strategies, including suing perpetrators in civil courts; investing in an antipiracy cartoon that aired on state-broadcaster China Central Television this year; and even cutting prices in a promotion to encourage consumers to use legitimate versions of its software.

In China, home and student versions of Microsoft Office currently cost less than $30. The software starts at about $100 in the U.S. Still, experts say that cutting prices historically hasn't helped rights owners compete with free, pirated content in China.

"The problem is, Chinese users are now accustomed to pirated software and see little value in paying for legitimate copies of Windows at any price," Mr. Priest, the Oregon professor, says. "In that case, Microsoft might well be better off charging a premium to the relatively small number of customers."

—Kersten Zhang in Beijing and Ellen Zhu in Shanghai contributed to this article.

Areva's net falls amid big charge on Finnish plant

By Adam Mitchell

PARIS —**Areva** SA's first-half profit fell 79% amid investment losses and a hefty provision for a delayed nuclear-reactor project in Finland.

Areva on Monday said earnings fell to €161 million ($230 million) from €760 million a year earlier.

The latest figure fell well short of the €402 million forecast by analysts. Most analysts hadn't accounted for a €550 million provision Areva took for the Finnish project, however.

The Finnish OL3 reactor will be the first operational so-called Evolutionary Power Reactor, which Areva has been promoting as a cost-effective means of producing low-carbon power. But the reactor has been beset by delays and tension between the plant's developers and their customer, utility **Teollisuuden Voima** Oyj. **Siemens** AG is a partner with Paris-based Areva in the project.

Areva last year took a €749 million charge relating to the Finnish reactor. The company on Monday estimated it will lose €2.3 billion on the project.

"The civil-engineering work on the OL3 project is nearing completion," Areva said. It projected installing the dome of the reactor "in the very near future."

"However, the work is progressing significantly slower than planned due to the inadequate resources deployed by TVO to fulfill their contractual commitments and, in particular, respecting the deadlines for processing the documents that have been delivered," Areva said.

Areva said it recorded the €550 million provision "to take into account the additional costs already incurred over the first half of 2009, and risk related to TVO's ability to adapt to the working methods necessary to continue the works."

TVO couldn't be reached for comment.

Areva booked a €163 million charge to reflect declining earnings at **STMicroelectronics** NV, in which Areva owns an 11% stake, and at French metals and mining company **Eramet** SA, in which Areva holds a 26.1% stake. Those investments added €121 million to earnings in the first half of last year.

Areva in July said revenue rose 5.7% to €6.52 billion, helped by a 15% increase at the power transmission and distribution unit it plans to sell.

Areva in June announced plans to raise funds by selling its transmission and distribution unit and by welcoming strategic partners.

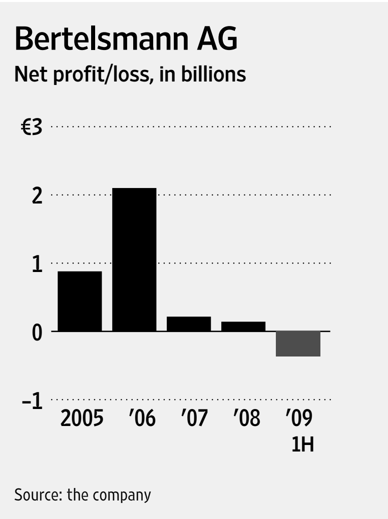
The French government owns 91% of Areva.

Economy & Politics

Sharp diagnosis

President Obama needs to delineate his health-care plan > **Page 9**

CORPORATE NEWS




Hartmut Ostrowski, chief executive officer of Bertelsmann, at the company's annual news conference in Berlin

Bertelsmann posts a loss

Media firm blames revamping, ad slump for first-half deficit

By Philipp Grontzki And Archibald Preuschat

FRANKFURT—**Bertelsmann** AG said Monday restructuring charges and impairments pushed it into a first-half net loss as advertising markets declined and consumer spending slowed.

The media company posted a €368 million ($526 million) net loss, compared with a profit of €284 million a year earlier, as €474 million in charges, including €253 million for impairments and restructuring, hit the bottom line. Sales fell 6.7% to €7.2 billion.

Closely held Bertelsmann also announced more details of it cost-cutting program, saying it aims to generate savings of €900 million this year. The measures include cutting production costs at pan-European broadcaster **RTL Group** SA and optimizing processes at its service unit Arvato.

"The measures initiated to stabilize the core businesses have begun to show positive effects across all divisions," Bertelsmann said. "The full effect on results will be reflected during the second half of the year."

In the first half, Bertelsmann was hit by the slump in advertising, especially at RTL and its majority-owned media publisher Gruner + Jahr. Book-publishing unit Random House also recorded a decline in revenue and operating results, while Arvato posted a slight gain in operating profit, Bertelsmann said.

Last week, RTL reported a first-half net loss of €105 million amid restructuring charges and write-downs, and said it still expects full-year operating profit to be "considerably down" from 2008. RTL also said it doesn't expect advertising markets to pick up in the second half.

Bertelsmann's operating profit, which it defines as earnings before interest, taxes and one-time items, fell to €475 million from €685 million. Chief Executive Hartmut Ostrowski said operating profit would improve in the second half from the first six months of the year and that cost cutting would continue for the remainder of the year.

"Some positive signs have been seen in the services sector, which reports a rise in demand for outsourcing because of the increased pressure among many companies to streamline," the company said.

Bertelsmann reiterated that it expects full-year sales and operating profit to be lower than in 2008, with the extent of the decline dependent on the intensity and length of the economic downturn.

"The economic crisis is not over yet, even if we can see a few bright spots," Mr. Ostrowski said.

He also said a net loss was possible for the full year, but that such a loss would be smaller than in the first half. A company spokesman said the CEO was referring to the net loss including minorities, which was at €333 million in the first six months.

At the end of June, Bertelsmann had 103,452 employees, down from 107,154 at the end of December.

EU cautions about aid for Opel

By Carolyn Henson And Erin Fines

BRUSSELS—The European Commission on Monday warned Germany to be careful how it assists Adam Opel, **General Motors** Co.'s European division.

Government aid designed to help national interests could breach European rules, commission spokesman Ton van Lierop told reporters. Aid can't come with "noncommercial conditions," such as where a company may invest funds, he said.

The reminder by the commission, European Union's executive body, followed comments from Frank-Walter Steinmeier, the Social Democratic Party's candidate for chancellor in the German elections Sept. 27, who said in an interview Sunday that German taxpayer money wouldn't be used to prop up Opel unless the winning bidder promised to keep German production plants open.

"German taxpayer money will only be used for a plan that keeps all four Opel production sites open and offers them a good future," Mr. Steinmeier told the German weekly tabloid Bild am Sonntag.

Germany has lobbied hard to preserve the 25,000 Opel jobs in the country. Many German politicians have openly backed a sale to a consortium led by Austrian-Canadian car-parts maker **Magna International** Inc., which is seen as more likely to keep jobs in Germany than rival bidder **RHJ International** SA, a Belgian investment-holding company. The Magna group includes Russia's OAO **Sberbank** and auto maker OAO **Gaz**.

The government has offered to make available as much as €4.5 billion ($6.44 billion) in state-backed guarantees to the winning bidder.

The funding plans of Magna and RHJ both rely heavily on that financing. The government already has agreed to give €1.5 billion in bridge financing to Opel. Spokesmen for GM Europe and Magna weren't immediately available for comment Monday. A spokesman for RHJ couldn't be reached.

The European Union has rules intended to protect the free movement of people, goods, services and capital. Under the rules, national support for companies in trouble comes under strict scrutiny.

French plane-crash unit seeks funds

By David Pearson

PARIS—The head of France's aviation-accident-investigation unit said it is seeking funding to search for the wreckage of an **Air France-KLM** Airbus A330 airliner that crashed into the Atlantic Ocean three months ago en route from Rio de Janeiro to Paris.

Bureau d'Enquetes et d'Analyse director Paul-Louis Arslanian said that the cause of the crash that took the lives of 228 people has still to be determined, and that the investigation could take up to 18 months to complete. There is nothing unusual about that length of time, he said, noting that some investigations take even longer.

Mr. Arslanian said the cost of initiating a new phase in the search for debris could cost €10 million ($14.3 million), "or several tens of millions of euros," adding that Airbus has already indicated it is prepared to participate to a large degree. He said he also hoped for a contribution from Air France-KLM. Airbus is a unit of **European Aeronautic Defence & Space** Co.

The next phase of the search, set to start in the fall, will involve using sonar and undersea robots to search for the wreckage of flight AF447 in an area the size of Switzerland, Mr. Arslanian said.

JetBlue, Lufthansa reach code-sharing agreement

By Ann Keeton

Deutsche Lufthansa AG disclosed a code-sharing agreement with **JetBlue Airways Group** Inc., a move that would leverage the U.S. carrier's strong position at New York's John F. Kennedy airport but could raise the ire of rivals.

The German flag carrier and JetBlue said that if approved by the U.S. Transportation Department, the code-sharing flights will be available for sale in early October. Initially, the airlines plan to offer connecting service between 12 JetBlue destinations in the U.S. and Puerto Rico and Lufthansa's 180 destinations in Europe, the Middle East, Africa and Asia.

Lufthansa acquired a 19% stake in JetBlue in January 2008, but any cooperation required the U.S. airline to first upgrade some of its reservations technology.

The relationship has raised concern among some rivals wary of efforts by members of the Lufthansa-led Star Alliance to increase their presence at JFK. Last year **Delta Air Lines** Inc. called for Lufthansa to drop its two JetBlue board seats and "restructure" its relationship if it wanted additional antitrust clearance for Star members.

JetBlue isn't a member of the Star Alliance or any other airline alliance. Alliance partners share marketing and operational activities, of which code-sharing is one.

Star will expand later this year when **Continental Airlines** Inc. joins it. The U.S. Department of Transportation dismissed Delta's complaints when it approved the enlargement of Star earlier this year.

JetBlue spokesman Sebastian White said of the code-sharing pact: "It's now up to the DOT. But we don't see any problems. We think this will be great for the consumer."

Code-sharing is designed to make booking flights more convenient for passengers, as well as to add revenue for partner airlines.

Mr. White said JetBlue's position at JFK puts the airline in a good standing to strike more code-sharing deals with foreign airlines.

The Transportation Department application asks for permission to code-share on all JetBlue and Lufthansa flights, Mr. White said.

— Doug Cameron contributed to this article.

Bloomberg News

An employee put a Lufthansa decal on a crane at the Paris Air Show in June. The code-sharing pact between the airline and JetBlue could anger their competitors.

CORPORATE NEWS

Wind farms set investors aflutter

Wall Street jumps in, encouraged by funds from U.S. program

By Russell Gold

Associated Press

U.S. federal rebates are fueling interest in wind-farm investments. Above, a worker prepares to inspect a windmill in Maine.

After nearly a six-month lull, Wall Street is getting back into the business of financing new wind farms.

Morgan Stanley and **Citigroup** Inc. have invested $100 million each to finance separate wind farms last month, taking advantage of a brand-new U.S. federal program that is paying substantial cash grants to help cover the cost of renewable energy investments.

Bankers say this is the beginning of an active pipeline of new wind-farm financing, as well as investment in large solar installations and geothermal facilities. Project developers and Wall Street appear to be viewing the federal cash grant program as such a good deal, industry experts say, it may grow much larger than its Washington creators expected.

"The money is coming back," says Ethan Zindler, head of North American research at consultant New Energy Finance Ltd.

Under the program, the government will give a cash rebate for 30% of the cost of building a renewable-energy facility, awarded 60 days after an application is approved. Investors are also given valuable accelerated depreciation deductions, which help offset taxes.

The Energy and Treasury departments have said they expect to spend $3 billion on the program, which started July 31 and runs through the end of 2010, and was part of the stimulus bill. But a government spokesman says requests for $800 million in grants were submitted during the first four weeks.

Some Wall Street bankers say they expect applications to grow to $10 billion, based on projected wind-power installations.

"We see opportunities and we are pursuing them pretty actively," says Kevin Walsh, managing director of **General Electric** Co.'s GE Energy Financial Services division, which was a major financier of wind deals in the past.

The strong interest echoes the $3 billion cash-for-clunkers program that provided incentives to trade in older, lower-gas mileage cars, and which was quickly overwhelmed by demand.

But unlike the popular cash-for-clunkers programs, there is no spending cap on the renewable energy grants, and the government has committed to spending as much as is needed to keep renewable-energy investments flowing.

Under an earlier renewable energy program, the government gave companies tax credits over 10 years, which were attractive as long as financial firms believed they would be generating taxable profits for years to come. When Wall Street imploded last year, profits turned to losses and appetite for these investments disappeared quickly. Some of the companies most active in these deals—including Lehman Brothers Holdings Inc. and American International Group Inc.—were hobbled or destroyed by the turmoil.

But the new cash grants are offering the potential for attractive returns. Several bankers interviewed said they expected deals to provide an annual return of anywhere from 9% to 15%.

Even capital-constrained financial giant Citigroup has been drawn to wind power. In August, it made a $120 million investment in a large wind farm under construction in the rolling hills of northern Pennsylvania.

The quick returns provided by the cash grant "made it an attractive investment option," said Sandip Sen, Citi's global head of alternative energy.

It's not just Wall Street banks that are attracted. **Iberdrola** SA, a Spanish company that is the world leader in renewable energy by capacity installed, said in July that it expects to tap $500 million in cash grants for U.S. wind projects. "We've been in contact with the Treasury Department and we think the $3 billion is a minimum-type number," said Ralph Curry, chief executive of Iberdrola's U.S. business unit.

Additional financing could also give a boost to manufacturers who make the turbine blades and solar panels, such as **Vestas Wind Systems** A/S and **First Solar** Inc.

Morgan Stanley recently made a $120 million investment in a Montana-based wind farm developed by **Grupo Naturener** SA. "The cash grants are a good deal for both developers and financial backers," says Martin Torres, a Morgan Stanley vice president.

Auditors refuse to sign off on Burani's books

By Chiara Vasarri

ROME—**Mariella Burani Fashion Group** SpA's auditor refused to sign off on the fashion house's first-half results, raising doubts over the company's ability to continue operations.

The Italian apparel manufacturer, which has sealed licensing deals with A-list designers such as Giambattista Valli and upscale brands like John Galliano and Vivienne Westwood, is working on a debt restructuring that is crucial to its survival.

On Monday, Mariella Burani disclosed a letter from its auditor, Mazars SpA, that cited "significant elements of uncertainty" among the fashion company's management "regarding the company's capacity to continue its activities."

Mazars said it was unable to give an opinion on the company's first-half net loss of €142.1 million ($203.2 million).

Last year, Mariella Burani had posted a €4 million net profit for the first half. By June 30, its net debt had widened to €478.4 million from €404.6 million at the end of March.

Shares in Mariella Burani were suspended from trading indefinitely, the Italian Stock Exchange said Monday.

They closed at €2.52 on Friday, having lost about 40% of their value over the past three months.

The company said its board will meet as soon as possible to approve a plan to cover its losses and is looking for a strategic partner, adding that its creditor banks are currently assessing its request for a debt moratorium to the end of October.

The global economic downturn has taken its toll on the Italian luxury-goods sector as consumers around the world rein in their spending.

Italy's fashion sector generated sales of about €52.5 billion in 2008, down from €54.2 billion in 2007. It is a key employer in the country.

Mariella Burani said Monday its controlling shareholder, the Burani family, will subscribe to the €100 million capital increase it announced in early August.

The company designs, produces and distributes luxury apparel, footwear, leather accessories and jewels under its own brands such as Mandarina Duck and under license for upscale marks such as La Perla, Bikkembergs and Yohji Yamamoto.

It also controls leather and accessories maker Antichi Pellettieri SpA.

—Jennifer Clark and Liam Moloney contributed to this article.

Impala mine strike enters second week

By Robb M. Stewart

JOHANNESBURG—A strike that has halted output at **Impala Platinum Holdings** Ltd.'s largest mine entered its second week Monday, although the company and workers' union have agreed to meet.

The strike over pay spread Friday to another Implats mine in South Africa, and the union said it expects workers at other operations to join the action. South Africa accounts for roughly three-quarters of the world's platinum supply.

National Union of Mineworkers spokesman Lesiba Seshoka said workers at Implats's Impala Rustenburg and Marula mines remained off the job and were prepared to remain so indefinitely.

Bob Gilmour, a spokesman for Johannesburg-based Implats, said the two sides were set to meet Tuesday in an effort to find a resolution.

Implats said last week it was losing as many as 3,500 ounces of platinum production a day to the strike at its mine near Rustenburg and further ounces at Marula.

GLOBAL BUSINESS BRIEFS

Tata Motors Ltd.

Auto maker swings to loss as luxury-car demand slips

Tata Motors Ltd. moved into the red in the fiscal first quarter as a world-wide liquidity squeeze hurt demand for the company's Jaguar and Land Rover luxury cars. India's biggest auto maker by sales posted Monday a consolidated net loss of 3.29 billion rupees ($67.8 million) in the three months ended June 30, compared with a net profit of 7.2 billion rupees a year earlier. Sales rose 13% to 162.9 billion rupees. Jaguar-Land Rover vehicles sent to dealers fell 52% to 35,900 autos. Jaguar-Land Rover, which Tata Motors acquired for $2.3 billion from Ford Motor Co. in June last year, is cutting costs, Tata Motors said, adding that the U.K. unit has secured more funding from commercial banks.

Samsung Electronics Co.

Samsung Electronics Co. of South Korea said Monday it will launch a service that lets users of its cellphones in Europe buy and download applications. The company's application store will open on Sept. 14 in the U.K., France and Italy, and will be demonstrated at an industry convention in Germany later this week. Samsung will make the service available in Germany, Spain and at least 30 other European countries in coming months. The company is developing similar services in Asia and the Americas. Samsung said its app store will initially offer about 300 programs developed by other companies for use on its Omnia smart phones. It expects the number of applications to reach about 2,000 by year end.

Vattenfall AB

Vattenfall Europe AG, the German unit of Swedish state-controlled energy company **Vattenfall** AB, said Monday it has agreed to sell its 80% stake inGerman regional utility Wemag to a group of municipalities for €170 million ($243 million). Vattenfall Europe said it will sell the stake in Wemag to a group of 268 municipalities in the northern German states of Mecklenburg-Western Pomerania and Brandenburg. These municipalities already own the remaining 20% stake in Wemag, Vattenfall said. The sale is subject to antitrust approval and consent from the supervisory boards of Vattenfall Europe, Vattenfall AB and the municipal shareholders in Wemag.

Sharp Corp.

Sharp Corp. said it has signed a memorandum of intent with the Chinese city of Nanjing and a local company about a joint venture to produce liquid-crystal display panels using eighth-generation glass substrates. The Japanese consumer electronics maker also said it agreed to provide technological assistance and equipment using sixth-generation technology to a separate Chinese LCD panel project. The sixth-generation plant is slated to begin operations by March 2011. Financial terms weren't immediately available. Last week, South Korea's LG Display Co. and China's BOE Technology Group Co. said they plan to invest in eighth-generation LCD manufacturing plants in China.

—Compiled from staff and wire service reports.

ECONOMY & POLITICS

Obama hamstrung by hands-off strategy

Leaving nitty-gritty of health-care overhaul to Congress puts White House in a tough spot; 'Cheerleader in chief'

By Gerald F. Seib

Among the many problems President Barack Obama confronts on the health-care front, one is fairly simple. He is defending a plan that doesn't really exist.

It may be time for the White House to change that. As the president and his administration figure out how to hit the reset button on health at the close of a bruising August, one option is to, at last, lay out exactly what Mr. Obama now wants in an overhaul package, and start selling and defending that.

CAPITAL JOURNAL

No less a legislative master than former Republican Senate leader Robert Dole is suggesting that course, and it may be the best idea available as Washington returns from an uneasy summer break.

As a matter of political and legislative strategy, the White House has never actually presented an "Obama health-care bill." As in the earlier quest for an economic-stimulus package, it chose instead to enunciate some general principles and let Congress craft the actual legislation. Four committees have done so, and a fifth is trying.

The reasoning was fairly simple: As soon as there is a presidential bill, it becomes the target of all attacks. It also becomes the ceiling, not the floor, for legislation. The question quickly becomes how far the president will retreat from it in legislative dickering.

There also is a historical reason to avoid presenting a specific bill. President Bill Clinton offered an (overly) detailed health plan in 1993, and his critics picked it apart, chart by chart and page by page. That wasn't a path the Obama White House was going to travel.

Barack Obama

But in recent weeks the administration has seen the downside of its alternative strategy. The absence of an actual Obama health plan hasn't stopped Republicans from attacking one anyway and convincing many Americans they are opposed to it.

And, because he hasn't said precisely what he will and won't accept, Mr. Obama has been in the awkward position of having to defend virtually every idea congressional committees have thrown out—some of which, one suspects, the president actually doesn't think are all that worthy of defense. He has been out there defending surtaxes on wealthier Americans he never asked for, deeper Medicare spending reductions than he has sought and a government-run insurance option he may or may not be wedded to.

That is a tall order. It is likely the administration's original strategy was to stay out of the nitty-gritty until both the House and Senate had passed something, and then move in when those bills hit a conference committee. That hasn't happened, of course, and there is now a need to restart the conversation rather than simply continue the argument.

Right now the administration, and all of Washington, seems to be waiting for the Senate Finance Committee, the last committee where there is a real effort to find something Republicans can support, to come up with its plan by mid-September. And the Finance Committee's product may, in fact, represent a reasonable guess of what compromise might actually fly. But even then, the president will need to step in to stop further deterioration.

As it happens, two wise observers have just stepped up to offer useful advice on how to do so. Sen. Dole on Monday penned a piece in the Washington Post advising the president to stop acting as "cheerleader in chief" for various Democratic ideas and get "out front with his specific plan." Some cynical Democrats will remember the role Mr. Dole played in killing the Clinton health overhaul, but that doesn't make his advice any less sound.

Meanwhile, former Democratic Sen. Bill Bradley, in a New York Times piece on Sunday, harkened back to his own success in helping craft a bipartisan tax-reform plan in the 1980s to urge the president to include in his plan something Republicans can rally around. He suggested a limit on medical malpractice, a perennial Republican goal.

All of that raises the broader question: What kind of new bill might the president, at this point, offer to draw broad support. Mark McClellan, a health adviser to former President George W. Bush, now is part of a bipartisan group trying to address that question. He thinks the answer is some combination of health-insurance reforms that would, among other things, prevent exclusion of people with pre-existing medical problems and create regional insurance "exchanges" to expand insurance options for both consumers and businesses.

Those would be linked to a requirement that all Americans carry some type of health insurance, so that healthier and less-healthy Americans share the costs of broader coverage. That, in turn, would require government subsidies to help the poor and working-class afford coverage. Businesses would get tax credits for offering insurance, and pay fees into the national pool if they didn't. More expensive health plans would be taxed to help pay the broader bill.

Those steps, combined with changes in health practices to bring down costs, probably are as close to a consensus as now exists. As Dr. McClellan notes, though, even compromise proposals such as this remain expensive, and controversial. "What August has shown," he says, "is because health care is an issue that people care deeply about...it's easy to criticize any proposal out there, on the left or the right."

Associated Press

Jen Halbert, in a wheelchair, attends a rally in New York Saturday supporting the passage of health-care bills championed by the late Sen. Edward Kennedy.

Union leader in U.S. lays out appeal to younger workers

By Kris Maher

Richard Trumka, the third-generation coal miner who is widely expected to assume the helm of the 11-million-member AFL-CIO this month, is launching a drive to woo younger workers who don't see organized labor as relevant.

The 60-year-old union leader outlined a plan Monday before the Center for American Progress, a liberal think tank, to push for causes that more directly affect younger workers, including freelancers and temporary workers, such as affordable college education, protection for telecommuters and portable health care.

In doing so, Mr. Trumka hopes to win back a generation that he admits organized labor has lost. "We've lost touch with a whole generation," said Mr. Trumka, currently secretary-treasurer of the federation, which has 56 unions.

Mr. Trumka noted that a study by American Progress showed support for unions was higher among Americans 30 years old and younger than in any other age group. "The problem is that they don't think we have much to offer them," he said.

Mr. Trumka said in an interview that he planned to field a team of 1,000 organizers to help the federation's 56 unions recruit such workers and visit college campuses. He also planned to boost organizing efforts among low-wage minority workers.

"Trumka looks tough and talks tough," said Gary Chaison, a professor of industrial relations at Clark University in Worcester, Mass. "He's an old-fashioned two-fisted labor leader."

But to be successful, he has to focus on issues facing all working families and younger, professional workers, whether they belong to unions or not.

Union membership is shrinking, falling to 7.5% of the private sector, from about 17% in the early 1980s, and from about 10.5% in 1995. Mr. Trumka's primary goal will be to reverse this long slide, but he faces long odds.

Another problem Mr. Trumka will have to fix is the ailing finances of the AFL-CIO. The federation's net assets have fallen as revenue from individual unions, which comes from union dues, has declined. The federation had negative net assets of $2.3 million at the end of 2008, compared with net assets of $29.1 million in 2004. The federation's finances sparked internal criticism among top union presidents earlier this year, but no labor leaders rose up to challenge Mr. Trumka for the federation's top job.

Mr. Trumka is expected to take the helm of the AFL-CIO at its convention in September in Pittsburgh, at a time when labor, which expected huge gains from the Obama administration, sees some of its top priorities—including a bill to more easily organize workers—falling by the wayside.

Business leaders expect Mr. Trumka to be aggressive and intransigent. "I suspect he's going to be very aggressive but I think, frankly, more of the same in the sense of a very liberal agenda that does not appear open to compromise," said Randy Johnson, the U.S. Chamber of Commerce's senior vice president of labor.

—Melanie Trottman contributed to this article.

India's GDP rose 6.1% in quarter

Trade aided rebound but current drought is threat to growth

By Mukesh Jagjota And Neelabh Chaturvedi

Bloomberg News

Women shop at a market in Amritsar. India's rural-based economy has let it keep growing during the global slump.

NEW DELHI—India's economy expanded 6.1% in the April-June quarter compared with a year earlier, as it gathered momentum on public spending and interest-rate cuts.

A widening drought, however, could weigh on the country's nascent rebound.

The increase in economic output in the quarter ended June 30—the first in India's fiscal year—was driven by trade, hotel and transportation services, as well as by mining and manufacturing.

It followed a year-to-year rise of 5.8% in the January-March period, the Central Statistical Organization said Monday.

The figures for the latest quarter were in line with expectations and show how Asia's third-largest economy is emerging from the global slump in better shape than many of its regional peers.

India has maintained relatively fast growth in 2009 despite steep downturns elsewhere, because exports play a relatively small role in the rural-based economy. The government also has ramped up spending—increasing its debt burden—to spur activity.

Indian government officials said economic growth, which sagged in the global financial crisis, would pick up in coming quarters, buoyed by increased output in manufacturing and services sectors.

Finance Secretary Ashok Chawla predicted growth will exceed 6.5% this fiscal year, which ends March 31, 2010, although he said it is difficult now to assess the impact of delayed rainfall on India's agriculture-dependent economy.

The Reserve Bank of India expects the economy to expand 6% with an "upward bias," while the federal government has forecast growth between 6.25% and 7.75%.

But analysts say the poor start to the June-to-September monsoon season has clouded India's near-term economic outlook. More than one-third of India's 625 administered districts have declared drought, and analysts warn that weak rains will likely crimp output of summer-sown crops and squeeze rural incomes. This will likely depress demand for everything from motorcycles to mobile phones.

"India will find it difficult to sustain on-year GDP growth of over 6% in the remaining three quarters of the current fiscal year in view of the monsoon setback," said Rupa Rege Nitsure, chief economist at Bank of Baroda.

Morgan Stanley economist Chetan Ahya estimates farm-sector output might contract between 2% and 4% this fiscal year, which would make full-year economic growth range between 5.2% and 5.8%.

The government is trying to support the agriculture sector by increasing the minimum selling price of rice and sugar. It also has offered to subsidize diesel for farmers to bring down irrigation costs, and provided additional electricity to key farming provinces, such as Punjab and Haryana.

Analysts said the latest GDP numbers are unlikely to prompt any shift in the central bank's neutral policy stance, with signs of improvement in the economy offset by the need to keep rates low—to help the bond market absorb a glut of public debt and on concerns over damage from the monsoon.

Growth in the latest fiscal year slowed to 6.7% from 9% for the year ended March 2008, missing a government forecast for a 7.1% expansion.

—Abhrajit Gangopadhyay contributed to this article.

South Korea's production rises on export gains

By Kanga Kong

SEOUL—South Korea's industrial production unexpectedly rose in July, reversing nine months of decline, as factories churned out more of the country's key exports.

Economists say the surprisingly strong figures may herald an uptrend in output and are evidence the export-driven economy is slowly shaking off its malaise.

Industrial production expanded 0.7% from a year earlier, snapping a downward trend that began October, National Statistical Office data released Monday showed. In June, output fell 1.2%.

Month-to-month, output grew a seasonally adjusted 2% after expanding 5.7% in June, rising for the seventh straight month.

The increase in production was led mainly by higher output of two key exports: semiconductors and cars.

The two industries were among the most active in building inventory, a sign of rising business confidence. Companies making chips and chip components piled up an extra 9.9% of stocks from a month earlier, while auto makers expanded inventory by 14.4% from June.

Overall, inventories, while still 15% lower from a year earlier, grew 1.1% month-to-month in July after rising 0.6% in June.

Economists said the data offer grounds for optimism on the domestic economy, which expanded 2.3% in the second quarter from the prior period after barely averting a recession in the first quarter.

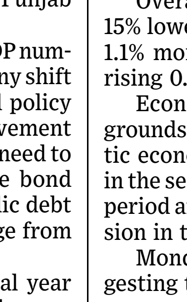
Monday's data are strong, suggesting the Bank of Korea has more room to tighten monetary policy should it wish to, but economists say the central bank isn't likely to adjust its policy rate from the record low of 2% this year.

Ban responds to criticism from Norwegian diplomat

Associated Press

OSLO—United Nations Secretary-General Ban Ki-moon brushed off a Norwegian diplomat's criticism of him, blaming differences in culture and style for the description of him as a weak leader and uncharismatic.

Norway's U.N. ambassador, Mona Juul, had accused the South Korean of angry outbursts in an internal memo that leaked to Norwegian news media in August. In the memo, she accused the secretary-general of "weak handling" of international crises and said "Ban routinely has angry outbursts that even level-headed and experienced co-workers have trouble dealing with."



Ban Ki-moon

She also wrote that Mr. Ban and the U.N. were "notable by their absence" in many of the crises facing the world, such as in Myanmar.

"Personally, I admit that it doesn't feel good to be criticized sometimes, but I am always looking to improve my role and my performance as a secretary-general," Mr. Ban told reporters Monday during a visit to Oslo. He noted that the U.N. consisted of people from all over the world with different backgrounds.

"We need to be able to respect the culture, tradition and leadership style of each and every leader," he said. "Different circumstances may require different leadership style and different charisma. I have my own charisma, I have my own leadership style."

Last week, Norwegian Foreign Minister Jonas Gahr Stoere said he regretted the leak, adding the memo was a confidential report to his ministry rather than a public statement by Norway's government.

Mr. Ban defended his performance, saying he had been to Myanmar twice and met its top generals three times in efforts to promote a peaceful transition to democracy.

"We were able to open up this society so that humanitarian assistance could flow smooth last year in the wake of Cyclone Nargis," he said. "We were able, together with the international community, to save at least a half a million population."

The U.N. leader said he had also sent strong public and private messages to the Myanmar military dictatorship that next year's elections must be "fair, credible and inclusive."