Economy & Politics: Poll shows unease over Obama's foreign policy

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Reuters

U.S. President Barack Obama, left, shakes hands with U.N. Secretary General Ban Ki-moon after addressing the U.N. on Tuesday.

Obama vows climate push

U.S. president says developed, developing nations must both do their parts

By Henry J. Pulizzi

WASHINGTON—President Barack Obama acknowledged the "doubts and difficulties" clouding proposed U.S. legislation to address climate change, but he said the U.S. is determined to tackle global warming at a year-end summit in Copenhagen.

"We understand the gravity of the climate threat. We are determined to act," Mr. Obama told a United Nations meeting on climate change in New York. "And we will meet our responsibility to future generations."

Tuesday's meeting at the U.N. General Assembly was designed to build momentum for the December talks in Copenhagen. U.N. Secretary General Ban Ki-moon said negotiations were moving too slowly ahead of the critical meeting, becoming the latest international official to raise concerns on the progress of talks.

The gathering is set to establish a new agreement to limit the heat-trapping gases blamed for global warming. The current agreement, the Kyoto Protocol, expires in 2012.

"U.N. negotiations need direct political support and guidance," Mr. Ban said.

Disagreements exist between developed countries, such as the U.S., and rapidly developing countries, such as China and India, over commitments to reduce emissions of gases such as carbon dioxide. The flow of money from developed countries to developing countries to help cut emissions remains an issue as well.

In remarks at the summit, China's President Hu Jintao said his country will combat climate change in the next decade by reducing energy intensity even as the country grows, while increasing its reliance on nuclear and renewable sources

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British builders fined for collusion

By Kaveri Niththyananthan

LONDON—Britain's competition watchdog, the Office of Fair Trading, said it imposed fines totaling £129.5 million ($210 million) against 103 construction companies it found had colluded with rivals on building contracts.

The fines stemmed from an investigation into cover pricing, a form of bid rigging in which bidders agree in advance who will win a contract and then submit inflated bids, increasing the likelihood the client will pay more for a project than if they had made blind bids.

The OFT probe started with a complaint in the East Midlands in 2004, but expanded nationally as it became clear how widespread cover pricing was. The agency said it found illegally rigged bids on 199 tenders between 2000 and 2006 on projects including schools, university hospitals and private projects valued at more than £200 million.

The OFT said it also found six instances in which successful bidders had paid compensation to an unsuccessful bidder of between £2,500 and £60,000.

In Britain, price-fixing fines can be as high as 10% of a company's world-wide revenue. In this case, the companies were fined an average of

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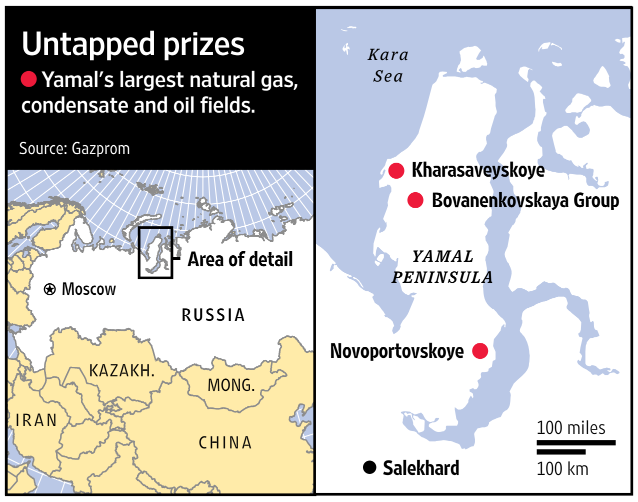
Big Oil keeps cool to Russian welcome

By Guy Chazan

Russia will this week put out the welcome mat for Big Oil, as Prime Minister Vladimir Putin hosts a meeting on developing the huge natural-gas reserves of Yamal, one of the energy world's last great prizes. But it is unclear whether any of the world's leading oil companies will be interested in the tough terms Russia is expected to demand.

The meeting is the latest in a series of signals from the Kremlin that Russia might be softening its notoriously Draconian stance on foreign investment in its oil and gas. Moscow has long insisted Yamal was off-limits to the Western majors, and that Russian giant OAO **Gazprom** would develop the region's resources on its own.



Buoyed by rising oil prices, Moscow spent 10 years cementing its control of Russia's natural-resources sector, squeezing foreigners out and grooming state-run giants like Gazprom and OAO **Rosneft** as national champions.

But the mood changed when oil prices slumped late last year, Russia entered its first recession in a decade and funds dried up.

"There's a realization that they need the majors' financial and technical capabilities," said one Western oil executive.

The guest list at Thursday's meeting, in the far northern Russian town of Salekhard, reads like a roll call of the super-majors. Senior executives from **Royal Dutch Shell** PLC, **Total** SA, **StatoilHydro** ASA and **E.ON** AG, among others, will be in attendance, according to the companies.

But industry officials say the terms on offer for entering Yamal are expected to be highly unattractive to the majors. It is thought Gazprom will retain full ownership of the peninsula's fields and only allow foreign companies in on technical service contracts. That

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China's rich youth spark a bitter divide over class

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	CLOSE	PCT CHG
DJIA	9829.87	+0.52
Nasdaq	2146.30	+0.39
DJ Stoxx 600	244.22	+0.51
FTSE 100	5142.60	+0.16
DAX	5709.38	+0.72
CAC 40	3823.52	+0.30
Euro	$1.4792	+0.93
Nymex crude	$71.55	+2.64

LEADING THE NEWS

G-20 leaders to start talks on bank rule

Participants prepare for long debate on controversial question of capital requirements; aim for 2010 framework

WASHINGTON—U.S. and European leaders are at odds over how much capital the world's largest banks should raise to cushion against future losses, suggesting that a decadelong fight over the thorny issue could intensify in the wake of the financial crisis.

By Damian Paletta, Alessandra Galloni and Marcus Walker

Leaders from the Group of 20 industrial and developing nations will discuss the issue later this week in Pittsburgh, but fault lines have already erupted. Government officials won't try to reach a definitive agreement on capital requirements at the summit, and will instead try to breathe political momentum into the talks so that a framework can be agreed on by the end of 2010.

The amount of capital a bank holds to protect against losses affects how much money it can make by investing and how susceptible it is to collapse. The more money banks hold in capital, the more they can lend even when the economy stumbles.

U.S. officials, led by Treasury Secretary Timothy Geithner, have argued that setting up tough new capital requirements is central to ensuring the long-term viability of the global banking system and will make it easier for governments to limit how much leverage banks have.

"A principal lesson of the recent crisis is that stronger, higher capital requirements for banking firms are absolutely essential," the U.S. Treasury said in a recent report. Mr. Geithner has said he wants U.S. and European leaders to agree on new standards by the end of 2010.

Foreign leaders have mostly agreed about the need for higher capital requirements. But French and German officials argue that the U.S. is pushing policies that would require foreign banks to raise much more capital than U.S. institutions, constraining their ability to issue credit and possibly hampering economic growth.

This is partly because U.S. banks, such as **Citigroup** Inc., **Bank of America** Corp., and **J.P. Morgan Chase** & Co., were already required to hold more capital and less leverage than their foreign competitors before the crisis, so European banks in many cases have a longer way to go to catch up.

European leaders have countered that a primary reason U.S. banks appear to be on better footing is because the U.S. has recapitalized domestic banks.

"All the banks in the world will need to be more capitalized than they were precrisis," French Finance Minister Christine Lagarde said in an interview last week. But she added: "It would be the ultimate irony if as a result of one particular set of rules we favor one group [of banks] that had to be massively restructured through public funding to the detriment of others."

The differing positions have already reignited a geopolitical fight over the best way to supervise the world's largest banks, the subject of frequently hostile negotiations between U.S. and foreign bank regulators stretching back more than a decade.

To try to bridge the gap, the Financial Stability Board, an international advisory committee of financial regulators created by the G-20, has been working on its own proposals for how to strengthen banks' capital bases. An update on the FSB's work will be presented at the summit, along with the group's recommendations on how to limit variable pay packages and bonuses at the world's banks in order to discourage excessive risk-taking.

Capital is essentially the money banks have reserved to protect against unexpected losses. The more money a bank has as capital, the more cushion it has to prevent its failure. But banks don't want to hold too much capital because they could be using the money to make loans and generate revenue.

Determining the amount of capital banks should hold is a question that has constantly pitted banks against regulators and countries against each other. One major concern is that banks holding less capital might have a competitive advantage.

"It's enormously difficult," said John Hawke Jr., a former U.S. comptroller of the currency who negotiated international capital rules for six years. "Different countries have their own agendas."

The most recent international deal on capital, known as Basel II after the Swiss city where many negotiations were held, is now widely believed to need an overhaul to take into account problems exposed by the recent financial crisis—and to put U.S. and European banks on more equal footing.

The Basel II rules measure capital against assets that are weighted according to how risky they are, though the U.S. also has a capital floor that it won't let banks fall below. U.S. and European regulators have agreed to consider adopting a capital floor globally; precisely what this level is will likely be the flashpoint in the debate over the next year.

European bankers say that instituting the U.S.-style leverage ratio in Europe isn't fair because of differences between U.S. and European accounting standards. For example, some banks' balance sheets appear up to twice the size under European accounting rules that they would under U.S. rules.

French and German officials argue the U.S. proposals would require foreign banks to raise much more capital than those in the U.S., possibly hampering economic growth.

"It's like saying that the temperature is 22 degrees without specifying whether it's Celsius or Fahrenheit," BNP Paribas Chief Executive Baudouin Prot told the French Senate this month.

There is also a difference in the structural makeup of many European and U.S. banks. Many banks in Europe are more heavily retail-oriented and embedded into local economies. Many are cooperatives or are owned by municipalities that can't raise new funds in the same way institutional shareholders can in the U.S. or U.K.

Among the compromise proposals being studied by the FSB is one that says banks should report their leverage ratios to banking supervisors as an additional, nonbinding indicator alongside binding requirements that measure capital as a proportion of risk-weighted assets, according to two European officials familiar with the matter.

Under the FSB's proposal, leverage ratios would become binding over time. The German and French governments would support this idea, but say it would require convergence of U.S. and European accounting standards, these officials said.

Another part of a possible compromise between the U.S. and Europe would be to have a global agreement for higher capital requirements for banks that are big or particularly interlinked with other financial institutions and whose failure would therefore pose a greater risk to the entire financial system, the European officials said.

U.S. officials hope to avoid a repeat of the painful negotiations that led to Basel II. U.S. and foreign dignitaries constantly struggled to reach a consensus, with German officials at one point threatening to walk out because of the way other countries wanted to require high capital against exposure to commercial real estate. Complicating matters, U.S. regulators didn't present a unified stance to their European counterparts during Basel II talks.

In the past year, regulators have discovered multiple problems with Basel II, such as its reliance on assessments done by credit-rating agencies, its allowance of banks to use internal models to determine risk, and grossly undervalued the risk associated with mortgages, mortgage-backed securities, and exotic financial products. They have already begun making changes, but the banking industry is expected to lobby aggressively to influence the debate.

—Stephen Fidler contributed to this article.

CORRECTIONS & AMPLIFICATIONS

The 1961 Suicide Act applies only to England and Wales. An Economy & Politics article in some editions Tuesday incorrectly said it was a U.K. law.

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.

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LEADING THE NEWS

French clear out 'Jungle'

Police detain dozens of illegal immigrants living in forest camp

ASSOCIATED PRESS

CALAIS, France—French police cleared out, then bulldozed a forest camp near the northern city of Calais known as "the Jungle," and detained hundreds of illegal immigrants who had lived there in hopes of slipping across the English Channel into the U.K.

Britain's generous social benefits and relatively open job market had made it attractive for those immigrants. Most of the camp's inhabitants were from Afghanistan and had picked up some English there. The camp had swelled with those looking to avoid expulsion from France but unable to break through the security surrounding the port of Calais or the Channel tunnel that carries Eurostar trains and other undersea traffic to Britain.

British Home Secretary Alan Johnson said that authorities had halted 28,000 attempts to cross the English Channel illegally in the past year alone. "I welcome the swift and decisive steps that the French government has taken today to close the Jungle in Calais—action which will disrupt illegal immigration and people-trafficking routes," he said.

As many as 1,000 people at a time lived in the camp. That number dwindled as it became clearer police would act this week. A total of 278 people, nearly half of them minors, were detained in the first part of the operation, said Pierre de Bousquet de Florian, the top official for the Pas-de-Calais region.

French Immigration Minister Eric Besson called the site a "base camp for human traffickers" who promise the migrants passage for enormous fees or dump them there after bringing them across Europe. "This operation is not targeting the migrants themselves, it is targeting the logistics of the human traffickers ... who exploit them," he said.

Refugees in jeans and sweatshirts, many apparently in their teens, carried knapsacks and blankets as they were led away in single lines by police. Activists yelled at police with bullhorns. Some formed a human chain around the refugees and briefly scuffled with police as they took the men and boys one by one.

Bulldozers and backhoes were later brought in to raze the maze of makeshift tents built from sticks and sheets of plastic amid the sand and brush.

Reuters

Demonstrators protested their eviction Tuesday from their camp in Calais, France, where hundreds of illegal immigrants waited for a chance to cross into the U.K.

Lagarde outlines splits amid G-20 ahead of meeting

BY NATHALIE BOSCHAT AND GABRIELE PARUSSINI

PARIS—The Group of 20 industrial and developing countries share an agenda but are split according to how they order their priorities, French Finance Minister Christine Lagarde said.

As examples, she pointed to the way emerging-market countries are less concerned than developed countries about financial-regulation issues and are focusing instead on reform of the International Monetary Fund, and how the U.K. is more concerned about increasing growth than reform of global financial oversight.

She also said at that the world's largest financial hubs, the City of London and Wall Street, are resisting tighter financial regulation and oversight as buoyant stock markets fuel a stronger performance by global banks' investment-banking divisions.

Ms. Lagarde said the G-20 summit in Pittsburgh will go further on tax havens than the previous summit in London. One of the main benchmarks to assess its success, she said, will be whether leaders agree on a March deadline to impose sanctions on countries that don't comply with tax rules set by the Organization for Economic Cooperation and Development. A consensus on the issue hasn't been reached.

"It's not a done deal," Ms. Lagarde said. "First, all G-20 countries have to identify which activities are being carried out in or with tax havens. ... Then it will be down to each of us to apply fiscal sanctions," she said.

The French finance minister added the G-20 gathering is likely to emphasize the need for banks to have bigger capital cushions to weather possible future crises. France is adamant that European Basel II rules on capital adequacy should prevail over those advocated by the U.S.

Basel II rules, which seek to better align capital requirements on banks' risks, are currently applied only in Europe. The U.S. has pledged to implement the rules but so far has failed to come up with a firm timetable and is pushing for a leverage ratio, fixing the amount of assets they can have on their books in relation to their equity.

LEADING THE NEWS

Obama meets with Middle East leaders

U.S. president asks Netanyahu, Abbas to drop conditions for negotiations, 'move forward' on peace talks for region

By Jonathan Weisman

U.S. President Barack Obama asked his Middle East envoy to meet with Palestinian negotiators this week in New York and next week in Washington, aiming to nail down a date for the formal resumption of Middle East peace talks, a senior administration official said.

The president concluded separate meetings with Israeli Prime Minister Benjamin Netanyahu and Palestinian President Mahmoud Abbas, then met together for the first time. The official described the meetings as "businesslike" and "not unfriendly," reflecting the personal strain between all three leaders.

"Simply put, it is past time to talk about starting negotiations," Mr. Obama said at the start of the meeting, according to the Associated Press. "It is time to move forward."

Mr. Obama pressed the leaders to drop conditions and get talks started. Mr. Netanyahu continues to demand more progress by Mr. Abbas to stop incitements to violence among the Palestinians. Mr. Abbas continues to press Mr. Netanyahu for a firm halt of settlement activities on the West Bank before resuming talks.

"Neither side can hold out for the perfect formula before talks start," the senior administration official said.

Associated Press

President Barack Obama speaks before the start of his first trilateral meeting with Israeli Prime Minister Benjamin Netanyahu, left, and Palestinian President Mahmoud Abbas in New York on Tuesday.

The president made the case that he has a window to engage in peace talks. "The president has shown a commitment but has a lot of other things on his plate," the official warned. "There is not necessarily always going to be this level of intensity."

He said conditions are good for progress. Iran, Hamas and Hezbollah "are on their heels." The economy on the West Bank is improving, shoring up Mr. Abbas's standing. And Mr. Netanyahu's strong political position in Israel should enable him to bring Israelis along on concessions.

The discussions in all three meetings were focused on the terms of negotiations, not specific concessions such as Israeli settlement activity. By mid-October, the president wants Secretary of State Hillary Clinton to brief him on the status of the intensive push, in hopes that the administration can at least wrest a date certain for talks from the negotiating teams of both sides.

The meeting unfolded on the sidelines of U.N. General Assembly meetings in New York, where Mr. Obama engaged in personal diplomacy and addressed a high-level climate summit convened by U.N. Secretary-General Ban Ki-moon.

The Israeli-Palestinian sitdown wasn't announced until Saturday and comes with the two sides still far apart on what it would take to resume peace talks that broke off in 2008.

U.S. envoy George Mitchell failed last week to bridge the gap between the two sides on the issue of Jewish settlements in Palestinian territory, putting the long-hoped-for three-way meeting in doubt.

—The Associated Press contributed to this article.

IMF is likely scorekeeper of policy shifts by G-20 nations

By Bob Davis

WASHINGTON—The International Monetary Fund was the surprise winner at the last summit of the Group of 20 leaders, which agreed to quadruple the organization's resources to $1 trillion. This time it may earn a nod as best supporting actor.

The G-20 has since turned to the IMF to figure out how to withdraw trillions of dollars in stimulus spending and to identify the warning signs of new crises. At this week's Pittsburgh summit, the G-20 is likely to give the IMF an additional job: Monitoring whether nations are changing their economic policies to promote long-term growth.

The fund appears to be the best candidate for the job, with a large staff of economists and 186 member nations at a time when no single country has the power or authority to run the global response to the financial crisis, as the U.S. did after the Asian financial meltdown a decade ago.

"The IMF is the only game in town," says Fred Bergsten, director of the Peterson Institute for International Economics, a Washington think tank.

But many of the fund's members haven't forgiven it for the way it forced countries to cut tariffs, open borders and privatize in order to qualify for rescue loans.

The IMF has since eased the requirements for loans, coming through with tens of billions of dollars for Eastern and Central Europe and convincing Mexico, Colombia and Poland to take out large insurance loans in case they run into trouble.

In Pittsburgh, G-20 leaders are likely to agree also to shift the ownership of the IMF so that developing nations gain closer to a 50% stake, say G-20 officials, rather than the 43% they have now. That is another step aimed at gaining trust.

For the G-20 countries, the IMF provides a convenient way to handle delicate economic issues, like figuring out an exit strategy from stimulus measures. G-20 officials worry if they discuss a strategy now, they may spook markets that measures will be withdrawn too quickly and undermine the recovery, as Japan did in the 1990s. But if they are silent about an exit strategy, the G-20 runs the risk of encouraging markets to think they will stick with stimulus too long and repeat the mistake of the 1970s: letting inflation soar out of control.

Instead, participants say they will announce their determination to withdraw stimulus, but leave it to the IMF to figure out specific benchmarks. The fund suggests that countries rule out deadlines. Nations should look at specific indicators of financial health, such as the difference between interest rates on bank loans guaranteed by the government and those that aren't, and the volume of transactions between banks, before starting to withdraw stimulus, the IMF recommends.

At Pittsburgh, the U.S. is seeking approval of its "Framework for Sustainable and Balanced Growth," a proposal that would require G-20 nations to make big changes in their economic policies to promote long-term growth. If implemented, the framework would require the U.S. to sharply cut its budget deficit, China to rely less on exports, and Europe to make structural changes to boost business investment.

The U.S. wants the IMF simply to analyze policies proposed by G-20 countries, said a White House official, but not oversee the process. Some European countries are resisting even giving the IMF that power out of concern of being singled out for criticism.

The IMF won't be the referee, says Ted Truman, who recently served a stint at the Obama Treasury. "The G-20 needs someone to run a reasonably honest scoreboard," he said. That is the kind of supporting role the IMF can expect.

Saudi oil czar dims outlook, has no plans to raise output soon

By Margaret Coker

JEDDAH, Saudi Arabia—Saudi Arabia, OPEC's top crude producer, plans to keep oil output at current levels of eight million barrels a day in the "near future" and will continue spending on development of its energy sector, the country's oil minister said.

Amid the global economic downturn and worry over falling crude demand, the Organization of Petroleum Exporting Countries last year engineered a massive reduction in output from its 11 members. This month, OPEC ministers met in Vienna and announced the group wouldn't change its output, the third time this year it has kept production steady.

At the time, Saudi oil minister Ali Naimi expressed guarded optimism that global growth could be on the mend. The move by OPEC to stay pat was seen as evidence the group was satisfied that it didn't need to cut output further to support prices.

But in an interview with The Wall Street Journal on Tuesday, Mr. Naimi said the kingdom doesn't plan to increase output anytime soon either, because the global economy hasn't rebounded enough yet.

"We want to see the green shoots [in the global economy] continue to grow," he said. As far as Saudi production is concerned "we expect that to remain constant in the near future," Mr. Naimi said. He was in Jeddah for the opening of the King Abdullah University for Science and Technology.

In recent years, Saudi Arabia has invested heavily in its oil-production capacity, boosting it to some 12.5 million barrels a day, an increase of about 14% after several years of new field development. The boost coincided with soaring oil prices and worry over a supply crunch as global oil demand continued to rise.

But when the global economic downturn hit last year, prices fell sharply. U.S. benchmark crude fell from above $140 a barrel during 2008 to around $32 a barrel by the end of the year.

Prices have rebounded again to current levels around $70 a barrel, thanks in part to OPEC's willingness to keep its spigot shut.

But resilient oil prices during the worst of the economic downturn have raised a fresh worry: As economic activity picks back up again, the world may face another supply crunch.

Mr. Naimi's production commitment Tuesday means the kingdom will be keeping as much as 4.5 million barrels a day of production idle, a massive cushion of available output. That could ease concerns.

Despite all that unused capacity, Mr. Naimi also said the kingdom was committed to investing heavily in the oil sector. He reiterated that Saudi Arabia was interested in diversifying its energy resources into alternative industries such as solar power, but that it was committed to its traditional investment in fossil fuels.

"There is no letup in our investment in traditional energy sectors," Mr. Naimi said. Saudi has most recently committed to spending $60 billion over the next five years in oil-field infrastructure and other energy-related infrastructure.

"We are continuously investing because we believe that it is the right thing," Mr. Naimi said. Many analysts say much of this investment will go toward maintaining output at existing fields and not toward building new capacity.

LEADING THE NEWS

Google gets EU ruling

Court opinion says firm hasn't infringed on trademark rights

BY MIKE GORDON
AND PEPPI KIVINIEMI

LUXEMBOURG—**Google** Inc. can continue to let advertisers use rival brands' trademarks as search keywords but could be liable for their wrongful use, according to a legal opinion prepared for Europe's highest court.

"Google has not infringed trademark rights by allowing advertisers to buy keywords corresponding to registered trademarks," said the court's advocate general Poiares Maduro in an opinion released Tuesday ahead of the European Court of Justice's final ruling on the issue.

Google is before Europe's high court in connection with a French case in which a number of companies, including **LVMH Moët Hennessy Louis Vuitton**, complained that the online search giant had infringed their trademark rights by allowing advertisers on the world's dominant search platform to use company trademarks as keywords. When a search is made on these keywords, the results will include links to rival products or to firms selling counterfeit goods in the sponsored links section. The advertising of counterfeit goods is against Google's terms of service.

The French court hearing the case, the Court of Cassation, is asking the Court of Justice to rule on whether trademark owners can legally prevent Google from selling the right to use their trademarks as keywords.

The European high court's adviser said that in most cases Google's use of trademarked keywords doesn't infringe the law, as Internet users expect more information and advertising to be returned as a result of a search query than just the products of the firms that own the trademarks.

"This opinion, if followed by the court, will be a major defeat for brand owners and would mark victory in Europe for Google's Adwords business," says Adrian Heath-Saunders, a trademark partner at law firm Wedlake Bell.

Google is currently in litigation over its Adwords program—the platform it uses to sell keywords—in countries including England, France and Germany.

"We believe that selecting a keyword to trigger the display of an ad does not amount to trademark infringement, and that consumers benefit from seeing more relevant information rather than less," said Harjinder Obhi, Google's Senior Litigation Counsel, in an email.

However, the court adviser said that the search engine should still be considered liable for the wrongful use of keywords, with the burden of proof lying with the trademark owners.

Common infringements include using a trademark for selling counterfeit goods, as well as trying to confuse the consumer by using a trademark that is very similar to a known brand.

—Christina Passariello and Charles Forelle contributed to this article.

Publishers, authors seek delay to amend Google deal

BY JESSICA E. VASCELLARO
AND JEFFREY A. TRACHTENBERG

Four days after the U.S. Justice Department objected to a settlement over **Google** Inc.'s plan to offer digital books over the Internet, the two plaintiffs have asked the court to delay a key Oct. 7 hearing to give the parties time to amend the agreement.

The request came in a filing Tuesday with the U.S. District Court for the Southern District of New York on behalf of the Association of American Publishers and the Authors Guild. The filing noted that the proposed settlement has generated about 400 objections, briefs and related statements.

The Authors Guild and the Association of American Publishers asked the court to schedule a conference Nov. 6, or at the court's convenience, to discuss any progress made during negotiations.

Google said that it is considering "the points raised by the Department of Justice and others, and we look forward to addressing them as the court proceedings continue."

The settlement seeks to resolve separate lawsuits filed against Google in 2005 that alleged copyright violation stemming from the Internet giant's ambitious book-scanning project. The parties settled in October 2008, agreeing to give Google licenses to sell and distribute digital works in exchange for a share of the revenue Google earned from the services. But online retailer **Amazon.com** Inc., other Google competitors, several state attorneys general and the Justice Department have raised a number of concerns with the court, which has authority over the settlement.

The proposed settlement would grant Google the rights to use digital copies of the works it scans as part of its digital book and search services. In exchange, it would share revenue with the books' rights holders through a registry that would oversee the agreement.

Paul Aiken, executive director of the Authors Guild, said in a statement, "We're revising the settlement, and we expect the resulting document to do an even better job of fulfilling its promise."

CORPORATE NEWS

PC makers seek growth in rural China

Lenovo, H-P push new marketing tactics as they try to tap government rebate plan; desktops as wedding gifts

BY LORETTA CHAO

BEIJING—As demand for personal computers remains weak across the globe, top manufacturers like **Lenovo Group** Ltd. and **Hewlett-Packard** Co. are zeroing in on one largely untapped but growing market: rural China.

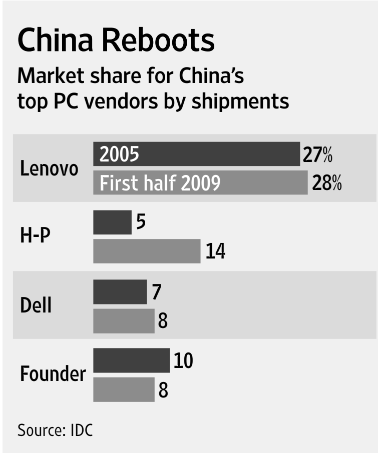
The companies are aggressively expanding their sales networks in China's countryside, where over half of China's population resides and broadband access is increasing, but where the average per capita annual income is only $700, according to government statistics.

They are aided in part by a $586 billion government subsidy program designed to stimulate the nation's economy by encouraging spending in rural areas. According to the Ministry of Commerce, 414,000 PCs were sold by August under the program, which gives rural residents a 13% rebate when they purchase select products.

The figure excludes purchases of other nonsubsidized products by rural consumers during that period. Though difficult to penetrate, China's countryside is "probably still the world's most promising market" in terms of the number of people "who've never owned a PC before, who would like to own a PC and who have that capability," says David Wolf, CEO of Wolf Group Asia, a Beijing-based marketing strategy firm.

Gong Xiangnan, a 24-year-old migrant worker from Mengyin county in Shandong province, says she used the rural subsidy to recently buy her first PC, a Lenovo desktop for 3,000 yuan ($439).

Ms. Gong says many residents in her town took advantage of the subsidy, buying motorcycles, televisions and other home appliances. "In our home, we already have refrigerator, TV, a washing machine," she says.




Lenovo

People try Lenovo computers displayed at a county market in rural China.

Analysts say smaller cities and rural areas in China are tricky because incomes are still very low, towns and villages are spread far and wide in places where big electronics retailers rarely go, and users aren't as knowledgeable about PCs or brands. As a result, PC vendors are adopting some new marketing tactics.

Lenovo, which is targeting rural customers with lower-cost computers and 700 new retail stores, has begun marketing computers as high-status betrothal gifts, which by tradition should appear as generous as possible. The Beijing-based company is also using slogans such as, "Buy a Lenovo PC, Be a Happy Bride."

"They like to give desktop PCs because the boxes are large," says Li Zhong, director of Lenovo's consumer business in the Beijing and Hebei region. "They deliver the computers to brides' families on trucks, which everyone can see. In these cases the bigger the box, the better." The company also paints banners on walls along small-city and rural roadsides with slogans that suggest PCs could provide upward mobility to residents, like "Lenovo PCs are the Golden Key to Becoming Wealthy Through Information."

The efforts appear to paying off. According to the Ministry of Commerce, about 40% of PCs sold under the rural subsidy program were from Lenovo. H-P represented about 1% of such sales.

"Lenovo has strong local ties. They do a lot of these kinds of promotions," Mr. Ye says.

"Many people in the countryside get married in the fall," says Mr. Li, who says distributors are expecting another surge in sales next month because of upcoming weddings.

Globally, PC shipments have dropped in recent quarters as spending by companies and consumers have decreased. But in China—where about 40 million PCs are sold annually, making it the world's second-largest PC market after the U.S.—sales have continued to grow, albeit at slower rates than before. Meanwhile, some regional PC distributors say growth rates in rural areas have remained steady.

In Dongguang county in China's northern Hebei province, Ma Zengyan, the owner of two local computer stores, says sales are rising as many customers hear about the subsidies through ads by Lenovo and the government.

One of his stores, a full-service Lenovo showroom with a conspicuous orange exterior, has a corner dedicated to some of the 30 products tailored for rural users for 2,500 yuan to 3,500 yuan apiece.

The PCs are built to accommodate any unpredictable variations in power-supply voltage, which are a frequent problem in the countryside, and are packaged with software such as inventory management for farmers.

H-P, too, has been aggressively expanding its sales network outside China's largest cities over the past several years, says Weekee Yeo, director of the company's consumer-PC business in China.

The company promotes its products by sponsoring variety shows and film screenings in small cities to entertain residents where they also display and hold demonstrations with H-P computers.

In addition, the company has dispatched flashy buses to small-city and rural elementary schools to teach children and residents about their products, and vans to rural-area markets, where villagers gather a few times per month to buy goods.

H-P's market share in China increased to 14% in the first half of this year from just 5% in 2005, according to IDC. The company now has 7,000 stores and 10,000 resale partners in China.

Dell Inc. offers 25 computer models under the rural PC program and sells both directly to consumers, including on the Internet and by phone, and through resellers. Ministry of Commerce figures show that Dell's share of sales under the PC program has been negligible, but a spokeswoman says, "Dell is growing very rapidly in [the] lower-tiered and rural markets."

Dell says it has 6,000 stores and sales channels in China, where Dell computers made up 8% of total units shipped during the first half of the year, according to IDC.

In the long term, analysts say the most important edge a PC vendor can have in China's smaller cities and rural areas will depend heavily on their physical proximity to customers.

"In the U.S., the infrastructure is there. Even consumers who live in small towns can take highways and drive an hour or two to the closest city to shop," says Simon Ye, analyst for research firm Gartner in Shanghai. "In China's [smaller] cities, it's rare to find a person who'd drive someplace so far to buy a computer."

—Sue Feng and Gao Sen contributed to this article.

Yahoo unveils new marketing plan to lift global image

BY ROGER CHENG AND SCOTT MORRISON

NEW YORK—**Yahoo** Inc. on Tuesday unveiled a new marketing campaign designed to promote the relationship between the struggling Internet giant, its users and advertisers, as well as revive its stale image.

The new campaign, centered on the catch phrase "It's Y!ou," is part of a renewed focus by Chief Executive Carol Bartz to revive the company's online advertising business, which continues to deteriorate amid the economic downturn and heightened competition from market leader **Google** Inc.

Chief Marketing Officer Elisa Steele said the company plans to spend more than $100 million on the global push, and has already laid out plans for at least the next 15 months. "We don't believe anyone else can own this message in the marketplace," Ms. Steele said at a press conference Tuesday.

Since joining Yahoo in January, Ms. Bartz has restructured management, shed noncore assets, struck a search pact with **Microsoft** Corp. and shifted resources toward its biggest properties, such as its flagship home page and e-mail service.

The marekting move comes months after Microsoft launched its own $100 million campaign for its Bing search engine, which it introduced earlier this summer to challenge Google. Yahoo and Microsoft entered into a 10-year search partnership agreement in July.

Yahoo and Microsoft are seen facing intense antitrust scrutiny over their deal. Ms. Bartz said she doesn't see any change in the regulatory environment and stands by its targets. The companies previously said they expect the deal to close in early 2010.

Yahoo's campaign is its first major marketing effort in almost five years, said Piper Jaffray analyst Gene Munster. He said the company's brand has since gone "a little bit cold," particularly compared with start-ups such as social network **Facebook** Inc. and microblogging service **Twitter** Inc.

"They need to remind people that they are still relevant," Mr. Munster said.

But the ad campaign will likely have little lasting impact if Yahoo's effort to revamp consumer products fails to make its core Web properties more compelling to users.

Bloomberg News

Carol Bartz, Yahoo CEO, outside the Nasdaq Marketsite after ringing the opening bell on Monday. The company unveiled a new marketing campaign Tuesday.

The company recently unveiled a redesigned homepage, as well as a series of upgrades to its e-mail, instant messaging and Internet search pages, part of its plan to revive its online advertising business which has been hit hard during the economic downturn.

The Sunnyvale, Calif.-based company said in July its second-quarter revenue fell 13% as the Internet portal's online advertising business continued to deteriorate.

Yahoo boasts that more than 500 million people visit the Internet giant every month and that people spend 12% of their online time at Yahoo sites. Ms. Steele said the company hopes to add new customers and defend its franchise. Yahoo said the goals are different depending on the region, noting that emerging markets represents an untapped area, while the company is looking to protect its user base in the Asia-Pacific region.

The ad campaign was rushed for Ad Week in New York, a period in which advertisers typically set their budgets for the latter part of the year, a point that analysts said was clearly not lost on Yahoo.

"This is more targeted to advertisers and agencies than consumers," said Colin Gillis, analyst at Brigantine Advisors.

Mr. Gillis said advertisers were eager to hear how Yahoo intended to make it easier for them to buy ads on the Internet portal's many properties.

"Consumers want good advertising," Ms. Bartz said, adding that the company is making it easier for companies to deliver more relevant ads. "This partnership of engaged users is what Yahoo stands for."

Still, others downplayed the relevance of the new campaign.

"It's irrelevant," Mr. Gillis said. "The real issue is to get more good engineers and reinvent the site."

Special Advertising Section

SLOVAKIA

Sound policies set the stage for future growth

Solid fundamentals and stimulus measures to help Slovakia survive the global downturn; economic performance expected to improve next year

By Catherine Bolgar

So many countries around the world are suffering the hangovers of having binged on too much government debt, consumed beyond their means, and experimented with exotic and toxic instruments. Slovakia was like the hard-working, sober neighbor to the party next door. And like so many people kept awake all night by others' reveling, Slovakia also has a headache in the morning, through no fault of its own.

Return to growth

Slovakia has gone from being the fastest-growing economy in the European Union to holding a less glamorous record: first-quarter gross domestic product fell 11% from the previous quarter, tying with Latvia for the EU's worst drop. Slovaks aren't really to blame: domestic consumption slipped only 1%; it was demand for Slovak exports that cratered, says Juraj Karpis, analyst at the Institute of Economic and Social Studies (Iness), a think tank based in the capital, Bratislava. The International Monetary Fund estimates that Slovak exports will fall 16% this year from the year before. However, the IMF sees Slovakia's GDP returning to growth of about 1.9% next year.

"The current bad situation is pretty external," Mr. Karpis says. "The factors that made our economy strong are still here: low labor costs, political stability, low taxes."

As a small country of just over five million people, Slovakia realized that exports, not domestic consumption, would be the key to growth, says Anton Marcincin, a Slovak economist formerly with the World Bank and now an independent consultant. Without exports, Slovak companies could never get economies of scale to compete with even-cheaper rivals in Asia.

SAMUEL KUBANI/AFP/Getty Images

Euro zone membership has protected Slovakia from the soaring interest rates experienced by other emerging markets.

When Slovakia belatedly embraced free-market reforms and globalization starting around 2001, it did it with gusto. It privatized companies, reformed pensions and health care, and cut taxes to an attractive flat 19% rate. It joined the EU and NATO, and, in January, adopted the euro. Its per-capita GDP was the lowest of any country to join the euro, but disciplined policies allowed Slovakia to beat neighbors like Poland, the Czech Republic, Hungary and Romania into the monetary club.

As a result, foreign direct investment surged in. FDI flows rose from an annual average of $635 million (€431 million) between 1990-2000, to $3.26 billion, or 4% of GDP, in 2007. Much of that went into the automotive industry, and in 2007 tiny Slovakia led the world in per capita car production. Besides factories for Volkswagen AG of Germany, PSA Peugeot Citroen SA of France and Kia Motors Corp. of South Korea, numerous suppliers have set up shop, serving not just Slovakia's factories but those around Europe as well. The auto industry accounts for over a third of total manufacturing.

> *"The current bad situation is pretty external. The factors that made our economy strong are still here: low labor costs, political stability, low taxes."*

Unfortunately, the auto industry is one of the hardest-hit sectors in the current global downturn. On top of it, Slovakia makes a number of high-end models, such as the Porsche Cayenne and the Audi Q7. That puts it beyond the range of the cash-for-clunkers stimulus programs in various European countries — including Slovakia — which tend to boost sales of cars in the €12,000 range, says Felix Huefner, senior economist at the Organization for Economic Cooperation and Development in Paris.

Slovakia also is a big producer of flat screens, which have been hit hard by the dive in consumer spending. "Slovakia's problem is they are in global trade and in product segments that aren't in demand right now," he says.

It might sound dire, but Slovakia has coping strategies not available to some of its neighbors.

TOMAS HUDCOVIC/isifa/Getty Images

Slovakia has led the world in per capita car production. Factories include this Volkswagen plant in Bratislava.

While Hungary had to resort to austerity measures, Slovakia was in far better fiscal shape — its 2008 debt-to-GDP ratio was 28% versus an EU average of 62% — and could instead introduce stimulus measures. Besides its own €55 million cash-for-clunkers program, Slovakia increased the tax deductible for individuals, giving Slovaks more money to spend, in what is basically a €330 million tax cut, says Mr. Karpis of Iness. Businesses endangered by the crisis can receive relief from social contributions in a €30 million program. And a big highway program is foreseen.

Financial conditions

Another coping mechanism is the euro. While interest rates have soared in most emerging markets, Slovakia was treated like other euro zone members. Bond spreads increased 1.8 percentage points, less than for Greece or Ireland, and far better than the 8.6-point increase in Hungary, says Mr. Huefner of the OECD. The spreads affect financing not just for government debt but also financial conditions for individuals and companies.

Slovakia offers stability in other ways as well. The new government might be of a different political party, but it is continuing many of its predecessor's conservative economic policies, says Anders Aslund, senior fellow at the Peterson Institute for International Economics in Washington. "It was very well managed before and it keeps going."

In addition, the current-account deficit was financed by foreign direct investments, so it was "quite solid," says Mr. Huefner. Slovakia didn't experience a real estate bubble, and household indebtedness was low. Individuals and companies didn't take out the kinds of foreign-currency loans so problematic next door in Hungary. The conservative banking sector avoided toxic investments and imprudent mortgages. The tax and other reforms made Slovakia very competitive.

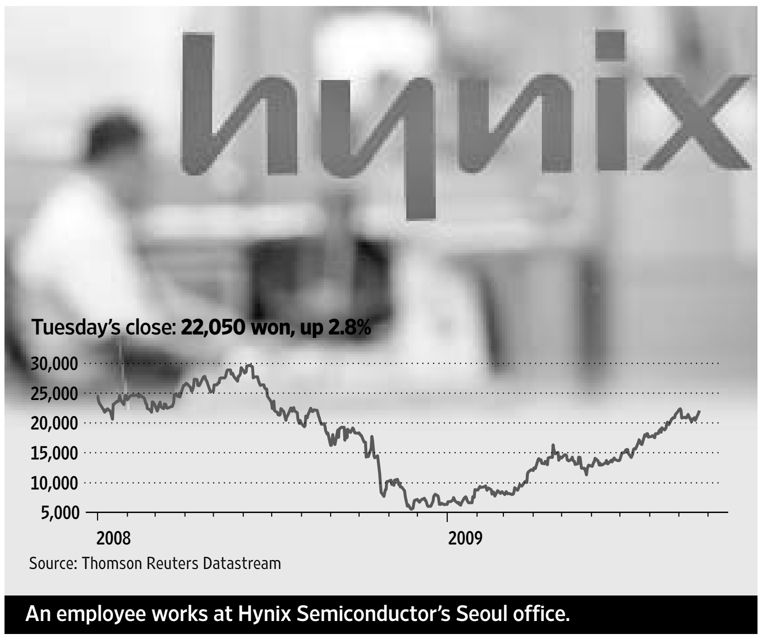
Overall, "the fundamentals look very good, so the crisis is hitting them from outside," says the OECD's Mr. Huefner. "They can't do much but wait for the outside world to pick up."

CORPORATE NEWS

Hynix receives an offer

Hyosung submits bid for a 28% stake in big chip maker

BY JUNG-AH LEE



An employee works at Hynix Semiconductor's Seoul office.

SEOUL— **Hyosung** Corp. was the only company to submit an offer to buy a major stake in **Hynix Semiconductor** Inc. by the Tuesday deadline imposed by the chip maker's nine creditors.

Korea Exchange Bank and eight other creditors of Hynix, the world's second-largest computer memory chip maker by revenue after **Samsung Electronics** Co., have been seeking to sell their combined 28.07% stake to recoup their investment in the company. The stake of 165.5 million shares is valued at about 3.65 trillion won ($3.02 billion) based on Hynix's Tuesday closing price.

Hyosung spokesman Lee Jungwon said the South Korean conglomerate, which has interests in chemicals and heavy machinery, submitted a letter of intent to purchase the stake. Mr. Lee declined to comment on the financial details.

Hynix declined to comment.

Kim Sun-gyu, an official at KEB, said Tuesday that the bank plans to decide on the buyer to negotiate financial terms sometime in November.

Analysts said synergies between Hyosung and Hynix are hard to come by because the two companies are engaged in different businesses.

Mr. Lee at Hyosung declined to say what kind of business synergies are expected between the two, saying only that the decision was made by the company's management.

Shareholders of Hynix this month asked 43 local companies to participate in the preliminary bidding for the stake.

The shareholders' combined stake has fallen to 28.07% from 36% last year after massive rights offerings.

In 2001, Hynix nearly collapsed under the weight of its debt after chip prices plunged. It was bailed out by its creditors, who became the company's shareholders via several debt-to-equity swaps.

In November last year, shareholders selected Credit Suisse, Woori Investment & Securities and Korea Development Bank as joint lead managers for the sale, but the move was delayed due to the global financial turmoil.

Hynix this year received financial support from its shareholders, including loans to ease market concerns about the company's financial stability. Since then, the company has undergone extensive restructuring.

Hynix said Tuesday that the recent upward trend in the prices of dynamic random access memory chips, which are widely used in personal computers, is likely to continue for a while, suggesting that its contract prices will also remain on the rise to boost its profit.

"Market demand [for DRAM chips] remains considerably strong for now, so the upward trend in prices will likely continue for a while," said James Kim, the company's vice president for investor relations. He attributed the recent price rally to robust computer sales and tight supply conditions.

For the quarter, Hynix posted its seventh consecutive quarterly loss, totaling 58 billion won, compared with a year-earlier loss of 711 billion won. Its operating loss was 211 billion won in the quarter, wider than the 172 billion won loss a year ago.

Kurds suspend DNO's operations

BY SPENCER SWARTZ

The future of Norwegian oil explorer **DNO International** ASA, a key player in northern Iraq's Kurdish region, has been thrown into question after new details surfaced of a DNO money-raising effort last October that has embarrassed the Kurdish government.

The autonomous government Monday suspended DNO's operations for up to six weeks and said it could terminate the company's involvement in Kurdistan, a fast-growing oil-producing region, if it doesn't take action to undo the "unjustifiable and incalculable harm" to the government's reputation.

The government makes decisions on a range of matters independent of the Iraqi government. It has enjoyed a clean image in its dealings with foreign investors.

While nothing illegal is alleged in its assistance, the help fed speculation that Kurdish officials may have financially benefited. The government denies any officials benefited though it wasn't clear why it didn't publicly disclose the assistance with DNO's treasury-share sale.

Fearing its stock price would get hammered by the government's decision to suspend its operations, DNO asked the Oslo Stock Exchange to halt trading in its shares. The stock is expected to resume trading Thursday morning. The company has been producing around 40,000 to 50,000 barrels a day of crude in Kurdistan, roughly half of the region's production.

Marius Gaard, an analyst at Oslo-based brokerage Carnegie, estimates about 85% of DNO's stock value is related to its Kurdistan operations, meaning shareholders would stand to potentially lose a chunk of money if the company's work in the region were canceled.

DNO's predicament started in recent days, when the Oslo Stock Exchange published information on last October's sale of DNO treasury shares. DNO said it strongly objected to the exchange's decision to publish the information, prompted by a freedom-of-information request from a Norwegian newspaper.

DNO scrambled Tuesday for a response to the situation. "Our main priority is now to seek dialogue with the [Kurdish government] as soon as possible and try to bring clarity to the situation and what is needed to find a solution," said DNO Chief Executive Helge Eide.

Tor Arne Olsen, a spokesman for the Oslo Stock Exchange, said the bourse stood by its decision to release the information, most of which came from confidential conversations between the company and the bourse. "We still think we took the right decision in releasing that information," he said.

Analysts said it was unusual for governments to act as a mediator in a fund-raising exercise for a private company.

Khaled Salih, a senior advisor to the Kurdish government's prime minister, said the government decided to assist DNO in the capital-raising process in order to help the company complete its work in preparation for exporting crude. "We did not want DNO to delay because of their cash needs," Mr. Salih said.

The issue could aggravate already stormy relations with Baghdad. Iraq's oil ministry has longed objected to oil deals the Kurds signed with foreign oil companies.

—Elizabeth Adams and Hassan Hafidh contributed to this article.

Intel to promote software that uses its Atom chip

BY DON CLARK

Intel's chief Paul Otellini, shown in May, said the PC market was 'amazing.'

SAN FRANCISCO—**Intel** Corp. announced an effort to help chip customers set up their own clearinghouses to distribute programs for a variety of gadgets as part of its strategy to broaden the use of its chips outside computer markets.

The move, one of a series of announcements at Intel's annual forum for technology developers here, is designed to broaden the appeal of an Intel chip called Atom that is now mainly used in low-end laptops called netbooks.

Intel, extending an idea that **Apple** Inc. popularized with software for the iPhone, hopes developers will create simple, downloaded apps—likely starting with netbooks, but later targeting cellphones, consumer-electronics devices and other Atom-based products.

Intel doesn't plan to operate app stores itself, but will provide what it calls a technology framework to help Atom customers to set up their own.

Software is a key element of Intel's strategy to tackle new markets such as cellphones, where rivals that license microprocessor designs from **ARM Holdings** PLC dominate the field. Intel contends its new effort, called the Atom Developer Program, will ensure that applications will run on cellphones from multiple manufacturers—while programmers often have to modify their offerings to run on different ARM-based phones—and work on other kinds of devices, too.

"I think we will break down barriers between industries," said Paul Otellini, Intel's chief executive, who discussed the effort during an opening keynote speech at the forum.

One unusual wrinkle is Intel's plan to make it easier for apps—which are normally targeted at a single operating system—to run on Atom-based devices that use either **Microsoft** Corp.'s Windows or an Intel-backed operating system known as Moblin. Microsoft said it will assist by adapting its Silverlight software—which adds video and animation to Web sites—to work with Moblin. Rival **Adobe Systems** Inc., which makes the popular Flash format, also expressed support for the Intel effort.

Dell Inc., **Acer** Inc. and **Asustek Computer** Inc. also said they plan to adopt the Intel app-store approach.

Analysts said Intel's effort makes sense, but the company still faces an uphill battle. ARM has made progress in ensuring compatibility between products that use its latest chips. And ARM-based chips still offer longer battery life than Intel's Atom, noted Roger Kay, an analyst at Endpoint Technologies Associates.

This year's Intel Developer Forum follows an industry slump that hit bottom in last year's fourth quarter and has gradually eased since then. Mr. Otellini noted that many forecasters had originally expected a big drop in unit personal-computer sales for 2009, and most still call for a slight decline.

But Mr. Otellini said he expects PC unit sales for the year will be "flat to slightly" up. "I think it's more than resilient, it's amazing," he said of the PC industry.

The Intel event also comes one day after the European Union released a large number of emails and other evidence to support its decision in May to fine Intel €1.06 billion ($1.56 billion). Mr. Otellini said EU investigators ignored evidence that would have undercut allegations that Intel punishes PC makers that use chips from rival **Advanced Micro Devices** Inc. "We don't do exclusive deals, despite what you read and what you heard," Mr. Otellini said.

Hummer to locate in Michigan after sale to Chinese vehicle maker

BY JOHN STOLL

Hummer LLC plans to locate its new headquarters in Michigan once **General Motors** Co.'s sale of the sport-utility vehicle maker to China's **Sichuan Tengzhong Heavy Industrial Machinery** is finalized, Hummer spokesman Nick Richards said.

The new headquarters, expected at a refurbished site in either Detroit or a northern suburb of the city, promises to provide a modest lift to a Michigan economy that has been battered by the rapid decline of the U.S. auto industry. The region has lost tens of thousands of automotive jobs due to drastic restructuring at car companies and parts suppliers.

Hummer also considered sites in Tennessee and South Carolina, but Michigan pushed hard to keep Hummer in the state as part of its drive to remain at the center of the global auto industry.

Hummer says it plans to create 300 jobs at the site, including those in design, marketing, engineering and distribution. An additional 600 jobs could be created in the surrounding parts-supply, contract-engineering and other industries, according to State of Michigan estimates.

Hummer is committing to spend $9.4 million for the facility over five years, and the State of Michigan has committed $20.6 million in tax credits over the next 10 years.

CORPORATE NEWS

Suntory bids to acquire Orangina

Japanese drinks firm makes binding offer in $3.82 billion deal

BY MARIETTA CAUCHI

LONDON—Buyout firms **Blackstone Group** LP and **Lion Capital** said Tuesday they received a binding offer for Orangina Schweppes Group from Japanese drinks giant **Suntory Holdings** Ltd.

Financial details of the transaction weren't disclosed but a person close to the deal said the price tag is €2.6 billion ($3.82 billion).

Blackstone and Lion Capital bought Orangina in February 2006 for $2.24 billion, or €1.85 billion at the time. The private-equity firms financed the deal with €600 million in equity and the balance in debt.

The deal—which is subject to antitrust clearance as well as discussions with Orangina employee representatives, and which is due to close Oct. 31—would mark the latest ownership twist for closely held Orangina, which bottles, distributes and franchises a range of soft drinks. Its stable includes its trademark sparkling orange beverage, as well as national brands such as La Casera in Spain and Rosinka in Ukraine. It had 2008 revenue of about $1.5 billion.

Based in the Paris suburb of Levallois-Perret, Orangina is the No. 2 player in the European still soft-drink market after **Coca Cola** Co. and the No. 3 player in the European carbonated soft-drinks market after Coke and **PepsiCo** Inc.

Suntory Holdings, which bottles and distributes Pepsi products in Japan and makes whisky brands such as Yamazaki, is seeking to gain traction in the global market and diversify its portfolio.

Closely held Suntory, which had sales of about $16 billion last year, is in parallel merger talks with Japanese brewer **Kirin Holdings** Co. The companies' merger plans were filed for review last week with Japan's antitrust regulator, the Fair Trade Commission.

Earlier this year, Suntory paid more than €600 million for Groupe Danone SA's Australian and New Zealand drinks business Frucor.

Orangina has rich ownership history. The private-equity firms bought it in 2006 from Cadbury PLC, which spun off the rest of its soft-drinks business last year. It had earlier been owned by French beverage powerhouse Pernod Ricard SA. France blocked Coke from acquiring Orangina from Pernod Ricard in 1998.

Rothschild, J.P. Morgan Chase & Co., Citigroup Inc., Blackstone Corporate Advisory, Royal Bank of Scotland Group PLC and Nomura Holdings acted as financial advisers to Lion Capital and Blackstone. Bank of America Merrill Lynch advised Suntory.

—Hiroyuki Kachi in Tokyo contributed to this article.

Bloomberg News

Private-equity firms Blackstone and Lion Capital acquired Orangina for $2.24 billion in February 2006, financing the transaction with equity and debt.

IBM sets African push, challenging Microsoft

BY WILLIAM M. BULKELEY

International Business Machines Corp. will try to sell a new package of low-priced computer desktop applications to companies and governments in Africa, challenging **Microsoft** Corp. and other rivals in the region.

IBM, which has been pushing into developing markets like Africa and Asia as mature markets slow, said the package—which includes basic programs like word processing and email—would be made available to customers via remote "cloud computing" facilities, meaning users could access the programs from the Web. It would cost $10 per month per user, and can run on so-called netbook computers, or low-cost PCs priced around $300.

IBM is working in collaboration with London-based **Canonical** Ltd., which makes Linux software and was started in South Africa.

The African market for information technology is relatively small, but unlike Europe and the U.S., it is growing even in the recession. Market researcher IDC predicts it will rise 2.3% this year to $22.1 billion.

A number of vendors and nonprofit organizations are trying to spread Web access and personal computing in Africa, many focused on free Linux products. But many businesses and governments have stuck with Microsoft, rather than open-source systems like Linux, to avoid risks of bugs and to feel safer about service. Microsoft often provides financially attractive packages in developing economies and has reached licensing agreements with Libya, Egypt and other African governments. Microsoft declined to comment on the IBM plans.

Henkel taps Bagel-Trah as supervisory-board head

ASSOCIATED PRESS

FRANKFURT—Simone Bagel-Trah on Tuesday was named chairwoman of the supervisory board of German consumer-goods company **Henkel** AG, making her the first woman to head the board at a company listed on the country's main stock index.

Dr. Bagel-Trah, 40 years old, is the great-great-granddaughter of the company's founder, Fritz Henkel. She succeeds his great-grandson, Albrecht Woeste.

A supervisory board is the German equivalent of a U.S. board of directors. It oversees a company's management board, which runs day-to-day business.

"We are very much looking forward to working together with Simone Bagel-Trah in taking our company successfully forward," said Kasper Rorsted, the company's chief executive.

Düsseldorf-based Henkel is known for products including Persil and Purex laundry detergents, Pril and Somat dishwashing detergents, and a range of home and industrial adhesives and tapes including the brands Pattex and Loctite.

Dr. Bagel-Trah is the first woman to head the supervisory board of a company on Frankfurt's main DAX index of blue-chip stocks. A minister in the government of Chancellor Angela Merkel—Germany's first female leader—said it was an important step.

The election of Dr. Bagel-Trah to head the board is "an important signal for businesses, as Dr. Merkel's chancellorship [was] for politics," Ursula von der Leyen, the minister for families, told the daily Tagesspiegel.

Dr. Bagel-Trah, a doctor of microbiology and a mother of two, is also the chairwoman of Henkel's shareholders' committee.

She is the fifth generation of the Henkel family to be involved in the company's operations.

Dr. Bagel-Trah is also a partner and director of clinical microbiology research company Antiinfectives Intelligence, based in Rheinbach, near Bonn.

For the first half of the year, Henkel reported a 1% increase in net profit to €260 million ($381.6 million) from €257 million a year earlier, on sales of €6.74 billion.

Dow Jones to close Far Eastern Economic Review

BY SHIRA OVIDE

Dow Jones & Co. said it plans to close the Far Eastern Economic Review, bringing down the curtain on the 63-year-old magazine as the company redirects resources to its other news outlets in Asia.

Dow Jones previously cut the staff and publishing schedule of the Hong Kong-based magazine, which has chronicled business and politics in the region in the tumultuous decades since World War II.

The company overhauled the Review five years ago, transforming it from a staff-written weekly to a monthly with essays and analysis from political, academic and business experts. The move cut about 80 positions, or nearly all the magazine's staff.

The publication has struggled with losses amid the proliferation of global news outlets and the migration of readers to the Web. Dow Jones said in a statement that the situation was unsustainable. The closure is planned for December.

Dow Jones said the Review's remaining six editorial employees will be offered positions elsewhere at the company. Dow Jones is owned by **News Corp.**, which also publishes The Wall Street Journal. Hugo Restall, the Review's editor since 2004, remains a member of the Journal's editorial board.

The Review made its debut in 1946 as Asia emerged from the war, and became one of the most aggressive news organizations in the region. Its coverage made it the target of lawsuits in places like Singapore, where it was ultimately banned.

Until late 1986, Dow Jones shared ownership of the Review with the publisher of the South China Morning Post, an English-language newspaper based in Hong Kong. Dow Jones took over full ownership in a deal with News Corp., which had acquired a controlling interest in the Post. News Corp. bought Dow Jones in 2007.

With the closure of the Review, Dow Jones said it will focus its Asia coverage in other publications, including the Journal, its Chinese-language Web site, a planned Japanese-language Web site and new mobile services.

Rupert Murdoch, News Corp.'s chairman and chief executive, has said India and other fast-growing Asian nations are a growth opportunity for the company's entertainment and news businesses.

GLOBAL BUSINESS BRIEFS

Wipro Ltd.

Former SAP executive will join Wipro board

Wipro Ltd. said Henning Kagermann, who retired as the chief executive of Germany's **SAP** AG in May, will join its board of directors Oct. 27. With Mr. Kagermann's addition, seven of the Indian software exporter's 11 directors will be independent, Wipro said. Mr. Kagermann is the president of the German Academy of Science and Technology. He is also a member of the supervisory boards of Deutsche Bank AG, Munich Re, Deutsche Post in Germany and Finland's Nokia Corp.

Bertelsmann AG

Random House's Doubleday imprint said Dan Brown's novel "The Lost Symbol" sold more than two million copies in the hardcover and e-book formats in its first full week on sale in the U.S., Canada and the U.K. Random House, which is owned by **Bertelsmann** AG of Germany, said the performance represents a one-week sales record for the publisher. "The book is exceeding our expectations," said Doubleday spokeswoman Suzanne Herz. Mr. Brown's novel is his first since "The Da Vinci Code," in 2003, which has more than 81 million copies in print.

GM Daewoo Auto

GM Daewoo Auto & Technology Co. said it filed a petition in a Seoul court seeking to prevent its products from being copied by Tagaz Korea, a South Korean unit of Russian car maker Tagaz. GM Daewoo, the South Korean unit of **General Motors** Co., said two of its former employees, who also recently worked for Tagaz Korea, were arrested and indicted this month for alleged technology theft. The first hearing will be held Wednesday in the Seoul Central District Court to decide on GM Daewoo's petition, a company spokesman said.

Rio Tinto Ltd.

Rio Tinto Ltd. said it struck a deal to sell its Alcan Composites business for $349 million to Switzerland's **Schweiter Technologies** AG. Rio has been seeking to divest the Alcan engineering assets since its 2007 takeover of the aluminum group. Alcan Composites is based in Switzerland and manufactures composite materials for the display, architecture, and wind energy sectors. Rio said the sale is expected to be completed by the end of the year subject to regulatory approvals and employee consultation.

Hebei Iron & Steel Group

Chinese regulators have conditionally approved a merger to create one of the nation's largest steel mills, part of a push by the government to consolidate its steel industry. **Hebei Iron & Steel Group**'s three listed units—Tangshan Iron & Steel Co., Handan Iron & Steel Co. and Chengde Xinxin Vanadium & Titanium Co.—said Tuesday the China Securities Regulatory Commission has conditionally approved their plan to merge. Under the plan, Tangshan Iron will take over Handan Iron and Chengde Xinxin Vanadium & Titanium, the companies said earlier this year.

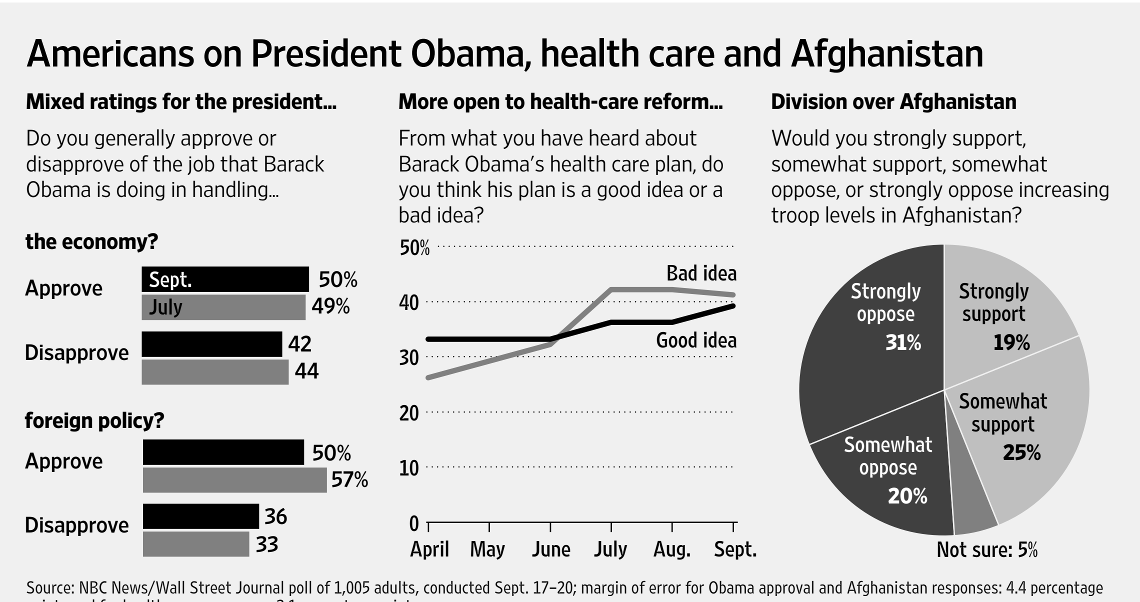
—Compiled from staff and wire service reports.

ECONOMY & POLITICS

Poll has bright spots, warning for Obama

Erosion of support for health revamp slows, but concern is cited over Afghanistan; independents disapprove overall

By Jonathan Weisman



Source: NBC News/Wall Street Journal poll of 1,005 adults, conducted Sept. 17–20; margin of error for Obama approval and Afghanistan responses: 4.4 percentage points and for health-care responses: 3.1 percentage points

U.S. President Barack Obama faces significant doubts from the American public about the war in Afghanistan and his handling of foreign policy more broadly, according to a Wall Street Journal/NBC News poll. At the same time, the president has shored up eroding support for his top domestic priority, with the survey showing he has arrested the slide in support for his health-care plan.

The poll of more than 1,000 adults, taken within the past week, shows growing optimism that the economy has begun to turn around. And the president's overall approval rating has held steady at 51% since August, as his message on health care has clearly begun to penetrate.

But the survey also has some strong warnings for Mr. Obama.

For the first time, independent voters—who delivered Mr. Obama the White House and Democrats control of the Congress—disapprove of the job he is doing, 46% to the 41% who approve. In July, 49% of independents approved of the president, against 38% who disapproved.

New doubts about the president have coincided with new hopes for Republicans, who appeared flattened by the election nearly a year ago.

As the 2010 election cycle heats up, independent voters now favor Republican control of Congress by four percentage points.

"For a party walloped two cycles in a row with independents, I think those are very important stories," said William McInturff, a partner at the Republican polling firm Public Opinion Strategies, who conducts the Wall Street Journal/NBC News poll with Democratic pollster Peter Hart.

As Mr. Obama ramps up his focus on diplomacy this week—at the United Nations General Assembly in New York and then hosting a summit of world leaders in Pittsburgh—the percentage of Americans who approve of the job Mr. Obama is doing on foreign policy has dropped to 50% from 57% in July.

Americans are pessimistic about the prospects of victory in Afghanistan; 59% say they are feeling less confident that the war will come to a successful conclusion. And 51% say they would oppose sending more troops to the conflict.

"No matter what we do, it's not going to be the right thing," said Rick Culotta, a 46-year-old Republican in Metairie, La., who responded to the poll.

On the economy, Americans aren't euphoric, but the mood is clearly improving. Nearly one-quarter of the poll's respondents said they feel satisfied with the state of the economy. which marks a 10-point jump from July. Thirty-five percent of the country now believes the economy has pretty much hit bottom, compared with 27% who thought so in July.

Mr. Hart, the Democratic pollster, said Americans don't so much think the economy has turned around as they believe their fortunes "are less bad than they were."

Rising optimism about the economy generally helps a sitting president. But the poll shows some ambivalence about Mr. Obama's economic prescriptions. By a wide margin—45% to 34%—Americans said his economic-stimulus plan was a bad idea, though by 46% to 43%, they say without it, the recession would have been worse. Even though the economy has improved, ratings for the stimulus plan haven't, suggesting attitudes about the program may be fixed.

In February, as the president was pressing for his stimulus plan, 51% of Americans said the government should do more to solve problems and meet the needs of people. Just 40% said the government was doing too many things better left to businesses and individuals.

This month, 49% said government is doing too much, while 45% said government should be doing more.

"The government is just too, too big," said Gene Garcia, 68 years old, a Democrat and Obama voter in Arvada, Colo. "Some things they have to leave to the states."

Meanwhile, the intensifying debate in Washington over how to handle Afghanistan mirrors divisions in the country at large. Almost half the country, 49%, sees the war in Afghanistan as somewhat or very unsuccessful; 46% see success, but only 8% see it as very successful.

Even when reminded of the nation's potential vulnerability in losing the war started to rout al Qaeda, a plurality was unmoved; 45% said they were most concerned that the nation would invest lives and resources into the war with little to show for it; 44% said they were more concerned that the nation wouldn't do enough to confront al Qaeda and the Taliban and would be more vulnerable because of it.

A Taliban victory "means they could set up bases and launch new attacks," said Jay Vosburgh, 53, an independent voter from Plano, Texas, who voted for Republican John McCain and is now favorable to Mr. Obama. But he has still had enough. "They're trying to fight al Qaeda, but it's probably gone on too long."

At the same time, only 38% favor an immediate and orderly withdrawal from Afghanistan, while 55% oppose a pullout. That is reminiscent of the public-opinion stalemate that faced lawmakers on Iraq when that war began going poorly.

On the key issue of health care, a revitalized effort by Mr. Obama to drive home his message appears to be having an impact. As a priority for the federal government, job creation and economic growth are still on top, with 30% saying those should be the primary task of Washington. But that is down from 38% in July. Meanwhile, health care has jumped to the top priority of 21% of Americans, from 14%.

"It's broke. We need to fix it," William B. Cole, a 66-year-old retiree in New Castle, Va., said of the health-care system. He said Mr. Obama's speech reinforced his support.

Last month, 47% disapproved of the president's handling of health care, versus 41% who approved. Now, those numbers are about even, with 45% approving and 46% disapproving. More people still believe the president's health-care plan is a bad idea than a good one, 41% to 39%. In July and August, 42% said it was a bad idea while 36% thought it was a good idea.

But 45% said it would be better to pass the plan than stick to the status quo; 39% favor keeping the current health system.

The president's effort to reassure Americans that his plan wouldn't harm them appears to be working; 53% say Mr. Obama's health plan will either not affect the quality of their health care or will improve it. Only 36% said quality would get worse. In August, 40% said quality would get worse.

The improvement is relatively modest, Mr. McInturff said, especially given the president's barnstorming the nation, his address to Congress two weeks ago and his media blitz. "A president cannot do much more than that," he said.

Democrats, meanwhile, retain a political advantage over the Republicans. Nearly a year after handing control of Washington to Democrats, Americans still like the majority party better than the opposition: 41% feel positively about Democrats and 28% feel positively toward Republicans, largely unchanged since July.

But the poll has some encouraging results for Republicans a little more than a year before the midterm elections. Republicans have gotten closer to the Democrats as the party that Americans want to see in control of Congress after the November 2010 elections, 40% to 43%. In July, Democrats held a seven-point edge, 46% to 39%.

—Nomaan Merchant and T.W. Farnam contributed to this article.

Virologist's charge Russia is hiding swine flu creates storm

By Gregory L. White

MOSCOW—A top Russian virologist's charge that health authorities are drastically understating the number of cases of swine flu—a claim that senior health officials fiercely rejected—has raised questions about Russia's claims to be relatively unaffected by the pandemic.

The controversy started late Sunday, when state television carried an interview with Dmitry Lvov, head of the government's Institute of Virology, who reported what he said was Russia's first death from H1N1 influenza, saying his institute had tested a sample from the victim.

Dr. Lvov, one of the country's most prominent health specialists, also said there were "tens of thousands" of H1N1 cases in Russia, far more than the 381 the government officially reports.

Top officials have strongly rejected both claims. Public-health chief Gennady Onishchenko accused Dr. Lvov of an "informational terrorist act," according to the official ITAR-Tass news agency. Authorities published detailed information about the death Dr. Lvov referred to, arguing that the patient died of pneumonia and other underlying health conditions, not H1N1.

But the storm has continued, as Dr. Lvov has stuck by his charges and other specialists too have cast doubt on the official figures.

A doctor answering a swine-flu hotline at the state-run Influenza Institute in St. Petersburg this week said, "There have been lethal cases of this flu in Russia. It couldn't be otherwise; we're not isolated from the world." Officially, Russia is one of the few countries left in the world without a single H1N1 death.

The debate has caused an unusual split in the state media, which typically work in lock-step. Dr. Lvov's comments came in a prime-time exposé on the national Rossiya channel that called into question the government's readiness to deal with the pandemic. Tuesday, the official newspaper, Rossiiskaya Gazeta, took the opposite tack, carrying the Health Ministry's denial.

Public suspicion about official transparency of health risks runs deep in Russia, where the former Soviet government frequently covered up major outbreaks. Polls show deep dissatisfaction with the underfunded state-run health system. Poor medical care is cited by international health organizations as a major reason why life expectancy in Russia lags behind levels in Western countries.

In his TV interview, Dr. Lvov accused Dr. Onishchenko's agency of trying to cover up the scale of the outbreak to conceal the failure of their efforts to keep it out of Russia. Dr. Onishchenko rejected those allegations.

In its H1N1-control efforts, Russia has emphasized limiting exposure, measuring the temperatures of airline passengers coming from infected countries and quarantining the sick.

Dr. Onishchenko also has called on Russians not to travel to countries with major outbreaks, including the U.S. and U.K. Earlier this year, his agency banned some pork imports to combat the flu, even though the virus isn't carried by meat. The agency reports daily on the number of airline passengers checked for fever.

Critics have charged that those measures are bound to fail, given the broad spread of the virus, and called for more steps to control domestic transmission and to prepare to treat the sick, such as expanding testing and intensive-care facilities.

"There's no utility in attempting to stop an influenza virus at the border," said Michael Osterholm, a pandemic flu expert who is director of the Center for Infectious Disease Research and Policy at the University of Minnesota. "It's like trying to keep a submarine intact with screen doors."

Russian officials say they are testing a vaccine and expect to have about 40 million doses by the end of the year, enough to cover about 30% of the population. The Health Ministry this week also reported that locally developed antiviral drugs were more effective, cheaper and safer than foreign ones such as Tamiflu and that production would be ramped up in the coming months.

—Olga Padorina and Betsy McKay contributed to this article.