News in Depth: Cash-rich Oracle scoops up bargains in recession spree

THE WALL STREET JOURNAL.

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What's News

Daimler swung to a fourth-quarter loss, hurt by slowing sales at its core Mercedes-Benz unit and a big loss on its stake in Chrysler, and said it expects 2009 earnings to be dented by charges. **Page 4**

■ **RBS will cut** cash bonuses by 90% and freeze executive pay as the U.K. takes a hard line with banks that have received bailout cash. **Page 17**

■ **A U.S. stock selloff** put the market within reach of bear-market lows. Western European banks were punished over their exposure to Eastern Europe, and the dollar rose against the euro. **Pages 17, 18**

■ **Russia warned** its recession will be deeper than expected as signs emerged the crisis is hurting the popularity of Putin and Medvedev. **Page 2**

■ **Germany's government** finalized a bill seeking to allow the forced nationalization of banks as a last resort during a time limit of several months.

■ **U.S. auto makers** continued cost-cutting talks with unions as the government advanced its point person on auto restructuring. **Page 32**

■ **The U.S. appears** to be hedging its bets with Japan as Prime Minister Aso's government grows weaker. **Page 10**

■ **Singapore's key exports** fell 34.8% in January, the fastest pace on record. **Page 10**

■ **European steelmakers are** bracing for a first quarter they expect to be even tougher than the end of 2008. **Page 4**

■ **U.S. Sen. Burris** acknowledged trying to raise money for ex-Gov. Blagojevich before being appointed to the Senate seat vacated by Obama.

■ **A U.S. general visited** Uzbekistan to try to secure alternative supply routes for forces fighting in Afghanistan.

■ **Europe's highest court** loosened requirements for some refugees seeking asylum in the EU. **Page 9**

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■ **Sudan's government** and a Darfur rebel group said they will hold peace talks but failed to agree on a cease-fire.

■ **Died: Bernard Ashley,** 82, who worked with his wife to turn the Laura Ashley brand into a global business, in Wales.

EDITORIAL & OPINION

Beaming jihad

Europe—and especially France—should shut out terrorist TV. **Page 13**

Breaking news at europe.WSJ.com

Eastern Europe shakes banks

Fears of economic crash hit Western institutions with heavy ties to region; currencies fall

By Marc Champion, Katharina Bart and Clare Connaghan

Growing market concern over the risk of a full-blown economic crash in Eastern Europe slammed the share prices of Western banks with heavy exposure in the region Tuesday and shook local currencies.

As some market analysts warned of regional economic collapse on the scale of the Asian crisis in the late 1990s, a report by the Moody's ratings agency warned it may downgrade banks active in Eastern Europe, triggering share price losses of up to 10% among some of those banks.

Reflecting the darkening mood, the cost of insuring government debt from Poland to Russia rose further, while Poland's zloty, the Hungarian forint and the Czech koruna all fell by around 1% against the euro during the day.

Bad news among onetime former Soviet satellites came from as far afield as oil-rich Kazakhstan, where the country's biggest bank suffered a run by depositors. Ukraine, meantime, posted a staggering 34% drop in industrial output for January compared with a year earlier, and a 16% drop from December — in part a result of the gas pricing dispute with neighboring Russia.

A "special comment" published Tuesday by Moody's Investors Service Inc. warned that euro-zone banks—notably in Austria, France, Italy, Belgium, Germany and Sweden — with significant exposure to East European economies may be downgraded. The Moody's report said economies across Central and Eastern Europe, the Balkans and the ex-Soviet bloc "have now entered a deep and long economic downturn."

Growth forecasts for 2009 across Europe have been plummeting, along with exports and domestic demand. According to early estimates from Eurostat, the European Union's statistics agency, the 27-nation bloc contracted by 1.1% in the fourth quarter. That included drops in emerging economies including Latvia shrinking by 10.5% in the fourth quarter, Lithuania by 1.4% and Hungary by 1%. In Poland, where finance minister Jacek Rostowski in October called his country "immune" to the global financial crisis, the government has slashed its 009 growth forecast to 1.7% from 4.6-5.0%. Many economists believe its economy actually will contract in 2009.

These countries are suffering from a fast-falling market for their exports in Western Europe thanks to the global slowdown, while sliding currencies against the euro are

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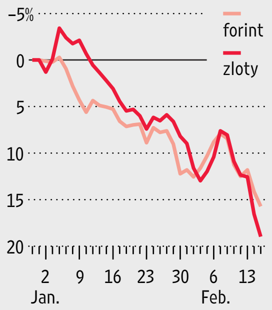
East decreased

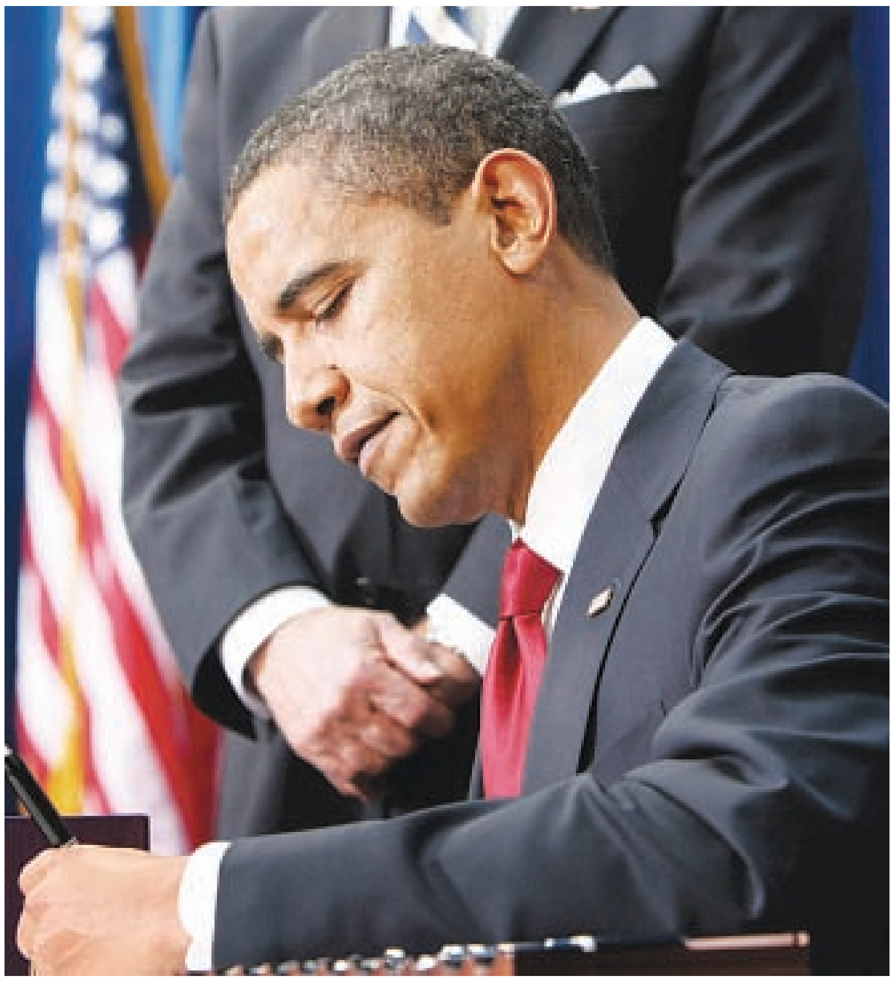
Year-to-date change in the number of Hungarian forints and Polish zlotys one euro buys, scale inverted



Note: As of Tuesday afternoon

Source: Thomson Reuters Datastream

'Doing the work that America needs done'



Associated Press

SENDING A MESSAGE: At a ceremony in Denver, President Barack Obama signed into law the most sweeping U.S. economic package in decades. **Page 8**

U.S. accuses banker of $8 billion fraud

By Siobhan Hughes And Miguel Bustillo

The Securities and Exchange Commission charged R. Allen Stanford with an $8 billion fraud centered on the sale of certificates of deposit, saying the flamboyant businessman lured investors by promising high and seemingly safe returns.

It was the second huge alleged fraud to emerge in three months, following charges in December against Bernard Madoff, who the SEC said admitted to carrying out a $50 billion Ponzi scheme.

Federal agents raided offices of Stanford group companies Tuesday morning.

Stanford International Bank, based in the tiny Caribbean island of Antigua, offered investors above-market returns on the certificates of deposit, which weren't insured by the U.S. Federal Deposit Insurance Corp. It gathered billions of dollars through the bank and other group companies, with Latin Americans making up a significant portion of the investors.

The SEC said Stanford International Bank assured investors that the bank was investing the money in liquid financial instruments that were monitored by a team of more than 20 analysts. In reality, the regulator said, much of the money went into real estate and private equity. It said only Mr. Stanford and James Davis, the bank's chief financial officer, knew where most of the money was going.

"As we allege in our complaint, Stanford and the close circle of family and friends with whom he runs his businesses perpetrated a massive

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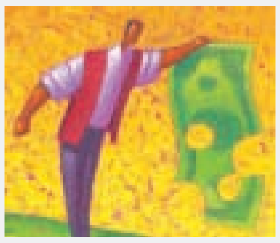
Inside



Hedging their bets

Brokerage firms, funds pare client lists, tighten financing

Money & Investing, page 20

China, Russia reach a $25 billion oil deal

By David Winning and Shai Oster in Beijing and Alex Wilson in Melbourne

China reached a long-term deal to lend $25 billion to two Russian energy companies in exchange for an expanded supply of Russian oil, highlighting how the world's No. 3 economy is using its financial muscle to lock up access to natural resources.

The agreement, part of a broader Sino-Russian energy cooperation pact signed Tuesday in Beijing, follows several overseas resource deals in recent weeks that combined involve nearly $50 billion in Chinese capital. The moves, which promise to make China a much bigger player in global commodities industries, are leveraging China's relative financial strength at a time when most other big economies are in recession.

The overseas agreements are fueling concern in Australia, where China has been especially active lately. On Monday **China Minmetals** Corp. offered roughly $1.7 billion to buy Australia's **OZ Minerals** Ltd., and last week **Aluminum Corp. of China** announced a planned $19.5 billion investment in mining giant **Rio Tinto**.

Some Australian officials fear that the investments by the state-controlled Chinese

Please turn to page 31

Markets

4 p.m. ET

	CLOSE	PCT CHG
DJIA	7552.60	-3.79
Nasdaq	1470.66	-4.15
DJ Stoxx 600	183.98	-2.49
FTSE 100	4034.13	-2.43
DAX	4216.60	-3.44
CAC 40	2875.23	-2.94
Euro	$1.2583	-1.68
Nymex crude	$34.93	-6.88

THE WALL STREET JOURNAL.

LEADING THE NEWS

Russian leaders' ratings fall

Putin and Medvedev see slide as economy faces a bigger slump

By Andrew Osborn

MOSCOW—The Russian government warned that the recession will be much deeper this year than expected amid the first signs that the widening crisis is beginning to dent the once-bulletproof popularity of Prime Minister Vladimir Putin and President Dmitry Medvedev.

Combined with a sharp drop in the price of oil in the U.S., the blizzard of bad news sent the ruble more than 2% lower as shares on the country's two main stock exchanges tumbled 9.4%, the most in almost five weeks, prompting regulators to temporarily halt trading.

As economic pain has spread further and deeper into the real economy, idling factories and putting hundreds of thousands of Russians out of work, the government has begun to talk about the crisis with greater realism. President Medvedev for example addressed the nation on Sunday in the first of a series of crisis-related fireside chats and used unusually plain language.

The government's message is that things are going to get worse before they get better but that its huge foreign-currency reserves, of more than $380 billion, the third largest in the world, will see it through.

Deputy Economy Minister Andrei Klepach said Tuesday that the Russian economy, which has boomed for the past eight years, will "probably" contract by 2.2% this year, a hard landing for an economy used to 8% growth. He blamed a sharper-than-expected 14% drop in investment this year. Previously government officials had predicted the economy would shrink just 0.2%, a forecast that independent analysts said was optimistic, given depressed commodity prices. Mr. Klepach said inflation will probably be higher than expected in 2009—as much as 14%, up from a previously forecast 13%.

The bleak new forecast followed grim industrial-production data on Monday that showed output in January plunged 16% from a year earlier, the steepest fall in years. Meanwhile, wage arrears, a prime cause of social unrest in the 1990s, increased by almost 50% last month, affecting half a million people.

President Medvedev said on Tuesday that the government will be forced to make deep cuts in its budget because of the drop in the price of oil, Russia's main export earner. Officials said that Russia will run a budget deficit as large as 8% this year and that it will need to dip into rainy-day money to cover the shortfall. Mr. Putin described the 2009 budget changes as an "optimization," pledging to preserve and even increase some social spending.

But he said tumbling global oil prices had halved the oil revenues the government expected to pour into the budget. In a further sign of tighter finances, a senior government announced—for the first time—that the Kremlin would need to reduce the amount it spends on hosting the showcase Winter Olympics in Sochi in 2014.

The flurry of negative news came as data from the Russian Public Opinion Research Center, a state-owned pollster, showed that the crisis is beginning to take the shine off Messrs. Putin and Medvedev's previously stratospheric poll ratings. The data showed that the number of people who approved of Mr. Putin's work fell to 74% in February from 81% in September. The number of people who approved of Mr. Medvedev's performance fell to 69% in February from 79% in September.

Valery Fyodorov, the polling center's director general, played down the figures, saying data due out Wednesday will show less dramatic declines. He said the lower figures showed the ratings were returning to their "normal level" after what he said was an unusual spike caused by Russia's short victorious war against Georgia last year.

"There's no particular drop," he said. "This is about that earlier euphoria [connected with the war] disappearing." Pollsters from two other organizations broadly agreed with that assessment.

But the worsening economic conditions are showing up in other poll data. Data from the independent Levada polling center show that the number of Russians who think things in the country "are going in the right direction" plunged to 43% last month from 61% a year earlier.

German economic mood rose sharply in February

By Roman Kessler

The economic mood of German financial analysts in February showed its strongest increase since mid-1993, a survey from the Center for European Economic Research showed Tuesday. The rise in optimism is connected to hopes that expansive monetary policy and a massive fiscal stimulus will help put Germany's economy back on track.

"We expect the economic slump to hit bottom in the first quarter of 2009," ZEW Economist Matthias Köhler said. "The consumption climate in Germany is quite good and stable, boosted by low inflation figures."

The think tank's economic expectations index for the six months ahead stood at minus 5.8, a significant improvement from January's minus 31.0 and its fourth increase in a row.

The European Central Bank still has room to cut its key interest rate by half a percentage point to 1.5% in March, Dresdner Kleinwort Economist Rainer Guntermann said. The vast majority of ZEW's 310 survey respondents expect the inflation rate to decline strongly in the six months to come, which provides the ECB with some leeway.

But analysts said the rise has to be taken with a pinch of salt. While ZEW's measure of expectations for the future improved, the survey's participants' assessment for current conditions continued to deteriorate, averaging minus 86.2 points in February from minus 77.1 points in January.

"The main reason for the rise in

Economic expectations

The ZEW indicator of economic sentiment for Germany

Source: ZEW economic institute

the level of expectations probably still lies precisely in the increasingly poor view of the current economic situation," Commerzbank Chief Economist Jörg Krämer said. Germany reported Friday that slumping machinery investment and nose-diving exports in the three months to Dec. 31 led to a 2.1% quarterly decline in real GDP.

The euro-zone trade deficit narrowed in December, as imports of oil became less expensive, although the value of exports also fell, data showed.

The 15 countries that made up the euro zone in December before Slovakia joined posted a combined deficit in their trade in goods of €700 million ($880 million) after a revised €5.8 billion deficit in November and €3.9 billion shortfall in December 2007. The data showed euro-zone exports fell 2% on the year in December to €113.8 billion, while imports dropped 5% to €114.5 billion.

In the U.K., which isn't part of the euro zone, consumer-price inflation eased only slightly in January, as a record drop in fuel and lubricant costs was offset by higher core prices, according to data from the Office for National Statistics. The annual consumer-price index fell 0.7% on the month and rose 3.0% on the year in January—its lowest since March 2008.

CORRECTIONS & AMPLIFICATIONS

Banco Santander SA is one of several banks to have offered its clients compensation for losses in Bernard L. Madoff's alleged fraud. A Leading the News article Tuesday incorrectly said that Banco Santander was the only bank to have done so.

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.

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

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LEADING THE NEWS

Somalia's new leader says peace will take a year

Ahmed asks groups such as Al Shabab to disarm, heal rifts

BY SARAH CHILDRESS

DJIBOUTI, Djibouti—Somalia's new president, Sheikh Sharif Sheik Ahmed, gave an optimistic but general forecast for peace in his nation, saying it would take about a year to reconcile political factions and restore stability to the war-torn country.

In his first interview with a Western publication since his election, Mr. Ahmed rejected extremism and said he would need international help to rebuild Somalia after nearly two decades of clan-based violence, political upheaval and lawlessness. The 44-year-old schoolteacher-turned-politician was elected by parliament last month, and this week plans to select his cabinet.

President Ahmed's biggest challenge will be to confront the militant group Al Shabab. The group was labeled a terrorist organization by the U.S. last year and is now the most powerful force in Somalia. Al Shabab was part of Mr. Ahmed's previous government, which was in power between June and December 2006.

Mr. Ahmed said Monday that neither he nor his government had communicated directly with Al Shabab. Instead, he said he had made a public appeal to all groups to lay down their arms and participate in rebuilding the country.

"If they agree to a dialogue, they are in, whatever their past positions were," he said, speaking through a translator during the interview. "If they are against dialogue, there is no way we can deal with them, except to be harsh." He added that "it's upon them whether they want to accept or reject it."

Al Shabab gained popularity by opposing the Ethiopian invasion of Somalia, and used the support to push a hard-line strain of Shariah, or Islamic law, that most Somalis, including Mr. Ahmed, have denounced. The group currently occupies much of south-central Somalia, including the port city of Kismayo as well as Baidoa, the seat of the Somali parliament.

Security is so tenuous that the government of Somalia has been living in neighboring Djibouti for the past month. Mr. Ahmed has been staying in one of the Djiboutian president's guest houses.

The president, who is slight and soft-spoken, wore a gray pin-striped suit and an embroidered traditional Muslim cap during the interview. Although appearing weary from a long day of meetings, he seemed focused and determined while discussing the problems his country faces.

So far, Mr. Ahmed said, no members of Al Shabab have expressed interest in talks. He has won support, at least for now, from clan leaders weary of fighting, by declaring a fresh start. His choice of Omar Abdirashid Ali Sharmarke, a respected leader from a prominent rival clan as prime minister, could also go a long way toward healing rifts.

"Choosing him from another clan will get us to the next stage," Mr. Ahmed said—one that moves beyond clan-based politics. "We've chosen him and other officials in the government ... capable people who can lead the country out of the mess we're in right now. Everyone must feel responsible for restoring peace in Somalia."

Associated Press

Somalia's new president, Sheikh Sharif Sheik Ahmed, in January. Mr. Ahmed has called on extremist groups in his country to disarm and help rebuild peace.

A unified front against Al Shabab, as well as the extremists' dwindling public support, could help the government fend off the group while building a stronger security force. In the meantime, Mr. Ahmed will rely heavily on the presence of African Union peace-keeping forces.

Mr. Ahmed said he plans to return within weeks. "Somalia has been a devastated country for so long and now we're building it from scratch," he said.

CORPORATE NEWS

European steelmakers fret

Tough first quarter is expected as demand remains weak, but recovery might be in sight

By Alex MacDonald

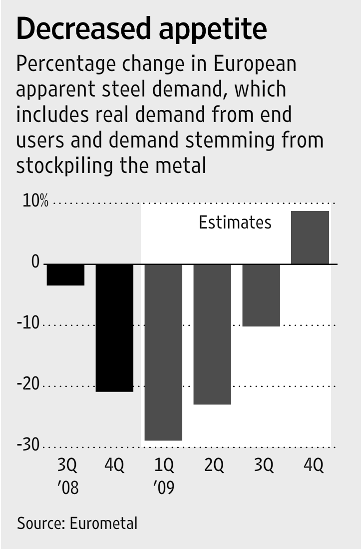
LONDON—European steelmakers are bracing for a first quarter they expect to be even tougher than the end of last year, with demand still slack in Europe despite signs it might be picking up elsewhere.

Steelmakers around the world have slashed production, cut jobs and shelved expansion projects as key customers in the automotive, appliance and construction industries continue to curtail their steel orders amid the global recession.

However, European steel demand appears to be particularly hard-hit. While U.S. inventories have fallen to their lowest level in 15 years and Chinese inventories have fallen enough to cause domestic steel prices to rise, European inventories remain comparatively high.

"We expect the first quarter to be the lowest quarter [this year] in terms of profitability," said Aditya Mittal, chief financial officer of Luxembourg-based **ArcelorMittal**, the world's largest steelmaker by volume and revenue.

The three months ended Dec. 31 were the company's worst quarter since Arcelor and Mittal merged in 2006, and the company expects the current quarter to be even tougher, as steel prices remain low and shipments continue to fall.



Germany's **ThyssenKrupp** AG, Sweden's **SSAB Svenskt Stal** AB and Austria's **Voestalpine** AG have also warned of gloomier days, particularly during the first quarter, as steel orders from the automotive and construction industries—which account for 75% of European steel consumption—continue to dwindle.

ArcelorMittal cut global production to 55% of capacity in the fourth quarter from 65% in September, and expects to operate at 55% to 60% capacity until steel inventories have been depleted.

The European Union is the world's second-largest steel-producing region, after China, accounting for nearly 15% of global steel production last year, according to the World Steel Association. The EU produced 199 million metric tons of steel in 2008, while China produced 502 million tons, accounting for 36% of the world's total production.

European apparent steel demand, which includes real demand from end users and demand stemming from stockpiling, fell nearly 21% in the fourth quarter and is expected to drop about 29% in the current quarter—the steepest drop since the economic crisis began to take its toll on steel demand last summer.


Aditya Mittal

Steel prices for billet, a form of semifinished steel product, plummeted to about $350 a metric ton in December from a high of more than $1,200 a metric ton over the summer. They have been hovering around $350 a ton since.

Some steelmakers expect the European market could start to recover in the second quarter.

ThyssenKrupp said it expects apparent demand to start improving as steel inventories dwindle, although it declined to give a full-year profit forecast, citing lack of visibility in the market. Prices are also expected to rise since spot-steel producers can't continue producing steel below cost. The company expects a modest pickup in crude-steel demand next year.

ArcelorMittal's chief executive, Lakshmi Mittal, said he expects demand to improve in the second quarter and begin to stage a recovery globally in the second half, although a full recovery is still two and a half years away.

Chinese steel prices have climbed about 20% this year, he said. Demand for iron ore, the key ingredient in the production of steel, is finally rising, he added. Mr. Mittal predicts that China, the U.S. and emerging markets such as India should see a recovery first, he said, while Africa and Europe would be last.

Analysts were, however, more skeptical about whether the European steel industry faced brighter days after the first quarter.

"We only expect production to recover to 2008 levels by 2013, despite growth rates above the historical trend over the next few years," Citigroup said in a note to clients. Steel analyst Johan Rode at Citigroup said in a note that ArcelorMittal's 2009 "dividend reduction, further planned cost savings and more personnel reductions don't support the argument for growth."

Although analysts and steelmakers differ about the timing of the recovery, they agree that it will begin to emerge once steel inventories have been depleted and fiscal-stimulus packages around the world begin to kick in.

Iberdrola cuts spending plans as profit sinks

By Bernd Radowitz

MADRID—Spanish electricity company **Iberdrola** SA slashed its capital-spending plans for 2009 as it reported a 49% drop in fourth-quarter net profit, hurt by higher costs.

Iberdrola said its net profit fell to €379.3 million ($488.9 million) from €740.6 million a year earlier. The results missed analysts' expectations for net profit of €475 million.

Net revenue rose 21% to €7.39 billion from €6.09 billion a year earlier.

The company was weighed down by rising operating costs after it acquired U.S. power company Energy East in September. Operating costs rose to €1.05 billion from €719.4 million.

Earnings were also dented by the economic downturn in the U.K., which depressed power prices there, and by the devaluation of the pound and the dollar against the euro.

The cost of emissions rights rose at the company's Scottish Power division.

Meanwhile, the cost of emissions rights at the company's Scottish Power subsidiary increased, as did the cost of fuel. The company bought part of its fuel supplies before commodity prices plunged, a company executive said.

Iberdrola expects to invest €4.2 billion this year, down from €7.5 billion last year, Chairman Ignacio Galán said in a conference call with analysts.

"The economic and financial environment will continue to be complex in 2009," Mr. Galán said. "We will be more prudent," he said. The company doesn't plan further acquisitions, he said.

Investments in 2008 had been inflated by spending on extraordinary items, such as flue-gas desulfurization scrubbers at Scottish Power's Longannet coal-fired power plant, Mr. Galán said.

Iberdrola expects a boost this year in its renewable-power business, thanks to legislative changes in the U.S. and ambitious renewable-energy targets from the European Union, Mr. Galán said. New energy and economic-stimulus legislation in the U.S. aims at doubling output from renewable power within three years. Meanwhile, the EU aims at reaching 20% of primary energy consumption from renewables in 2020.

Daimler records a loss as Mercedes sales slow

By Christoph Rauwald

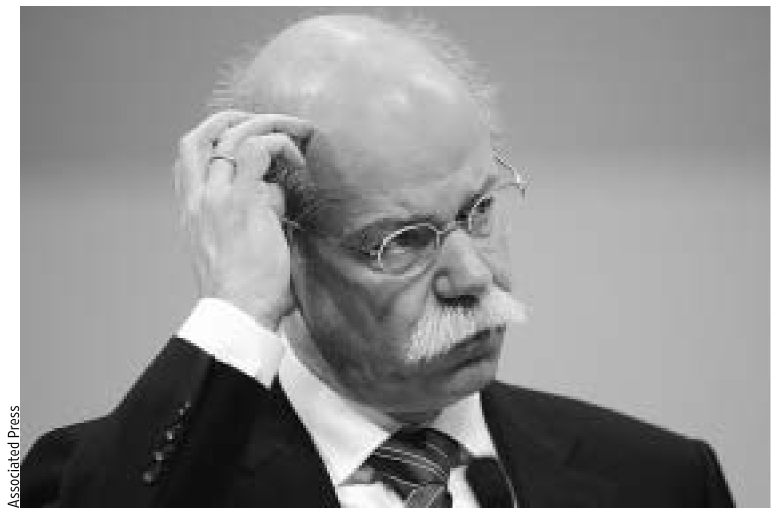
Daimler AG swung to a fourth-quarter net loss, slammed by slowing sales at its core Mercedes-Benz unit and a big loss on its stake in **Chrysler** LLC, and said it expects 2009 earnings to be dented by charges.

Daimler, which also makes economical Smart and ultraluxury Maybach cars, said Tuesday it expects vehicle sales to fall significantly this year from 2008 and that revenue will be lower than last year in all divisions.

Sales for the Mercedes-Benz brand, the world's No. 2 luxury-car brand for sales, behind **BMW** AG, fell 35% last month from a year earlier, to 53,900 cars.

Daimler posted a fourth-quarter net loss of €1.53 billion ($1.97 billion), compared with a year-earlier net profit of €1.7 billion. Revenue fell 12% to €23.24 billion from €26.5 billion.

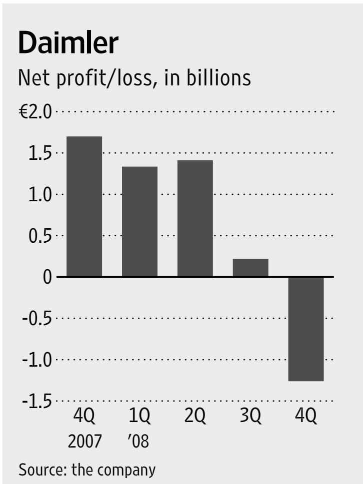
The company's remaining stake in Chrysler cost Daimler €2.01 billion in the quarter, including €1.67 billion in impairments of loans and other assets. Daimler sold an 80.1% stake in Chrysler to **Cerberus Capital Management** LP in 2007 after Daimler and Chrysler's alliance failed to reap the expected benefits.



Daimler CEO Dieter Zetsche at the company's annual news conference Tuesday. The German auto maker expects sales and revenue to decline this year.

Daimler Chief Executive Dieter Zetsche said he sees "progress" in the talks with Chrysler and Cerberus over the sale of the remaining 19.9% stake in Chrysler, but didn't elaborate.

The Mercedes-Benz cars unit posted a €359 million loss before interest and taxes for the fourth quarter, compared with a year-earlier profit of €1.43 billion. EBIT at Daimler's truck unit, the world's biggest truck maker by sales, slumped 83% to €86 million.



Daimler shares fell 3.8% in Frankfurt.

StatoilHydro's fourth-quarter net fell 67% as oil prices slipped

By Elizabeth Cowley

OSLO—**StatoilHydro** ASA reported a 67% drop in fourth-quarter net profit, hurt by declines in oil prices and the Norwegian krone, and forecast sharply lower exploration spending for 2009 amid uncertain market conditions.

The Norwegian oil-and-gas company said net profit for the quarter decreased to 2.01 billion kroner ($291.5 billion) from 6.15 billion kroner a year earlier, as net foreign-exchange losses soared to 22.94 billion kroner from 987 million kroner.

Revenue rose 2.7% to 149.83 billion kroner, and operating profit increased 22% to 37.77 billion kroner.

StatoilHydro said its 2009 capital expenditure, excluding acquisitions, will total 13.5 billion kroner, down from 17.8 billion kroner last year.

"The price development for natural gas is very uncertain due to the financial turmoil," the company said. But Chief Executive Helge Lund said StatoilHydro is "well positioned to manage through the global economic downturn."

Equity output rose 3% in the fourth quarter to 2.023 million barrels of oil equivalent a day, while entitlement volumes advanced to 1.857 million barrels of oil equivalent. The difference between the two is due to production-sharing agreements at StatoilHydro's international assets.

Production costs declined to 36.90 kroner a barrel in 2008 from 44.10 kroner, benefiting from the merger with Norsk Hydro ASA.

StatoilHydro drilled 79 exploration and appraisal wells and nine exploration-extension wells in 2008, 48 in Norway and 40 internationally, of which 41 were discoveries. The company's exploration spending rose to 5.9 billion kroner in the fourth quarter from 5.2 billion kroner a year earlier, because of higher activity and increased drilling costs.

CORPORATE NEWS

Reuters

'The sharp deterioration that we reported on last November has continued into 2009, and we see no signs of improvement at this stage,' said Chief Executive Andrew Cosslett. Above, a porter at the InterContinental Hotel, Park Lane in London.

Hotel giant sees more slack

InterContinental net hurt by write-down; revenue per room falls

By Michael Carolan

InterContinental Hotels Group PLC reported a 43% drop in full-year profit and said the slowdown deepened in January.

InterContinental, the world's largest hotel operator by number of rooms, said net profit fell to \$262 million in 2008 from \$463 million in 2007. The earnings were hit by special items, including a \$35 million charge for rebranding the Holiday Inn chain and a \$96 million write-down of asset values to reflect the difficult year ahead.

The company, which also operates the Crowne Plaza chain, said profit from continuing operations rose 13% to \$535 million. Revenue increased 4.7% to \$1.85 billion.

"The sharp deterioration that we reported on last November has continued into 2009, and we see no signs of improvement at this stage," said Chief Executive Andrew Cosslett.

Mr. Cosslett said InterContinental's large presence in the midscale market would be a benefit as customers trade down. He said the company hadn't seen "any material deterioration" in attrition rates in its development pipeline, despite fears that some planned hotels would fail to be built as developers struggle to get finance. He cautioned the attrition rate could rise if debt markets stay closed.

Mr. Cosslett said visibility was very limited for 2009, with forward bookings showing no signs of improvement.

Revenue per available room—a key performance indicator for the industry—fell 6.5% in the fourth quarter from a year earlier, compared with a rise of 1.6% in the third quarter and a 4% increase in the first half. In January, revenue per available room fell 12%.

"It has been clear for some time that 2009 will be a challenging year, and we have taken action to prepare the business, including strict management of cash and a significant reduction in costs," Mr. Cosslett said.

The company has already cut 120 managerial positions, trimmed travel and entertainment expenses and implemented a salary freeze.

The company said it still plans to open 400 hotels in 2009 despite the downturn, after opening 693 in 2008.

Shore Capital analyst Greg Johnson said the January slowdown wasn't as severe as many had feared, given recent figures from competitors. Blue Oar analyst Derren Nathan said the InterContinental's plans to open more rooms and rebrand the Holiday Inn chain would partly offset the market decline.

Insurers put on seatbelts amid crisis

By Bart Koster
And Steve McGrath

U.K. insurer **Legal & General Group** PLC and Dutch peer **Aegon** NV Tuesday revealed plans to shore up their capital reserves to help brace themselves for the financial crisis as Aegon said it swung to a fourth-quarter loss.

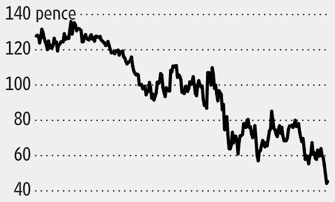
L&G said it had more than doubled its credit-default reserves to £1.2 billion (\$1.7 billion) to protect itself against write-downs. It raised its credit default assumptions to 1.3 percentage points per year, from 0.3 percentage points previously, equivalent to £650 million before tax, said the insurer.

"In our judgment these increased reserves are both prudent and appropriate to cover all reasonably foreseeable circumstances," L&G said.

The insurer, which invests heavily in stocks, had seen its shares fall 8% Monday amid concerns about its exposure to equity markets. On Tuesday, Crispin Odey, founder of the hedge fund **Odey Asset Management Group** Ltd., revealed a short position in L&G equivalent to 0.4% of the insurer's market capitalization. Odey is the only hedge fund that has so far reported a large short position in L&G.

In an attempt to reassure investors about its capital position, L&G said Tuesday that, as of Dec. 31, its surplus capital was more than £1.6 billion, even after shoring up its reserves.

DAILY SHARE PRICE
Legal & General
On the London Stock Exchange
Tuesday's close: 45.30 pence, up 2.3%
52-week change: down 65%



Source: Thomson Reuters Datastream

Shares opened sharply higher on the news, rising 12% in morning trading before slipping back to close up 2.3%. The stock had fallen more than 40% since the beginning of the year amid concerns that U.K. insurers, like banks, will have to shore up their balance sheets.

L&G's surplus capital stood at £2.9 billion last September. At the time, the company had warned that a 30% fall in the FTSE 100 stock index would reduce this to about £2 billion. It had been scheduled to release its surplus-capital figure when it reports results March 25, but said Monday's stock-price fall forced it to come to the market early.

Dutch life insurance and pension provider Aegon said it expects to post a fourth-quarter net loss of €1.2 billion (\$1.5 billion) compared with a net profit of €648 million a year earlier. The company said difficult market conditions increased impairments and led it to pump funds into its capital reserves.

Aegon announced plans to free up €1.5 billion in capital for reserves. In the fourth quarter, Aegon released €1 billion in capital.

At the end of 2008, Aegon had €2.9 billion more capital than needed to maintain a credit rating of AA, down from €3.3 billion at the end of the third quarter. In October, the insurer agreed to a €3 billion injection from the Dutch state.

Aegon's core capital stood at about €9.1 billion at year end, with €6.1 billion in shareholder equity and €3 billion from the government's funds. Aegon shares closed 11% lower at €3.29 on Tuesday.

Separately, Italy's **Assicurazioni Generali** SpA said its executives are thinking about buying the 49.6% stake in Italian insurer **Alleanza Assicurazioni** SpA it doesn't control.

—Robin van Daalen and Marietta Cauchi contributed to this article.

Toshiba agrees to acquire Fujitsu's hard-drive unit

By Yuzo Yamaguchi

TOKYO—**Toshiba** Corp. said that it has agreed to buy **Fujitsu** Ltd.'s hard-disk-drive business, in a deal that will make it the world's biggest supplier of one of the most commonly used drives for laptop computers.

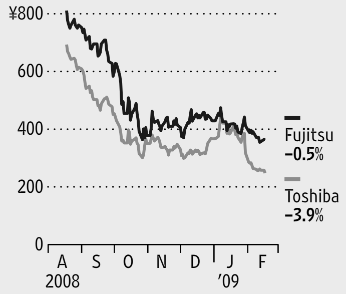
While neither company specified a purchase price, Toshiba and Fujitsu said in a joint statement that the deal is expected to be closed by the end of June.

Toshiba is placing its bets on the growing market for hard-disk drives as it suffers huge losses from its slumping chip operations. Partly because of weakness in that segment, the company now expects to post a group net loss of 280 billion yen (\$3.05 billion) in the fiscal year ending in March.

A Fujitsu spokesman said the acquisition will make Toshiba's 2.5-inch hard-disk-drive operations the world's biggest with a market share of more than 30%, surpassing **Hitachi** Ltd. and **Western Digital** Corp., which each hold 22%.

The sale is part of Fujitsu's attempt to move away from hardware operations, such as hard-disk drives and chips, and focus on its high-margin software businesses, such as its system-integration operations. Fujitsu expects its hard-disk-drive operations to lose 25 billion yen on an operating basis this fiscal year, its second straight year of losses.

DAILY SHARE PRICE
Electronic stocks
Tuesday's performance:



Source: Thomson Reuters Datastream

Fujitsu, which will incur a special loss by selling the business, said it now expects to fall even deeper into the red this fiscal year. The company now predicts a group net loss of 50 billion yen, more than double its previous forecast for a loss of 20 billion yen.

To close the deal, Toshiba will set up a new company, where it will hold an 80% stake and Fujitsu will own the remaining 20%. Toshiba later will raise its stake to 100%.

Fujitsu also said it will sell its hard-disk media business to electronics-components maker **Showa Denko** K.K. by the end of June. The business manufactures aluminum and glass media for hard-disk drives. All of its products are sold to Fujitsu.

—Kazuhiro Shimamura contributed to this article.

British Airways finance chief says cash reserves are falling

By Kaveri Niththyananthan

LONDON—**British Airways** PLC's cash reserves are declining as the airline burns through £2.7 million (\$3.9 million) a day, the company's chief financial officer said in a weekly internal newsletter.

"We are spending far more than we are earning and this is depleting our cash reserves," said Keith Williams, the U.K. flag carrier's finance chief.

As of Dec. 31, BA had £1.6 billion of cash and cash equivalents on its balance sheet, compared with £1.7 billion a year earlier.

"Strong cash reserves are the lifeblood of any business facing a turbulent economy," said Mr. Williams. "We also need to fund our investment plans, service our debts and meet our obligations to our pension schemes."

A spokesman for BA said the airline had no immediate plans to raise capital to support its depleting cash reserves. "Raising capital is an option we look at from time to time, but there are no plans at the moment," he said, but added that the company "doesn't rule out raising cash" altogether in the future.

Mr. Williams described the airline's outlook for the next 24 months as "bleak." In January, BA warned that it expects to post an operating loss of about £150 million for 2008, after an earlier forecast of a small profit, reflecting economic weakness and a fall in the value of sterling. Roughly 40% of the airline's costs are in dollars, with just under 10% in euros.

BA's earnings also have been hit by depleting demand, particularly in premium travel, which has come under pressure as jobs in the financial sector have been lost and costs are being cut. The airline generates about 40% of its corporate revenue from the financial sector, said Mr. Williams.

A spokesman for BA said the airline has no immediate plans to raise capital.

"We have already taken a number of actions, including cutting capacity, reducing management numbers by a third and freezing recruitment," said the spokesman. "We are continuing to review every aspect of the business and have taken further steps to preserve cash and reduce costs."

These measures include further jobs cuts and possibly the consolidation of roles, the spokesman said, adding that BA has financed aircraft orders through 2012.

CORPORATE NEWS

Ikea sees opportunity in slump

Home-décor retailer emphasizes value in store opening plans

By Mary Ellen Lloyd

Ikea expects its brand of value-oriented furniture to appeal even more broadly during the recession. Above, an Ikea store in New York that opened last year.

When Swedish retailer **Ikea** Group opens its newest U.S. store on Wednesday in Charlotte, N.C., it will do so during one of the worst sales environments for home décor in decades.

But the company expects its brand of value-oriented furniture and housewares will appeal even more broadly during these dour economic times.

"There's a re-emphasis, a focusing on value" among shoppers, Ikea spokesman Joseph Roth said during a tour of the 356,000-square-foot store, Ikea's 36th in the U.S. and 294th overall. "We have a proven business model...in good times and bad."

Tough times and better familiarity with the Ikea products have already made a convert of kitchen and bath designer Becky Shankle of Raleigh, N.C.

Ms. Shankle added making monthly Ikea runs for clients to her list of services about a year ago after business for higher-end, custom projects slowed. One client wanting to use Ikea products hired Ms. Shankle's firm to do the entire job, and she realized she could combine her bent for simple, efficient and ecosensitive design with regular delivery services that save extra car trips.

"With every successive run we've done, we have either had more orders in terms of number of orders or a higher dollar amount per order or both, so it kind of made me hopeful that this is something that could last," Ms. Shankle said in a phone interview.

She already has orders lined up for her inaugural trip to Charlotte Ikea on Feb. 20. The new store will cut about four hours from her monthly, round-trip drive to the Virginia Ikea. Ms. Shankle charges flat fees of $30 to $100 for purchases of as much as $500, plus local delivery fees of $50 to $75.

Ikea Group has its roots in Sweden and still handles product design there. The chain's name comes from the initials of its founder, Ingvar Kamprad, and the Swedish farm and parish where he was raised. But the group is actually owned by a charitable foundation in the Netherlands, where finance and other corporate functions are based.

The chain uses 1,300 suppliers and owns some of them, including its first U.S. manufacturing facility, a Danville, Va., wood-furniture plant that opened in 2007.

Sometimes derided as selling cheap, hard-to-assemble furniture, Ikea has placed more of an emphasis in its newer stores on offering design assistance for kitchen makeovers and on beefing up the quality of its home assembly and delivery services, according to Mr. Roth.

Its new stores have helped it gain market share. Ikea jumped to No. 5 from 7 on the 2008 list of top 25 U.S. furniture and bedding retailers by U.S. sales published by trade magazine Furniture Today.

With a couple more stores, though, Ikea could pass both **Wal-Mart Stores** Inc., No. 2 in the rankings, and industry leader Ashley Furniture, according to the magazine. Sales at about 33 U.S. stores and its e-commerce site generated $3.16 billion in 2008, according to the company. That means each Ikea store in the U.S. represents more than $90 million in annual sales.

"There's no question in my mind that they're feeling the pressure from the consumer environment just like everyone else," said KeyBanc Capital Markets analyst Brad Thomas. "That being said, I think their sales have probably held up better than many of the publicly traded furniture and furnishings retailers, because they have a very strong value proposition."

A typical **Bed, Bath & Beyond** Inc. store could fit 10 times in the massive Charlotte Ikea store, while **Home Depot** Inc. or **Lowe's** Cos. home-improvement chains could each fit three of their average stores. Ikea's U.S. stores range from 260,000 square feet to 366,000 square feet.

Ikea's international president, Anders Dahlvig, said last year the U.S. housing crisis was having a big impact on the company's business, with growth slowing in all markets. Ikea's U.S. sales rose 16% in 2008, compared with 25% growth in 2007.

Meanwhile, Department of Commerce figures show sales at all U.S. furniture and home-furnishings stores fell 8% to $109.2 billion in 2008. That is the lowest level in five years and represents the biggest full-year decrease since at least 1982.

Mr. Roth said this week that despite the economy, Ikea is still planning to open a third Florida store this summer in Tampa, and its planned Somerville, Mass., store is on track to open in 2011.

Trump Entertainment enters bankruptcy filing

By Jeffrey McCracken And Tamara Audi

Trump Entertainment Resorts Inc., Donald Trump's casino group, Tuesday filed for protection from its creditors under Chapter 11 of the U.S. bankruptcy code.

The company's board authorized the filing late Monday night, said people familiar with the matter, after deciding that the Atlantic City, N.J., casino operator would otherwise be forced into bankruptcy involuntarily by bondholders.

Donald Trump

The filing marks the third appearance in bankruptcy court for Trump Entertainment, which most recently emerged from bankruptcy in 2005.

The company did not request debtor-in-possession financing to operate during its restructuring and said it would continue to run as normal.

The filing follows months of negotiations between Mr. Trump and his casino's bondholders, who had given the company several waivers to delay an interest payment due late last year.

Mr. Trump, founder of the company, resigned as chairman of the board late Friday night, saying he disagreed with the actions of bondholders, many of which backed the casino when it exited bankruptcy last time. His daughter, Ivanka Trump, also resigned from the board.

Mr. Trump holds 28% of the company's stock, according to a recent filing. In midday trading Tuesday, shares of Trump Entertainment Resorts were down 41% to 14 cents on the Nasdaq Stock Market.

"Some time ago, I made an offer to buy the company in the hopes that I might be able to reverse its fortunes, but the bondholders turned me down," Mr. Trump said in a statement.

"These are very tough times in Atlantic City. Almost every company is in serious financial trouble. Despite this, I will be watching closely and at some point in the future, I hope to return," Mr. Trump said.

His resignation gave the board confidence to file for bankruptcy, said people familiar with the matter. Directors concluded that he had "abandoned his partnership interest, and they didn't need his consent to act," one of these people said. Mr. Trump appointed some members of the board.

Trump Entertainment missed a recent bond payment of $53 million, saying it needed to conserve cash. The latest waiver from bondholders expired Tuesday morning.

The casino operator isn't related to Mr. Trump's real-estate holdings in New York, Chicago and elsewhere. But the casinos can continue to use Mr. Trump's name, despite his departure and bankruptcy proceedings.

The company operates the Trump Taj Mahal Casino Resort and Trump Plaza Hotel & Casino on Atlantic City's Boardwalk, and the Trump Marina Hotel Casino in Atlantic City's Marina District. It agreed to sell Trump Marina Hotel Casino this past May but the deal still hasn't closed.

Representatives for Trump Entertainment declined to comment.

Trump Entertainment, which operates three casinos, has a total of $1.25 billion in bond debt. It also has about $500 million in bank debt.

Most of the casino industry is laboring under heavy debt, as consumers have cut back on casino visits and spending in the past year. Major casino companies like **Harrah's Entertainment** Inc., **MGM Mirage** and **Las Vegas Sands** Corp. have been forced to sell properties at big discounts, cut thousands of jobs and halt planned development. At least one operator, Station Casinos Inc., is contemplating bankruptcy protection.

Lawsuit costs hurt Wal-Mart profit

By Kerry Grace

Excluding fuel, Wal-Mart's same-store sales in the U.S. rose 2.8%. Above, carts at a store in Weymouth, Mass.

Wal-Mart Stores Inc.'s fiscal fourth-quarter profit fell 7.4% on costs from wage-lawsuit settlements and weak international results reflecting the strong dollar. Earnings from its main U.S. retail operations rose.

The world's largest retailer offered an optimistic outlook for the year, and said it is resuming a stock repurchase program that was suspended last quarter.

"Our performance relative to competitors was exceptionally strong in the fourth quarter and throughout the year. We expect this momentum to continue," said new Chief Executive Mike Duke, who succeeded Lee Scott on Feb. 1.

The company Tuesday forecast per-share earnings of 72 cents to 77 cents for the fiscal first quarter and $3.45 to $3.60 for the year, an about 2% to 6% increase over last year..

Wal-Mart has been faring better than most retailers, benefiting from its low-price reputation as shoppers curtail discretionary purchases and seek bargains.

For the quarter ended Jan. 31, Wal-Mart posted net income of $3.79 billion, or 96 cents a share, down from $4.1 billion, or $1.02 a share, a year earlier. The company last month had pegged earnings from continuing operations at between 91 cents and 94 cents a share.

The company said earnings would have improved year over year without the litigation settlement charge and the effect of unfavorable currency exchange rates.

Sales rose 1.7% to $108 billion.

Excluding fuel, sales at U.S. stores open at least a year rose 2.8% in the quarter, up 2.8% at namesake stores and 2.5% at the Sam's Club warehouse chain. After a lackluster December, Wal-Mart's U.S. sales performance rebounded in January.

Earnings at Wal-Mart U.S. stores rose 2.2% and Sam's Club profits fell 3.8%. Meanwhile, international sales declined 8.4%, hurt by the stronger dollar, and profit slid 14%.

Goldman Sachs Group said Wal-Mart's gross margins were better than expected and called its inventory control "impressive."

Wal-Mart this month said it would stop providing monthly sales forecasts and provide projections only on a quarterly basis. It is targeting 1% to 3% growth in same-store sales for the fiscal first quarter.

Teva Pharmaceuticals posts loss on hefty write-down

By Robert Daniel

Teva Pharmaceutical Industries Ltd. posted a fourth-quarter net loss of $688 million due mainly to a write-down on its December acquisition of Barr Pharmaceuticals. Sales at the generic-drug maker jumped 11%.

On a conference call Tuesday, Teva Chief Executive Shlomo Yanai said the Israeli company is making "excellent progress" on integrating Barr. The $7.46 billion deal is expected to add to Teva's profit in the third quarter, one quarter ahead of schedule.

Teva on Tuesday also issued a 2009 revenue projection below Wall Street expectations, citing currency fluctuations. Teva projected total sales of $14.1 billion to $14.6 billion. The company projected 2009 earnings excluding items of $3.20 to $3.40 a share and roughly 33% growth next year.

Teva's fourth-quarter loss came to 88 cents a share, though the company said that excluding a $992 million write-down for the Barr deal and other items it earned 76 cents a share. A year earlier, Teva reported net income of $570 million, or 69 cents a share.

Fourth-quarter sales rose to $2.85 billion from $2.58 billion despite some drag from currency fluctuations.

Sales of Copaxone, the company's flagship treatment for multiple sclerosis, rose 37% in the quarter to $595 million. "This very profitable product helped propel gross margin for the quarter to 56.1% versus our 53.3% forecast," investment bank Excellence Nessuah said in a research note.

Teva's pharmaceutical sales in North America rose 15% to $1.65 billion, accounting for 61% of the total.

Teva also boosted its quarterly dividend by a third to 0.6 shekel, or 15 U.S. cents.

—Thomas Gryta contributed to this article.

CORPORATE NEWS

Liberty to invest in Sirius

Satellite-radio firm to get $530 million and avoid Chapter 11

BY MATTHEW KARNITSCHNIG AND KERRY E. GRACE

John Malone's **Liberty Media** Corp. agreed to invest a total of $530 million in **Sirius XM Radio** Inc. in exchange for stock and seats on the board, allowing the beleaguered satellite-radio operator avoid a Chapter 11 bankruptcy filing.

The deal also allows Mr. Malone to edge past rival media baron Charles Ergen for a piece of the satellite-radio operator.

Sirius XM had said several times it could file for bankruptcy as early as Tuesday if it couldn't reach a deal on its debt. Those obligations include bonds that are majority-owned by Mr. Ergen and were to mature Tuesday.

Sirius XM's shares more than doubled in Tuesday morning trading to 22 cents apiece. The stock has lost more than half its value in the last three months and 97% of its value in the last year amid concern about its debt load.

The deal aims to create a satellite-media juggernaut around Liberty Media's **DirecTV Group** Inc., the U.S.'s leading satellite-TV provider, and Sirius, the sole satellite-radio operator in the U.S., though the two wouldn't be formally combined. The deal would end up giving Liberty 12.5 million shares of preferred stock, convertible into 40% of the company's common stock. Mr. Malone is expected to be one of the new board members.

Mr. Ergen had been seeking outright control of Sirius in return for a roughly $500 million investment and an agreement to restructure about $400 million in Sirius debt that he holds.

Associated Press

John Malone edged past media baron Charles Ergen for a piece of Sirius.

It's unclear whether Mr. Ergen, the satellite-TV pioneer behind Dish Network Corp. and EchoStar Corp., will continue to pursue Sirius. Unlike Liberty, which has presented itself as a "white knight," Mr. Ergen's approach has been more aggressive. Mr. Ergen, a longtime adversary of Sirius Chief Executive Mel Karmazin, began amassing Sirius debt last fall as part of a stealth attack.

Earlier this month, he acquired the $175 million in Sirius debt that was expiring Tuesday, a step he was hoping would force the company into a deal with him.

It's probably too soon to count Mr. Ergen out altogether. He still holds about $225 million in Sirius bonds that mature in December and could try to acquire more of the company's $3.25 billion in outstanding debt.

Mr. Ergen and Sirius cleared most obstacles to a deal last week, according to people in both camps. But Sirius preferred a deal that wouldn't give an investor full control and turned to Liberty. Liberty Media's far-flung empire includes stakes in satellite broadcasters, Web properties and cable channels, such as QVC home shopping, and the Atlanta Braves.

Mr. Malone and Mr. Ergen may see some of the same advantages in Sirius XM. They seem to be looking to outmaneuver each other and get a headstart in offering movies, television shows and other video entertainment to an array of cellphones and mobile devices via satellite and ground-based signals.

For Mr. Ergen a loss could be particularly galling. Mr. Malone and his team last year rebuffed Mr. Ergen's feelers about the potential advantages of combining their respective satellite-broadcasting operations. Ever since, Mr. Ergen has been looking for a bold move to revitalize his core business and burnish his image as a technology pioneer.

Mr. Karmazin, in Tuesday's joint news release from Liberty and Sirius, said: "We are pleased to have come to this agreement with Liberty Media, particularly in light of today's challenging credit markets."

Liberty's loan to Sirius XM will bear interest at a rate of 15%, and will be due in December 2012. It will be secured by the assets that secure Sirius XM's existing credit agreement. The companies said the loan agreements do not constitute a change in the control of Sirius XM.

In February 2007, Sirius and XM announced that Sirius would acquire XM in a $13.6 billion deal. To facilitate the acquisition, Sirius took on a massive amount of debt.

Foster's to revamp wine business

BY CYNTHIA KOONS

SYDNEY—**Foster's Group** Ltd. plans to restructure its struggling wine business after failing to sell it, a move that will cost the company up to 415 million Australian dollars, or around US$270 million, in second-half write-downs.

The beer and wine maker offered no further guidance for the fiscal full year ending June 30.

For the six months ended Dec. 31, Foster's posted a 3.2% rise in net earnings to A$411.3 million, in line with expectations. For the first half, revenue rose 1.6% to A$2.5 billion.

Analysts had little hope for an outright sale of the wine business, considering the difficulty a potential buyer would have in securing financing. Foster's wine portfolio includes dozens of labels such as Penfolds, Lindemans and Beringer.

Foster's said the "current difficult conditions in debt and equity markets mean this is not the appropriate time to sell or de-merge Foster's wine business." The company plans to sell 36 non-core vineyards as well as close, reconfigure or consolidate three wineries in Australia and California.

Foster's hopes to save more than A$100 million annually in fiscal 2011 as a result of the restructuring.

The announcement Tuesday is the culmination of a review that Foster's initiated in June 2008 following a A$730 million write-down against its wine assets and the resignation of then Chief Executive Trevor O'Hoy.

"The performance of our wine business has been unsatisfactory," Foster's Chairman David Crawford said. "In large part this has been the product of poor execution in the Americas and pursuing a multi-beverage model in Australia," he said.

"We are modifying our strategy and dramatically changing how we operate the wine business by installing a new management team," he said, noting the leadership of Chief Executive Ian Johnston.

Investment fund ends bid to boost stake in Sapporo

BY TOR CHING LI

Steel Partners Japan Strategic Fund Tuesday said it has ended its two-year struggle to raise its stake in Japanese beer maker **Sapporo Holdings** Ltd.

Citing worsening financial performance at the Japanese brewer and its refusal to enter meaningful talks on a deal, the investment fund said the brewer's management has damaged its own brand equity in rejecting strategy proposals from Steel Partners, and "is now arguably the weakest Japanese brewer."

The withdrawal of Steel Partners ends an increasingly rancorous battle that symbolized the frustrations overseas investors face in building up stakes in Japanese companies, unless invited in.

In a written response to Steel Partners' statement, Sapporo said the former's criticism of its management was "regrettably one-sided and misleading." Sapporo added it would reply in further detail at a suitable but undisclosed time.

The fund, which is currently Sapporo's largest shareholder with an 18.6% stake, approached Sapporo's management in spring last year to raise its stake to 33.3%, at 875 yen per share, or about $9.50.

Steel Partners declined to comment on future plans for its existing Sapporo stake, but said it remains committed to the Japanese market. The fund also declined to disclose how much it paid to build the 18.6% stake in a series of stock acquisitions.

The fund said it intends to vote against the reelection of the board later this year.

—Kenneth Maxwell contributed to this article.

GLOBAL BUSINESS BRIEFS

Qantas Ltd.

Slump in travel drives reduction in China flights

Qantas Ltd. said it would cut some flights to China from Australia among other changes. The measures are the Australian airline's latest response to a global slump in demand for air travel. Qantas, Australia's biggest airline, also said it would cease operating its New Zealand domestic network from June 10, with low-cost offshoot Jetstar taking its place. On its China flights, Qantas will cease its twice-a-week service from Melbourne to Shanghai and its three-times-a-week service from Sydney to Beijing. These cuts will be partly offset by an increase in its Sydney-to-Shanghai services. Qantas also said its three-times-a-week Mumbai flight service will operate via Singapore from mid-May rather than as a nonstop service from Australia.

Exxon Mobil Corp.

The world's largest oil company, **Exxon Mobil** Corp., Monday said it added more proven oil reserves than it produced last year. Exxon Mobil said it added 1.5 billion oil-equivalent barrels of reserves during 2008, replacing 103% of output, or 110% when excluding the impact of asset sales. Exxon said it is the 15th straight year that reserve additions have outpaced production. The reserves base is split evenly between liquids and gas. The figure jumps to 136% when using prices as of Dec. 31. Exxon says it doesn't use single-date prices when making long-term investment decisions. Exxon late last month reported its highest-ever annual profit, $45.2 billion. The stock is down about 13% over the past 12 months but is outperforming rivals such as **BP** PLC and **Chevron** Corp.

Austrian Airlines AG

Austrian Airlines AG said a decline in passengers accelerated markedly at the start of the year. The airline, which is in the process of being sold to **Deutsche Lufthansa** AG, carried 632,000 passengers in January, down 13% from a year earlier, as all geographical segments saw passenger flows shrink. In December, the unprofitable airline carried 7% fewer passengers than a year earlier, while November saw a 7.1% drop. Austrian Airlines said demand on its Eastern European service—which until recently was the primary driver of growth—fell 11% in January, while passenger numbers in the rest of Europe dropped 15%. Worst hit by the deteriorating trends in the aviation industry was the long-haul segment, which saw a 19% decline in passengers.

Chery Automobile Co.

Chery Automobile Co. said January sales rose, and forecast a sales increase this year, while **Honda Motor** Co. said January car sales in China increased 17% from a year earlier. Chery Automobile said it expects an 18% increase in sales in 2009 to 419,000 vehicles, helped by lower vehicle-purchase taxes and other government stimulus measures. Chery said sales rose in January to a monthly record of 35,000 cars, though it didn't provide January 2008 sales for comparison. Meanwhile, Honda said Tuesday that its January sales in China rose to 38,022 units from 32,564 units a year earlier. Sales by Guangzhou Honda Automobile Co., Honda's 50-50 joint venture with **Guangzhou Automobile Group** Co., rose 30% to 23,503 units, the Japanese auto maker said.

Coca-Cola Hellenic Bottling SA

Greece's **Coca-Cola Hellenic Bottling** SA swung to a fourth-quarter net loss, weighed down by charges and unfavorable currency-exchange rates, even as revenue climbed. The company, one of the world's largest bottlers of Coca-Cola Co. products, warned 2009 will remain challenging. For the three months ended Dec. 31, the bottler reported a net loss of €194.8 million ($248.9 million); it had earnings of €37.6 million a year earlier. It booked a noncash impairment charge of €189 million in the quarter tied to its Irish and Serbian operations, as well as a €7.4 million charge for a plant fire in Nigeria. Revenue rose 9% to €1.59 billion. Finance chief Robert Murray said the company will continue cutting costs, including plant closures and job cuts, but didn't specify where they would happen. Last year the company cut 6% of its work force.

BG Group

BG Group raised its all-cash takeover offer for **Pure Energy Resources** Ltd. to 995 million Australian dollars (US$645.9 million), topping a rival bid from **Royal Dutch Shell**'s Australian joint venture partner **Arrow Energy** Ltd. Arrow, with Shell, is competing against BG and others for Australia's coal seam gas reserves ahead of planned construction of as many as five liquefied natural-gas processing plants at Gladstone in Queensland state. BG's sweetened offer of A$8 cash a share trumps Arrow's recently sweetened offer of A$3 and 1.57 of its shares for each share of Pure. Arrow's offer is equal to A$7.29 a share, based on Tuesday's closing price. Pure said it is reviewing BG's revised offer and advised shareholders to take no action. Arrow declined to say if it was prepared to raise its bid.

Benetton Group SpA

Apparel retailer **Benetton Group** SpA posted a 7% rise in 2008 net profit—lifted by rising sales in emerging markets such as Russia, Turkey and India—but warned of a difficult year ahead. The family-controlled company said full-year net profit increased to €155 million ($198 million) from €145 million a year earlier on a 4% sales gain, to €2.13 billion. "The situation in 2009 will be difficult for everyone," said Chief Executive Gerolamo Caccia Dominioni. "We will initiate a series of radical actions to prepare the company for the emerging context." Benetton said it would pursue four key policies: strengthening collaboration with sales partners, optimizing its industrial and production system, reducing structural costs, and continuing to invest "with discipline."

—Compiled from staff and wire service reports.

Obama signs $787 billion recovery bill

One provision in package, a tax break for workers, tries slow and steady stimulus to revive consumer spending

A WSJ News Roundup

WASHINGTON—U.S. President Barack Obama signed into law the most sweeping economic package in decades, a $787 billion rescue plan designed to create millions of jobs, spur consumer spending and revive the outlook for the U.S.

"We're putting Americans to work doing the work that America needs done," Mr. Obama said ahead of the signing, citing major new investments in infrastructure, education, health care and energy. The setting for the signing, the Denver Museum of Nature & Science, was meant to underscore the investments the new law will make in "green" energy-related jobs.

"I don't want to pretend that today marks the end of our economic troubles," Mr. Obama said. "Nor does it constitute all of what we're going to have to do to turn our economy around. But today does mark the beginning of the end."

One piece of the package is an experiment in consumer behavior. The Obama administration is betting that an extra $8 a week in most Americans' paychecks will boost consumer spending and help pull the U.S. out of its downturn.

The $116 billion in tax credits for 95% of Americans will come largely through reduced tax withholding from paychecks, over two years, rather than one-time payments. The idea: let money trickle out to consumers so it feels like a permanent income boost.

When the government sent lump-sum checks for the 2001 and 2008 stimulus packages, Americans stashed most of the cash in savings or paid off debt. Neither of those actions fulfills the goals of a stimulus intended to offset weak consumer spending.

The tax break, one of Mr. Obama's campaign pledges, will provide up to $400 per worker or $800 for couples filing jointly. The credit begins phasing out for individuals making $75,000 a year and couples earning $150,000, eliminating 2% of income above that level from the tax break. That means that for every $1,000 over the cap, $20 of the credit is subtracted.

Spend, don't save

The 'Making Work Pay' tax credit will provide an extra $8 a week for most Americans. By letting the payments trickle out, administration officials hope taxpayers won't stash away most of the cash the way they did with lump-sum checks in 2001 and 2008. A look at how the plan works and how Americans save:

How much money people get:

The credit provides taxpayers with **6.2%** of their taxable wages for the 2009 and 2010 tax years, up to:

$800 — For couples filing jointly

$400 — For individuals

Average weekly payments:
$7.69 for individuals

Who qualifies:

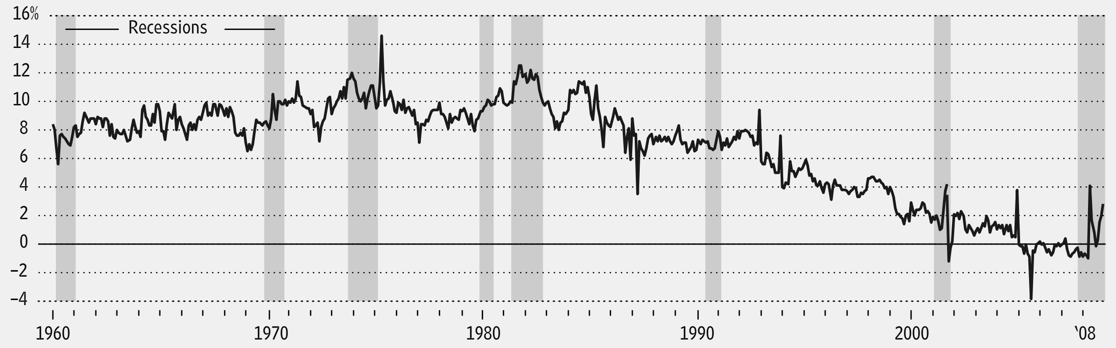
The credit starts phasing out for individuals who make more than **$75,000** a year and for couples who make more than **$150,000**

Payments: Full amount / Reduced amount

Individuals — Salary: $75,000, $95,000

Couples — $150,000, $190,000

U.S. personal savings rate



Source: Federal Reserve Bank of St. Louis (savings rates)

The first payments are expected to start hitting paychecks this spring, once the Internal Revenue Service releases new tax tables for employers to adjust payrolls. While the benefit for individuals amounts to $7.69 a week, the tax break for most workers this year should be about $12 to $14 a week to make up for the early months of 2009. Taxpayers who don't receive the break through employer payrolls can claim the credit as a refund on their 2009 taxes or by changing their quarterly withholding.

Whether the tax break boosts the economy in the short run depends in part on how stretched households have become and how consumers see the tax credit.

Getting money in a paycheck may indicate a steadier income gain, especially if recipients see it as a permanent middle-income tax cut—as the Obama administration wants it to become eventually. "Spending something that's going to be a monthly or weekly flow would be the rational thing to do," said Matthew Shapiro, a University of Michigan economist who studied the 2001 and 2008 stimulus packages.

Consumers might connect a relatively large, single check in the mail to a credit-card debt or other loan that needs to be repaid. Or they could realize the need to save money in a downturn or in response to lower housing or investment values. That is what appears to have happened last year, when then-President George W. Bush's $152 billion stimulus package gave most Americans checks of $300 to $1,200. About a third was spent over the course of a year, while the personal saving rate shot up from zero in April 2008 to 4.8% the following month when the checks hit mailboxes.

At the time, consumers also were facing skyrocketing fuel prices as gasoline topped $4 a gallon. For many consumers, the government stimulus payments went largely toward offsetting the higher fuel bills, providing only a modest cushion to consumer spending as the economy continued to weaken.

"I don't care how you give it to me as long as I get money," said Matt Randolph, 26 years old, who is in the U.S. Navy. Last year, he and his wife, April, received a $1,200 check and said they used it to pay off credit-card bills.

This time around, Mrs. Randolph says, with the money spread out, "We'd think, 'Oh a few more dollars. Let's go out to dinner.' For $16 a week, I am not going to go take a vacation somewhere."

Some economists are less optimistic than the White House about the boost from the stimulus. The personal saving rate in December jumped to 3.6% from 0.4% a year earlier, and Americans could decide to let the smaller payouts pile up.

"Because the economy is so much worse now and people are so much more panicked now, I do think it's more likely we'll get precautionary saving," said Mark Zandi, chief economist at Moody's Economy.com.

Obama kept lawmakers close to get stimulus bill passed

By Jonathan Weisman And Naftali Bendavid

U.S. President Barack Obama's signing Tuesday of a $787 billion economic stimulus law culminated three rapid-fire legislative weeks when a new presidential style emerged in Washington: the close integration of the White House and Congress.

After two presidencies marked by friction, if not outright hostility, between the White House and Congress, Mr. Obama has shown himself to be senator-in-chief, consulting closely with congressional leaders and committee chairmen at every turn.

The approach has already sparked criticism even from some Democrats that Mr. Obama isn't forceful enough in leading the government. Republicans charge that his coziness with Democratic leaders has come at the expense of bipartisanship.

Sen. John McCain of Arizona, Mr. Obama's vanquished election foe, said simply trying to pick off a few Republicans to support an agenda isn't the same as sitting down and negotiating. "It's not what both he and I had promised the American people," he said.

Unlike Bill Clinton and George W. Bush, both former governors, former Sen. Obama didn't arrive at the White House with his own state government in exile, but with a staff and cabinet filled with congressional veterans. The style he employed to pass the stimulus emerges from the staff and cabinet he hired from Capitol Hill, with decades of combined congressional experience.

Barack Obama

Politically, it might have been useful to blame congressional Democrats for the growth of the stimulus package as it wound through the legislative process. But senior White House aides said administration officials were present when most of those key decisions were made.

When Mr. Obama called House Energy and Commerce Committee Chairman Henry Waxman (D., Calif.) on Jan. 26 to ask that a family-planning provision be stripped from the bill, Phil Schiliro, the White House's chief liaison to Congress, was nearby. Mr. Schiliro—who had worked for 27 years on Capitol Hill, almost of all them as Mr. Waxman's chief of staff—counseled Mr. Obama to promise Mr. Waxman that he would push the issue in separate legislation.

The administration dispatched two officials with congressional backgrounds to spearhead talks in the Senate over its version of the stimulus package: White House Chief of Staff Rahm Emanuel, a former congressional Democratic leader, and White House Budget Director Peter Orszag, a former director of the Congressional Budget Office.

Behind the scenes, Vice President Joe Biden worked to smooth the bill's passage in the Senate, where he had spent three decades building relationships. Mr. Emanuel had asked the vice president in December to woo six Republican senators: Olympia Snowe and Susan Collins of Maine, Pennsylvania's Arlen Specter, George Voinovich of Ohio, Mel Martinez of Florida, and Indiana's Richard Lugar. Ultimately, Mr. Biden helped win over the first three.

Mr. Obama, then president-elect, and his staff hatched the idea for a stimulus package during a Dec. 12 meeting. Mr. Obama decided not to send Congress a detailed plan, but instead set a goal of creating between three million and four million jobs, and of spending in areas he believed would aid the country in the long run, including infrastructure, computerized medical records, broadband Internet and renewable energy.

On Dec. 17 and 18, the first meetings between the Obama team and congressional staff began.

With staff working every day but Christmas, Mr. Obama hung back, sometimes facing criticism for not engaging in details. On Feb. 6, top White House officials finally began work on the fine print. Senate Democrats and three Republicans agreed to try to secure a deal that could be sent for House-Senate negotiations to reach a unified plan.

White House aides found that meeting the demands even of the most moderate Senate Republicans was causing headaches with their own party. As Mr. Emanuel sought to placate the Senate Republicans, House liberals were growing incensed over cuts being made by Obama negotiators and senators to bring the price tag down.

To Mr. McCain, the final wrangling only underscored the president's failure. The president promised that House-Senate negotiations would be open to the public and that bills would be online for a certain amount of time before they were voted on, he said.

But to Obama aides, overtures of bipartisanship may only have gotten in the way. In the end, no Republican lawmakers supported the stimulus bill in the House, and only three did so in the Senate. The lesson of Mr. Obama's triumph, Mr. Emanuel said, should be clear: "He has an open hand but he has a very firm handshake."

Lawmakers defend trips

Junkets at spas, hotels are called working sessions

By Elizabeth Williamson

HOT SPRINGS, Va.—Republican members of the U.S. House of Representatives took a break earlier this month from bashing the Democrats' $800 billion stimulus bill and journeyed here to the Homestead Resort, an 18th-century mountain spa, where the diversions include golf, skiing, skeet shooting and falconry.

Republican lawmakers paid for their travel and lodging, mostly with campaign funds. Staffers' bills and the rest of the tab was picked up by the Congressional Institute, which is funded by 54 "patrons," including **General Electric** Co. and the National Association of Home Builders. About 45 lobbyists attended a dinner on opening night.

House Republican Conference spokesman Matt Lloyd said Republicans accept partial corporate funding of the retreat because "We don't believe in using taxpayer money."

A few days later Democrats held a two-day issues conference at the Kingsmill Resort & Spa in Williamsburg, Va., a property owned by brewer **Anheuser Bush-Inbev** NV and whose spa is known for its hops and chamomile massage. Taxpayers helped foot the bill, which was paid partly with money appropriated for congressional office expenses.

"Our issues conference, especially this year, was a very serious working session," said Emily Barocas, spokeswoman for the Democratic Caucus. President Barack Obama took his maiden Air Force One voyage to rally support from fellow Democrats for the stimulus plan.

As they fume over inflated salaries and lavish travel by executives whose companies are on the federal dole, members of Congress are getting a raise, and making travel plans.

Last month, when 600,000 Americans lost their jobs, the House and Senate allowed themselves a $4,700 cost-of-living raise, bringing their annual salaries to $174,000. This week, House Speaker Nancy Pelosi and other Democratic House leaders said they would forgo a similar increase next year. So far senators haven't followed suit, but a spokesman for Senate Majority Leader Harry Reid of Nevada said they plan to.

As the stimulus bill made its way through Congress, companies with a stake in provisions buried in the bill's more than 600 pages had plenty of opportunities to meet with lawmakers at events the companies helped to bankroll. Such meetings are commonplace, but they have taken on added importance as the stimulus plan, the financial bailout and other spending bills offer Congress unusual power to choose corporate winners and losers.

Lobbyists may not directly pay for lawmakers' travel and meals, under recently strengthened congressional ethics rules. So instead, corporations contribute to tax-exempt groups—and those groups pay for lawmakers to attend events.

Sometimes the events—and the networking and socializing that go with them—take place in Washington. Last week, prominent Democrats including Sen. Debbie Stabenow of Michigan, Sen. Amy Klobuchar of Minnesota and Minnesota Rep. Keith Ellison shared a dais with energy and environmental lobbyists at the "Good Jobs, Green Jobs" conference.

The event was organized by the Blue Green Alliance, a coalition of labor unions and environmental groups. Sponsors included **BP** PLC, **Alcoa** Inc. and the American Wind Energy Association, which lobbied for generous renewable energy incentives in the stimulus bill. At an invitation-only VIP event attended by sponsors and lawmakers, Speaker Pelosi was presented with the Blue Green Alliance Green Jobs Champion Award.

Asked about Ms. Pelosi's award, her spokesman Brendan Daly said, "The speaker remains committed to transparency and will continue to monitor the Lobbying Disclosure Act to ensure that the aims of the lobbying reforms are met."

Spokesmen for Rep. Ellison and Sen. Stabenow said they accepted speaking invitations because sustainable energy and green jobs are priorities for them. An aide to Sen. Klobuchar said the only individual she spoke with at the meeting was the steelworker who introduced her.

In November, as the federal government worked to rescue financial markets, four Republican and four Democratic lawmakers were in Amsterdam on a trip sponsored by the Franklin Center for Global Policy Exchange. Every year, the group takes members of Congress on a weeklong trip to an international capital "to discuss varying views on important international issues," according to a statement of its purpose. The group stayed at the five-star Grand Hotel Amrath, a historic art nouveau hotel and wellness spa.

The nonprofit group's board of directors includes lobbyists from **UAL** Corp., **Exelon** Corp. and **Duke Energy** Corp., according to a list supplied by spokesman Trent Duffy. A separate bipartisan "honorary board" is composed of members of Congress.

Travelers on the Netherlands trip Nov. 9-14 included Rep. Joe Baca (D., Calif.); Rep. Ellison; Rep. Luis Gutierrez (D., Ill.); Rep. James Lamborn (R., Colo.); Rep. Frank Lucas (R., Okla.); Rep. James Moran (D., Va.); Rep. Jean Schmidt (R., Ohio); and Rep. F. James Sensenbrenner (R., Wis.).

The group discussed climate change, economic policy, health care and other topics with European officials, diplomats, corporate executives and lobbyists.

Spokespeople for Reps. Ellison, Gutierrez and Moran said the meetings were directly related to their work in Congress, and an opportunity to discuss those issues with European counterparts. Reps. Lamborn, Lucas and Schmidt said they valued the exchange with foreign policy makers on trade, defense and national security. Aides to Reps. Baca and Sensenbrenner didn't respond to requests for a comment.

Alamy

The Breakers hotel in Palm Beach, Fla., is the site of a coming Republican fund-raiser. Democrats will hold a similar event at the Ritz-Carlton in Naples, Fla.

U.K. lawyer is sentenced in Italy

Associated Press

ROME—A British lawyer accused of taking $600,000 in exchange for false testimony designed to help Italian Prime Minister Silvio Berlusconi was convicted of corruption Tuesday and sentenced to 4½ years in prison.

The panel of three judges didn't issue an explanation of their ruling so it wasn't clear if they completely endorsed the prosecution's allegation that Mr. Berlusconi had ordered payment to David Mills in 1997 in exchange for his testimony at two hearings in other corruption cases in the 1990s.

Mr. Mills was accused in one of the cases of failing to tell a court that two offshore companies involved in buying U.S. film rights had links to Mr. Berlusconi.

Mr. Berlusconi was a co-defendant in Mr. Mills's trial, but his portion of the case was frozen last year after the conservative-controlled Parliament passed a law that grants immunity from prosecution to top officials, including the premier.

Judges in the trial continued the proceedings for Mr. Mills while challenging the immunity measure in front of the Constitutional Court, saying it violates basic principles, including the one that all citizens are equal before the law.

Kazakhstan needs outlet for growing oil exports

By Guy Chazan

LONDON—The oil-rich Central Asian nation of Kazakhstan urgently needs more export capacity to cope with a big uptick in its oil production over the next decade, a senior Chevron executive said Tuesday.

A rare bright spot in the global energy industry, Kazakhstan is expected to nearly double oil output by 2020, becoming one of the world's top 10 crude producers. But the landlocked country has few viable export outlets, with the bulk of its oil passing through Russia.

"With Kazakhstan expected to add a minimum of over 1.5 million barrels a day of production over the coming 15 years, it needs new, dedicated and reliable export capacity, and it needs it urgently," Ian MacDonald, Chevron's vice president of business development and transportation, told an oil conference in London. He said Kazakhstan needs additional export pipelines with a capacity of 1 million barrels a day.

In an attempt to meet that need, authorities are working on an ambitious new export route, the Kazakhstan Caspian Transportation System, which would pipe oil from the west of the country to a new port on the Caspian Sea and shipping it to Azerbaijan for onward delivery to Turkey.

But the project, which preliminary estimates say could cost $3 billion, is still at an early stage, and many doubt it will be ready by 2013 as planned. Even so, the launch of Kashagan, a supergiant field in the Kazakh sector of the Caspian Sea that will substantially boost production volumes, comes onstream in 2012.

Kashagan, the biggest oil discovery of the past 30 years, is the only large oil project of its kind without a dedicated export pipeline. Two other big fields, the Chevron-led Tengiz and Karachaganak, are also set to expand production in coming years.

Concerns about Kazakhstan's lack of export capacity have been compounded by the global economic crisis, which could hurt the country's ability to finance infrastructure.

Currently, Kazakhstan has two main pipelines—the Chevron-led Caspian Pipeline Consortium, which runs across southern Russia to the Black Sea port of Novorossiisk, and the Atyrau-Samara line, which also flows to Russia. Plans are to double CPC's capacity by 2013, and Atyrau-Samara also will be expanded.

Even then, Kazakhstan will have just more than 1 million barrels a day of pipeline capacity, so about 400,000 barrels a day will have to be moved by rail or tanker—costly options oil companies tend to avoid.

The KCTS would involve a new 500,000 barrel-a-day pipeline running from western Kazakhstan to the port of Kuryk. Tankers would ship the crude to Azerbaijan, where it will be fed into the Baku-Tbilisi-Ceyhan pipeline and sent to the Turkish Mediterranean coast. In addition to the pipeline, new oil terminals need to be built at Kuryk and Baku, and a fleet of 60,000 ton tankers commissioned, adding to costs. Some doubt whether there are any shipyards in the Caspian capable of building such large vessels.

"The real difficulty is political," says Julian Lee, a Caspian analyst at the Centre for Global Energy Studies in London. "It's bringing together four countries and nine companies with very different outlooks on how you work, who contributes what and who owns what. It's not going to be easy."

European court loosens requirements for asylum

By Charles Forelle

BRUSSELS—Refugees seeking asylum in the European Union don't have to demonstrate that they are specifically targeted for harm if there is widespread and indiscriminate violence in their home countries, Europe's highest court ruled after reviewing the case of two Iraqi nationals who had fled the war in their country.

The case could lead Europe to admit more asylum-seekers—a touchy subject on a continent that prides itself on broad human-rights protection but often struggles to integrate immigrants and is wrestling with growing unemployment.

Dutch authorities, who referred the legal question of how to interpret an EU asylum directive to the European Court of Justice in Luxembourg, said dozens of similar cases were pending. Seven other EU countries weighed in with legal briefs, many arguing for a narrower interpretation of the law.

EU countries deport relatively few immigrants, so even those who fail to receive asylum status often stay without authorization and live in a legal gray area. Granting asylum status confers benefits like the right to work.

Tuesday's ruling reflects a shift in asylum law, which was once concerned primarily with individuals facing specific persecution—for instance, Russian dissidents—toward cases of people fleeing general violence, said Hemme Battjes, an associate professor at Vrije Universiteit Amsterdam who specializes in asylum issues. "In the long run, the consequence of this judgment will be that those people will be entitled for full-fledged asylum status," he said.

The ruling comes as EU countries try to get tougher on immigration. Last year, the EU passed a controversial directive setting out procedures for deporting illegal immigrants that human-rights groups complained was too harsh.

The case before the Court of Justice concerned an Iraqi couple, Meki and Noor Elgafaji, who fled Iraq in 2006. Mr. Elgafaji had worked for a British security contractor that guarded convoys traveling between the Baghdad airport and the Green Zone. The Elgafajis left, they said, after Mr. Elgafaji's uncle—also employed by the same security company—was killed in a terrorist attack, and a note saying "death to collaborators" was affixed to the door of their home.

They went to the Netherlands, where they had family, but the Dutch immigration ministry said they hadn't adequately demonstrated they were individually threatened and denied their application for residence permits. A district court overruled the ministry, but an appeals court said the relevant European law was confusing and asked for an interpretation.

Japan, U.S. plan summit

As Aso flounders, Clinton has meeting with his opponent

By Yuka Hayashi
And Jay Solomon

Agence France-Presse

U.S. Secretary of State Hillary Clinton laughs with Japan's main opposition party leader, Ichiro Ozawa, in Tokyo on Tuesday.

TOKYO—The U.S. appears to be hedging its bets with its major Asian ally as the government of Japanese Prime Minister Taro Aso grows weaker, hurt by his sinking popularity and inability to tackle the economic crisis.

On Tuesday, U.S. Secretary of State Hillary Clinton said Mr. Aso will visit President Barack Obama on Feb. 24, making him the first foreign leader to meet Mr. Obama in the White House.

Mrs. Clinton and Japanese Foreign Minister Hirofumi Nakasone said in a joint news conference that the summit should send a signal that the world's two largest economies are developing a common approach to end the financial crisis. Mrs. Clinton met with Mr. Aso in Tokyo on the first stop of her Asia tour.

In a sign that the U.S. is preparing for a possible political change in Tokyo, Mrs. Clinton met later in the day with the head of Japan's main opposition party, the Democratic Party of Japan. Its leader, Ichiro Ozawa, advocates a "more equal partnership" with the U.S. in its bilateral security alliance and has clashed with the ruling party on legislation authorizing Japan's military cooperation with Washington.

Aides to Mrs. Clinton said she wanted to meet Mr. Ozawa to hear from a range of people in Japan. A senior U.S. official denied that Washington is anticipating Mr. Aso's fall and said Mrs. Clinton and the opposition politician discussed "a wide array of issues," including security.

Mrs. Clinton's visit comes amid crisis within Mr. Aso's ruling Liberal Democratic Party. On Tuesday, Finance Minister Shoichi Nakagawa said he will resign, after videos of a news conference at a meeting of the Group of Seven documented his slurred speech and sleepy appearance. Mr. Nakagawa blamed the effect of cold medicine, taken with a bit of wine over lunch.

Economy Minister Kaoru Yosano, who is 70 years old, will also take on the role of finance minister.

On Monday, Japan said its economy contracted by a stunning 3.3% during the October-December 2008 quarter. Data out Tuesday confirmed the pain has spread from manufacturers to the service industry, where activity slowed in December to its lowest level in nearly four years.

The economic news is stepping up pressure on Mr. Aso to act. But with the opposition controlling the upper house of parliament, Mr. Aso has had difficulty passing and implementing economic-stimulus measures, leading many to question the LDP's competence. A re-energized opposition has increased its calls for Mr. Aso to step down and call a general election.

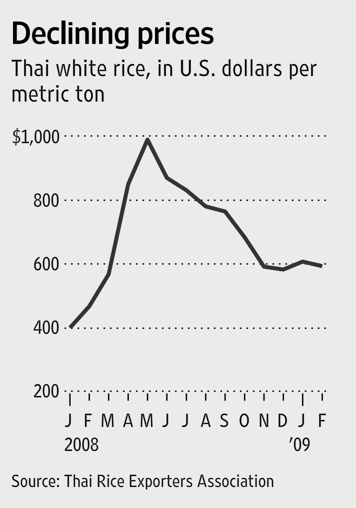
"If an election is held soon, it is almost certain the DPJ would win a majority, and probably by a significant margin," said Jun Iio, a professor of politics at the National Graduate Institute for Policy Studies in Tokyo.

Mrs. Clinton also signed an accord to move 8,000 Marines stationed in Okinawa to the U.S. Pacific territory of Guam. She declared Washington's solidarity with Japan on North Korea and warned Pyongyang not to go ahead with a suspected missile launch. She said the U.S. will continue to press North Korea on the issue of Japanese citizens abducted by the reclusive Stalinist regime.

—Megumi Fujikawa contributed to this article.

Thailand looks to halt decline in price of rice

By Patrick Barta



BANGKOK—A delegation from Thailand, the world's biggest rice exporter, is asking Vietnam to help it stabilize the tumbling price of rice—the latest indication of how agricultural markets have changed in the months since riots over food costs gripped parts of the developing world.

Industry experts aren't expecting any major price-fixing accords between the two countries, which together control roughly 45% of global rice exports.

A Thai participant in this week's meetings in Vietnam, held with representatives of its rice industry, emphasized that the two countries are speaking only in general terms about how to keep prices from falling from current levels.

He said the two sides hoped to announce some form of increased coordination at a summit of leaders of Association of Southeast Asian Nations at the end of February in Thailand. One idea already on the table is the creation of a regional rice reserve that could be used to prevent food shortages and absorb excess stocks during periods of oversupply, analysts say.

"We have to stabilize the world price," said Chookiat Ophaswongse, president of the Thai Rice Exporters Association and a participant in the Vietnam meetings. If the effort isn't successful, he said, "it's going to hurt the overall market."

Just a few months ago, residents in poor countries took to the streets to protest the soaring price of rice and other food. Since then, grain prices have fallen about 30% from their peaks in mid-2008, according to the Food and Agriculture Organization of the United Nations.

The price of Thai rice, a global benchmark, has dropped to about $600 per ton from nearly $1,000 in May.

Rice prices in Thailand probably would have fallen further, analysts say, without support from a government program that buys excess supplies from farmers. In Vietnam, which doesn't have such a program, prices have fallen to about $450 a ton.

The Thai program has generated stockpiles, estimated at five million tons or more, which could depress prices further if released.

Thai officials are considering options to keep from doing that, including swapping rice for oil or other products through barter deals with Iran or other foreign governments.

While the lower prices are good for poor consumers, many agricultural experts worry that further declines could lead to significant losses for farmers and discourage them from expanding their crops—an outcome that could cause price surges in the future.

Officials at the FAO, meanwhile, are still warning about food shortages in poor countries hit by bad weather. In a report last week, the FAO said 32 countries, including Kenya, Afghanistan and Bangladesh, have food crises that require foreign aid.

Some market participants worry governments may now be tempted to do too much to support production in the short term, possibly even leading to a glut of rice and other foods.

If Thailand keeps trying to support rice prices, "pretty soon too much is produced, and then you have problems," says Vichai Sriprasert, president of Riceland International Ltd., a major Thai rice exporter. "The warehouses will burst."

Global production of rice is expected to climb to a record 440 million tons this year, a nearly 2% rise from last year, according to U.S. Department of Agriculture data.

It's unclear whether Vietnam can do much to help the Thais support prices. Thai authorities often have floated the notion of a regional rice cartel but the idea never took hold amid criticism from rice importing nations.

Several representatives of the Vietnamese rice industry declined to comment Tuesday.

—Wilawan Watcharasakwet in Bangkok and Nguyen Anh Thu in Hanoi contributed to this article.

Singapore's exports shrink at the fastest pace on record

By Se Young Lee

SINGAPORE—Singapore's key exports contracted for a ninth consecutive month and at the fastest pace on record in January, highlighting its vulnerability to the global slowdown and dashing hopes for a quick recovery from what may be its worst recession since independence in 1965.

Nonoil domestic exports fell 34.8% in January from a year earlier, trade promotion agency International Enterprise Singapore said. The contraction followed a 20.8% year-on-year decline in December.

"If not for the spike in pharmaceutical exports, overall [decline] would have been much lower," CIMB-GK economist Song Seng Wun said.

Trade-dependent Singapore has been hit by the fallout from the global financial turmoil. Some analysts noted weakness in exports last month, which they say was in line with data from the region, was partly due to the fewer number of working days compared with January 2008 due to the timing of the Lunar New Year holidays. Still, economists expect continued weakness in the first half as the global slowdown will further damp demand from the U.S., China and the European Union.