News in Depth: Lean U.S. factories find it hard to cut jobs even in a slump

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BNP Paribas looks set to succeed in its third attempt at a deal to buy Fortis Bank from the Belgian government, according to company officials and dispirited opponents of the sale. Pages 2, 32

■ **Technology stocks** dragged U.S. indexes to new bear-market lows. In Europe, losses for banks offset a rebound in drug makers' shares. Page 20

■ **Hungary's central bank** said it will intervene in foreign-exchange markets to support the forint, using funds it gets from the EU. Page 2

■ **Central bankers meeting** in Switzerland said the global economy is still slowing but suggested a turning point could be near. Page 3

■ **Dow Chemical reached** a tentative deal to acquire rival Rohm & Haas on terms similar to the $78 a share they agreed upon in July. Page 7

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■ **Ford union workers** agreed to cost cuts in their contract, which is likely to renew pressure on GM and Chrysler to secure similar concessions.

■ **The succession race** at Procter & Gamble narrowed with the exit of Susan Arnold as head of the firm's global business units. Page 4

■ **The financial crisis** claimed the last of Iceland's four major banks, as Straumur-Burdaras was shut down. Page 21

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■ **Sanofi-Aventis appointed** Jérôme Contamine as its new chief financial officer. Page 4

■ **More than a third** of U.S. firms in China expect revenues to drop this year and will postpone investments, according to a survey. Page 12

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Double fault

Sweden plays Israel in an empty arena due to "security concerns." Page 13

Breaking news at europe.WSJ.com

Massive deals in drug industry

Merck, Schering to unite

By Jonathan D. Rockoff

Merck & Co. agreed to buy rival **Schering-Plough** Corp. for $32.6 billion, in the latest sign that pharmaceutical companies are seeking to diversify their businesses to weather the tough economic environment and the vagaries of drug development.

Merck's takeover of Schering-Plough comes as biotechnology pioneer **Genentech** Inc. was near a deal to sell the remaining stake in itself to Swiss pharmaceutical company **Roche Holding** AG and just six weeks after **Pfizer** Inc. announced it was buying **Wyeth** for $68 billion.

All three deals create giant and more-diversified companies that are less reliant on traditional pharmaceutical research. By acquiring Wyeth, Pfizer added biotechnology drugs, vaccines and consumer-health products to its lineup. Similarly, Schering-Plough brings to Merck biotech, consumer-health and animal-health businesses, as well as an expanded presence in Brazil, China and other emerging markets.

Big pharmaceutical companies are turning the page on the 1990s, when they concentrated their focus on prescription drugs, then a booming business fueled by a slew of blockbusters in areas like heart disease. The pace of drug discovery has since slowed amid tougher regulatory scrutiny, leaving them to face big revenue declines caused by patent expirations. The severe recession, meanwhile, has increased the urgency of adding new lines of business to offset the weak core drug business.

Merck Chief Executive Richard Clark acknowledged that the deal was in large part driven by the desire to diversify. "With the external environment, it's going to really require a breadth and depth of products," he said in an interview.

Many pharmaceutical executives now believe drug discovery is too unpredictable to count on. So they have begun

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New prescription

Drug makers' consolidation frenzy reshapes industry 6

Associated Press

Merck's $32.6 billion deal for Schering-Plough triggered a surge in pharmaceutical shares. Anthony Rinaldi, right, Monday directed LaBranche & Co.'s trading in shares of Merck & Co.

Top 10 global pharmaceuticals M&A deals

Announced	Target	Acquirer	Deal value, in billions
1999	Warner-Lambert (U.S.)	Pfizer (U.S.)	$110.4
2000	SmithKline Beecham (U.K.)	Glaxo Wellcome (U.K.)	77.2
2009*	Wyeth (U.S.)	Pfizer (U.S.)	68.1
2004	Aventis (France)	Sanofi-Synthelabo (France)	67.0
2002	Pharmacia (U.S.)	Pfizer (U.S.)	57.8
2008*	**Genentech (U.S.)**	**Roche Holding (Switzerland)**	**46.7**
1998	Astra (Sweden)	Zeneca Group (U.K.)	39.9
2009*	**Schering-Plough (U.S.)**	**Merck & Co (U.S.)**	**32.6**
1999	Pharmacia & Upjohn (U.S.)	Monsanto (U.S.)	30.7
1999	Hoechst (Germany)	Rhone-Poulenc (France)	27.2

*Pending Note: Deal value excludes debt

Sources: Dealogic; WSJ research (Schering-Plough, Genentech deals)

Roche, U.S. giant near pact

By Matthew Karnitschnig And Jeanne Whalen

The board of biotechnology company **Genentech** Inc. is near a deal to sell itself for $95 a share to **Roche Holding** AG, its majority holder, according to people familiar with the matter.

The two sides held discussions over the weekend and at one point were close to announcing the transaction Monday. There have been delays as the two sides bickered over timing and closing conditions, these people said. It is possible that a deal could fall apart.

Still, momentum on both sides is building toward a deal, and an announcement could come this week, the people added. Switzerland-based Roche already owns 56% of Genentech, but needs to receive consent from 90% of the company's outstanding shares to secure full ownership of the company.

The $95-per-share price would represent a total equity value of $46.7 billion, 6% above Roche's July opening bid of $89.50. However, it falls well below the $112 per-share demanded by a special committee of Genentech's directors in December. Weak financ-

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EU wants IMF fund lifted to $500 billion

By Adam Cohen

BRUSSELS — European Union finance ministers on Tuesday will ask countries with large financial reserves to help double International Monetary Fund resources to $500 billion, and will seek a stronger IMF role in economic surveillance, according to a draft statement.

The draft document, which the EU will present to finance ministers and central bankers from the Group of 20 countries at a meeting near London this weekend, doesn't name the countries to contribute. China and Saudi Arabia appear likely candidates. Japan has already offered $100 billion.

The draft seems to put the EU at odds with the U.S., which plans to emphasize the need for bigger economic stimulus packages at the G-20 summit on April 2, while playing down proposals to strengthen international financial regulation.

The statement says the 27-nation EU "is doing its part to support demand," and makes clear the EU wants better international coordination of financial-market authorities, with the IMF playing a key role.

The bloc also seeks "the rapid establishment of colleges of supervisors for all major cross-border financial institutions," according to the draft.

German Finance Minister Peer Steinbrück, heading to a

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Mapping a course

Germany, U.K. weigh options for GM's European units

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Markets

4 p.m. ET

	CLOSE	PCT CHG
DJIA	6547.05	-1.21
Nasdaq	1268.64	-1.95
DJ Stoxx 600	157.97	-0.97
FTSE 100	3542.40	+0.33
DAX	3692.03	+0.70
CAC 40	2519.29	-0.60
Euro	$1.2633	-0.16
Nymex crude	$47.07	+3.41

LEADING THE NEWS

Hungary to support forint

Budapest set to use funds from the EU for its intervention

By Edith Balazs
And Charles Forelle

BUDAPEST—The Hungarian central bank's plan to intervene in foreign-exchange markets to support its swooning currency—using funds it gets from the European Union to do so—helped boost the forint on Monday.

The central bank's plan announced late Sunday after extraordinary weekend meetings came after the forint hit new lows against the euro last week. Among other measures, the bank said it "will start to channel E.U. funds to the [financial] market and is ready to use all monetary policy tools" to boost the forint.

Late Monday in the U.S., the euro traded at around 310.52 forints, down 1% compared with 313.55 forints late Friday.

But the euro is still up around 17% against the forint so far this year, and the Hungarian currency's weakness is a deepening source of worry in this nation, one of the hardest hit by the global financial crisis in Eastern Europe. The weak forint is crippling homeowners who took out mortgages in Swiss francs and euros. It is driving up the price of imported goods and—perhaps most seriously—straining the balance sheets of banks who made loans to consumers and businesses now unable to pay.

Peter Felcsuti, chief executive of the Hungarian unit of Austria's Raiffeisen bank and head of the Hungarian Banking Association said

Currency crisis

The number of European cents 100 Hungarian forints buys

Source: WSJ Market Data Group

Hungarian banks at the moment have strong enough balance sheets to handle the slumping currency, but "should the decline continue and reach higher levels, obviously the development of a systemic problem cannot be excluded."

In 2007, Hungary received €1.4 billion in EU structural funds, and around €1 billion last year. The central bank said it expects a significant increase this year. The bank wouldn't immediately say how much it would convert on the foreign-exchange market.

Poland tried a similar move in early February to stem the fall in its currency, the zloty. The markets initially shrugged it off, but the currency later rebounded and for the past three weeks has stayed above its lows against of around 4.94 zloty to the euro. Monday it traded at around 4.74 zloty to the euro.

The forint broke marked new lows against the euro last week, hurt by a flight of investors from smaller and riskier countries—and by comments by European Central Bank president Jean-Claude Trichet that euro-adoption rules wouldn't be eased for countries like Hungary wanting to join the currency more quickly.

Some analysts are skeptical that moves by the Hungarian central bank will be enough. "The market needs to see greater intervention to provide foreign exchange liquidity, perhaps involving the European Union, the European Central Bank or the International Monetary Fund," says Angus Halkett, strategist at Deutsche Bank in London.

Central and Eastern Europe came under fire early this year as investors feared that the global financial and economic crisis could lead to financial collapse. Regional currencies weakened severely and negative news flow from any of these countries proved to have a contagious impact on others. Hungary, however, seems to have become the punching bag of the region, triggering a flurry of action from authorities here.

At an EU summit on March 1, Hungarian Prime Minister Ferenc Gyurcsany proposed massive regional bailout. It was rejected by Germany and other EU powers who'd have to foot the bill.

Hungary was the first post-Communist country in the region to apply for international financial help late last year as the forint came under heavy selling pressure and the local government bond market came to a virtual halt in October. The country secured a €20 billion credit line spearheaded by the IMF, with contributions from the World Bank and the European Union.

Meanwhile, the government indicated it was ready for fiscal belt-tightening, even at the cost of slashing social benefits, which had been a taboo for Mr. Gyurcsany's minority government so far. Fiscal prudence is crucial for Hungary as the country is trying to adopt the euro and is lobbying to shorten the two-year period during which those wanting the euro must keep their currencies in a band tied to the euro.

Meanwhile, Marcell Kisanszky, a real-estate agent in Budapest, says "the forint means bloodshed for us."

Mr. Kisanszky took out a Swiss-franc based mortgage loan to purchase a Budapest apartment and is now looking for a way to convert his mortgage into another credit facility for fear he may be unable to repay should the forint weaken further.

The mortgage "has turned into a nightmare, and the risk that I won't be able to repay it unless I find some sort of a solution has become very high," he says.

CORRECTIONS & AMPLIFICATIONS

Sanjay Pingle is president of **Terasol Energy** Inc. An article about biofuels for aviation in Monday's Environment report incorrectly spelled his last name as Pringle.

Fortis shareholders likely to accept latest BNP deal

By John W. Miller

BRUSSELS—**BNP Paribas** looks set to win its battle to buy Fortis Bank from the Belgian government, according to company officials and dispirited opponents of the sale.

Shareholders in the bank's holding company, **Fortis** NV, have twice successfully vetoed the proposed sale, the terms of which were agreed to back in October, when Fortis was effectively nationalized.

On April 8, Fortis shareholders are set to vote again, this time on a slightly more generous offer the Belgian government and BNP agreed to over the weekend.

"I don't know anymore if it's worth it" to show up at the April meeting, said Mischael Modrikamen, a lawyer representing 2,300 retail shareholders. Mr. Modrikamen spearheaded earlier resistance to the sale, arguing that shareholders should get more than double the roughly €3 ($3.79) a share on offer.

BNP has aggressively lobbied investors since losing last month's vote on the deal, and officials at the French bank say they are now confident of winning.

The new support will come from two sources, say officials at BNP and Fortis. The first is institutional investors, such as pension funds, which mostly stayed away from the raucous Feb. 11 vote, where 20% of Fortis's 2.3 billion shares outstanding were represented. A number of these institutional shareholders have pledged to show up and vote this time, according to Kathleen Steel, a spokeswoman for Fortis NV.

Four institutional shareholders contacted declined to comment.

A BNP spokesman said more votes will come from investors who have bought Fortis shares since the Belgian state's October bailout of the firm. These buyers now control 5% of Fortis NV. In February, they weren't allowed to vote, but because of a rule change they now can.

"The new deal allows these guys to make money if they vote 'yes,'" said Ivan Lathouders, an analyst for Bank Degroof, a Brussels-based bank.

Most of these investors bought Fortis NV shares at around one euro. According to Fortis NV, the latest proposed sale would give holders a net asset value of €7 billion, or €3.04 a share.

The new deal is also a slight improvement for shareholders who bought before October, only to see Fortis's share price plummet to less than 10% of its year-ago value. Net asset value for shareholders in the rejected February deal was €6.5 billion, or €2.83 a share.

BNP hopes to get a final push with approval from **Ping An Insurance (Group) Co. of China.** The Chinese insurer, Fortis NV's largest shareholder with a 5% stake, was the swing "no" vote last time, when the margin of defeat for the proposed sale was less than two percentage points.

Ping An will make a statement on its position in a few days, a lawyer for the Chinese company said. Fortis NV Chairman Jozef De Mey is scheduled to meet with Ping An executives Tuesday on a trip to Asia.

The margin of victory will be "resounding" with Ping An's support and "comfortable" without, BNP Chief Executive Baudouin Prot told France's Business FM radio Monday.

BNP officials say they want Fortis Bank for its relatively large cash deposits. Fortis Bank still has a relatively high Tier 1 capital ratio of 10%, compared with 8.4% for BNP.

—David Gauthier-Villars and Geraldine Amiel in Paris contributed to this article.

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LEADING THE NEWS

Central bankers suggest bottom is nearing

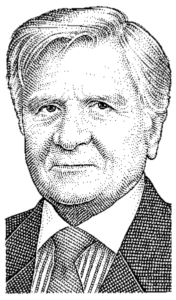
ECB's Trichet cites modest rebound for corporate bonds

The head of the European Central Bank and some other central bankers said the world's economy is still slowing but suggested a turning point could be near as massive fiscal-stimulus packages, low interest rates and cheaper energy prices bolster prospects for growth.

*By **Joellen Perry** in Frankfurt and **Natasha Brereton** and **Christopher Emsden** in Basel, Switzerland*

"We're approaching a moment where we might have a pickup," said European Central Bank President Jean-Claude Trichet in his most optimistic assessment to date of tentative signs of stabilization in some markets. He cited a modest rebound in corporate-bond markets as one positive sign. He spoke to reporters on behalf of participants in a meeting of central bankers from the world's leading economies at the Bank for International Settlements in Basel, Switzerland.

Mr. Trichet also suggested that investors, who last week drove major U.S. stock indexes to 12-year lows, are underestimating the significance of government efforts. Policy makers world-wide have made "a very, very strong commitment...not to let any systemic institution go under," Mr. Trichet said. This "may not be fully priced in by the market."



Jean-Claude Trichet

The Trichet view isn't shared uniformly among central bankers. Federal Reserve officials have been struck in recent weeks by the sharp deterioration in stock prices.

Falling stock prices make it harder for distressed banks to raise private capital. Moreover, some credit-market conditions, which had shown signs of improvement earlier this year, have worsened a bit in recent weeks amid a stream of dour economic data.

Economic policy makers from around the world are jockeying for position ahead of a gathering of finance ministers and central bankers from the Group of 20 nations—the major industrialized and emerging-market economies—this weekend in preparation for a summit of the G-20 heads of state on April 2. The U.S. is pressing for more aggressive government spending to lift the global economy; others seek to use the meetings to restructure global financial regulation.

People's Bank of China Vice Gov. Yi Gang said Monday the fiscal-stimulus measures announced by China so far are appropriate and already seem to be working. "At this point, I think the current package of the fiscal stimulus is sound, and it seems already effective," Mr. Yi told reporters in Switzerland. "So at this point, I think the current stimulus package is fine."

A bit of positive news underscored central bankers' optimism Monday. Interest rates on euro-zone household and corporate loans fell markedly in January, ECB figures showed. Rates on business loans for up to a year fell to 4.73% from 5.38%, while the average interest rate on a popular type of mortgage slipped to 4.39% from 5.09%. The ECB has cut its key rate to 1.5%, from 4.25% in July. Policy makers will welcome further evidence that their cuts are feeding through to the real economy.

Central banks world-wide, including the U.S. Federal Reserve, have taken rates closer to zero and launched a bevy of lending programs aimed at boosting growth. The Bank of England last week lowered its policy rate to 0.5% and launched a £75 billion ($105.54 billion) program to unclog credit markets by buying assets directly.

But markets remain tense. A key barometer of financial-sector health—the London interbank offered rate—rose for the 10th consecutive day Monday. The three-month dollar Libor, a benchmark for the rates at which banks lend to one another, has fallen markedly since it peaked at 4.8187% in October as central-bank and government programs have propped up confidence. But amid continuing money-market tension, the rate rose to 1.3125% Monday from Friday's 1.2925%.

After the BIS meetings, Polish central-bank Gov. Slawomir Skrzypek also said Monday he doesn't see "a risk for recession in Poland" and stressed that the country's banking system remains "sound." Fears of a

The Trichet view isn't shared uniformly among central bankers.

full-blown crisis in Eastern Europe have battered the currencies of countries across the region and worried analysts who contend Western European banks could face whopping losses on investments in the East.

—Jon Hilsenrath in Washington contributed to this article.

CORPORATE NEWS

U.K., Germany weigh options for GM

Both governments consider solutions for U.S. company's troubled European subsidiaries, such as providing aid

BY LAURENCE NORMAN
AND ANDREA THOMAS

Germany and the U.K. continued to weigh solutions Monday for troubled European subsidiaries of **General Motors** Corp., as Washington debated rescue plans for the auto giant in the U.S.

The U.K. government plans to sit down Wednesday with auto-industry representatives and others to discuss support for the country's auto sector, in which GM's Vauxhall subsidiary in the U.K. plays a major role.

In late January, the U.K. government announced a £2.3 billion ($3.24 billion) loan-guarantee package to support the industry, although industry officials at the time questioned how quickly funds would be made available.

Asked whether there would be any fresh support announced for the auto industry and Vauxhall in particular, a spokesman said "if there are any announcements to be made Wednesday, we'll announce them Wednesday."

Wednesday's meeting will be hosted by Business Secretary Peter Mandelson and will include officials from banks and regional development agencies, a spokeswoman for the department said.

"Vauxhall is in terrible trouble," Mr. Mandelson said on BBC television Sunday. "I've spoken three times in the last week to the president of General Motors in Europe. I've also spoken to the German economics minister because their plants are similarly affected, and we will approach what we need to do together on this."

Associated Press

Workers at an GM Opel plant in Ruesselsheim, Germany in December. German politicians are under pressure to bail out the unit.

In Berlin, a government spokesman said Monday that securing jobs at GM's big Opel plants will be the government's main aim if it decides to give the company any aid. The spokesman, Thomas Steg, said it was clear that restructuring plans for Opel weren't sufficient for the government to make a final decision.

"This plan is still incomplete and requires a fleshing out," Mr. Steg told reporters. "The federal government's aim is clear: to secure jobs at the Opel plants permanently," he added. But any decision to help Opel could take weeks, he warned.

GM Europe Chief Executive Carl-Peter Forster last week presented the company's restructuring plan for Opel to the government and said GM needs €3.3 billion ($4.17 billion) in aid across its European operations. GM posted a global 2008 loss of $30.9 billion.

German politicians are under pressure from labor unions to bail out Opel, GM's largest European brand, to help save the company's 25,000 jobs—a figure that more than doubles when parts suppliers and other Opel-linked companies are included.

However, signs of a growing rift between the government's two ruling parties could complicate rescue plans. The center-left Social Democratic Party worries that calls by Chancellor Angela Merkel's conservative Christian Democrats for detailed restructuring plans could cost jobs if the company goes under before it can be saved.

"We will help when the benefit for all people is more than the harm," Ms. Merkel said in her weekly video-streamed message Saturday.

The SPD's leader, Foreign Minister Frank-Walter Steinmeier—who will challenge Ms. Merkel in general elections next fall—is pressing for a quick solution. "Politicians are responsible to protect Germany as an industry location," Mr. Steinmeier said over the weekend. "Politics must now come into play and fight for every job."

Arnold steps down from a top post at Procter & Gamble

BY ELLEN BYRON
AND JOANN S. LUBLIN

The succession race at **Procter & Gamble** Co. narrowed Monday with the exit of Susan Arnold, clearing the way for rival Robert McDonald to emerge as the front-runner to lead the world's biggest consumer-products company after Chief Executive A.G. Lafley retires.

Ms. Arnold, who turned 55 years old Sunday, said she was stepping down as president of P&G's global business units after a 29-year career at the Cincinnati-based company. Ms. Arnold had known for some time that she was unlikely to succeed Mr. Lafley, but the CEO persuaded her to remain in senior management for a while, according to a person familiar with the situation.

Susan Arnold

Over the past year, speculation about who will succeed the 61-year-old Mr. Lafley has heated up, as the CEO nears P&G's mandatory retirement age of 65 and nearly a decade in his post. Since at least 2006, Ms. Arnold and Mr. McDonald, the company's two most powerful executives after Mr. Lafley, had been in a horse race to become the next CEO, people close to the matter said.

P&G declined to comment on the specifics of its CEO succession plans. Nor did it make Ms. Arnold or Mr. McDonald available for comment.

"A.G. is very focused on his role as chairman and CEO," a company spokesman said of Mr. Lafley, adding that P&G has a "deep bench" of leadership talent. "We have a rigorous approach to the CEO succession process to ensure a seamless transition."

Mr. McDonald has played a more visible role at investor conferences lately, giving Wall Street the impression he had the edge for the top job. But the economic downturn could affect the outcome. Lately Mr. Lafley has brushed aside notions that he will step down anytime soon. When asked about his retirement at an analyst conference in December, he told the crowd, "The rumors of my passing are greatly exaggerated," adding, "We're going to stay together, and we have a lot left to do."

Given the difficult economic climate, P&G's board might ask Mr. Lafley to stay on until he turns 65, said a person familiar with the situation. If he does, the 55-year-old Mr. McDonald would be 59 by that juncture, and P&G could deem him too old to take the reins, given its history of preferring CEOs to serve for about a decade.

Another possible scenario: given the volatility of current business conditions, Mr. McDonald could make a mistake that would prompt the board to look to several of P&G's young vice chairmen and presidents, this person said.

Sanford C. Bernstein analyst Ali Dibadj suggested such contenders could include Edward Shirley, vice chairman of global beauty and grooming; Robert Steele, vice chairman for global health and well being; and Dimitri Panayotopoulos, vice chairman for global household care.

Mr. McDonald has spent his entire corporate career at P&G. He attended the U.S. Military Academy at West Point and joined the company after serving for five years as a U.S. Army captain. He rose through the ranks at P&G, serving as a brand manager for Cascade dishwasher detergent and Tide laundry detergent, and eventually holding leadership roles throughout Asia. He became a vice chairman in 2004, and in 2007 assumed his current post as chief operating officer.

Like Mr. McDonald, Ms. Arnold has spent her entire career at P&G. She became the first female leader of its global beauty business, its first vice chairwoman and the first woman to be the company's president. As the head of P&G's global business units, Ms. Arnold oversaw more than 300 brands, which generate total annual sales of $83.5 billion.

Over the past several months it appeared that Ms. Arnold had been looking outside P&G to heighten her professional profile. In 2008, she joined the board of **McDonald's** Corp., following her appointment as a **Walt Disney** Co. director the year before. A participant in the Clinton Global Initiative, the charitable organization led by former President Bill Clinton, Ms. Arnold has met with world leaders and other high-profile executives to discuss issues such as poverty and sustainability at the group's annual conferences.

Executive recruiters have courted Ms. Arnold for years about taking the helm of another major company. She showed interest in feelers from several companies, "but she always got yanked back by P&G," said a person with knowledge of the matter.

P&G didn't name a successor to Ms. Arnold. The executives who had reported to her will now report to Mr. Lafley, the company said.

P&G said Ms. Arnold will leave her role as president immediately but will continue with the company on special assignment until September. "It has long been her intention to step down upon her 55th birthday," it said.

Ms. Arnold's rise through P&G's ranks included a stint as the leader of P&G's global beauty business, where she led the transformation of Olay into a billion-dollar skincare blockbuster. Later, as vice chairman, Ms. Arnold was charged with leading the two most important growth initiatives at the company—its health and beauty businesses.

Ms. Arnold attended the University of Pennsylvania, and received a master's in business administration from the University of Pittsburgh.

Sanofi names Contamine as finance chief

BY ELENA BERTON

France's **Sanofi-Aventis** SA, one of the world's biggest drug makers, said Monday it appointed Jérôme Contamine as its new chief financial officer.

Mr. Contamine, who will take the finance-chief post on March 16, was previously senior executive vice president, deputy general manager and finance chief at Veolia Environnement, the French water, waste, transportation and energy-services company. Mr. Contamine couldn't be reached for a comment.

Sanofi-Aventis Chief Executive Chris Viehbacher said that Mr. Contamine "will be deeply involved in the simplification of our operational structures to adapt our group to future challenges."

The former Veolia executive will fill the role vacated last month by Laurence Debroux, who was tapped as chief strategic officer just two months after succeeding the company's former finance chief, Jean-Claude Leroy.

Mr. Leroy, a company veteran, left Sanofi-Aventis nearly two weeks after Mr. Viehbacher's arrival as the company's new chief executive. Mr. Viehbacher, formerly a senior executive at U.K.-based GlaxoSmithKline PLC, was appointed to that post in September, marking a change for the French company, which until then had been run by a tight group of managers.

The appointment of Mr. Contamine continues the trend of drug companies choosing chief financial officers from outside the pharmaceutical industry, said Panmure Gordon analyst Savvas Neophytou, noting that the focus is now on what Sanofi-Aventis can deliver with its new management team in place.

Monday, shares in Sanofi-Aventis were up 2% in Paris.

Swiss Re chooses Kielholz as new chairman

Boardroom changes touch Credit Suisse, reflect growing woes

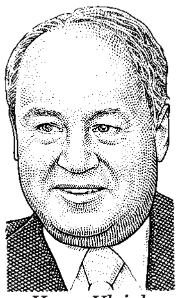
BY GORAN MIJUK AND KATHARINA BART

ZURICH—**Swiss Reinsurance** Co.'s troubles triggered a fresh round of boardroom changes there and at **Credit Suisse Group**, underscoring the woes of Switzerland's once rock-solid financial center.

Monday's changes began when Swiss Re said Vice Chairman Walter Kielholz would succeed Peter Forstmoser as chairman of the reinsurer, which last year posted a hefty net loss and needed fresh capital from Warren Buffett's **Berkshire Hathaway** Inc.

In addition to his duties at Swiss Re, Mr. Kielholz, 58 years old and a former Swiss Re chief executive, had been chairman at financial-services rival Credit Suisse since 2003. He said he would step down from that post to focus on Swiss Re, prompting Credit Suisse to name Vice Chairman Hans-Ulrich Doerig, 69 years old, as his successor.

Swiss Re is under heavy pressure to rebuild its balance sheet after a foray into risky investments left the reinsurer with an 864 million Swiss franc ($745 million) net loss in 2008 and about 50 billion francs in risky assets on its balance sheet.


Hans-Ulrich Doerig

The troubles led to the ouster of Swiss Re Chief Executive Jacques Aigrain, who was succeeded by Stefan Lippe earlier this year. But investors also demanded that Swiss Re's board be revamped, as it was believed to have backed Mr. Aigrain's aggressive risk-taking.

Some of those demands have been met over the past month; Mr. Forstmoser and board members Thomas Bechtler, Benedict Hentsch and Kaspar Villiger will all step down at Friday's annual shareholders meeting.

Mr. Villiger, a former Swiss finance minister, will become chairman of **UBS** AG later this year.

But some investors remain critical of the changes.

Analyst and shareholder ire has centered on Mr. Kielholz and designated Vice Chairman Mathis Cabiallavetta, a former UBS chairman who was fired about a decade ago after the bank incurred big trading losses linked to the collapse of hedge fund Long Term Capital Management. Mr. Cabiallavetta has since worked as vice chairman at U.S. insurer Marsh & McLennan Cos.

Mr. Cabiallavetta wasn't available for comment. A Swiss Re spokesman said he is a proven expert in insurance and banking.

"Kielholz, as a current board member and vice chairman, is responsible for the failed strategy of diversifying into financial services and is in for exactly as much criticism as others at Swiss Re as a result," said Zürcher Kantonalbank analyst Georg Marti.

Swiss activist shareholder group Ethos called for an extraordinary shareholder meeting in the coming months to bolster Swiss Re's board with at least three new members. Ethos President Dominique Biedermann said the new members needed "experience in risk management and U.S. business."

Some investors, however, saw the boardroom shuffles as a first step to help Swiss Re turn itself around.

"Although at a first glance the changes don't seem to go deep enough, Kielholz knows Swiss Re very well and Cabiallavetta certainly has learned from his past mistakes," said Robert Scholl, asset manager at Aargauische Pensionskasse.

"However, it seems that Swiss companies need to increasingly tap older and experienced managers, as there is a lack of young and talented successors," Mr. Scholl said.

The fact that Mr. Kielholz had held top board positions at two major financial companies isn't unusual in Switzerland, where many former managers hold multiple board posts at various companies.

Some investors also criticized UBS for being unable to find younger managers to fill the top jobs. It tapped former Credit Suisse CEO Oswald Grübel and Mr. Villiger to take over the key jobs at the bank.

Swiss Re said the boardroom decisions in the past two weeks have been made in conjunction with key shareholders.

"The feedback from the shareholders is reflected in our decision," Mr. Kielholz said.

Swiss Re declined to comment further on the changes.

The boardroom shuffle at Credit Suisse was welcomed by many, as Mr. Doerig is highly regarded by analysts and shareholders, who said the manager is well-versed in the bank's risk practices.

His move to the bank's top job from the vice chairman post triggered other changes, with legal counsel Urs Rohner to advance to the vice chairmanship.

Credit Suisse said it will propose Andreas Koopman, the current CEO of Swiss industrial company Bobst AG, and John Tiner, CEO of U.K. insurer Resolution Ltd., as board members. Mr. Bechtler, who has been at Credit Suisse since 1994, will step down from this board as well.

CORPORATE NEWS

Wave of consolidation sweeps drug makers

Recent deals reflect valuations, pipelines and willing bankers

By Avery Johnson
And Ron Winslow

Drug makers have launched a frenzied wave of consolidation that is redrawing the industry landscape.

Merck & Co.'s $32.6 billion agreement to acquire **Schering-Plough** Corp., announced Monday, follows **Pfizer** Inc.'s $68 billion January takeover deal for Wyeth and **Roche Holding** AG's seven-month pursuit of **Genentech** Inc. that was nearing an agreement Monday, according to people familiar with the situation. The Roche-Genentech deal, valued at about $46.7 billion, plus the Merck bid for Schering-Plough, means that drug makers are close to agreeing to more than $79 billion in deals in the last few days.

The push to consolidate is being driven by the reality that drug pipelines of the big companies aren't producing enough new moneymakers to keep growth going as their major products lose patents over the next few years. As a result, the drug giants are looking to consolidations that will cut costs by combining research and sales efforts and eliminate other overlaps.

What's left will be an industry dominated by behemoths, raising questions about the fates of smaller drug companies, as well as the countless still-smaller biotechnology firms hungry for suitors. Even though their labs aren't what they used to be, the product lineup of drug companies still command fat margins, giving most cash on hand with which to pursue deals.

"There are too many companies chasing smaller revenue opportunities, so there's got to be a shake-out," says analyst Tim Anderson at Sanford C. Bernstein & Co. "If you've got cash and the value of the companies you want to buy is lower, it's the perfect setup."

The pressure also is on from Washington, where health-care reform could eat into margins. Bigger drug companies could be in a better position to bundle their products and negotiate with the government, say analysts.

The wreckage on Wall Street is also a factor: The health-care sector is traditionally viewed as a relatively safe bet, making it easier for drug companies to get financing than other industries.

"The horrible market and the political uncertainties have served as a shove," says Catherine Arnold, a drug-industry analyst at Credit Suisse.

In Europe, in addition to the accord expected by Roche of Switzerland for the 44% of Genentech that it doesn't already own, **Novartis** AG of Switzerland, has committed to buying Swiss eye-care company Alcon Inc. for $39 billion. Roche has said it isn't interested in other large deals, while Novartis's chief executive said in January that another big deal is "highly unlikely" for the company.

GlaxoSmithKline PLC Chief Executive Andrew Witty has also said the U.K. company isn't interested in mega mergers, calling them disruptive. He says Glaxo is focused on smaller deals that will help it expand in emerging markets, and help it diversify more into vaccines and over-the-counter drugs.

As the dust settles, **Eli Lilly** & Co., **Bristol-Myers Squibb** Co., **AstraZeneca** PLC, **Sanofi-Aventis** SA, and Johnson & Johnson seem most likely to be involved in the next wave of consolidation, analysts say. Factors including existing partnerships, the timing of patent expiries and how well they can absorb multiple acquisitions could factor into who will be a buyer and who will be a seller.

"Bristol and Lilly stand out in terms of size versus the rest of the industry," says Les Funtleyder, an industry analyst at Miller Tabak. "They'll have to do something, because it's a consolidating industry."

Lilly, based in Indianapolis with a market capitalization of $32 billion, will lose patent on its best-selling antipsychotic, Zyprexa, in 2011. It just bought ImClone for $6.5 billion. Mr. Anderson suggests a merger with Bristol-Myers, whose chief executive, James Cornelius, came from Lilly.

Lilly, which has strong ties to Indiana and an undesirable series of patent losses, would be more likely to buy than sell. "There's no way Lilly's a takeout. It's got a massive cliff," says Mr. Anderson.

Mark Taylor, an Eli Lilly spokesman, says, "We're not interested in large-scale M&A activity in pharma and believe small and medium-scale acquisitions and internal development is the best way forward for Lilly.

Bristol-Myers faces a similar dilemma, since Plavix, the bloodthinner it sells with **Sanofi-Aventis**, faces generic competition in 2011. A merger with Lilly could run into antitrust hurdles, since both companies have clotting drugs and antipsychotics. Bristol-Myers declined to comment.

Sanofi-Aventis's new chief, Chris Viehbacher, said in an interview last week that he isn't seeking a mega merger, but would consider deals of under €15 billion, or about $19 billion. Some analysts say that could leave Sanofi-Aventis open to buying the U.S. biotech company **Biogen Idec** Inc., which has a market value of $13.3 billion. Both companies have declined to comment.

Another possibility for Bristol-Myers could be a deal with Britain's **AstraZeneca** PLC, since the companies are co-developing a drug for diabetes called saxigliptin. As the match between Merck and Schering-Plough shows, companies sometimes pursue a deal to gain full rights of a co-marketed product. AstraZeneca declined to comment.

AstraZeneca, though, is still digesting its $15.6 billion purchase of MedImmune in 2007. And in January, AstraZeneca said large acquisitions weren't part of the company's strategy.

Ms. Arnold, the drug analyst from Credit Suisse, says that hasn't stopped companies in the past. "Sanofi, Glaxo and Novartis have said they're not interested in big deals, but Jeff Kindler said that nine months ago," she said, referring to the statement in March 2008 by Pfizer's chief executive that he did not see a mega merger on the horizon.

—Jeanne Whalen contributed to this article.

CORPORATE NEWS

Medvedeff vodka is lagging Putinka

Premier brands battle but Medvedev's trails Putin-inspired booze

By Andrew Osborn

MOSCOW—Putinka vodka piggybacked on the cult-like popularity of Vladimir Putin to become one of Russia's top-selling brands of spirits. For a new vodka named after Mr. Putin's presidential successor, Putinka is proving to be as tough an act to follow as Mr. Putin himself.

Medvedeff vodka, named after President Dmitry Medvedev, appeared in shops here in December, next to bottles of Putinka vodka and for the same price—150 rubles, or roughly $4, per half liter. But, while Putinka, which hit the market in 2003, remains Russia's second-best-selling vodka, Medvedeff has yet to find a place among the top 20.

ADVERTISING

Vedomosti newspaper

Medvedeff vodka, shown in the foreground, hasn't replicated the success of Putinka vodka, in background.

The disparity reflects Russia's political reality. Mr. Putin left the presidency in May, accepting the more-junior position of prime minister, yet polls show he remains more popular than Mr. Medvedev and that his aura of absolute power hasn't waned. A recent survey from the Levada polling center in Moscow showed 87% of respondents thought "real power" remained either completely or significantly in Mr. Putin's hands.

Using Mr. Putin's image to sell vodka was a smart move by the creators of Putinka, an affectionate take on the former president's surname. The brand has annual sales of more than $500 million.

But Russia's $11 billion vodka market is crowded and highly competitive. To stand out, experts say, a vodka maker needs a unique brand and needs to market it heavily.

Medvedeff's parentage is as opaque as Kremlin politics. A vodka factory near Moscow confirms it distills the vodka but says other details—such as production volumes and who owns the brand—are "a secret." **TPG Kristall**, the factory's owner, also refuses to identify the brand's owner. TPG Kristall's president declined to comment for this article but told the daily Vedomosti that his company was making a small quantity of Medvedeff for a Moscow vodka maker to test the market.

Market researchers say Medvedeff's market share is invisible so far. Business Analytica, which publishes vodka-sales figures, says Medvedeff's impact, if any, will only become apparent at the end of March.

"It has no chances," says Alexander Yeremenko, managing director of branding consultant BrandLab. He says the fact that Mr. Medvedev's authority is so tentative means drinkers won't embrace the drink in the same way as they have Putinka.

Vinexim, owner of the Putinka brand, spent tens of millions of dollars promoting and advertising it in recent years. "You'd need to spend 10 or 20 times that," Mr. Yeremenko says of Medvedeff.

Arseniy Soldau, president of branding agency Soldis, says he, too, is a skeptic. He fears that Mr. Medvedev, in Russian minds, is too closely associated with the unfolding economic crisis which is likely to get worse. By contrast, branding gurus and pollsters say Mr. Putin is associated with a period of rising prosperity when oil prices were high and real incomes here improved.

Stanislav Kaufman, the man who dreamt up Putinka, says he can't take Medvedeff seriously. "Mr. Medvedev is not a vodka personality," he says. "Mr. Putin is."

Mr. Kaufman says Mr. Putin's background as a spy is a good match for a drink that is at least 40% alcohol. Mr. Medvedev, a former corporate lawyer who has touted himself as a liberal modernizer, just doesn't have the right image, he adds.

A Kremlin spokesman said he wasn't sure if the president was aware of the new vodka, but said such initiatives generally weren't welcomed. A spokesman for Mr. Putin has said that Mr. Putin has "an extraordinarily negative attitude" towards attempts to use his name for commercial purposes, but in the case of Putinka has no legal means to block it.

Russia's vodka consumption, which fell or stagnated during its boom, is likely to rebound as the global economic crisis continues, with many Russians turning to illegal vodka , which costs less than 80 rubles per half liter, says Dmitry Dobrov, of Rosspirtprom, Russia's state-owned spirits monopoly. Vinexim's Mr. Kaufman thinks those who can afford a bit more will be drinking Putinka, not Medvedeff.

Glaxo to promote antismoking aids in India, China

By Jeanne Whalen

GlaxoSmithKline PLC is preparing to launch its smoking-cessation products in as many as 20 new emerging markets, another sign of the British drug maker's desire to build sales in the developing world.

Glaxo is planning a big marketing push in new countries including China, India and Russia, where the company doesn't yet sell its smoking-cessation lozenges and patches.

The products sell under various brand names, including NicoDerm CQ, Commit, NiQuitin and Nicabate.

Glaxo aims to make its products available to 85% of the world's smokers within five years, up from about 20% today, Clive Addison, vice president of smoking control products, said in an interview. The global market for smoking-cessation gums and patches today is about $2 billion, he said. Glaxo currently has about one-third of the market, and is aiming to boost its share to about 42% within five years, he said.

Most of the world's smokers live in emerging markets, but those countries haven't been a focus for Glaxo in the past because they haven't previously embraced anti-smoking campaigns, Mr. Addison said. That is now beginning to change. India recently passed a ban on smoking in enclosed public spaces, and other countries such as Brazil are opening new clinics to help people quit smoking. These new efforts make it a good time to launch Glaxo's products, he said.

A Glaxo spokeswoman said the company is still deciding on pricing, but is aiming to make the products affordable to the mass market.

Glaxo is still working to win regulatory approval to sell the products in most of the new markets. In most cases, it is asking for permission to sell them without a prescription.

If it gains regulatory approval, Glaxo plans a big push to call on pharmacists and other health-care workers to promote its products and the benefits of quitting smoking, Mr. Addison said. It would then move to consumer advertising, including television and Internet ads, he said.

Glaxo also plans to offer consumers in new markets the same "behavioral support" programs it does in developed markets such as the U.S. and Europe. These online programs send users tips for coping with nicotine cravings, and help them calculate how much money they would save by quitting.

Glaxo's smoking-cessation products had global sales of about $700 million last year. Mr. Addison declined to say how much the new marketing push would cost the company.

Dow Chemical agrees to revive R&H merger

By Ana Campoy

Dow Chemical Co. reached a tentative, revived deal Monday to acquire rival **Rohm & Haas** Co. on terms similar to the $78-a-share agreed upon in July.

The announcement came after a Delaware judge set a days' end deadline for a settlement. If an agreement hadn't been reached, the court was prepared to hold a hearing Tuesday on a lawsuit brought against Dow Chemical by Rohm & Haas for failing to complete the transaction in January.

The Haas Family Trust and hedge fund **Paulson & Co.**, the two largest shareholders in Rohm & Haas, are expected to purchase preferred stock in Dow Chemical following an expected closing on April 1. All other shareholders would receive the $78 a share, valuing the company at about $15.3 billion.

Rohm had been resisting pressure to accept a lower price.

Shares in both companies were suspended amid expectation of a settlement. Rohm & Haas shares gyrated during the day but were up 16% at $74 in 4 p.m. trading. Dow Chemical stock finished down 11% at $6.33.

The trial was to decide the fate of the marriage, which was scuttled by Dow's difficulties in financing what it had once billed as a transformative deal. Dow had been attracted to Rohm & Haas's specialty products, which would allow Dow to diversify away from commodity chemicals.

Dow Chemical had planned to help pay for the purchase by shifting some of its lower-margin businesses to a joint venture with a Kuwaiti state company. The Kuwait government pulled out of the deal in late December, and Dow Chemical then delayed closing on the Rohm & Haas purchase.

Other financing options under review had included the possible sale of its profitable Dow AgroSciences unit, which has annual sales of $4.5 billion.

Attack on Nigerian pipeline stalls Shell deliveries

By Spencer Swartz

LONDON—**Royal Dutch Shell** PLC said Monday that a recent militant attack on a Nigerian oil pipeline had forced it to halt deliveries to many customers.

Shell has seen a spate of other attacks on its facilities in recent weeks and has been forced to end oil and natural-gas deliveries to many other customers until further notice.

The declaration, which protects Shell from lawsuits for not meeting oil deliveries to customers due to actions outside the company's control, is expected to be in place for March and April, a Shell spokesman said.

He wouldn't specify how much production and how many customers were affected, but a Nigerian oil official said the attack disrupted about 50,000 to 100,000 barrels a day of production for more than a week. The attack took place on the Escravos pipeline, which sends crude from Shell's Forcados fields to the Escravos export terminal in the country's main oil-producing region.

The assault follows the end of a cease-fire announced last month by Nigeria's main militant group, the Movement for the Emancipation of the Niger Delta, and the group's vow to attack more oil installations.

Nigeria's main oil-producing region, the Niger Delta, is also a hotbed for oil theft by locals who tap into pipelines—causing an environmental mess for villages—and sell the crude on the thriving black market.

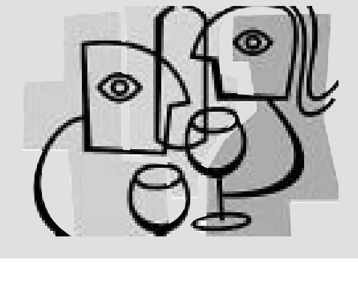
Around one quarter of Nigeria's effective pumping capacity, or around 600,000 barrels a day, is currently shut because of militant attacks. Much of that production is operated by the Shell-run government joint venture.

The recent attacks have also hit the operations of U.S.-based **Chevron** Corp. and Italy's **Eni** SpA.

Health Journal

Rethinking drinking

A new site aims to help people put their imbibing in perspective > **Page 29**



CORPORATE NEWS

BMW blackmailer jailed

Sgarbi gets six years for scamming heiress to the auto fortune

Associated Press

MUNICH—A former Credit Suisse banker was sentenced to six years in prison for defrauding Germany's richest woman of €7 million ($9 million) and attempting to blackmail her for tens of millions more.

Helg Sgarbi admitted to the Munich court that he threatened to release secretly recorded videotapes of trysts with BMW heiress Susanne Klatten, 46 years old, unless the married woman gave him millions of euros. The 44-year-old also admitted to telling Mrs. Klatten he had been in a car crash and to give him the €7 million to cover the treatment of its purported victim.

The Munich state court found Mr. Sgarbi guilty of fraud and attempted blackmail of Mrs. Klatten, who turned him in to police. He was also found guilty of fraud and attempted blackmail for taking €2.4 million from three other women—identified by the initials H., R., and S.—who were located by authorities in their investigation of the Klatten case.

Prosecutors said the women were the victims in a series of scams by Mr. Sgarbi, who trained as a lawyer, spoke six languages and worked as a banker at Credit Suisse until the mid-1990s. He also served as a reserve officer in the Swiss army, according to prosecutors.

Mrs. Klatten didn't attend the four-hour trial and her attorney made no statement to the court. She is the daughter of the late BMW magnate Herbert Quandt and holds a 46% stake in the company in conjunction with her mother and brother. Her spokesman wasn't available to comment. Her husband, Jan Klatten, has made no public comment on the case.

Mr. Sgarbi told the court he had specifically targeted Mr. Klatten, laying the groundwork for his scheme when he first met her at an Austrian spa in 2007. He showed up a month later at her vacation home in the south of France and their affair began. Then he told Mrs. Klatten that he was involved in a car accident in the U.S. that left a girl paralyzed, and persuaded Mrs. Klatten to give him the cash for her treatment.

Mr. Sgarbi then demanded Mrs. Klatten leave her family and invest €290 million in a trust for him, according to the indictment. When she refused, he threatened to release secretly filmed videos of their affair. Mrs. Klatten instead went to the police in January 2007.


Associated Press

Helg Sgarbi trained as a lawyer and speaks six languages.

Chemicals maker to cut jobs, pay for U.S. workers

By Kerry E. Grace

Eastman Chemical Co. is reducing pay for U.S. employees by 5% starting March 30 and trimming 200 to 300 jobs as it looks to cut costs by another $100 million.

Eastman also lowered its full-year capital-spending budget by $50 million to between $300 million and $350 million.

The job cuts, which amount to 3% of its work force, and other cost reductions come on top of $100 million of savings the company said it was aiming for this year.

The Tennessee-based company expects a $30 million restructuring charge in the current quarter.

Fertilizer maker CF rejects bid

By Doug Cameron

A three-way takeover tussle in the fertilizer industry turned nastier Monday, as newly spurned suitors said they would press ahead with hostile offers.

CF Industries Holdings Inc. rejected a cash-and-stock approach initially valued at $3.6 billion from rival fertilizer maker **Agrium** Inc., calling the bid "grossly inadequate" and intended to interfere with its own effort to acquire competitor **Terra Industries** Inc.

But Agrium is undeterred. Chief Executive Mike Wilson said the company was "disappointed" with the rejection but "fully committed to acquiring CF," adding an exchange offer would be launched shortly.

Terra didn't respond to CF's latest move, but Terra has been fighting CF's advances, saying the earlier $2.7 billion offer wasn't in its shareholders' best interests.

The jockeying for position in the industry comes as fertilizer producers look to take advantage of the drop in sector stock prices since last summer to buy up production capacity ahead of what they see as an inevitable turnaround in commodity prices.

Prices for all three fertilizer ingredients soared last year as farmers sought to boost crop yields and take advantage of rising prices for corn, soybeans and wheat, only to see the boom reverse in August.

A combined Agrium-CF would become the world's fourth-largest fertilizer producer, with annual sales of about $14 billion.

Meanwhile, Deerfield, Ill.-based CF is raising its bid for Terra and taking it directly to shareholders, offering $27.50 in stock for each Terra share based on an exchange ratio ranging from 0.4129 to 0.4539 depending on its own stock price. This compares with an original ratio of 0.4235.

CF also increased the forecast synergies from a deal as it prepared an investor roadshow and proxy battle ahead of Terra's annual meeting in May. It now projects annualized synergies of $105 million to $135 million, compared with "over $100 million" when the offer was first made.

Terra shares have climbed sharply since CF made its move Jan. 15, but have remained below the offer price and fell 94 cents, or 3.6%, to $25.17 Monday while CF was up 1.6% at $61.56. Agrium shares were up $1.15, or 3.7%, at $32.58.

Agrium's plan to acquire CF, launched Feb. 25, was contingent on the Terra offer being dropped. Agrium offered about $3.6 billion for CF on Feb. 25 in what would be a cash-and-stock deal valued at the time at $72 a share.

New York Times in sale-leaseback of headquarters

By Russell Adams

New York Times Co. said it has raised $225 million in a sale-leaseback of the floors it occupies in its 52-story Manhattan headquarters building, gaining much-needed debt relief as it tries to weather the advertising slump imperiling newspaper companies.

Under the terms of the transaction, the real-estate investment firm **W.P. Carey & Co.** LLC will pay the sum for the 21 floors occupied by the Times, which then will lease the space back for 15 years, with an option to buy it back in 2019 for $250 million.

The deal gives the Times the cash infusion it was seeking when it announced its plans for a sale-leaseback in December.

With more than $1 billion in debt maturing in the next couple of years and a gloomy forecast for print advertising revenue, the publisher effectively has been building a bridge to 2011, albeit at a cost. In January, it received a $250 million loan from Mexican billionaire Carlos Slim, and last month the Times Co. board voted to suspend the quarterly dividend.

GLOBAL BUSINESS BRIEFS

Lufthansa AG

Lufthansa flight attendants plan to hold sporadic strikes

Deutsche Lufthansa AG cabin staff voted Monday to go on strike to secure higher pay and better working conditions, their union said. The UFO union, which represents about 16,000 cabin attendants, said it planned to hold strikes for several hours at short notice, but not for long periods. The union staged warning strikes over the pay issue for two days in January, forcing the cancellation of more than 100 flights. New strikes were supported by 96% of those voting, the union said. The union is seeking a pay raise of 6.1% for 14 months and improved benefits. The airline has offered 3.4%, according to the union.

McDonald's Corp.

McDonald's Corp. said its February sales at restaurants open at least a year rose 1.4%, lower than recent gains as February 2008 had an extra day because of leap year. The fast-food chain's U.S. outlets outperformed the rest of the world last month, in contrast to past results showing international strength. U.S. same-store sales rose 2.8%. Meanwhile, Europe recorded a 0.2% decline, while the Asia-Pacific, Middle East and Africa region saw 0.7% growth, driven by Australia and Japan. Sales in China were muted in part because Chinese New Year fell in January; last year, it occurred in February. Last month's global sales growth would have been about four percentage points greater, excluding the extra day for leap year.

Satyam Computer Services Ltd.

Satyam Computer Services Ltd. said prospective bidders for a 51% stake in the Indian software company must submit expressions of interest by Thursday and show they have available funds of at least 15 billion rupees, or about $290 million, by March 20. Those selected will get access to certain Satyam documents to conduct due diligence, Satyam said. Engineering and construction firm **Larsen & Toubro** Ltd., which holds a 12% Satyam stake, and **Spice Group** both said they will bid for Satyam. Spice Chairman B.K. Modi said the group has enough funds to be eligible. **Hinduja Group** and **Tech Mahindra** said they were awaiting more information, and **HCL Technologies** declined to comment.

China Vanke Co.

China Vanke Co. said its 2008 net profit fell 17% due partly to lower sales and provisions for depreciating property inventory. The Shenzhen-based company, China's largest property developer by market share, said net profit fell to 4.03 billion yuan ($589.2 million) from 4.84 billion yuan a year earlier. Revenue rose 15% to 38.62 billion yuan from a restated 33.49 billion yuan in 2007. The company, which didn't break out results for the fourth quarter, said China's property industry will likely face further profit margin pressure this year even though property sales may begin to rebound. Shirley Xiao, Vanke's executive director, said the company's average property price cuts in 2008 were between 10% and 15%.

—Compiled from staff and wire service reports.

ON OTHER FRONTS

Dispatch / By Ben Worthen

The jetpack: An idea whose time has never come, but won't go away

EVER SINCE Buck Rogers wore a comic-book jetpack in 1928, enthusiasts have predicted that the backpack-rockets would someday fly real people around.

That day is here for a new group of jetpack enthusiasts. This year, two tinkerers plan to pilot their homemade packs in free flight. And a Silicon Valley company that started marketing jetpacks in 2008 has collected deposits from four prospective buyers.

William Suitor

Bill Suitor inspired many jetpack enthusiasts.

The question is whether any normal person would do this. Pilots flying the devices jet around with 1,300-degree (704 degrees Celsius) steam shooting centimeters from their legs while they worry about landing before the pack runs out of fuel in 30 seconds.

"When you tell someone that you are going to build a jetpack, you get strange looks," says Gerard Martowlis, an environmental engineer in Rahway, N.J., who has been building a jetpack in his basement since the late 1990s. Mr. Martowlis, 55 years old, says he has spent about $50,000 on his pack, which he has tested six times on a tether in his backyard. In one test, he got his feet caught in the exhaust and was thrown about 5 meters; he escaped with just a big burn blister.

Mr. Martowlis based his jetpack on one built in 1969 by an inventor named Nelson Tyler, who says he quit flying after about 70 flights because he was afraid to go more than six meters off the ground. "If you know too much about something, it makes you nervous," Mr. Tyler says. Mr. Tyler modeled his pack on a rocket-fueled version developed by Bell Aerosystems in the 1960s for the U.S. military, which concluded that it was dangerous and impractical.

The danger and expense have kept the ranks of jetpack pilots to an elite few. Only 13 people are known to have flown jetpacks without a line connecting them to Earth, jetpack enthusiasts say. The few jetpacks in existence today were made by people willing to invest years and thousands of dollars to build their own.

The risks are considerable. Most jetpacks use a type of rocket propulsion rather than tiny jet turbines. (A few purists insist on calling them "rocket belts.") The fuel is a form of hydrogen peroxide that is 30 times as concentrated as drugstore peroxide and costs about $140 a gallon. The fuel spits out of the pack's tanks at 1,300 degrees Fahrenheit, creating a jet of steam that's powerful enough to lift a man in the air, but that also makes burns a constant threat.

Once aloft, a jetpack pilot is preoccupied with getting down quickly: A typical pack holds about 10 gallons, or 38 liters, of fuel, only enough to fly for about half a minute. The Federal Aviation Administration doesn't regulate jetpacks. "Thirty seconds is not sufficient to be considered a flight," says FAA spokesman Les Dorr. He adds that it's up to the individual to assess the risks.

Crashes are inevitable, although there are no reports of any jetpack pilot being killed or even permanently injured. One longtime pilot, Eric Scott, says he has blown out his knees four times in landing mishaps. Mr. Scott is a pilot for JetPack International LLC, a Denver company that flies at events. He says he has made about 800 flights since 1992.

Once, Mr. Scott accidentally flipped while about 11 meters in the air. "Rockets go a lot faster down than they do up," he says of the crash that followed. Mr. Scott says that for insurance reasons he told the doctor he fell off of a friend's roof; he needed shoulder reconstruction surgery. The misadventures, however, didn't deter him from flying his pack across Colorado's Royal Gorge, a 457-meter flight last November.

A tiny group of jetpack enthusiasts have kept the flames burning since the military abandoned its packs in the 1960s. Many were inspired by one of the original Bell test pilots named Bill Suitor, who flew Mr. Tyler's pack at the opening ceremonies of the 1984 Los Angeles Olympics, landing amid a sea of giant balloons in front of an estimated TV audience of 2.5 billion people.

That sight is what inspired Stuart Ross to design a jetpack and, 25 years later, plan to fly it untethered. Like most would-be pilots, Mr. Ross first taught himself to fly with a steel cable anchored to the ground to keep himself from going too high. Mr. Ross, a commercial airline pilot for the U.K.'s Thomson Airways, says he has made about 45 tethered flights over the past several years and is finally ready "to say hello to the open sky."

Eric Scott

Eric Scott has injured his knees four times in roughly 800 jetpack flights.

"You have to be slightly eccentric to do something like this," Mr. Ross says.

Experienced jetpack pilots say the lure is irresistible. There's nothing like the rush of flying one of the machines, says Mr. Suitor, the 1984 Olympics pilot. "There's noise, there's heat, something is pushing you and all you have is these two handles in your hand," he says. "It's mental overload."

Mr. Suitor, a retired power-plant worker from Youngstown, N.Y., says he has logged more than 1,200 jetpack flights since the 1960s. The original military contract for the contraption called for a pilot of draft age with no aviation experience. Mr. Suitor, who was the next-door neighbor of the engineer in charge of the project, got the job.

He says his first flights were terrible and that it took him 60 tethered attempts to get the hang of it. Since then he has flown in the James Bond movie "Thunderball" and at the Super Bowl.

The 64-year-old Mr. Suitor now flies jetpacks under contract with Thunderbolt Aerosystems, a San Jose, Calif., start-up that hopes to popularize the packs. The company is the brainchild of Nino Amarena, who says his "dream is to be the Henry Ford of rocketeers." Mr. Amarena, who founded Thunderbolt in 1998, also based his design on the military pack from the 1960s. He sells jetpacks for $90,000, although that price will soon go up because he hasn't completed any sales and needs to cover his costs. He says he has collected deposits from a yet-to-be opened U.S. theme park and a handful of rich overseas buyers.

Mr. Amarena insists that buyers take a training class, which includes practice in a jetpack simulator he built. But he hasn't made any untethered flights himself because, he says, it is "dangerous." Mr. Suitor, the veteran pilot, agrees that the packs can be dangerous for self-taught pilots. "I say a prayer for them and hope they don't ruin it for the guys who know what they're doing," he says.

Still, when Mr. Suitor first test-flew Mr. Amarena's Thunderbolt R2G2 jetpack in October 2007, he didn't tell his wife about it until later. He says he is writing a book to teach readers how to build and fly their own packs. His jetpack guide, he says, will include a warning that the book "is not intended to encourage anyone to try to build one."

'Watchmen' keeps U.S. movie ticket sales on a hot streak

By Lauren A. E. Schuker

In the first major movie opening of the year in the U.S., the Warner Bros. brooding, superhero thriller "Watchmen" took in more than $50 million at the box office, but the R-rated, comic-book adaptation fell short of hitting the kind of numbers that the studio hoped would turn it into the next "Dark Knight."

Still, the film's strong performance in the midst of a recession indicates that moviegoers are still flocking to the multiplex during times of economic hardship.

"Watchmen" recorded an estimated $55.7 million in domestic ticket sales since opening late Thursday, according to studio figures released Sunday. That is less than the $60 million to $70 million some expected the dystopic adventure to take in, but it is still the fifth-highest debut for an R-rated film, behind megahits like "The Matrix Reloaded" and last summer's "Sex and the City."

The film's strong numbers come in the wake of an especially robust few months at movie houses. For the fifth weekend in a row, overall box office was up compared with the same period last year, according to Media by Numbers LLC, a box-office-tracking firm based in Los Angeles. Boosted by the success of popcorn films like "Paul Blart: Mall Cop" and "Tyler Perry's Madea Goes to Jail," revenue from ticket sales so far this year is up 16.5% compared with a year earlier. Admissions, which haven't grown in recent years, have increased by 14.8%.

Warner Brothers/Everett Collection

Matthew Goode, left, as Ozymandias and Jeffrey Dean Morgan as the Comedian in Warner Bros.' 'Watchmen.'

The movie industry often performs well during times of economic downturn, in part because a night out at the movies can cost less than rival forms of entertainment such as concerts or professional sports events. During the dot-com bust, the box office also saw increases while other industries faltered. "I've never seen a start to the box-office year like this one," says Paul Dergarabedian, president of Media by Numbers. "We've been carrying this momentum forward since Christmas of last year and the 'Watchmen' weekend kept it going," he adds. "Whatever is coming out in the theaters, audiences are lining up to see it. Recession-era moviegoing is in full swing."

The outsize box office of recent months led many to believe that "Watchmen" might perform even better than it did. "Watchmen" director Zack Snyder's last film with **Time Warner** Inc.'s Warner Bros.—"300"—took in $70.9 million in March two years ago and went on to gross more than $200 million in domestic ticket sales. That film cost Warner Bros. and independent production company Legendary Pictures $64 million to make; the studio, along with partners Legendary and **Viacom** Inc.'s Paramount Pictures, invested more than $120 million in "Watchmen."

Like "300," "Watchmen" features no major movie stars, but its unusually long running time of two hours and 40 minutes also may have contributed to its slightly weaker-than-expected box-office performance, says Dan Fellman, president of domestic distribution at Warner Bros. "I think it's entirely due to the running time of the movie," he says. "We just didn't have the turnover we needed at the theaters with just one main show a day."

ECONOMY & POLITICS

Obama may be free trade's best hope

Democrat with populist credentials is well positioned to fend off protectionist impulses swirling amid downturn

By Gerald F. Seib

Just as only a Republican president, Richard Nixon, could open the door to Communist China, it may be that only a Democratic president, Barack Obama, can save free trade amid today's global economic upheaval.

Economic strains are increasing the temptation to wall off the American economy from the rest of the world, particularly among members of Mr. Obama's Democratic Party. That temptation is growing at an especially dangerous time, as slumping global trade is emerging as a force that could make today's economic mess much deeper and longlasting.

So the economic case for protecting free trade is getting stronger, even as it's politically more difficult to make that case to stressed-out Americans. It may be that only a Democratic president who has established his populist credentials on other fronts has the credibility to make the case for open trade in a time of crisis.

As it happens, the Obama administration has prime opportunities coming up to do exactly that. Finance ministers from the so-called Group of 20 nations meet next weekend. Mr. Obama and the heads of other G-20 nations gather in the first week of April.

World leaders and international markets will be watching both gatherings closely, and one thing they will be watching for are signs the American president and his colleagues are prepared to resist the protectionism impulse.

New developments in the past couple of days are underscoring how big the danger of a prolonged slump in world trade is for the global economy. On Monday Japan reported that its current account—the best measure of its trade with the

Associated Press

U.S. President Barack Obama will meet with the leaders of other G-20 nations at a summit in April.

world—went into deficit in January, the first time that has happened in 13 years. When the exporting machine known as Japan runs a trade deficit, you know global trade is wheezing.

Meanwhile, a new report from the World Bank underscores the broader threat from a combination of slumping trade and rising protectionism. Because of falling global demand, the report says, world trade volumes are likely to decline this year for the first time since 1982, and the overall decline figures to be the largest in 80 years.

This falloff hits particularly hard in developing countries—which count on selling their products to the more prosperous developing world—but also goes beyond them. As the report notes, 70% of global trade is between advanced countries.

With trade already falling off, the danger of protectionism making matters worse is particularly acute. And to some extent, the danger is becoming reality already. The World Bank says that "many countries are contemplating, or have already implemented, increased protection, which may be difficult to reverse and will slow the recovery." Since the global slump began, 17 of the G-20 countries have implemented some kind of trade restrictions, the World Bank says. And the pace is accelerating: Actions designed to stop alleged "dumping" of products from abroad increased 55% in the second half of 2008 compared with the first half of the year.

The health of the world trading system is of more than secondary interest to the Obama administration, of course. One of the most frustrating features of the current recession to administration aides is that it is so international in scope, leaving many elements out of the control of American policy makers and financial institutions. More than in past economic slumps, the world's nations have slid down into recession together, and will rise out of it together or not at all. A revival of global trade will be key.

Yet that isn't enough to ward off protectionist impulses. To the contrary, economic fear inevitably, and understandably, drives them higher.

One indication of that came a few days ago, when Federal Reserve Chairman Ben Bernanke appeared before the House Financial Services Committee. The panel's chairman, Massachusetts Democrat Barney Frank, warned Mr. Bernanke at the outset of the hearing that it will be difficult to stop a rise in protectionist sentiment without more help for frightened workers.

Rep. Frank noted a pattern of "people at the top of the economic pyramid being very critical of protectionists. We have had lectures that we should not give in to the instinct to try to favor American-made products and American jobs." But, Rep. Frank argued, those arguments won't work "as long as the American people feel that they do not fairly participate on the whole in the benefits of trade" and until there is a "broader social safety net" to help workers who lose jobs and, almost as important, health benefits to global competition.

So far, Mr. Obama has been largely a defender of free trade, after a 2008 campaign in which some doubted his fealty to the idea. He defended the North American Free Trade Agreement while visiting Canada, and a new report from his trade representative's office says the administration wants to finish a free-trade deal with Panama "relatively quickly." But the report also has less glowing things to say about the state of long-running negotiations for a new global free-trade agreement in goods and services.

Signals matter a lot at a time like this, and the specific ones the U.S. sends at the G-20 meetings, on both its resolve to fight protectionism and its willingness to help figure out how to finance a revival of world trade, will matter a lot more than normal.

Former diplomat picked to lead MacArthur foundation

By Mike Spector

The John D. and Catherine T. MacArthur Foundation, one of the U.S.'s largest philanthropies, tapped a career diplomat with extensive international arms-negotiating experience as its new president.

Robert Gallucci, 63 years old and dean of Georgetown University's School of Foreign Service, will become just the fourth president to lead the foundation since its founding in 1978. He will start in July and succeed Jonathan Fanton, who has led the foundation since 1999, but is nearing the end of his term-limited tenure.

Mr. Gallucci, a former assistant secretary of state who led efforts to disarm Iraq after the Gulf War and spearheaded negotiations during the 1994 North Korean nuclear crisis, takes the helm of a Chicago institution beset by investment losses similar to those suffered at foundations across the U.S.

The MacArthur foundation ended 2008 with about $5.2 billion in investment assets, down about 25% from $6.9 billion a year earlier. The foundation, best known for its unrestricted $500,000 "genius" grants, signaled in January that it would maintain its current annual grant-making budget despite the economic turbulence. Still, that's a shift from 2007, when the foundation boosted its grant-making budget by nearly 11%.

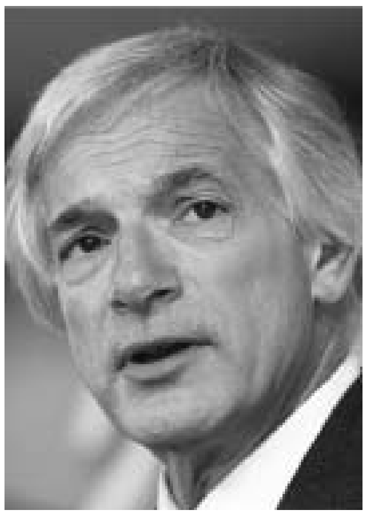
Mr. Gallucci said in an interview that the foundation has "an ethical obligation, given its values, to do whatever it can do to affect those who are hurt most by this economy."

Recently, the foundation launched a $68 million foreclosure-prevention and mitigation effort in Chicago. The foundation funds programs in areas as varied as media, human rights, affordable housing, urban renewal and juvenile justice.

The foundation also has a substantial global-security program, where Mr. Gallucci figures to bring considerable influence. He said he is waiting to hear from the foundation's staff and experts before "bringing some experience to bear" on the philanthropy's direction on security issues.

"Obviously, I have views, particularly in the areas in which I've worked," he said, but "I don't come in with preconceived notions." The foundation's work on weapons of mass destruction, for instance, is under review. Mr. Gallucci sounded urgency about the threat of nuclear and biological weapons, but said he hasn't yet determined how best to address the issue through grantees.

A Brooklyn, N.Y., native, Mr. Gallucci arrived at the State Department in 1978 and spent several years there before becoming a deputy director general for the Sinai peacekeeping force overseeing terms of a treaty between Egypt and Israel.



Associated Press

Robert Gallucci will run a foundation best known for its 'genius' grants.

After the Gulf War in 1991, Mr. Gallucci led weapons inspections in Iraq. He later negotiated the "Agreed Framework" pact governing North Korea's nuclear-weapons program.

He sparked controversy at Georgetown when he named Douglas Feith, an undersecretary of defense in President George W. Bush's administration, to a faculty position in 2006. Mr. Feith, a strong supporter of Mr. Bush's preemptive strike doctrine, helped shape policy in the Pentagon that led to the 2003 U.S.-led invasion of Iraq.

Faculty protested the move, but Mr. Gallucci maintained that the appointment fostered diverse views on campus. Defending the appointment, Mr. Gallucci noted that he gave Senate testimony opposing an invasion of Iraq and favored closing the Guantanamo Bay prison.

Mr. Gallucci said the hire was "the right thing to do" but he should have consulted faculty more before making the decision, a lesson he will take "in good stead" as he leads MacArthur. "I could have done it better," he said, adding that it is "critical to consult, and especially with those constituencies where you expect to get the most resistance."

Career Journal

Sharing the pain

People who have lost jobs blog about it—and find leads > **Page 31**