



Bling-Bling Goes Bye-Bye At Saks Stores
STYLE & SUBSTANCE | B1



In Gun Debate, Math Is Suspect On Both Sides
THE NUMBERS GUY | B1



Generation 'Gimme Praise' Goes to Work
WEEKEND JOURNAL | W1

THE WALL STREET JOURNAL

FRIDAY, APRIL 20, 2007 - VOL. CCXLIX NO. 92 ***** \$1.00

DJIA 12808.63 ▲4.79 0.04% NASDAQ 2505.35 ▼0.2% NIKKEI 17371.97 ▼1.7% DJ STOXX 50 3839.16 ▼0.3% 10-YR TREAS ▼4/32, yield 4.670% OIL \$61.83 ▼\$1.30 GOLD \$684.30 ▼\$4.80 EURO \$1.3606 YEN 118.44

What's News—

Business and Finance World-Wide

Joseph Nacchio was found guilty of 19 counts of insider trading related to the former Qwest CEO's sale of \$100.8 million in stock in 2001. The verdict marks a victory for the government in the latest of a string of prosecutions of corporate executives that began earlier this decade. **A1**

Google's earnings surged 69%, largely as a result of increases in its ad revenue from Web-search activity, which continued to surpass rivals'. Revenue rose 63%. **A3**

AMD swung to a bigger-than-expected \$611 million loss amid signs that the worst of a price war with Intel may be ending. **B4**

Siemens's board chairman said he would step down, as fallout from mounting corruption scandals at the German engineering firm escalated. **A1, A3**

China's GDP expanded at an 11.1% rate in the first quarter, fueling concern that Beijing will raise interest rates. Asian markets slid on the news. **A2, C7, C12**

Bank of America's net rose 5.4%, even as profits shrank in its three main units and the firm struggled to lift revenue without help from acquisitions. **B6**

Merrill's net more than quadrupled to \$2.16 billion as gains in stock and bond trading and investment-banking fees offset a slump in mortgage revenue. **C3**

The Dow industrials edged up 4.79 to 12808.63 as investors shrugged off a slump in Chinese shares and hailed a drop in oil to \$61.83. Bonds fell. **C1, C5, C6**

Fidelity said its chief operating officer will retire and that his post won't be filled, signaling what analysts see as unease with the fund firm's performance. **C1**

Home builder D.R. Horton said profit tumbled 85% and warned that the housing market appears likely to deteriorate further. **B5**

H&R Block expects a fiscal-year loss as a surge in subprime-mortgage defaults has slashed the value of its home-lending unit. **B5**

Appaloosa intends to move forward with a deal to buy a stake in Delphi despite the likelihood Cerberus will pull out. **A3**

Southwest's net rose 52% but unit-revenue growth slowed. Continental swung to a profit despite pressure from low-cost airlines. **B7**

Lenovo unveiled a restructuring plan aimed at saving \$100 million this fiscal year by eliminating or moving 1,400 jobs. **B4**

Merck, Schering-Plough and Wyeth posted strong profits, but analysts said the drug industry still faces broader problems. **A4**

Union Pacific posted a 24% profit jump despite a slowdown in the railroad's freight volumes. **A4**

Spanish builder Sacyr plans to launch a hostile, all-stock bid for French affiliate Eiffage. **B5**

Gannett and New York Times posted lower profits and Tribune swung to a loss, blaming a falloff in print classified ads. **B7**

Gonzales lost more ground in his bid to hang on as attorney general. Another Republican senator, Oklahoma's Coburn, said he should quit and skepticism was frequently displayed by fellow conservatives during seven hours of testimony about his role in the firings of U.S. attorneys, allegedly to install more politically compliant successors. Bush stood by Gonzales, but erosion of Republican support must register. **A4**

The DNC sued the Republican Party, demanding it turn over email traffic on party accounts White House aides used in planning prosecutor firings.

Gates slipped into Iraq to push political reforms and warn leaders U.S. patience is running thin. Another suicide bomber breached the capital's security cordon, killing at least 12 in a Shiite area. An al Qaeda-linked group announced it has set up a shadow government. Republicans slammed Senate leader Reid for saying the war is already lost.

Iraq oil reserves could double, to 200 billion barrels, if western desert fields are developed, as could output if violence stops, IHS Inc. said.

NBC and other media were criticized heavily by Virginia Tech victims' kin for airing menacing photos Cho Seung-hui took of himself. A relative of the gunman said much-noted reluctance to speak began at an early age, and high school classmates said he was mocked for it. A school district in California was the latest to shut down in a threat alert.

Rep. Doolittle (R., Calif.) is leaving the Appropriations panel temporarily after FBI agents searched his house in the Abramoff inquiry. **Ex-Rep. Foley spent** \$206,000 in campaign contributions on legal expenses in the congressional page scandal, filings with the FEC show.

House Democrats succeeded on a second try, voting 241-177 to give the District of Columbia a House vote, but Bush promises to veto it.

Bush asked a court to throw out all Guantanamo detainee suits after the Supreme Court sidestepped a decision on access to U.S. courts.

Wolfowitz skipped appearing at a health conference as the World Bank board considered how to deal with favors he did his girlfriend. **A5**

Philadelphia's Drexel University faces a suit by New York's attorney general, who says it took money to promote a loan firm to students. **A5**

A Taliban-style campaign to root out vice is roiling Pakistan, with Islamist mobs beating up sinners and moderates fearful of a takeover. **A7**

The U.S. is backing a bid by Lebanon's premier to move the long-stalled probe of Syria's role in the 2005 Hariri slaying to the U.N. **A7**

A Somalia suicide bomber killed 12 in an attack on Ethiopian forces.

France headed into first-round presidential voting on Sunday. **A6**

Cuban-airline bombing suspect Posada was freed on bail by the U.S.

New Hampshire is set to be the fourth state to allow gay civil unions.

Kyrgyz police fought protesters seeking President Bakiyev's ouster.

Moscow foreign students fear attacks on Hitler's birthday today.

Died: Helen Walton, 87, Wal-Mart founder's widow, in Bentonville, Ark.

PASSING LANE

GM's Chinese Partner Looms as a New Rival

Learning From Detroit, Shanghai Automotive Pushes Its Own Cars

By GORDON FAIRCLOUGH

SHANGHAI—Garment company owner Li Xianjin was planning to buy a new Buick this month. "Then I saw the Roewe," a new Chinese-made sedan, he says. "It's quite a bit bigger and more luxurious" and "it looks a lot like a Jaguar."

Mr. Li's change of heart points to a challenge for General Motors Corp. in the world's second-biggest car market. The Roewe's maker, Shanghai Automotive Industry Corp., has been GM's partner in making Buicks in China for a decade, and it has learned a lot from GM. Now the Chinese company, using that know-how and the money earned from selling joint-venture cars, could become a serious competitor.

GM says the bargain it made—access to the Chinese market in exchange for transferring technology and expertise—was worth it. "We made a big bet back in 1997, and it's paid off for us very well," says Chief Executive Rick Wagoner.

GM's 50-50 joint venture, which also makes Chevrolets and Cadillacs, is the biggest car maker in China by volume, bringing GM hundreds of millions of dollars a year in profit. That's a rare bright spot for a company that has trouble earning anything in its home North American market. GM is also a minority partner in a successful Shanghai Automotive-led company that makes minivans and minicars in southwestern



A Roewe 750 outside a Shanghai hotel

China (see article on page A9).

Still, the question lingers: Did GM give away too much? Its Chinese partner could end up competing against GM both in China and, someday, abroad. Shanghai Automotive, owned by the Shanghai city government, already makes cars that rival GM's in a joint venture with Volkswagen AG.

Hu Maoyuan, chairman of Shanghai Automotive, says he wants to "build a global Chinese brand." His company, he says, will "take full advantage of the technical and management experience we've accumulated" in the GM and Volkswagen joint ventures.

As dozens of Chinese makers ramp up production, competition is threatening everyone's profits. Average vehicle prices in China have been falling by about 7% annually in recent years. GM's profit from China operations in the final quarter of 2006 fell nearly 19%. For the full year, it was up about 1% to \$306 million.

"It did give us an advantage, being first. It might have been nice to have had that advantage longer," says Nick Reilly, head of GM's operations in Asia. "But you live with that."

The four-door Roewe 750 that Mr. Li plans to buy is no cheap knockoff. Shanghai Automotive based it on plans acquired from the now-defunct MG Rover Group Ltd. The project included British veterans of Rover along with Chinese engineers, including some who trained at the joint opera-

Please turn to page A8

Qwest's Nacchio Is Found Guilty In Trading Case

Ex-CEO's Conviction On 19 of 42 Counts Adds To Government's Wins

DENVER—A jury found Joseph Nacchio, the former chief executive of Qwest Communications International Inc., guilty of 19 counts of insider trading, marking a victory for the government in the latest of a string of high-

profile prosecutions of corporate executives that it began earlier this decade. The verdict, in federal court here, came after six days of deliberations on 42 counts of insider trading. Mr. Nacchio was acquitted on 23 counts. Each count was related to Mr. Nacchio's sale of a total of \$100.8 million worth of stock in 2001.

Mr. Nacchio, 57 years old, could face life in prison, but legal experts said he likely will draw a far lesser sentence given how judges interpret sentencing guidelines in such cases. Each guilty count carries at least a \$1 million fine, and he is subject to \$52 million in forfeitures, the gross proceeds of the sales for which he was found guilty. Sentencing is set for July 27.

The former telecom executive's family broke into sobs as the judge read the verdict and "not guilty" was heard 23 times. But they stopped at count 24 and fell silent as the judge said "guilty" on the rest of the counts. Mr. Nacchio was smiling while the not-guilty verdicts were read but turned stoic when the guilty counts came in. His lawyer

Please turn to page A11



Joseph Nacchio

Friars Who Owned Polluted Mine Get All Sorts of Help

They Risked Costly Fines Over Arizona Toxic Waste; Prayer and a Good Lawyer

By JOHN J. FIALKA

GILA COUNTY, Ariz.—When Brother Tom Nichols, treasurer of the Franciscan Friars of California Inc., first hiked to the deserted Gibson Mine here in 2003, he was shocked by what he saw: junked cars, rusting barrels, piles of mine debris and old tunnels oozing a bright turquoise, copper-containing acid into nearby streams.

The friars had inherited partial ownership of the mine in 1970 from a donor who said it had great "potential



for the future." Over the years, operators had leased the land, 70 miles east of Phoenix, and then abandoned it. The friars, who got a small income from the operations, had rarely thought about the mine, but now the state was threatening to sue them over the mess.

Brother Nichols returned to Oakland, Calif., where the order is based, and showed his superiors pictures of a turquoise stream containing sulfuric acid that could dissolve barbed wire. Copper levels exceeded toxic limits by 2,500 times. "This is not your typical alpine lake," the 55-year-old former electrician told them.

The friars, who take a vow of poverty and spend much of their time helping the poor, had little money, but pray-

Please turn to page A12

INTERNATIONAL AIDE

Siemens Probe Spotlights Murky Role of Consultants

Mr. Arcaini Gets Deals, But a Question of How; Crackdown on Bribery

By DAVID CRAWFORD AND MIKE ESTERL

MONTE CARLO, Monaco—Tonio Arcaini, who moves easily among the jet-setters in this swank tax haven on the Côte d'Azur, has gotten rich by bringing together people in business and government to cut deals.

He cruises the streets in a chauffeur-driven Mercedes and rubs elbows with Prince Albert II. "I'm very good at what I do," says the 62-year-old business consultant. "I can sell anything."

Over the past two decades, Mr. Arcaini has collected tens of millions of dollars from Siemens AG for helping the German engineering conglomerate win lucrative contracts in difficult-to-crack foreign markets. Now Si-

emens is embroiled in a bribery scandal, and German prosecutors are wondering precisely what Mr. Arcaini was being paid to do.

Late yesterday, Siemens said that Heinrich von Pierer, chairman of its supervisory board, intends to step down next week, although Mr. von Pierer denied any personal responsibility for the scandal. (See article on page A3.)

Two former Siemens executives, both suspects in the corruption probe, have told prosecutors that Mr. Arcaini's main job was to handle bribes, which helped Siemens seal deals in Eastern Europe and the Middle East. Last year, Siemens paid €14.5 million, or \$19.7 million at current exchange rates, to Mr. Arcaini.

Please turn to page A12



Tonio Arcaini

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INSIDE

◆ **Joe Morgenstern** on a thrilling 'Fracture'
FILM REVIEW **W1**

◆ **Why the 21st century** may not belong to China
OPINION **A15**



CHECKUP: A look at drugs to treat breast cancer that spreads to other organs.

CONTENTS
Corporate FocusA8-9
The EconomyA2
Leading the NewsA3-4
MarketplaceB1
Money & InvestingC1
Weekend JournalW1
Letters to the EditorA13
Heard on the StreetC1
Media & MarketingB3
Politics & EconomicsA5-7
Review & OutlookA14
Stocks in the NewsC7
TechnologyB4
Weather WatchC12
Who's NewsB5

