

AUTOMATIC PILOT
The car companies investing in collision avoidance technology **BUSINESS LIFE** ■ PAGE 8

CLASSIC CROSSOVER
The concerto composer who is a maestro in pop and disco **ARTS** ■ PAGE 10

24-hour news at www.ft.com

FINANCIAL TIMES

EUROPE TUESDAY FEBRUARY 20 2007

BRIEFING

Property group to split as feud threatens listing

Two investor factions in Spanish property company Metrovacesa have agreed to split the group to resolve a feud threatening to drive it out of the country's main market index. Page 15; Property, Separate Section

French €12bn VAT fraud

VAT fraud is costing the French taxpayer up to €12.4bn a year, according to the national tax auditor. Page 2

Fish dumping attacked

European Union fisheries commissioner Joe Borg said the EU had to reform "morally wrong" policies that encouraged the throwing away of thousands of tonnes of dead fish. Page 6

Saab in BAE bribe probe

Swedish prosecutors are investigating Saab, the engineering company 20 per cent owned by BAE Systems, over bribery allegations relating to the British arms company's dealings in the Czech Republic. Page 2

Transatlantic trade hopes

The US and European Union could set a date for the creation of a transatlantic trading zone at a summit in April. Page 2

Essar seeks Vodafone deal

India's Essar group hopes to hammer out a joint management agreement with UK mobile group Vodafone, which is set to buy a controlling stake in Hutchison Essar. Page 15; Stefan Stern, Page 7; Observer, Page 12

Citi eyes Tokyo float

Citigroup is considering listing its shares on the Tokyo Stock Exchange as part of its strategy to expand its operations in Japan. Page 15

Talks make little progress

A meeting of Palestinian and Israeli leaders with US secretary of state Condoleezza Rice matched its low expectations when they agreed on little more than to meet again. Page 4

Iraqi insurgents kill 24

Iraqi insurgents are reported to have killed 24 people in Falluja and Ramadi in attacks against Sunnis who have allied with American forces. Page 4

Bombs fail to halt talks

Pakistan's president Pervez Musharraf said he hoped peace talks with India would continue after twin blasts killed at least 66 people on an Indian express train bound for Pakistan. Page 5

US patent law on trial

The US Supreme Court will tomorrow test the global reach of US patent law, in a case of whether Microsoft should be liable for damages overseas for infringing a patent. Page 6

Fed chief warned on target

Federal Reserve chairman Ben Bernanke has been warned it would be a mistake to adopt an inflation target to guide its interest rate decisions. Page 4

ON FT.COM

Ethics in business Q&A
Put your questions to our panel
www.ft.com/ethicalbrands

CONTENTS

WORLD NEWS	2-6	LEADERS/LETTERS	12
FEATURES	8	LEX	14
ARTS	10	WEATHER	14
CROSSWORD	10	COMPANIES	15-20
COMMENT	11-13	MARKETS	28-30

How to contact us - details on Page 2



Airbus tensions flare again



Paper aeroplane: revellers look at a papier-mache Airbus sporting a sign reading 'we start right on time' at the traditional Rose Monday street parade in Mainz in Germany yesterday

Reuters

■ Restructuring announcement cancelled ■ Sharing of work on A350 still unresolved ■ Dispute on agenda for Chirac-Merkel talks

By Kevin Done in London and Gerrit Wiesmann in Frankfurt

Renewed conflict between French and German shareholders of Airbus yesterday forced the European aircraft maker to cancel today's scheduled announcement of a critical restructuring plan.

EADS, Airbus's parent company, said a board meeting had broken up on Sunday without agreement on how work would be distributed on development and manufacture of the A350, the company's next family of big jets.

The latest flare-up of the national tensions that have dogged the group for three years has forced itself on to the agenda of this week's meeting in Germany between Jacques Chirac, French president, and Angela Merkel, German chancellor.

The €10bn project to develop a family of long-range, medium-capacity jets to compete with Boeing's 787 Dreamliner was

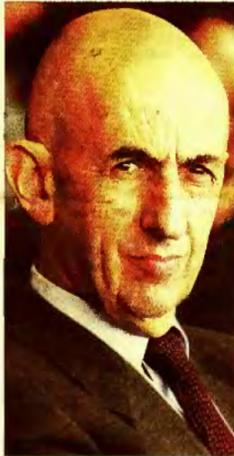
approved by the EADS board in early December. But the group has not agreed on how the work should be split between operations in France, Germany, Spain and the UK - and how much should be outsourced to lower-cost suppliers and countries.

EADS said the board meeting would be resumed "within the next days".

The latest dispute forced the cancellation of today's meeting of Airbus's European works council, which was due to hear details of the group's Power8 restructuring plan, which aims to cut costs by €2.1bn a year by 2010 and raise productivity by 20 per cent.

Louis Gallois, chief executive of Airbus and the French co-chief executive of EADS, said a solution had to be found "very quickly" that "overcomes national issues".

In a statement reflecting anger and frustration at the continuing board conflict, Mr Gallois said: "I



Chief Louis Gallois: 'I made proposals, which I deem balanced'

made proposals, which I deem balanced, both from an industrial and a technological point of view, and which serve our objective of economic competitiveness.

"I wish that they can lead to the consensus we urgently need." Airbus has plunged into loss under the heavy costs of delays in its flagship A380 superjumbo project. It is being forced to restructure to bolster its competitiveness, hit by the weakness of the US dollar against the euro.

Tom Enders, German co-chief executive of EADS, said the restructuring programme was "no walk in the park" and needed "painful decisions". Reflecting concern in Berlin that Germany was losing A350 work to France, he said: "The opportunities, the future industrial and technological core activities, have to be shared in a fair and balanced way."

Power on the EADS board is balanced uneasily between its

main German and French shareholders. DaimlerChrysler, the German automotive group, holds 22.5 per cent of voting shares, while Sogedat, a French holding company, controls 22.5 per cent, comprising 15 per cent for the French state and 7.5 per cent for media group Lagardere. EADS has French and German co-chairmen and co-chief executives.

Speculation has risen that the restructuring plan would result in thousands of job losses at Airbus, the closure or sale of some plants and the outsourcing of some manufacturing activities.

The Bloomberg news agency reported yesterday that the state-owned Qatar Investment Authority was considering buying a stake in EADS according to an interview with Sheikh Hamad bin Jasim bin Jaber al-Thani, the authority's chief executive.

European View, Page 16
Airbus stalled, Page 18

Iran nears industrial scale for enriching uranium

By Daniel Dombey in London

Iran has mastered crucial nuclear technology since August and could be as little as six months away from being able to enrich uranium on an industrial scale, the United Nations' chief nuclear watchdog warned yesterday.

In an interview with the Financial Times, Mohamed ElBaradei, director-general of the International Atomic Energy Agency, added that Tehran was overwhelmingly likely to miss a UN deadline tomorrow to suspend enrichment, which can produce both nuclear fuel and weapons-grade material.

The IAEA chief will meet Ali Larijani, Iran's chief nuclear negotiator, today and issue governments with a report on Iran's compliance with the UN's demands tomorrow.

Mr ElBaradei said Iran had now acquired important technical know-how from running its pilot nuclear programme, and that there was no going back. "You cannot bomb knowledge," he said.

Since August last year, Iran has been using centrifuges at a pilot plant in the town of Natanz to enrich uranium. Although Tehran insists its purposes are purely peaceful, it has refused to halt the process.

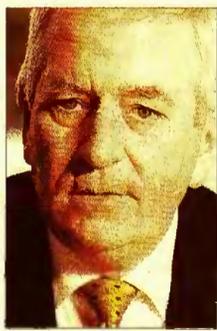
Both the US and Israel have warned that Iran might reach a "point of no return" in its nuclear programme by mastering the technology of uranium enrichment.

Mr ElBaradei added that US and British intelligence estimates said that Iran was still five to 10 years away from developing a nuclear bomb and warned against "hype" over Tehran's nuclear progress.

But he added: "There's a big difference between acquiring the knowledge for enrichment and developing a bomb."

FT Interview, Page 4
Full transcript: www.ft.com/elbaradei

Hedge funds defence



Charlie McCreery, the EU's internal market commissioner, came to the defence of hedge funds and private equity groups yesterday, saying they were 'good for the market' and there was no need for extra European Commission regulation. But he also chided them for failing to make their case publicly. 'If you were to pick an example of any group that has done a notoriously bad job at public relations, it is these two,' he said. 'You just see loads and loads of bad publicity.'

■ FT Interview, Page 2

Russian missile threat to Poles and Czechs over US shield plan

By Neil Buckley in Moscow, Jan Cienski in Warsaw and Hugh Williamson in Berlin

Poland and the Czech Republic could be targeted by Russian missiles if they host elements of the planned US missile defence system, the commander of Russia's strategic missile forces warned yesterday.

The warning came as both Warsaw and Prague signalled they were likely to respond positively to US requests for them to site anti-missile defence bases on their territory.

Germany yesterday expressed concern about the stand-off over the missile defence project, with Frank-Walter Steinmeier, foreign minister, criticising the US and Nato for not addressing Russia's worries earlier.

Russia continued to make clear its opposition to the system as Gen Nikolai Solovtsov warned stationing parts of it in eastern Europe risked undermining strategic stability. "If the govern-

ments of Poland, the Czech Republic, and other countries make this decision... [Russia's] strategic missile troops will be able to target those facilities," he said. The comments follow criticism of the project by Vladimir Putin, Russian president, and other senior officials. Gen Yuri Baluyevsky, chief of the Russian army, warned last week that Moscow might withdraw from the 1987 Intermediate-Range Nuclear Forces treaty unless the US dropped its plans.

The strategic missile forces commander echoed that yesterday, saying Russia could resume production of medium-range missiles within five or six years.

"We have all the documents, we have the technology, especially as the missiles used to be produced by existing enterprises. Resuming production, provided there are relevant decisions, will be easy enough," Gen Solovtsov said.

In a visit to Warsaw yesterday, Mirek Topolaneck, the Czech prime minister, said Poland and

the Czech Republic needed to undertake a big communication effort to explain the programme to Russia, Germany and France - and their own populations. But he said it was "naïve" to suppose the US had not consulted Russia over the project.

Jaroslav Kaczynski, his Polish counterpart, said the shield was "not aimed at any normal country. We will attempt to persuade the Russians of that which is obvious and which they of course realise, that it is in no way... directed at them".

Russia rejects US claims that the shield - with tracking radar in the Czech Republic and missiles in Poland - is designed to allow Europe and the eastern US to intercept missiles launched from the Middle East.

Mr Steinmeier said in a newspaper interview: "Because the sites for the stationing [of the missile defence system] are quite near Russia, one should have talked about it with Russia beforehand."

WORLD MARKETS

STOCK MARKETS	Feb 19	prev	% chg
Dow Jones Ind	closed	12767.57	nc
Nasdaq Comp	closed	2496.31	nc
S&P 500	closed	1455.54	nc
FTSEurofirst300	1549.92	1544.03	+0.38
DJ Euro Stoxx 50	4266.23	4247.40	+0.44
FTSE 100	6444.4	6419.3	+0.39
FTSE All-Share UK	3340.86	3326.49	+0.43
CAC 40	5739.90	5713.59	+0.46
Xetra Dax	6987.08	6957.07	+0.43
Nikkei	17940.09	17875.65	+0.36
Hang Seng	closed	20567.91	nc
FTSE Global All-Cp	(u)	416.40	nc

CURRENCIES

	Feb 19	prev	Feb 19	prev	
\$ per €	1.314	1.314	€ per \$	0.761	0.761
¥ per €	1.948	1.950	€ per ¥	0.513	0.513
£ per €	0.675	0.673	€ per £	1.481	1.486
¥ per \$	119.7	119.34	¥ per €	157.3	156.6
¥ per £	233.1	232.6	£ index	104.0	104.2
\$ index	93.2	93.2	£ index	95.1	94.9
Sfr per €	1.621	1.622	Sfr per £	2.403	2.410

COMMODITIES

	Feb 19	prev	chg
Oil - Brent \$ Apr	58.26	58.95	-0.69
Oil - WTI \$ Mar	59.39	59.39	nc
Gold \$	670.75	664.72	+6.03

INTEREST RATES

	price	yield	chg
US Gov 10 yr	99.44	4.70	nc
UK Gov 10 yr	93.15	4.91	+0.03
Ger Gov 10 yr	97.41	4.07	+0.02
Jap Gov 10 yr	99.79	1.73	+0.02
US Gov 30 yr	99.34	4.79	nc
Ger Gov 3 yr	99.62	3.97	+0.02
	Feb 19	prev	chg
Fed funds off	5.29	5.29	nc
US 3m bills	5.03	5.03	nc
Euro Libor 3m	3.83	3.83	nc
UK 3m	5.50	5.52	-0.02

Prices are latest for edition.

SUBSCRIBE NOW

Subscription Sales Dept, FT Ltd, One Southway Bridge, London SE19 1HL Tel: +44 207 775 6000, Fax: +44 207 873 3428 Email: FT.Subs@ft.com

Albania	£4.390	Israel	£5.31	Poland	£7.12
Austria	£2.80	Italy	£2.80	Portugal	£2.80
Bahrain	£11.2	Jordan	£27.25	Qatar	£6.11
Belgium	£2.80	Kazakhstan	£554.90	Romania	£10.31
Bulgaria	£4.75	Kenya	£150.00	Russia	£554.7
Croatia	£10.26	Kuwait	£1000.0	S Arabia	£101.00
Cyprus	£11.70	Latvia	£1.20	South Africa	£15
Czech Rep	£11.5	Lebanon	£150.000	Slovak Rep	£12.75
Denmark	£10.26	Lithuania	£11.57	Slow SIT	£107.0/£2.80
Egypt	£11.70	Luxembourg	£2.80	Spain	£2.80
Estonia	£10.26	Macedonia	£10.26	Sweden	£10.26
Finland	£3	Malta	£11.1	Switzerland	£14.50
France	£2.80	Mauritius	£10.26	Syria	£153.90
Germany	£2.80	Morocco	£10.26	Tunisia	£10.26
Gibraltar	£1	Netherlands	£2.80	Turkey	£14.4
Greece	£2.80	Nigeria	£10.26	UAE	£10.26
Hungary	£15.40	Norway	£10.26	Ukraine	£155.4
Iceland	£10.26	Oman	£10.26	Serbia & Mont	£10.26

meet the CEO of,

In her company, sales channel insights help everyone understand why customers buy.

the perfectly packaged promotion

Business Performance on an entirely new scale. Thanks to the world's only integrated business intelligence platform, consumer packaged goods companies are able to tailor offerings precisely to customer preference. It's insight and analysis that boosts product lifecycles and bottom lines.

Business Objects

© 2007 Business Objects. All rights reserved.