

THE WALL STREET JOURNAL.

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THURSDAY - MONDAY, APRIL 13 - 17, 2017 - VOL. XXXV NO. 53

WSJ.com EUROPE EDITION

DJIA 20591.86 ▼ 0.29%

NASDAQ 5836.16 ▼ 0.52%

NIKKEI 18552.61 ▼ 1.04%

STOXX 600 381.90 ▲ 0.19%

BRENT 55.86 ▼ 0.66%

GOLD 1275.30 ▲ 0.32%

EURO 1.0609 ▲ 0.03%

What's News

Business & Finance

Trump said the dollar "is getting too strong" and that he would prefer low rates. The president added that China won't be labeled a currency manipulator. A1

◆ Elliott called a meeting of Akzo shareholders to press for the ouster of the Dutch firm's chairman. A1

◆ The IMF's Lagarde warned that protectionism could derail accelerating global economic growth. A2

◆ United's CEO said the airline will never again use police to remove paid passengers from oversold flights. B1

◆ Chinese bond yields are rising as banks sell their holdings, making corporate-debt issuance more pricey. B1

◆ Samsung is delaying an English version of a voice-activated virtual assistant on its new Galaxy smartphone. B4

◆ Western Digital warned it can block any Toshiba sale affecting their chip-making joint venture. B4

◆ CME said it would close its unprofitable European futures exchange and derivatives-clearing business. B7

◆ Saudi Arabia raised \$9 billion in its first global sale of Islamic bonds. B7

◆ The Fed shelved its threat of legal action against the "London whale" trader. B7

◆ OPEC said oil output fell further in March as members complied with cuts. B7

World-Wide

◆ The U.S. and Russia clashed over Syrian leader Assad and other issues as Tillerson met with Putin and other officials. A1

◆ Syria's suspected sarin gas attack exposed the failure of a 2013 deal to cripple the regime's production and use of chemical weapons. A4

◆ Xi urged a peaceful resolution of issues with North Korea and stressed U.S.-China trade ties in a phone call with Trump. A3

◆ Iran's Ahmadinejad filed to run in presidential elections, a surprise bid by the ex-president and longtime nemesis of the West. A4

◆ German authorities held a suspected Islamist and were investigating another after a bomb blast hit a soccer team's bus. A4

◆ A top Philippine rebel was killed in a firefight with government forces on a popular resort island. A3

◆ Demonstrators converged on South Africa's capital as protests against President Zuma swelled. A6

◆ The EU threatened Hungary with legal action over its moves against a university and a foreign NGO. A6

◆ The Daily Mail settled two lawsuits brought by Melania Trump. A6

◆ Brazil's high court ordered corruption probes of ministers and politicians. A6

Notice to Readers

WSJ.com will publish throughout the Easter weekend. The Wall Street Journal print edition won't be published Friday or Monday in Europe.

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THURSDAY - MONDAY, APRIL 13 - 17, 2017 - VOL. XXXV NO. 53

WSJ.com EUROPE EDITION

Trump Warns of Strong Dollar

President won't label China a currency manipulator, could rename Yellen to Fed

WASHINGTON—President Donald Trump said that the U.S. dollar "is getting too strong" and that he would prefer the Federal Reserve keep interest rates low.

By Gerard Baker,
Carol E. Lee
and Michael C. Bender

Mr. Trump, in an interview with The Wall Street Journal, also said his administration won't label China a currency manipulator in a report due this week.

He left open the possibility of renominating Federal Re-

U.S. Offered China Deal on North Korea

President Trump said he offered Beijing better trade terms in exchange for help confronting North Korea. A2

serve Chairwoman Janet Yellen once her tenure is up next year, a shift from his position during the campaign that he would "most likely" not appoint her to another term.

"I do like a low-interest-rate



President Donald Trump talking in the Oval Office of the White House in Washington, D.C., on Wednesday.

policy, I must be honest with you," Mr. Trump said Wednesday at the White House, when asked about Ms. Yellen.

"I think our dollar is getting too strong, and partially that's my fault because people have

confidence in me. But that's hurting—that will hurt ultimately," he added. "Look, there's some very good things about a strong dollar, but usually speaking the best thing about it is that it sounds

good." He continued, "It's very, very hard to compete when you have a strong dollar and other countries are devaluing their currency."

Mr. Trump said the reason he has changed his mind on

one of his signature campaign promises is that China hasn't been manipulating its currency for months and because taking the step now could jeopardize his talks with Beijing on con-

Please see TRUMP page A7

U.S., Russia Spar on Syria in Moscow Talks

By FELICIA SCHWARTZ

MOSCOW—The U.S. and Russia clashed Wednesday over a wide range of issues, especially the future Syrian President Bashar al-Assad, during a daylong visit by Secretary of State Rex Tillerson that included a meeting with Russian President Vladimir Putin.

After hours of meetings between Mr. Tillerson and Russia's leaders, Russian Foreign Minister Sergei Lavrov criticized what he described as a Western "fixa-

tion" on removing dictators and authoritarian leaders.

During a joint news conference with Mr. Tillerson, Mr. Lavrov said Russia isn't convinced that Mr. Assad's government carried out a chemical-weapons attack in Idlib on April 4 that killed at least 85 people and prompted the U.S. to strike a Syrian air base in response. Syria has denied using chemical weapons.

Mr. Tillerson, leveling U.S. charges that Syria planned and executed the attack, also said it was "fairly well es-

tablished" that Russia had interfered in the 2016 U.S. presidential election, another accusation that Mr. Lavrov denied.

However, Mr. Tillerson refrained from accusing Russia of complicity in the chemical attack in Idlib province last week, tamping down U.S. criticism of Moscow. On Tuesday, President Donald Trump's administration accused Russia of covering up Mr. Assad's suspected use of sarin gas and said Russia should answer questions about what it knew about

the attack in advance.

Overall, Mr. Tillerson described relations between the U.S. and Russia as being at a "low point."

"There is a low level of trust between our two countries," he said. "The world's two foremost nuclear powers cannot have this kind of relationship."

The U.S. and Russia have a common view on some issues related to Syria, he said, but the officials seemed far apart on how to achieve it.

"We both believe in a uni-

fied and stable Syria and we agree we want to deny a safe haven for terrorists," Mr. Tillerson said.

Unlike Mr. Lavrov, Mr. Tillerson said Mr. Assad and his family cannot be part of a long-term government in Syria. He said the U.S. wants to see him depart in an orderly way and warned that he could eventually be tried for war crimes.

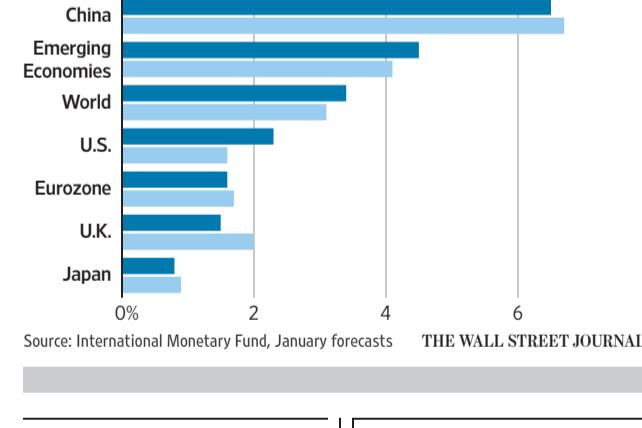
The officials also discussed North Korea's nuclear program, the situation in Ukraine, and the U.S. allega-

Please see RUSSIA page A4

Improved Outlook

Global economic growth is accelerating, driven in large part by a strengthening U.S. economy and recovering emerging markets. A2

Annual change in GDP:



Source: International Monetary Fund, January forecasts

COMPETITION CATCHES UP TO WHOLE FOODS

Squeezed by rivals and activist investor, chain tries new approach

By HEATHER HADDON AND ANNIE GASPARRO

John Mackey won the battle for America's taste buds, but his victory is proving costly.

As co-founder of Whole Foods Market Inc., the 63-year-old Texan helped reshape how Americans approach eating, transforming health food from a niche market into a booming retail sector attracting millions of urbanites, soccer moms and baby boomers. Whole Foods became a Fortune 500 company, and Mr. Mackey, a wealthy, foodie celebrity.

Now competition has caught up to Whole Foods, and Mr. Mackey is being forced to try conventional grocery-store pricing and other supermarket tactics to reverse his company's flagging fortunes.

The pressure ratcheted up with the disclosure in a securities filing Monday that activist investor Jana Partners LLC and several allies had amassed an 8.8% stake in Whole Foods and want the company to accelerate its overhaul and explore a possible sale.

Please see FOODS page A8

Elliott Seeks To Remove A Leader of Akzo Nobel

Elliott Management Corp. called a special meeting of Akzo Nobel NV shareholders to try to oust the chairman of the supervisory board, increasing pressure on the Dutch paint company to engage in sale talks.

By Christopher Alessi,
Dana Mattioli
and David Benoit

Akzo quickly moved to block some of the hedge fund's proposal, saying it strongly supports Chairman Antony Burgmans and would reject an agenda item seeking to dismiss him.

Akzo said it would examine whether to hold the extraordinary meeting and respond within a required 14-day period, though spokesman Andrew Wood said Dutch corpora-

Haze the Dead! More Obit Writers Tell It Like It Was

Once generic and reverent, more family-written remembrances are frank

By JAMES R. HAGERTY

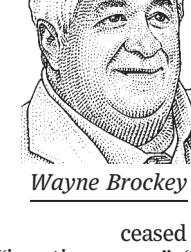
cycle accident in Virginia in February, said he was "genuine and kind" but also "probably the biggest tightwad in the mid-Atlantic region."

Most obituaries remain more solemn, but funeral directors have noted an increase in those that are a bit playful—tributes acknowledging that people tend to be mixed bags and that few are candidates for sainthood.

Obituaries published by U.S. newspapers or websites over the past few years describe deceased relatives as "cantankerous," "grouchy," "demanding old fart," "sore loser" and "pain in the butt."

One possible reason for

Please see OBIT page A8



Wayne Brockley

Oracle #1 SaaS Enterprise Applications Revenue

1,000+ Employees Segment, 2015

#1
Oracle Cloud
14.5%

#2
Salesforce Cloud
12.4%

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Source: IDC "Worldwide SaaS Enterprise Applications Market Shares, 2015: The Top 15 by Buyer Size," doc #US41913816, Dec. 2016; Table 4. For the purposes of this report, SaaS enterprise applications include the following application markets: CRM, engineering, ERP, operations and manufacturing, and SCM.

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WORLD NEWS

IMF Cautions Tariffs Could Derail Growth

Lagarde's warning comes as the U.S. economy and emerging markets strengthen

BY IAN TALLEY

Global economic growth is accelerating, the head of the International Monetary Fund said, but rising protectionism risks steering the global economy back onto rocky terrain.

Wednesday's warning from IMF Managing Director Christine Lagarde, a nod to the Trump administration's threats to levy new tariffs against trade partners, comes against a backdrop of a strengthening U.S. economy and a rebound in emerging markets.

Notice to Readers

Greg Ip's Capital Account column is on hiatus this week.

"After six years of disappointing growth, the world economy is gaining momentum," Ms. Lagarde said in a prepared speech at the Bruegel think tank in Brussels, previewing a meeting of world finance chiefs next week in Washington.

"At the same time, there are clear downside risks: political uncertainty, including in Europe; the sword of protectionism hanging over global trade; and tighter global financial conditions that could trigger disruptive capital outflows from emerging and developing economies," she said.

U.S. President Donald Trump's trade and other economic policies will be in the spotlight at the IMF's semi-annual meetings in Washington next week, when finance ministers and central bankers from the fund's 189 member countries meet in an effort to steer the global economy toward stronger

growth and away from approaching perils.

The Trump administration's economic platform, including challenging the World Trade Organization, has spooked global finance leaders worried Washington might spark a trade war with China and other major economies.

So far, the administration has hewed to a more moderate line and eschewed its most aggressive campaign threats.

Market optimism has waned as the Trump administration faces the political challenges of pushing its agenda through Washington. Still, investors have shown broad enthusiasm for the prospect of U.S. tax cuts, infrastructure spending and signs of an improving economy.

In January, the IMF projected global economic growth would pick up to 3.4% this year and 3.6% in 2018, from 3.1% last year. The U.S. economy, it predicted, would expand at a rate of 2.3% this



ISABEL INFANTES/AGENCE FRANCE PRESSE/GTY IMAGES

Shipping containers on the docks at DP World's London Gateway.

year, up from 1.6%. New IMF forecasts are due out Tuesday.

Manufacturing activity has also strengthened across other advanced economies, including in Europe, even though Italy and other nations struggle with high debt and

banking-sector weakness.

Emerging markets have also steadied after commodity prices stabilized and China's government boosted the world's second-largest economy with another round of monetary and budget stimu-

lus. The economies of Brazil and Russia are back in positive territory after two years of contractions.

As a bloc, emerging and developing economies will contribute more than three-quarters of global growth this year, despite the political and financial risks many of them are facing, the fund says.

But amid the risk that the world's largest economy could upend the rules-based order that global trade has been built upon for the past several decades, Ms. Lagarde repeatedly turned to a message of global coordination rather than unilateral action.

"Fostering more-resilient growth therefore requires more international cooperation—not less," the IMF chief said. "Restricting trade would be a 'self-inflicted wound' that disrupts supply chains, hurts global output, and inflates the prices of production materials and consumer goods."

A Celebration of Holy Week



FIDELICO PARRA/AGENCE FRANCE PRESSE/GTY IMAGES
FAITHFUL: People visited the Basilica de Santa Teresa in Caracas, the Venezuelan capital, during Holy Week festivities on Wednesday.

AKZO

Continued from Page One
rate law gives it the power to not hold a meeting if it isn't in the interests of shareholders and the company. "We are not required to have [a meeting] just because shareholders ask for it," Mr. Wood said.

Elliott countered by saying it would take Akzo to court over any refusal to hold a vote on the activist investor's proposal.

Elliott views Akzo Nobel's position rejecting the agenda item as inexplicable. Shareholders have a legal right under Dutch law to put a proposal to dismiss Mr. Burgmans onto the [meeting] agenda," Elliott said in a statement.

Elliott previously disclosed that it owns a 3% stake in Akzo and has pressed the company to engage in deal talks with U.S. rival **PPG Industries** Inc. Akzo last month rejected a \$24 billion offer from PPG after rebuffing an earlier \$22 billion bid. The company, whose market value stands at about \$21.1 billion, has said the offers are too low.

Mr. Burgmans is viewed as an opponent of the deal. He is a former chairman and chief executive of Unilever PLC.

Six Akzo shareholders including Elliott make up the group owning more than 10% of the company's stock that supports Elliott's request for the shareholder meeting, according to a person familiar with the matter.

Some of the shareholders have owned Akzo stock for more than a decade, this person said. The identities of the other shareholders supporting the meeting couldn't be learned. However, last month, U.S.-based Causeway Capital Management LLC—Akzo's largest shareholder with about a 6.7% stake—called on Akzo to start negotiations with PPG.

Akzo also criticized Elliott for planning to privately share its demand for a special meeting with PPG before it had gone public. Akzo said it had shared its concerns with Dutch financial authorities and called on Elliott and Pittsburgh-based PPG to "clarify their relationship and the history of the communications between the two companies."

PPG has publicly acknowledged meeting with Akzo's top 20 shareholders, one of which is Elliott. "Elliott has there-

fore, as a matter of course, met and communicated with PPG," the investment firm said. Elliott added that it is "aware of its various regulatory obligations, including obligations related to handling price-sensitive, or potentially price-sensitive, information."

PPG said Wednesday that it has "met with more than 100 equity investors, mostly Akzo Nobel shareholders including representatives from Elliott" since PPG's proposal to merge with Akzo became public.

In the wake of PPG's initial offer, Akzo—whose brands include Dulux, Sikkens, Interpon and Eka—has said it plans to separate its specialty-chemicals division. Elliott supports the move but has said Akzo should consider a deal for the whole company.

Akzo has said it can generate more value for shareholders on its own.

Elliott had earlier threatened to call a shareholder meeting if it found Akzo wasn't "responsive to the desires of its shareholder base" with respect to the PPG offer.

It wasn't clear if Elliott's move would succeed even if the hedge fund could muster enough votes. Akzo's Dutch corporate structure gives its board wide latitude to control and block takeovers. Shareholders can vote to remove management and members of the board, but the supervisory board retains the right to nominate their successors.

PPG, whose paint brands include Pittsburgh Paints and Glidden, is seeking a tie-up with Akzo a year after rival **Sherwin-Williams Co.** agreed to buy Valspar Corp. for more than \$9 billion.

—Ben Dummett contributed to this article

Trump Says He Offered China Deal

WASHINGTON—President Donald Trump said Wednesday he has offered Chinese President Xi Jinping a more favorable trade deal for Beijing in exchange for his help on confronting the threat of North Korea.

By Gerard Baker, Carol E. Lee and Michael C. Bender

Mr. Trump, in a wide-ranging interview with The Wall Street Journal, said he would accept, for instance, a trade deal with China that does less to address trade deficits.

"I told him, I said, 'You know we're not going to let that [current trade deficit] go ahead,'" Mr. Trump said of his meeting last week with Mr. Xi. He added he told Mr. Xi: "But you want to make a great deal? Solve the problem in North Korea? That's worth having deficits. And that's worth having not as good a trade deal as I would normally be able to make."

Amid growing U.S. unease about Pyongyang's nuclear activities, Washington dispatched an aircraft carrier group toward the Korean Peninsula over the weekend. Mr. Trump has previously criticized China for not using its influence with North Korea more aggressively.

Mr. Trump said the ships are meant to deter North Korea from taking further actions. He said he called Mr. Xi Tuesday night and during an hourlong conversation told him he should let North Korean leader Kim Jong Un know the U.S. doesn't just have aircraft carriers, but also nuclear submarines.

"You cannot allow a country like that to have nuclear power, nuclear weapons," Mr. Trump said. "That's mass destruction. He doesn't have the delivery systems yet, but he will. In many ways, that's the easiest thing."

He said they also discussed China turning away North Ko-

rea coal shipments.

On Syria, Mr. Trump said his administration's policy isn't to demand that Syrian President Bashar al-Assad step down as part of a peaceful resolution to the conflict.

"Are we insisting on it? No. But I do think it's going to happen at a certain point," Mr. Trump said.

He said it isn't impossible to imagine a peaceful Syria with Mr. Assad still in power, as his ambassador to the United Nations, Nikki Haley, recently said. "I think it's hard to imagine. I wouldn't use the word impossible," Mr. Trump said. "I think the word impossible is not right. But it does seem like you certainly wouldn't be off to a good start."

Mr. Trump said Mr. Assad's use of chemical weapons again would elicit another military response from him, and he didn't rule out taking action in response to his use of barrel bombs. But he said he would not intervene in depth in the Syrian conflict, which he said would take resources away

from tackling his domestic agenda, such as trying to rebuild U.S. infrastructure.

"We have so many problems that we just can't be in the business of that," Mr. Trump said of bringing refugees to the U.S. "When I look at the Gulf states, they have tremendous amounts of money. They're not putting up very much money."

Mr. Trump described his relationship with Russian President Vladimir Putin as nonexistent, but said he developed a warm rapport with Mr. Xi after their first meeting last week at his estate in south Florida.

He said they hit it off during their first discussion. Mr. Trump said he told his Chinese counterpart he believed Beijing could easily take care of the North Korea threat. Mr. Xi then explained the history of China and Korea, Mr. Trump said.

"After listening for 10 minutes, I realized it's not so easy," Mr. Trump recounted. "I felt pretty strongly that they had a tremendous power" over North Korea, he said. "But it's not what you would think."



JASON ANDREW FOR THE WALL STREET JOURNAL
President Donald Trump sits in the White House's Oval Office during a Wall Street Journal interview.

states step in, possibly by building safe zones in Syria.

"We have so many problems that we just can't be in the business of that," Mr. Trump said of bringing refugees to the U.S. "When I look at the Gulf states, they have tremendous amounts of money. They're not putting up very much money."

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Wal-Mart Stores Inc. cut about 1,000 corporate jobs earlier this year, including 200 in its e-commerce department. A Business Watch article Wednesday about the U.S.-based retailer incorrectly said it cut about 1,200 jobs.

The bar at the Hotel Saint George was one of the first establishments in Marfa, Texas, to serve food seven days a week. An article in the April edition of WSJ. Magazine about the furniture designs of the Judd Foundation incorrectly said the bar was the first place in Marfa to serve food seven days a week.

Readers can alert The Wall Street Journal to any errors in news articles by emailing wsjcontact@wsj.com.

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WORLD NEWS

Xi Seeks to Cool U.S. on North Korea

BY TE-PING CHEN

BEIJING—Chinese leader Xi Jinping urged a peaceful resolution of problems with North Korea and emphasized trade ties with the U.S. in a phone call with President Donald Trump, who had pressed China for more action to blunt the threat from Pyongyang.

The phone call, which took place Wednesday morning Beijing time, came only a few days after the two leaders met in Florida.

While the two projected an image of cordiality during their meeting, Mr. Trump's tone turned tetchier after his guest departed. On Tuesday, he tweeted he would take unilateral action on North Korea if Beijing failed to help.

China's Foreign Ministry declined to comment on the timing of the call, which a ministry spokesman said came at the request of Mr. Trump.

Mr. Trump has put the North Korean issue in explicitly tit-for-tat terms, saying in a separate tweet Tuesday that he told Mr. Xi more Chinese cooperation on North Korea could help China's trade terms with the U.S.

Mr. Xi, in turn, used the call to reinforce themes of trade and economic cooperation. He noted both sides had numerous mechanisms in place for high-level dialogue on eco-

nomic matters, internet safety and more, according to a Foreign Ministry statement. Mr. Xi also mentioned the two sides' agreement on a "100-day action plan" on trade. While the White House highlighted the agreement after the summit, official Chinese accounts didn't mention it.

"China bringing it up is a way of saying the U.S.-China relationship has a lot of priorities. It's not all about North Korea," said Chu Shulong, professor of international relations in Tsinghua University. He said the U.S. is poorly equipped to address the North Korea issue on its own, as China wields the most economic leverage over its neighbor.

Analysts said Beijing is stuck in a challenging situation, as it worries the U.S. missile strike on Syria last week, launched as Messrs. Trump and Xi were meeting in Florida, was a signal from Mr. Trump that he is willing to take military action on other issues as well.

"Beijing is in somewhat of a new dilemma here, where they're trying to restrain both Trump and Kim Jong Un," said John Delury, associate professor of Chinese studies at Seoul's Yonsei University.

The White House declined to provide details about the call early Wednesday, but Mr. Trump mentioned it in one of



North Koreans rehearsed Wednesday for a Saturday parade marking the anniversary of the birth of Kim Il Sung, the country's founder.

his Twitter messages.

"Had a very good call last night with the president of China concerning the menace of North Korea," he wrote.

The call took place amid growing U.S. unease about Pyongyang's nuclear activities. Washington dispatched an aircraft carrier group toward the Korean Peninsula over the weekend. North Korea has threatened to "react to any mode of war desired by the U.S." Rodong Sinmun, North Korea's biggest newspaper, warned that Pyongyang, too, could launch a pre-emptive

strike on the U.S. North Korea watchers are concerned it might choose the Saturday anniversary of the birth of Kim Il Sung, the country's founder, to conduct another missile test.

On Wednesday, Japanese officials said Japan's navy would join the USS Carl Vinson for exercises as the aircraft carrier passes through the East China Sea after departing Singapore this past Saturday. Naval exercises between the U.S. and Japan are common. Japanese destroyers held drills with the USS Carl Vinson and its support ships twice when it was in

the East China Sea last month.

China's hawkish state-run tabloid the Global Times warned Pyongyang in a Wednesday editorial against making a "serious error," adding that support was growing in China for Beijing to take stern measures against Pyongyang to curb its nuclear activities.

Later Wednesday, China's Defense Ministry denied media reports that the government had been sending troops to reinforce areas near the border with North Korea, calling them "pure fabrication."

Chinese analysts said given current events, the call between the two leaders was prudent.

"If things aren't managed well, it's possible there will be some kind of military clash, and given this context it's quite logical that both leaders would talk," said Zhang Lian-gui, a Korea expert at Beijing's Central Party School.

Chinese Foreign Ministry spokesman Lu Kang said that at the Mar-a-Lago summit, both presidents agreed to keep in closer touch through phone calls and meetings.

Inside the Path to Kim Jong Nam's Killing

Women on trial are a former waitress and masseuse who say they were recruited for purported prank

BY JOHN LYONS
AND BEN OTTO

NGHIA BINH, Vietnam—As the youngest of five in a farming family living on the edge of vast rice paddies, Doan Thi Huong was raised for better things. The family pooled money so she could attend school in Hanoi instead of toil in the fields; she was the only one to graduate from high school.

What her family didn't know was that Ms. Huong had dropped out of school and ended up working in a bar; by the beginning of this year she was meeting with men who South Korean officials say were North Korean agents.

Now, Ms. Huong and another woman, if convicted, face the death penalty for allegedly murdering Kim Jong Nam, the half brother of North Korean leader Kim Jong Un, with court proceedings set for Thursday.

"She was the one we all expected to grow up to be successful," said Doan Van Binh, an older brother, shaking visibly and pulling on a cigarette.

Malaysian authorities say Ms. Huong, 28, and her co-defendant, a 25-year-old Indonesian woman named Siti Aisyah, knowingly killed Mr. Kim on Feb. 13, by smearing the banned nerve agent VX on his face in Kuala Lumpur's main airport. The charges carry a mandatory death sentence. Ms. Huong is allegedly the woman with cropped red hair and an "LOL" T-shirt caught in security footage lunging at Mr. Kim from behind.

The women say they thought they were acting in a prank TV show, said Gooi Soon Seng, lead lawyer for Ms. Ai-



Doan Thi Huong's family home in Nghia Binh, a rice-farming village in rural Vietnam.

the attack on Mr. Kim. The second man, Ri Ji Hyon, is the son of a former North Korean ambassador to Vietnam, a Vietnamese official said.

In late January, Ms. Huong returned home.

That same month, the Indonesian suspect, Ms. Aisyah, who Malaysian police say had been working as a spa masseuse in Kuala Lumpur, says she was approached by a man outside a nightclub with an offer to appear in prank videos, according to Mr. Gooi. The man introduced her to another North Korean suspect whom Malaysian police have identified as Ri Ji U, Mr. Gooi said. South Korean authorities have said Ri Ji U works for Pyongyang's state security ministry.

Ms. Aisyah says Ri Ji U told her he was Japanese, and began asking her to approach strangers in malls, airports and casinos, and put liquids like Tabasco sauce on their hands or faces, Mr. Gooi said. She says she earned around \$100 for each prank, according to Mr. Gooi.

The week before the attack on Mr. Kim, Ms. Huong and Ri Ji Hyon flew from Hanoi to Kuala Lumpur.

On Feb. 13, Ms. Huong says she was at the airport in Kuala Lumpur with Ri Ji Hyon for what she thought was another prank, said Mr. Gooi. Ms. Aisyah says she was there too, with Mr. Hong, who applied something on her hands, directed her toward a target and told her to leave quickly afterward, said Mr. Gooi.

Both women say they apologized to their mark before slipping off, he says.

—Vu Trong Khanh and Kwanwoo Jun contributed to this article.

sah. The defense lawyers will likely also question whether it was the women's actions that killed Mr. Kim, he said.

South Korean officials say the killing was orchestrated by North Korea, and allege both women were recruited by North Korean agents.

Yet the eight North Korean suspects Malaysia identified have all left Malaysia and are believed to be back home—including three who were allowed to depart in late March as part of a deal with North Korea to lift certain travel restrictions. That deal left the two women as the only defendants available to stand trial in the case.

Malaysian authorities said that police had taken statements from the three and that they were no longer needed.

North Korea has denied any connection with the kill-

ing. A person at North Korea's embassy in Hanoi declined to comment for this article; repeated calls to the embassy in Kuala Lumpur went unanswered.

Ms. Huong left her village in northern Vietnam at 18, to study to become a pharmacist in Hanoi.

Unbeknown to her family, Ms. Huong left school and entered Hanoi's bar scene.

She began working at Seventeen Cowboys, a now-closed bar featuring staff in cowboy outfits, according to the manager Bui Anh Duc and a female co-worker.

In mid-December, having left that job, Ms. Huong says she was approached by a man her lawyers identified as Ri Jae Nam, according to Mr. Gooi, who is preparing a joint defense with Ms. Huong's lawyers. Ms.

Huong's lawyers declined to comment on their defense.

South Korean officials have said Ri Jae Nam was one of two North Koreans who recruited Ms. Huong for



Doan Thi Huong in custody

ROYAL MALAYSIA POLICE/REUTERS

Top Rebel Killed in Philippines

BY JAKE MAXWELL WATTS

A senior Abu Sayyaf commander was among several people killed in a firefight with Philippine government forces on a popular tourist island, as the battle extended into a second day.

Muammar Askali, also known as Abu Rami, was among a group of suspected Abu Sayyaf fighters believed killed on the resort island of Bohol in the central Philippines, a senior military spokesman told The Wall Street Journal. The firefight began early Tuesday after local residents reported 10 armed men arriving on the island in small boats.

The death of Mr. Askali would be a blow to the Islamic State-linked group, which has made millions of dollars in recent years by abducting and ransoming Filipinos and foreigners. Mr. Askali had acted in the past as the group's spokesman for ransom demands.

Richard Javad Heydarian, a security analyst at Manila's De La Salle University, said the Philippine military's strategy of trying to target Abu Sayyaf leadership appears to be working. Earlier this month, President Rodrigo Duterte said in a speech he believed the de facto head of Abu Sayyaf in the Philippines, Isnilon Hapilon, may already be dead after a series of air strikes.

Mr. Heydarian warned that the group is reacting to the military's offensive by becoming much more brazen and reaching further from its traditional territory in the far south of the Philippines. "The hydra of terrorism in the Philippines is becoming a more and more serious cause of concern," he said.

At least eight people were killed in the firefight between authorities and Abu Sayyaf fighters on Bohol, police officials said Tuesday. The tourist island is far from territory where insurgent groups normally operate and near to the island of Cebu.

On Sunday, the U.S. Embassy in the country said it had received unsubstantiated yet credible information of a possible kidnapping attempt in the Cebu and Bohol area. It didn't elaborate.

UNITED KINGDOM

Wage Growth Slowest In Nearly Three Years

Wages after inflation rose at their slowest pace in nearly three years in the three months through February, adding to signs that Britons are facing a squeeze in living standards despite a tightening labor market.

The figures highlight a potential drag on the U.K.'s economic growth just as it begins to negotiate its exit from the European

Union, expected to last at least two years. Economic growth relies heavily on domestic demand, which is likely to falter as wages struggle to keep up with prices.

Adjusted for inflation, regular wages in the December–February period grew by 0.1%, the slowest pace since mid-2014, the Office for National Statistics said. Annual inflation stood at 2.3% in February and March, the fastest rate in more than three years, overshooting the Bank of England's 2% target.

Data showed that growth in

wages faltered despite a robust labor market, with employment and the number of vacancies at record highs.

The unemployment rate was unchanged at 4.7%, in line with the expectations of analysts polled by The Wall Street Journal.

The unemployment rate was last lower in the summer of 1975, the ONS said. Official data suggest inflation is already souring British shoppers' moods.

—Wiktor Szary and Jason Douglas

AFGHANISTAN

ISIS Suicide Bomber Kills Five in Kabul

An Islamic State suicide bomber on foot detonated his vest near the gates of the Ministry of Defense in Kabul, an attack Afghan officials said killed at least five people and wounded three others.

Wednesday's assault was the latest in a string claimed in Afghanistan by the extremist group, which has expanded its

presence in the country even as it loses territory to U.S.-backed forces in Iraq and Syria. Islamic State in recent months has claimed the majority of high-profile attacks in Afghanistan's capital, despite increased pressure by U.S. and Afghan forces on its stronghold in the country's east.

The group's Afghan affiliate said it had struck the gates of Afghanistan's presidential palace in a statement posted to its official Amaq news agency.

—Jessica Donati and Habib Khan

WORLD WATCH

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WORLD NEWS

Iranian Ex-President Aims to Run Again

Former Iranian leader Mahmoud Ahmadinejad filed to run in presidential elections next month, a surprise bid by a longtime nemesis of the West to return to the forefront of the country's politics and back to the world stage.

By Aresu Eqbali
in Tehran and Asia
Fitch in Dubai

The firebrand Mr. Ahmadinejad, who as Iran's president from 2005 to 2013 outraged the West with Holocaust denials and his determination to advance Iran's disputed nuclear program, said in September that he wouldn't run for office again after Iranian Supreme Leader Ayatollah Ali Khamenei said such a move would divide the country and advised him against it.

After formally registering his candidacy at the interior ministry in Tehran on Wednesday, Mr. Ahmadinejad said the supreme leader, who has a final say in most matters of state, hadn't prohibited him from running. "His recommendation didn't mean a ban on participation," he told reporters.

Whether Mr. Ahmadinejad's name actually appears on ballots next month is up to the Guardian Council, which is expected to decide this month on a final slate of candidates. Half of the 12-member council is appointed by Mr. Khamenei, who oversees its activities closely.

Mr. Khamenei, in whose hands Mr. Ahmadinejad's polit-



Mahmoud Ahmadinejad, in center being photographed, had earlier assured his country's supreme leader he wouldn't campaign again.

AFEDIN TAHERI/NAREK/EPICOM/PRESSTO/AGENCE

ical future rests, had no immediate reaction to the move by Mr. Ahmadinejad. The two have had frosty relations in the past.

Behnam Ben Taleblu, a senior Iran analyst at the Foundation for Defense of Democracies, said the supreme leader was unlikely to approve Mr. Ahmadinejad's candidacy. The ex-president probably will withdraw from the race, either as a result of conservative pressure or a deal with Iran's clerical leadership.

"He's transgressed the supreme leader's edict, and if the

supreme leader doesn't enforce it" by acting against Mr. Ahmadinejad, "it could backfire on him," Mr. Taleblu said.

Hassan Rouhani, Iran's current president and a relative moderate who negotiated the landmark 2015 nuclear deal with the U.S. and five other world powers, hasn't formally registered to run for re-election, but he is widely expected to do so.

Despite his hard-line views and occasional criticisms of Mr. Rouhani's management of the country's economy, Mr. Khamenei has backed the Ira-

nian president's main policy goals, most notably the Iran nuclear deal.

Mr. Ahmadinejad's announcement came three days after Ebrahim Raisi, a hard-line Iranian cleric, declared his candidacy for president.

Mr. Raisi, who administers the massive Imam Reza shrine in the city of Mashhad, is a close ally of the supreme leader.

If he is allowed to run, Mr. Ahmadinejad could split the hard-line vote with Mr. Raisi, making a victory more likely for Mr. Rouhani, who has

sought to mend ties with the West.

"The irony is that by spoiling the conservatives' game and taking away from Raisi's voter base, Ahmadinejad is in fact aiding Rouhani's re-election," said Ali Vaez, a senior Iran analyst at the International Crisis Group.

Saeed Laylaz, an economist who sides with Iran's moderates, said that in announcing his candidacy, Mr. Ahmadinejad was issuing a challenge to a system that he sees as having cast him aside.

"He wants to become a Bo-

ris Yeltsin," he said, referring to the Russian politician who became an antiestablishment figure in the waning years of the Soviet Union and served as the Russian Federation's first president after the union dissolved.

Mr. Laylaz said he hoped Mr. Ahmadinejad would stand for election next month, and predicted Mr. Rouhani would win a three-way contest.

As president, Mr. Ahmadinejad became a lightning rod in the West, forging ahead with the country's nuclear program despite concerns Tehran was seeking to develop atomic weapons that could threaten Israel and the country's rivals in the Persian Gulf.

He also presided over a period of internal strife unprecedented since the Islamic Republic's founding in 1979. His election for a second term in 2009 was disputed, leading to massive protests that the authorities quashed, often violently.

Succeeding Mr. Ahmadinejad as president, Mr. Rouhani has tried to revive Iran's economy and improve Tehran's relationships with world powers. His administration championed Iran's 2015 nuclear deal.

But many Iranians say they haven't seen significant economic benefits from the nuclear deal, and the election of President Donald Trump, who promised during his campaign to tear up the agreement, has raised the appetite for a confrontational leader to counter him.

Syria Attack Exposes Failed Deal on Chemical Weapons

BY NOUR MALAS

ISTANBUL—The suspected sarin gas attack in Syria last week revealed one of the worst-kept secrets in international diplomacy: A 2013 deal brokered by Russia and the U.S. failed to cripple the Assad regime's ability to make or use chemical weapons.

International investigators were already looking into eight incidents involving chemical weapons use just since the start of this year, according to a report by the United Nations Secretary-General. Evidence was mounting that Damascus continued to use chemicals—including some it had pledged to give up—in attacks on its citizens, according to Western officials and others involved in the disarmament effort.

But Russia disputed the findings of investigators and experts and blocked any meaningful punishment at the United Nations, and the U.S. and other Western powers declined to go further. In recent months, inspectors and diplomats trying to dismantle the chemical weapons program concluded they had hit a wall.

The April 4 attack, which killed at least 85 adults and children, is a stark example of the challenge: It was launched from an airfield where inspectors years earlier had identified and destroyed a chemical weapons facility, according to two people familiar with the work of the

joint mission of the Organization for the Prohibition of Chemical Weapons and the United Nations at the time.

The U.S. struck the Shayrat Airfield, where Syrian and Russian forces worked side by side in recent months, with 59 Tomahawk missiles last week. White House officials suspect Russia may have known Syria was preparing to launch a chemical attack, and on Tuesday accused Moscow of trying to cover it up.

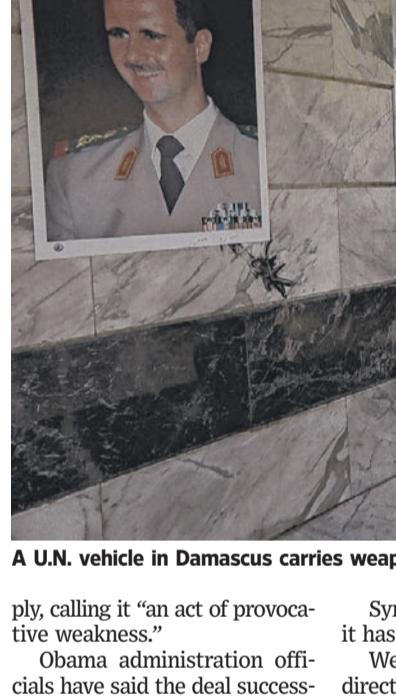
The Syrian air force has resumed bombing runs from the air base since the U.S. airstrike.

"Assad didn't fire his last salvo of CW, that's for sure," a U.S. official said, using an acronym for chemical weapons.

The U.S.-Russian agreement in 2013 sought to eliminate the Syrian chemical-weapons program. The mandate of the mission that took up the work later narrowed the parameters to eliminating declared stockpiles and facilities.

Critics of the deal early on said it amounted to a victory for Bashar al-Assad, who dodged an American military intervention at a moment of regime weakness in exchange for only what chemical stockpiles his regime would declare.

Republican Sens. John McCain of Arizona and Lindsey Graham of South Carolina, both of whom had backed U.S. military action in Syria, criticized the deal then for leaving out an explicit threat of military force for any failure by Syria to com-



A U.N. vehicle in Damascus carries weapons inspectors near a poster of Bashar al-Assad in 2013.

allegations of chlorine attacks in rebel-held areas.

The follow-up work infuriated Russia and Iran, which wanted the OPCW to focus on a narrowly defined technical mission, according to mission officials and diplomats. Chlorine attacks on rebels surged again several months later, and the OPCW fact-finding mission concluded in a public report that chlorine had been used as a weapon systematically in three villages in northern Syria.

At the U.N., reports to the Security Council based on briefings from the OPCW made clear Syria was skirting its obligations, but drafts were often watered down to avoid clashing with Russia, diplomats said.

The U.S. scored a diplomatic victory in late 2015, getting Russia at the Security Council to back a new U.N. mission with the OPCW to identify individuals, entities, groups, or governments involved in chemical weapons in Syria.

Within months of the new mission becoming operational, U.S. and European officials believed they had the evidence to coax Russia into their camp and consider U.N.-backed sanctions on the Syrian regime. The mission was identifying military units and officials believed to be involved in chemical weapons attacks. But Moscow made clear immediately it considered the reporting politicized and didn't think the evidence was credible enough, U.N. diplomats said.

ply, calling it "an act of provocative weakness."

Obama administration officials have said the deal successfully rid Syria of the majority of its chemical weapons and that the alternative—a war with Syria or even Russia—would have been far worse.

Some officials involved in the OPCW-U.N. mission defend its success, saying it had a limited mandate and worked under unprecedented conditions to remove from Syria and destroy chemical weapons declared by the Syrian government.

Syria has repeatedly denied it has used chemical weapons.

Western officials and others directly involved in the effort to rid Syria of chemical weapons described in interviews what took place in the months and years after the 2013 deal.

The technical efforts to try to identify what the original mission omitted or missed—and the rare U.S.-Russian unity of purpose that backed it—would begin to unravel even before the Danish ship carrying the last batch of chemicals departed the Syrian port of Tartous in the

summer of 2014. That spring, the team tasked with dismantling the program saw such inconsistencies between Syria's declarations and previous intelligence assessments that the OPCW set up a new team dedicated to filling the gaps.

As scientists studied results from destroyed facilities and inspected equipment that Damascus had denied was related to chemical weapons, the discrepancies grew wider.

At the same time, the organization created a separate fact-finding mission to investigate

RUSSIA

Continued from Page One
tion that Russia meddled in the 2016 U.S. elections. But other than a commitment to try to improve relations, the meetings generated little apparent progress.

"Unfortunately we've got some differences with regards to a majority of those issues," Mr. Lavrov said, referring to the topics he and Mr. Tillerson discussed.

On the chemical attack, Mr. Lavrov said that Russia and Syria both want an investigation, although Russia's United Nations representative vetoed a Security Council resolution that would have launched a probe.

The meetings between Messrs. Tillerson, Putin and Lavrov took place as associates of Mr. Trump's campaign have been under scrutiny for contacts with Russian officials during the election.

U.S. law enforcement and intelligence agencies concluded after an investigation that Russia engaged in cy-



U.S. Secretary of State Rex Tillerson, left, with Russian Foreign Minister Sergei Lavrov in Moscow.

In an interview transcript released Wednesday, Mr. Putin said Russia's trust in the U.S. has fallen since Mr. Trump had taken office.

"The level of working trust has fallen, especially on a military level. It hasn't improved, more likely it's been degraded," Mr. Putin said.

In an interview set to air on Fox Business Network early Wednesday morning, Mr. Trump said Mr. Putin is backing a person who is "truly an evil person"—a reference to the Syrian president. Mr. Trump also called Mr. Assad "an animal."

Mr. Tillerson, speaking in Italy on Tuesday, said he wanted Russia to back away from its support of Mr. Assad. He said Russia must choose between the U.S. and other Western countries or the Assad regime, Iran and Hezbollah, the Lebanese military and political movement.

"Is that a long-term alliance that serves Russia's interest?" he said.

—Thomas Grove in Moscow and Farnaz Fassihi at the United Nations contributed to this article.

Suspect Held In Dortmund Soccer Attack

BY RUTH BENDER

BERLIN—Authorities detained a suspected Islamist on Wednesday and were investigating another after a bomb blast hit a German soccer team's bus, leaving one player injured.

The arrest came after investigators found three identical letters near the scene that indicated an Islamist motive, said Frauke Köhler, spokeswoman of the federal prosecutor.

Yet the Tuesday night attack in Dortmund bore few of the hallmarks of past Islamist attacks in the country, leaving investigators hesitant to attribute responsibility.

Terror experts said the unusual sophistication of the attack, the preparation it would have required, and the force of the explosives used would mark a significant step up for Islamist militants if they were indeed responsible.



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FROM ZICA TO TIAGO
Campaign by Maxus Global

WORLD NEWS

South Africans Unite in Calling On Zuma to Quit

BY JOE PARKINSON

JOHANNESBURG—Tens of thousands of demonstrators, including many belonging to political parties long hostile to each other, converged on South Africa's capital on Wednesday as protests against President Jacob Zuma swelled.

The demonstration in Pretoria, timed to coincide with Mr. Zuma's 75th birthday and named the "National Day of Action" by organizers, drew larger crowds than nationwide protests on Friday, which the South African leader described as "racist" and controlled by "white minority capital."

The widening street protests appear to have galvanized an unlikely anti-Zuma alliance between two parties from wildly divergent points of South Africa's political spectrum: the leftist Economic Freedom Fighters and the center-right Democratic Alliance.

Under a driving rain on Wednesday, crowds descended on Pretoria's Church Square before heading to the Union Buildings, the official seat of government that overlooks a large statue of Nelson Mandela, his arms outstretched. There, Julius Malema, the EFF leader who was once Mr. Zuma's staunchest political ally, declared that the president's time in office had come to an end.

"We're going to march hand in hand with all political parties. We want to send one message and one message only—that Zuma must step down," Mr. Malema told the throng. "Let the message be clear: Zuma is no longer a credible president of South Africa."

Analysts have said the protests are unlikely to decisively change the political arithmetic in a country unless their scale expands and their tempo increases dramatically. South African politics is still dominated by the ruling African National Congress, or ANC, which has appeared to close ranks around Mr. Zuma after a week of public recriminations for firing a respected finance minister.

The president is widely expected to survive a parliamentary vote of no-confidence scheduled April 18. The opposition has petitioned the Constitutional Court for a secret ballot—a cloak of secrecy that could, if approved, shift votes against Mr. Zuma and raise the pressure on him.

Mr. Zuma and his allies have fought back in recent days. The president and new Finance Minister Malusi Gigaba have sought to calm jittery investors, while party loyalists have attacked ANC elders that publicly criticized the cabinet shuffle for "ill-discipline." The president's loyalists in the ANC Youth League also have warned party leaders against criticizing their leader.

But opposition parties say they have tapped into simmering public anger at the scandal-ridden Mr. Zuma, which has exploded since he ousted respected Finance Minister Pravin Gordhan and eight other ministers in a controversial midnight shuffle.

The move has sent the currency more than 10% lower and forced S&P Global Ratings and Fitch to cut South Africa's credit rating to junk status, the first ratings firms to do so in almost two decades.



A broad corruption probe in Brazil implicates top aides to President Michel Temer, above, and comes as he pushes economic changes.

Brazil Orders Wide Probe

BY SAMANTHA PEARSON
AND LUCIANA MAGALHÃES

SÃO PAULO—Brazil's Supreme Court ordered investigations into one-third of the country's sitting ministers and scores of top politicians for alleged corruption, delivering a major blow to President Michel Temer as he struggles to revive Latin America's biggest economy.

Justice Edson Fachin, who is overseeing cases in Brazil's high court related to the country's sprawling Operation Car Wash probe, has given permission for prosecutors to open investigations into at least eight ministers, the leaders of both houses of Congress, and more than 50 senators and federal deputies, according to a document from the court released Tuesday.

The Car Wash investigation, which centers on bid-rigging at the state-controlled oil company Petróleo Brasileiro SA, or Petrobras, has led to more than 100 convictions over the past three years and implicated some of the country's most influential businessmen and politicians of all

major parties.

Tuesday's announcement from the Supreme Court, the only body in Brazil allowed to open investigations into sitting lawmakers, comes at a critical moment for Mr. Temer as he struggles to push through landmark changes to the country's insolvent pension system.

Economists see Mr. Temer's proposal, which would set a minimum retirement age of 65 years, as Brazil's best chance of reducing its gaping budget deficit and emerging from its deepest recession on record.

"This is hitting at the heart of government, especially as these are important ministers for Temer," said Rafael Correia, a political scientist at São Paulo-based consultancy Tendências.

"This will create even more turbulence and increase the urgency to pass economic reforms," he said, adding that the president must act quickly to save not only the economy, but also his own career amid calls for his resignation.

Among the cabinet ministers to be investigated are Mr. Temer's chief of staff, Eliseu

Padilha, and Secretary-General of the Presidency Wellington Moreira Franco, both of whom are key to the administration's relations with Congress.

Mr. Padilha declined to comment, and Mr. Moreira Franco wasn't available to comment.

Ministers for trade, foreign affairs and agriculture also will be investigated, the Supreme Court document says.

Eunício Oliveira, head of Brazil's Senate, said he would defend himself against any accusations.

Rodrigo Maia, who leads Brazil's lower house of Congress, couldn't be reached to comment.

"The list is enormous....It shows that the [political] environment was rotten," said Thiago de Aragão with the political consultancy Arko Advice in Brasília.

He said he believed it was the biggest investigation of politicians ever launched in the country.

"This could make approving the reforms more difficult but it won't destroy them," he said, adding that it could take

months for any of the politicians to be formally charged.

Mr. Temer has previously said he would allow members of his cabinet to remain in their posts while they are being investigated, meaning that he will now face a race against time to push through the reforms before any of them could be charged.

That so many probes were authorized by the Supreme Court could also work in Mr. Temer's favor, analysts said.

"The list is so wide-ranging, involving all the parties, that [Mr. Temer] is less affected than many others who are on the list," Mr. de Aragão said.

For months, Brazil's political establishment has been on tenterhooks after more than 70 current and former employees of Odebrecht, Latin America's largest construction company, which admitted to paying hundreds of dollars of bribes in the scheme, agreed to give testimony, signing what has been dubbed in Brasília as the "end of the world" plea bargain.

—Jeffrey T. Lewis contributed to this article.

EU Issues Legal Threat to Hungary

BY VALENTINA POP
AND DREW HINSHAW

BRUSSELS—The European Commission threatened Hungary with legal action over its moves against a university and foreign-sponsored nongovernmental organizations, among other measures, and questioned whether the country is still a democracy.

The commission's move Wednesday came after parliament approved new legislation on higher education championed by Prime Minister Viktor Orbán that provides grounds for the closure of the Central European University, founded by Hungarian-American billionaire George Soros.

Parliament voted last week that any university operating solely in Hungary but registered outside the European Union must secure an international agreement from both nations' governments to continue. Only the Central European University would be affected.

Mr. Soros has openly criticized Mr. Orbán's tough stance on migration and is a donor to Hungarian charities, including some that defend migrants in court.

Under a second law under consideration, those aid agencies would have to register if they accept significant foreign funding.

Frans Timmermans, the European Commission's vice president in charge of fundamental rights, said Wednesday that it would be a mistake to close the university, which has formed a new generation of Central European leaders who no longer believe in the Continent's East-West divide.

"This is of such great value it deserves to be protected," Mr. Timmermans said.

He said the commission is preparing a raft of legal cases against Hungary to be put forward at the end of April, not only over the higher education



Protesters marched Wednesday against parliament's draft legislation on higher education.

and aid laws, but also over legislation allowing asylum seekers to be detained in shipping containers, over discrimination against Roma children in schools and over lack of protection for pregnant women at work.

He said the commission on Wednesday debated whether the country is still adhering to basic EU principles of democracy and human rights.

"It's not just the European Commission, also member states want to know what direction Mr. Orbán wants to take his country," Mr. Timmermans said.

The most recent laws have hit unexpectedly tough resistance, and not only from thousands of protesters on the streets of Budapest. In recent days, U.S. diplomats in Washington and Budapest have tried to persuade Mr. Orbán to reconsider the measures, a State Department official said.

Senior National Security Council officials also have been involved.

"We will continue to raise this issue [of the Central European University] with Hungarian

officials," a State Department official said.

Hungary's No. 2 party, the nationalist Jobbik party, has in the past asked Jewish Hungarians like Mr. Soros to register with the government for national security reasons, but also has defended in recent days Mr. Soros's right to establish a university.

"I'm not the greatest fan of George Soros and this type of liberal values that the Central European University might transmit," said Jobbik's Deputy Parliament Leader Márton Gyöngyösi last week. "But there is some kind of way of doing things in a society."

Mr. Orbán says the university is operating at an unfair advantage because it issues American degrees—and Hungarian universities can't. On Wednesday, he said the European Commission is threatening him as part of a broader plan to force Hungary to settle refugees.

"Brussels is launching attacks against Hungary due to immigration," a statement from his office said. "Hungary is ready for debates, but we

are not going to yield an inch."

Mr. Orbán has been at odds with the EU's executive in recent years, mainly over migration, a dispute that political analysts widely agree has benefited Mr. Orbán.

The 53-year-old former dissident has swept election after election in his tiny central European state, on a platform of defending its people from foreign meddling.

Michael Ignatieff, the president and rector of Central European University, met with senior officials from the State Department and National Security Council in Washington last week.

"The message has got to be, 'Nobody takes an American institution hostage.' You just don't do that. If you have a problem that you want Washington to talk about, just pick up the phone," Mr. Ignatieff said in an interview after the meetings. "Why should anybody get to push an American university around? Why does Viktor Orbán get to tell me where I can teach?"

—Melissa Korn in New York contributed to this article.

Thousands marched against South African President Jacob Zuma.

U.K. Paper Settles With Melania Trump

BY JASON DOUGLAS

LONDON—The U.K.'s Daily Mail newspaper said it agreed to pay damages to U.S. first lady Melania Trump to settle two lawsuits brought in the U.S. and U.K. after it republished allegations that she "provided services beyond simply modeling" when working as a model in the 1990s.

The Daily Mail and its Mail Online website said in a statement on Wednesday that it accepts the allegations it published in 2016 are "not true" and apologized for the distress caused.

A person familiar with the settlement said the newspaper agreed to pay Mrs. Trump \$2.9 million in damages and legal costs to settle the suits.

In an Aug. 20, 2016, article titled "Racy Photos, and Troubling Questions About His Wife's Past that Could Derail Trump," the Daily Mail and its online edition published allegations the newspaper said were originally made in a Slovenian magazine that a modeling agency in Milan where Mrs. Trump had worked alleg-

edly operated as an escort agency.

The Daily Mail article carried statements from Mrs. Trump and the founder of the modeling agency denying the claims. In a retraction published Sept. 1, 2016, the newspaper said the article "did not intend to state or suggest that these allegations are true," but that "these allegations could impact the U.S. presidential election even if they are untrue."

In September, Mrs. Trump sued for defamation in the U.S. and the U.K.

In the lawsuit filed in New York State Supreme Court in February, Mrs. Trump said the false report had cost her "multiple millions of dollars" during a period in which she would be "one of the most photographed women in the world."

The New York suit said the article had substantially damaged Mrs. Trump's jewelry and accessories brand, "Melania," as well as her future business opportunities. In the suit, Mrs. Trump sought \$150 million in damages.

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U.S. NEWS

States, Cities Joust Over Municipal Laws

Capitals, most led by GOP, are targeting patchwork of rules; debate dates to 1800s

BY JON KAMP
AND JOE PALAZZOLO

States are stepping up a push to rein in the power of local governments to make laws.

Legislators in Florida, Texas and Pennsylvania are backing broad-based approaches to block city ordinances, rather than fighting cities on specific issues like minimum-wage rules. Arizona passed such a law last year that is currently being tested in the courts.

Proponents say these wide-ranging bills are a way to get ahead of a flurry of local actions around the country, such as a plastic-bag levy in New York City, a paid sick-leave requirement in Philadelphia and ride-sharing regulations affecting companies such as Uber.

These municipal-level measures create a regulatory patchwork that can make it costlier to do business, hampering growth, according to state lawmakers seeking to override them.

But many mayors say the lawmakers, usually Republicans, are simply waging an ever-more aggressive campaign to override local control of cities, which often are led by Democrats.

"We're elected by the people," said Carol McCormack, mayor of Palm Shores, Fla., a town of roughly 1,100 people,



RICHARD DREW/ASSOCIATED PRESS

This year, New York state lawmakers headed off a fee on plastic shopping bags that had been passed by the New York City Council.

and president of the Florida League of Mayors. "Our residents expect us to create a safe and healthy environment for us to live in."

Republican Florida state Rep. Randy Fine, who proposed a broad-based law earlier this year, argues that the state is the nexus of government in Florida. Mr. Fine said he isn't targeting any specific issue with his bill, which would pre-empt and prohibit local business regulations that aren't authorized by state law.

"We're simply trying to rein in some of that regulatory abuse," said Mr. Fine. "We end up spending a lot of time in the Legislature dealing with these one-off issues."

At its core, the debate—which stretches back to the 19th century—revolves around whether states or cities ultimately control local governance. Legal experts say that while each situation is different, generally cities in most states can legislate only in the gaps between state laws, and

tend to lose when their policies are in direct conflict.

"State supreme courts are very reluctant to set aside state law in favor of local law," said Roderick Hills, a law professor at New York University who studies pre-emption.

Opposing politics are often in play. Republicans control both the legislatures and governors' offices in 25 states, compared with just six for Democrats. Democrats, however, remain dominant at the local level, with mayors from

the party running two-thirds of the nation's 100 largest cities, according to nonpartisan Ballotpedia.

There is also rising tension between many Democratic-led cities and the Republican Trump administration, which is seeking to withhold funding to cities that protect undocumented immigrants from federal prosecution.

One of the biggest recent pre-emption showdowns took place in North Carolina, where the Republican-led Legislature

passed a law last year that overrode a Charlotte ordinance and said transgender people must use the public-facility bathrooms associated with their birth sex. State lawmakers there recently repealed the measure, but with a block on local bathroom regulations until late 2020.

Supporters of state-level pre-emption measures say they are needed to assert states' authority and stop cities from creating uneven regulations that scare off businesses. The states are reacting to increasingly aggressive pushes for local rules, said Ben Wilterdink, director of the commerce, insurance and economic-development task force at the American Legislative Exchange Council, which says it is dedicated to limited government, free markets and federalism.

In Texas, Republican Gov. Greg Abbott said local-level rules can raise costs while restraining growth for businesses and driving up prices for customers.

In Pennsylvania, Republican state Rep. Seth Grove said he decided to aim wider with a bill restricting employer mandates in cities after introducing two unsuccessful bills that would pre-empt paid-leave ordinances like the one in Philadelphia.

A high-profile battle is playing out in Arizona, where the state's Supreme Court is considering whether state law should displace a Tucson ordinance authorizing city police to destroy firearms obtained in the course of law enforcement.

TRUMP

Continued from Page One
fronting the threat of North Korea.

"They're not currency manipulators," Mr. Trump said.

Ms. Yellen was a frequent target of Mr. Trump's during the campaign, when he criticized her for keeping interest rates low.

Asked if Ms. Yellen was "toast" when her term ends in 2018, Mr. Trump said, "No, not toast." "I like her; I respect her," Mr. Trump said, noting that the two have sat and talked in the Oval Office. "It's very early."

Treasury Secretary Steven Mnuchin, who sat in on part of the interview, said the president was "very close" to nominating a vice chairman to the Federal Reserve Board and another to the seat set aside for a community banker. "We think that is very important," Mr. Mnuchin said about the community banker seat.

Mr. Trump also made a full reversal from the campaign by stating his support for the U.S. Export-Import Bank. The president said he planned to fill two vacancies on the bank's board, which has been effectively paralyzed with three open seats on its five-member board.

"It turns out that, first of all, lots of small companies are really helped, the vendor com-

Priced Out
The percentage of homes a typical teacher can afford in each market:

Least affordable

Metro area	Median home price	Percent affordable
San Francisco	\$1,249,000	0.4%
San Jose, Calif.	\$917,903	2.0
Orange Co., Calif.	\$799,999	7.1
Oakland, Calif.	\$699,000	8.2
Ventura Co., Calif.	\$675,000	8.8
Austin, Texas	\$357,000	12.8
Denver	\$475,000	12.9
San Diego	\$640,000	14.2
Honolulu	\$680,000	16.7
Los Angeles	\$640,000	17.0

Most affordable

Dayton, Ohio	\$129,000	83.3%
Akron, Ohio	\$144,900	78.3
Camden, N.J.	\$178,000	78.3
Detroit	\$104,900	77.6
El Paso, Texas	\$162,000	77.0
Bakersfield, Calif.	\$241,950	76.5
Syracuse, N.Y.	\$144,900	76.0
Little Rock, Ark.	\$169,500	76.0
Toledo, Ohio	\$138,987	75.8
Cleveland	\$153,000	73.3

*Based on markets' median teacher salary

Source: Trulia

THE WALL STREET JOURNAL



Housing prices are outstripping what workers in many industries can afford.

metro areas, because wages there are lower, as well.

First responders could afford just 19% of homes in Madison, Wis., and Raleigh, N.C., and just 23% of homes in Salt Lake City, according to Trulia. In 2014, first responders could afford 32% of homes in Madison and 30% in Raleigh.

In all, first responders can afford less than 20% of homes on the market in a half-dozen major U.S. metro areas, according to Trulia.

Food-service workers can afford less than 10% of the available homes in 56 of the 93 metro areas Trulia included in the study. Typical restaurant workers in Oakland, Los Angeles, Denver, Austin and Port-

land, Ore., can afford less than 1% of the available listings.

In contrast, restaurant workers in the Detroit metro area can afford about half of the homes on the market, while those in Dayton, Ohio, can afford about a third, according to Trulia.

The prospects of homeownership improve for households with two incomes. While a household with two restaurant workers in San Francisco and its suburbs can afford less than 1% of homes on the market, two teachers can afford about 15% of homes and two first responders can afford 39%.

In San Jose, Calif., two teachers can afford 35% of homes and two first respond-

ers 58% of available listings.

Many lower-income workers in these areas are likely to rent rather than buy. The overall homeownership rate in the San Francisco metro area is 58%, according to U.S. Census data.

The homeownership rate in more affordable metro areas tends to be higher. Some 70% of Detroit-area households own their homes, while 65% of those in the Dayton metro area do.

Renters face their own challenges. Average rents in the U.S. have risen more than 26% since early 2010, while home prices have risen about 28% during that time. Renters have tended to feel the squeeze more acutely, though, because rents fell less sharply than home

prices during the recession.

Cities have responded to the housing crunch among low- and middle-income workers by requiring developers to set aside a portion of units in new construction for those households. But such requirements often represent a tiny fraction of the demand for moderately priced housing.



A statue marks an entrance to the Treasury in Washington, D.C.

Budget Gap Jumped in March

BY KATE DAVIDSON

The U.S. budget deficit over the past 12 months was at its highest level in more than three years amid lower government revenues and higher federal spending in March.

Federal spending exceeded revenue by \$176.2 billion last month, the Treasury Department said Wednesday. The budget gap was about \$68.2 billion wider than a year ago.

More broadly, declining government revenue and long-term costs associated with an aging population are expected to continue pushing

up the deficit. Over the past 12 months, the deficit stood at \$651.5 billion, compared with \$460.6 billion a year ago.

However, the Congressional Budget Office said in January it expects the deficit to narrow in the current fiscal year, which ends Sept. 30, and to narrow again next year, before rising steadily over the next decade.

In the current fiscal year, calendar quirks and a shift in timing on tax collection and refunds have had an outsize effect on the figures. For example, the CBO noted that a change in the filing deadline for corporate income taxes that took effect this year meant that receipts typically collected in March

would be pushed back to April.

Weak corporate profits have weighed on government finances in recent years amid sluggish global economic growth, depressed energy prices and a strong dollar, among other factors.

At the same time, government spending continues to rise as the population grows older and more people qualify for Social Security and Medicare.

The latest budget report comes as the Trump administration and Republicans in Congress are weighing proposals to cut taxes and boost spending on infrastructure, which are likely to spark a broader debate about tax and spending policies.

panies," Mr. Trump said. "But also, maybe more important, other countries give [assistance]. When other countries give it we lose a tremendous amount of business."

The agency, which guarantees loans for international clients of a wide range of U.S. companies, has become a flashpoint in recent years for the Republican Party's conservative base, which criticizes it as "crony capitalism."

As he courted these limited-government voters during the campaign, Mr. Trump said the agency was unnecessary, and referred to it as "featherbedding" for politicians and big companies.

"Instinctively, you would say, 'Isn't that a ridiculous thing?'" Mr. Trump said of the Ex-Im Bank. "But actually, it's a very good thing. And it actually makes money, it could make a lot of money."

LIFE & ARTS



STYLE

Your Shoes Don't Want To Hurt You, Really

BY RAY A. SMITH

IT IS ONE OF THE MOST painful letdowns: you love and splurge on new shoes only to suffer pain and then blisters when you wear them.

High-end shoe makers are putting resources into new engineering and some craftsmanship to find a solution. While women may have complained about heels for ages, the market now getting a lot of attention is men's shoes.

Brooks Brothers plans to launch a line of men's dress shoes explicitly marketed as pain-free. It put leather in Italy through a mechanical process to make it softer. "It beats the leather to break the backbone," says Gianluca Tanzi, chief operating officer at Brooks Brothers. The leather was used for the upper of the shoe.

The bottom of the shoe is made with a Goodyear welt, which is a strong leather strip stitched around the shoe's outsole. To many men, the welt signals a well-made shoe. Brooks Brothers added flexibility to the leather layers that make up the sole. Then, the re-

tailer added layers of sneaker-like cushioning, including a rubber injection, into the sole.

"Why does a person who wears classic shoes have to suffer, especially the first time?" Mr. Tanzi says.

Cole Haan is known for adding technology to make its shoes more comfortable and continues to roll out updates. Its Washington Grand Oxford uses what the company calls its Grand.OS technology, which aims to make shoes lightweight, flexible, breathable and cushioned. The sole has multi-directional flex grooves, the kind more often found in running shoes. Inside rests a foam footbed, plus pods of foam in the heel and tongue. The foam will "hug around your Achilles and the top of the foot to reduce pressure," and make the shoes feel like they don't need to be broken in, says Scott Patt, Cole Haan head of innovation and design.

Brooks Brothers puts engineering into its new dress shoes and Cole Haan tries for soles like sneakers; beating the leather so it won't hurt



Breaking in new shoes is one of fashion's biggest pet peeves. Social media means consumers no longer suffer silently. People vent about the bruise that resulted from breaking in a new designer shoe or the on-commission store clerk who assured them shoes are

supposed to feel tight and a bit uncomfortable "at first."

At Nordstrom, a department store known for its customer service and its big shoe departments, sales associates are trained to help customers not only find the right size but also the right fit. Even if a customer is sure of his size, sizes and fits aren't standard internationally. "It's not uncommon to wear a 10.5 size in one style and then 11 in another style," says George Staikos, a senior product merchandiser at Nordstrom.

Nordstrom advises customers to try on shoes with the socks they plan to wear with them otherwise there could be a difference in how they fit in the real world.

"Our salespeople can tell if it's too snug or too narrow or too wide by how easily the shoe slides on the foot," Mr. Staikos says. "They can tell by the way the laces

lace up on your foot if it's too big or small. They will ask you, 'can you move your toes?'" He adds, if toes can't move, the shoe isn't going to be comfortable. "The shoe will not grow in length," he jokes.

The leather, however, will eventually loosen up around the instep, or the widest part of the foot, "if the shoe is a little bit snug," he says. The leather has more give there.

Brooks Brothers's new shoe line, called the Golden Fleece Shoe Collection, is the first time the nearly 200-year-old retailer has made shoes in house; its other shoes were produced with partners. Golden Fleece is the umbrella name for Brooks Brothers' higher-priced tailored clothing and casual wear.

The shoes, made in Italy and priced at \$568, start arriving in five of Brooks Brothers's 125 North American stores this month. They'll serve as test markets before expanding to other stores and expanding the line, which is starting out with 12 styles, says Lou Amendola, chief merchandising officer.

MUSIC REVIEW

STORIES OF HIS ADOPTED COUNTRY

BY JIM FUSILLI

LONG ONE OF ROCK'S great songwriters, Ray Davies has spent much of the past decade commemorating his achievements. After releasing albums of his own new material in 2006 and '07, in 2009 he issued "The Kinks Choral Collection" in which he and the Crouch End Festival Chorus covered some of his compositions for the rock group he and his brother, Dave, founded in 1964. His 2010 album, "See My Friends," was an all-star reworking of his Kinks songs performed with the likes of Metallica, Spoon, Bruce Springsteen and Lucinda Williams. Two stage musicals co-written by Mr. Davies and based on his life and songs ran in London. After writing his second memoir, "Americana," the 72-year-old Mr. Davies appeared to be easing toward the sunset following an admirable career.

But no. On April 21, he returns with an album also titled "Americana" (Legacy), a collection of 15 new tracks mostly recorded with the Jayhawks, the veteran alt-country band. On a recording that will brighten the spirit of any fan of Mr. Davies, the Kinks and expertly executed song-centric rock, he writes of his adopted country that he's observed with a keen eye.

As the album's name suggests, "Americana" is a companion piece



'Americana'
works well as
a companion
piece to his
2013 memoir.

to the 2013 memoir. While it's not essential to have read the book to enjoy the record, it does enrich the experience; the story songs take on a larger and sometimes different meaning as Mr. Davies, coming from working-class roots in north London, details his fascination with America that began well before the Kinks found hard-won stardom in the States. Those who have read the memoir will know that the title of the wry "A Long Drive Home to Tarzana," a song in which Mr. Davies proposes that a search for paradise can lead to emptiness, has its roots in a passing comment made by the Kinks' manager who left an important meeting in Los Angeles to beat the traffic. Introducing the spoken-word piece "The Man Upstairs," Mr. Davies sings the hook from his "All Day and All of the Night" and then makes an oblique reference to his brother, the Kinks' impressive guitarist.

But Mr. Davies remains a master of the narrative song, and his latest compositions speak well for themselves. An easygoing bit of country swing, "I've Heard That Beat Before" tells of quarreling neighbors who spark him to recall "a life I had before the good times turned to bad." In "The Deal," the narrator, likely a young Mr. Davies, visits golden Los Angeles for the first time, expecting his dreams to come true: "Isn't it wonderful,

marvelous, utterly surreal? / Totally fabulous, fraudulent, bogus and unreal." Over plucked chords on the folk guitars of "Silent Movie," Mr. Davies recounts a conversation he had with Alex Chilton as a black-and-white cowboy movie played on a TV in the background. That piece leads into "Rock 'n' Roll Cowboys," a sweet country ballad that's an homage to aging rock musicians: "Your time's passed, now everyone asks for your version of history / Do you live in a dream or do you live in reality?"

Mr. Davies is in fine voice throughout "Americana." In "Message From the Road," a finely

crafted ballad about the challenges a traveling musician faces in keeping his family together, he sings beautifully in a duet with the Jayhawks' Karen Grotberg, his voice tinged with misty sentimentality. On the rocker "The Great Highway," which may be the best track on the album, Mr. Davies eases impishly into the verses that build to a sing-along "hey hey-hey" chorus.

Despite his struggles, Mr. Davies never seems to let go of the idea that some version of the American dream is achievable. "Hoping I can find my dream in New Hampshire or New Orleans / Find a place where I can stay," he sings in "The

Great Highway." Emerging here as eminently companionable, he conveys that though he's been bruised, he's retained a hopeful heart. He admits as much in "Wings of Fantasy," a bittersweet rocker that closes the album: "Still I feel an optimist / And hope will see me through," he sings. Here and there, he grapples with mortality as a theme, but the album demonstrates that Mr. Davies can still rise close to his high standards as a composer and band leader. As an artist, his sunset is not yet near.

Mr. Fusilli is the Journal's rock and pop music critic.

OPINION

REVIEW & OUTLOOK

Turkey's Road to Serfdom

Turkish President Recep Tayyip Erdogan has spent the past few years laying the groundwork for authoritarian rule shaded by Islamism. With Sunday's constitutional referendum, he seeks to ratify his gains and sweep away the remnants of Turkey's once-liberal democracy.

Those are the stakes in the plebiscite, in which voters will decide whether to transform the country's parliamentary model into a strong executive system with Mr. Erdogan at the top. Polls currently show a slight advantage for "Yes," the pro-Erdogan side, though opinion polling should be taken with a grain of salt amid the paranoia and repression that prevail in Turkey.

Under the proposed changes, Mr. Erdogan would be allowed to lead Turkey as President until 2029. His powers would expand to include declaring emergencies, issuing decrees, and appointing ministers and senior civil servants. The changes would permit Mr. Erdogan to check the judicial branch in some instances and simultaneously to head a political party while in office, something the constitution denies him today.

This presidential system would be the culmination of an authoritarian drive Mr. Erdogan first launched a decade ago, when the ruling Justice and Development Party (AKP) purged a secular establishment that was the main bulwark against Islamism. The AKP has since tightened controls over internet access, brutally suppressed a youth uprising in 2013 and repeatedly won Turkey the dubious honor of being the world's foremost jailer of journalists.

Then came last summer's attempted coup, for which Mr. Erdogan blames his erstwhile ally Fethullah Gülen, a Pennsylvania-based imam who leads a rival Islamist network. Since the coup, the government has detained, fired or otherwise punished more than 140,000 Turks, shuttered more than 169 media outlets

Self-government is on the ballot in this weekend's referendum.

and arrested a dozen parliamentarians from a Kurdish opposition party.

In parallel to his domestic repression, Mr. Erdogan has intensified his anti-Western rhetoric, particularly in the lead-up to the referendum. Ankara has accused the Dutch and German governments of "Nazi" practices after local authorities denied permission to pro-Erdogan rallies meant to encourage Turkish expats to vote "Yes." Christian missionaries, foreign journalists and "No" campaigners are among those targeted for intimidation and detention.

All of this has transpired under Turkey's current parliamentary system, in which opposition parties can still vie for seats and check at least some of Mr. Erdogan's excesses. If the AKP had more seats in the current Parliament, Mr. Erdogan could have pushed through the constitutional change without having to bother with a referendum. If Mr. Erdogan gets his wish for a stronger executive, the parliamentary opposition would be further marginalized.

This suggests that Turkish democracy's future could be grim no matter the outcome, and the choice facing voters is between shades of black. If Mr. Erdogan loses the weekend vote, he will continue to strengthen the repressive apparatus and whip up Turkish nationalism with his gratuitous war on Turkey's Kurdish minority. But if he wins, the possibility of democratically removing the AKP from power will be even narrower, if not foreclosed.

The danger for the Middle East, and for Turkey's NATO allies, is that the country could evolve into an Islamist state in the mold of Iran—albeit Sunni, not Shiite. Mr. Erdogan beguiled many in his early years as an Islamist leader who claimed to respect democratic norms, but the sad irony is that his drive for authoritarian power will lead many in the West to the unfortunate conclusion that Islam and democracy are incompatible.

Trump's Putin Pushback

The theory, popular with the media, that President Trump is a political prisoner of Vladimir Putin is looking less credible by the day. The latest evidence arrived Tuesday as White House officials accused Russia of trying to cover up Bashar Assad's chemical-weapons assault in Syria, and Mr. Trump formally invited Montenegro to join NATO.

White House officials said Russia is conducting a "disinformation campaign" to shield Mr. Assad from accountability for last week's sarin attack that killed at least 85 people. The officials also said they suspect Russia knew about the attack in advance given how closely the two militaries work together in Syria—though there isn't definitive evidence. This public truth-telling is welcome and helps to keep diplomatic pressure on Mr. Assad and Russia as his accomplice.

Meanwhile, the White House announced that Mr. Trump signed the U.S. "instrument of ratification" for Montenegro to become the

He invites Montenegro to join NATO and keeps up the Syria pressure.

29th member of NATO. The decision paves the way for the tiny Eastern European nation to join at the NATO summit in May if other nations agree.

Montenegro won't count for much militarily, but its entry is important as a rebuke to Mr. Putin, who opposes any expansion of the Western alliance close to Russia's borders.

Last year Russian agents tried but failed to orchestrate a coup to overthrow Montenegro's pro-Western government. "President Trump congratulates the Montenegrin people for their resilience and their demonstrated commitment to NATO's democratic values," said the White House statement, in a clear reference to the coup attempt.

The investigations into ties between Russia and the Trump presidential campaign have a long way to go, but Mr. Trump isn't acting like someone who is making foreign-policy judgments out of fear of Russia's response. This is reassuring and will strengthen his leverage with the Russian strongman.

A Market for United's Bookers

As corporate PR fiascoes go, the United Airlines case of the doctor forcibly dragged off an overbooked flight at Chicago's O'Hare International Airport Sunday is one for the ages. The late-night comics have a new non-Trump target. United's stock fell more than 4% before rallying to 1.1% off on Tuesday, and CEO Oscar Muñoz's use of the word "re-accommodate" to describe the episode will enter the Euphemism Hall of Fame. To think that a simple lesson in market economics might have spared everyone the trouble.

Passengers loathe overbooking, for understandable reasons, but the practice is legal, makes economic sense for airlines and doesn't inconvenience many passengers. Airlines use algorithms to monitor no-show probabilities, and overbooking helps airlines run with fewer empty seats. Passengers can also benefit because not penalizing no-shows means there will likely be some seats available to fly stand-by or at the last minute.

The U.S. Transportation Department, which fines airlines for egregious overbooking, reports that 41,000 fliers were involuntarily bumped from their flights last year. That's a relatively small figure compared to the 660 million passengers last year. United wasn't even the worst offender with a rate of 0.43 involuntary bumps for every 10,000 passengers, below the airline average of 0.62. Not that it matters now, but United had been improving in recent years.

The populist impulse now will be to pass a law to outlaw overbooking, or to haul Mr. Muñoz for a public display of self-abnegation before Congress, if not followed by a hanging. United shareholders can also expect to write a giant check to David Dao, the doctor who was hauled away to global fame on YouTube. Whether or not you think Dr. Dao protested too much, there is a better way.

The economist Julian Simon wrote, that the way to handle overbooking if too many passengers show up for a flight is to hold an auction.

Treat the seat shortage like a market to persuade people to give up their tickets voluntarily. Offer passengers compensation in gradually rising value until enough volunteers give up their seats.

The auction lets passengers determine how much they value keeping their seats. The maid of honor for her college roommate's wedding isn't

likely to accept any compensation, because her priority is to get to her destination on time. But the passenger with no urgent demands might trade some of that time for cash.

If 115 passengers showed up for a flight with 100 seats, the airline would start to offer, say, a \$300 voucher to passengers who agreed to take a later flight. If there weren't enough takers at \$300, the airline would increase the offer to \$400, then \$500, a free round trip ticket, etc., until 15 passengers volunteered. This is an efficient way to allocate a scarce resource, and it leaves passengers happier than if they're forced to give up their seats.

Over the years airlines have adopted versions of the Simon incentive plan for bumped fliers. But instead of an auction, too often they offer one-size-fits-all compensation. In the case of Mr. Dao's United flight, the airline is reported to have offered passengers \$1,000. That United had no takers simply means it set the compensation price too low.

Delta Airlines does better by asking passengers what compensation would get them to give up their seats. Since they go by the lowest bidder, the incentive isn't to demand too much. And people who are bumped aren't nearly as upset, given that they have already given the price at which they would accept another flight.

Today's flying experience is often miserable, and what beleaguered passengers want is to be treated like customers, not cattle. Whatever an auction system might have cost United to get someone other than Dr. Dao to give up his ticket would be much less than what United will pay to settle lawsuits and repair its public reputation. Markets work better than brute force.

As Julian Simon taught, an auction is the best solution to overbooking.

Make America Great By Boycotting United



BUSINESS WORLD
By Holman W. Jenkins, Jr.

United Airlines has long been, forgive the rudeness, kind of a dumb company.

Remember it was United in the mid-1990s that got the bright idea, in a business that routinely yielded no profits or capital appreciation, of handing employees

55% of ownership as if this would improve employee incentives.

Employees weren't dumb, though several other adjectives come to mind. Leading the buyout was a pilots-union chief who told his members their approach in running the company wouldn't be not to kill the golden goose, but just to "choke it by the neck until it gives us every last egg."

Though pilots were major shareholders in the company from 1994 until its 2002 bankruptcy, they never tired of trying to extort untimely pay increases by engaging in undeclared, illegal work slowdowns. Over eight days in 2008, one such action caused 329 flights to be canceled and left 36,000 travelers stranded when healthy pilots called in sick.

So much for changed incentives. The same tactics passengers may also remember for 2000's "summer of hell," and even from 1993, when United's workers were still trying to buy the airline. Think about it: Employees hoped to take over a company by destroying its reputation with customers.

Usually we try to avoid anthropomorphizing a business corporation. Businesses have "cultures" but they are not immutable. Personnel change. Management changes. Market conditions change.

United had plenty of defenders when, in 2005, this column saw an overdue test case of whether the U.S. bankruptcy system still served the larger good of society or was merely a means to preserve zombie companies for the benefit of organized labor. United at the time was the latest of a series of carriers to use the bankruptcy court conveniently to shuck off debts and other "legacy costs" so they could return to the marketplace and make life difficult for competitors still struggling to honor their obligations.

Let United be liquidated rather than reorganized, we suggested at the time. Let United become a well-deserved sacrifice so the rest of the industry could have a chance at profitability.

The response was a flood of email from United employees suggesting a variety of unnatural acts with office supplies. United pilots in particular seemed to be under the impression that columnists still use typewriters, though their suggestions were impossible.

All this we offer as background for the latest seminal outrage, which has the feeling of an important national moment. In case your iPhone battery

died and your foot has been caught in a crevice on a remote mountainside and you haven't quite finished gnawing through your own shin, here's what you missed:

United overbooked a flight from Chicago to Louisville, Ky., and decided it needed to free up seats so four of its employees could get to Louisville. When no passenger volunteered to surrender his place for the cheapskate \$800 United was offering, the airline chose four people to remove, including one gentleman who quite demonstrably felt entitled to the seat he had bought and paid for.

The inevitable handheld video of this man being roughed up like a baby seal has now been seen approximately 4.5 trillion times. United has made itself a

Sometimes a business needs to be spanked hard in the name of social health.

laughingstock in a way that few companies in recent memory have. Its CEO hardly helped matters—or helped matters a great deal if you're a late-night comedian—by publicly apologizing for the manner in which the passenger had been "re-accommodated."

OK, it's a mistake to assign excessive representative value to such situations, but sometimes businesses need to be punished for the health of society. Are Americans going to stand for this? Are they going to let so prominent and symbolic a company treat them this way? A few peeps of boycott protest have emerged. Let this become a national moment of renewal.

We are currently drowning in suggestions that America has become a country of body parts that Donald Trump once grabbed with impunity. Such is the theme of economist Tyler Cowen's resonant new best seller, "The Complacent Class." So let the United boycott take off. Let United become a brand name of infamy that one day will be remembered as the stimulus for a national turnaround.

Boycott the airline. Burn a few effigies. Don't actually kick a United gate agent in the teeth but perhaps design the corresponding emoji.

While we're at it, what's wrong with Chicago airport security? Did not a single officer say, "I'm having no part of this. If United can't deal with its overbooking mistakes in a civilized, non-cheapskate way, how is it my job to manhandle innocent customers?" This also smacks of America's national malaise—police who need an armored personnel carrier before they'll roll up and serve a warrant, who wait outside Columbine High until they're sure the shooting has stopped.

Donald Trump voters, you wanted to make America great again. This is your chance. Boycott United.

LETTERS TO THE EDITOR

A Higher Wage Helps Some at Others' Expense

Regarding Andy Puzder's "The Minimum Wage Should Be Called the Robot Employment Act" (op-ed, April 5): Mr. Puzder's argument would be more forceful if it included examples of businesses eliminating entry-level labor costs in the past by passing them on to the consumer.

The self-service gas pump is the most notable and obvious. Other than in New Jersey and Oregon, pumping one's own gas has become the norm for more than 30 years, but it wasn't always that way. Many a teenager got his first job at the local gas station in my youth. Now those jobs haven't just been drastically curtailed, they have been totally eliminated.

These were among the first major entry-level job-market casualties due to artificially inflated labor costs. Mr. Puzder is spot on in pointing out that they will be far from the last.

JOHN BRENNAN

Corvallis, Ore.

My first job was as a busboy in a small restaurant. I soon figured out I could bus the whole restaurant myself, which irritated the other bus-

Extreme Vetting Will Badly Damage American Tourism

While some experts rightly note that it is unclear whether "extreme vetting" measures for visitors to the U.S. will improve security, there is no acknowledgment of the potential negative consequences to the tourism industry ("U.S. Mulls 'Extreme Vetting' Methods," page one, April 5).

Subjecting foreign visitors to deeply intrusive processes likely will cause tourists to look for alternative locales. The U.S. could do worse than take a look at successful methods elsewhere. Israel is worth emulating. The focus there is on the individual, not the device or the country of origin.

VIJAY DANDAPANI

New York

ALAN SECHREST
Mission Viejo, Calif.

Mr. Puzder's polemic against a living wage for employees portrays fast-food franchises as generous opportunities where youngsters can establish a work ethic and a sense of professional responsibility. What he glosses over is the fact that the average age of a fast-food employee isn't 18 or 20, but in fact 29. Pretending that most employees are flipping burgers as a temporary entry-point into the labor force marginalizes the hardworking people who depend on their salaries to pay for housing, food, transportation, health care and child care.

This structural gap in what these workers make versus what they need to live, which has profited people like Mr. Puzder to the tune of billions of dollars, is unfortunately paid for by the public, which annually shells out more than \$150 billion to subsidize low-wage workers.

Maybe we should embrace the future and replace senior executives like Mr. Puzder with robots.

ARTHUR RUIZ, PH.D.

Bronx, N.Y.

Letters intended for publication should be addressed to: The Editor, 1211 Avenue of the Americas, New York, NY 10036, or emailed to wsj.ltrs@wsj.com. Please include your city and state. All letters are subject to editing, and unpublished letters can be neither acknowledged nor returned.

OPINION

How Technology Liberates Human Capital

By Michael Milken
And Igor Tulchinsky

New technologies tend to disrupt old businesses, but also to create more jobs than they destroy. That's little solace, though, to the workers who lack either the skills or flexibility to find better opportunities.

From the factory floor to the Wall Street trading desk, advanced technologies such as artificial intelligence and smart robots are already affecting millions of Americans in dozens of job categories. Across the country, especially in rural areas, workers and labor-force dropouts are suffering. Tragically,

Digital innovation and robots are opening new possibilities for workers across the U.S. economy.

the death rate for middle-age whites—unlike other groups—has increased in recent years. Homelessness, disabilities, mental distress, pain and opioid addiction are all too common. Without help, many workers will sink further into isolation and despair.

This January, the McKinsey Global Institute reported that almost half of paid work can be automated with current technologies. That would increase productivity growth by an estimated 0.8% to 1.4%, compounded every year—a substantial economic boost. Unfortunately, it could also leave many more workers behind, without a chance for upward mobility.

By Soner Cagaptay

As Turkey gets ready for Sunday's referendum, the country's deep social chasm gives even the most ardent optimist grave cause for concern.

President Recep Tayyip Erdogan, an archetype of the antifieldist, far-right politician, has spent almost two decades building up to this moment. He has demonized and cracked down on constituencies unlikely to vote for him, weakening his opposition and polarizing the country. Now he hopes he has enough supporters to vote on a constitutional amendment that would put him in charge of all three branches of government.

Mr. Erdogan, who was the country's prime minister between 2003 and 2014 and its president thereafter, wants to become an executive-style president, consolidating the offices of prime minister and president as well as assuming leadership of the ruling Justice and Development Party (AKP). He may reach this goal, but only at the expense of further straining social tensions.

Turkey is already sharply divided along two opposing convictions: an Islamist, conservative, right-wing coalition that believes

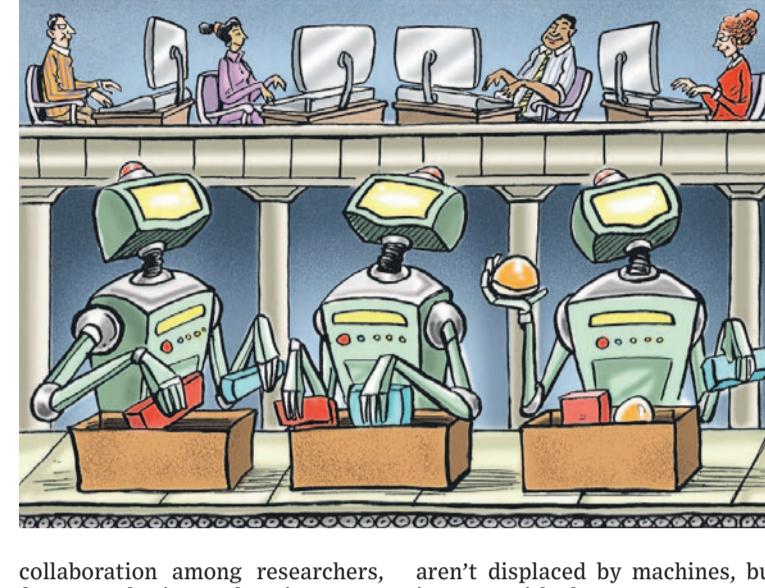
But the very technologies eliminating jobs can be part of the solution for disrupted workers. To see what pessimists are missing, go back 40 years, when powerful financial technology first started being used on Wall Street. The combination of mainframe computers with new types of securities and trading processes increased access to capital, especially for small and medium companies.

Pioneers in the cellphone industry, for example, previously had a hard time convincing lenders that they could revolutionize how people communicate. There were only a handful of capital providers—primarily banks and insurers—that most companies could turn to.

This changed beginning in the 1970s, when capital markets began a long process of displacing the established financial institutions as the leading sources of funding for corporate growth. Innovative fixed-income and equity-linked instruments helped create more than 60 million net new jobs in the U.S. over the last third of the 20th century. This proved an important formula: Prosperity comes when financial technologies multiply the sum of human capital, social capital and real assets.

Real assets have traditionally included tangible balance-sheet items such as land, factories and capital equipment. On a national scale, the term used to mean large physical installations such as airports, highways, electrical grids and seaports. Today, the digital infrastructure that serves three billion internet users world-wide has become even more important and is driving three revolutions.

First, technology leverages human capital—the talent, training and experience of people. Digital



CHAD CROWE

collaboration among researchers, for example, is accelerating progress on precision medicine. Smartphones have become a useful connection with a doctor, mentor, financial adviser or bank.

This hasn't reduced the number of jobs. Two million manufacturing positions will go unfilled by 2025, according to Deloitte Consulting, which calls technology a "great job-creating machine" that increases income and thus demand. The problem is a mismatch between employee skills and changing workplace needs. The solution will involve major training efforts.

Enlightened manufacturers are minimizing layoffs by preparing assembly-line workers for higher-level duties while relegating routine tasks to robots and AI programs. Outside of manufacturing, opportunities are everywhere, from application coding to rapidly growing "new-collar jobs" like medical sonography. This is the workplace of the future, where humans

aren't displaced by machines, but interact with them.

Not everyone can be retrained, but society should offer everyone at least an opportunity for a life of dignity and purpose. That's why the theme of this month's 20th annual Milken Institute Global Conference is "Building Meaningful Lives." Panels will address topics such as AI and robotics, underemployment, workforce development and the opioid epidemic.

Second, technology is creating new business opportunities. Vastly reduced computing costs have resulted in a tsunami of data, which doubles in size every few years. That means many new jobs in data analysis. General Electric estimated in 2012 that over 20 years the industrial internet could boost the world-wide gross domestic product per capita by nearly 20%. Billions of interconnected devices will produce an effect even bigger than railroads and telegraphs did when they linked 19th-century communities.

Technology also creates jobs in physical distribution—a book from Amazon, a car from Uber or tonight's dinner from a local restaurant. Meanwhile, networks are being used to train people at all levels, ranging from high-school vocational classes to sophisticated graduate courses. Since last year, for example, the WorldQuant Foundation's WorldQuant University has enrolled several hundred students in a tuition-free online masters-degree program in financial engineering. The first class will graduate in 2018.

Third, new forms of financial technology are rapidly increasing the multiplier on the human capital and business revolutions. Today's entrepreneurs face lower barriers to entry because crowdfunding and other nonbank lenders allow them to secure backing quickly for a good idea from people they've never met. Soon there could be millions of such lenders, each employing advanced databases to make sound credit decisions. Since more products than ever are digital instead of physical, startups can work with customers and suppliers world-wide. This has a dramatic effect on the value of real assets and jobs.

As hardware becomes cheaper and software smarter, disruption will continue. But so long as workers retain hope that there's a path to a meaningful life, America's democratic institutions can endure. The key is to keep that path clearly lighted for everyone. The future of the American dream depends on meeting this challenge successfully.

Mr. Milken is chairman of the Milken Institute. Mr. Tulchinsky is founder and CEO of WorldQuant LLC, a quantitative investment management firm.

The Permanent State of Crisis in Turkey

the country is a paradise; and a loose group of leftists, secularists, liberals, Alevis (liberal Muslims) and Kurds who feel they are living in hell. Terror groups such as Islamic State and the hard-leftist Kurdistan Workers' Party (PKK) exacerbate tensions through bloodshed. The January attack in Istanbul, in which Islamic State killed 39 people at a popular nightclub frequented by liberal Turks, was a case in point.

Between the summer of 2015 and the end of 2016, Turkey suffered 33 Islamic State and PKK terror attacks, killing more than 500 people. Yet Turks are hardly united in the face of such terror: Each time the PKK attacks, Mr. Erdogan's supporters target the opposition, as happened on Dec. 17 when pro-government mobs retaliated against a lethal PKK attack, fire-bombing branches of the pro-Kurdish People's Democracy Party (HDP). In turn, when there is an Islamic State attack, the anti-Erdogan bloc blames him for not protecting them.

With Turkey breaking into two, foreign players are eager to see Mr. Erdogan fall and Turkey spiral into chaos.

This includes Vladimir Putin. Russia's Muslim community, which

makes up about 15% to 20% of the citizenry, is almost entirely Sunni Muslim. Mr. Putin worries that success for Mr. Erdogan's model of Sunni political Islam would resonate among Russian Muslims, who share close ethnic and historical ties with Turkey. The last thing Mr. Putin needs is a radicalized faction in his country.

Erdogan has created a deeply divided society that may never be able to resolve its differences.

Moscow will covertly boost Turkey's anti-Erdogan opposition, including the PKK, with which Russia has ties going back to the organization's founding in the 1970s. Mr. Putin also considers the People's Protection Units (YPG) in Syria, a PKK ally, a long-term chip against Mr. Erdogan. Which is why Russia on March 19 deployed troops to the YPG-controlled Afrin enclave in northern Syria abutting Turkey.

Ankara's military incursion into Syria only deepens Turkey's crisis. Turks are unable to speak candidly about Ankara's gains against

the jihadists or the YPG in Syria, a central driver of the Islamic State and PKK attacks. Following each attack, instead of asking, "Why did this happen and how can we stop it?" Turks blame each other by adopting pro- or anti-Erdogan rhetoric.

Meanwhile, Mr. Erdogan has been gradually desecularizing Turkish society. Secular public schools are diminishing in number, many having been converted by the president into Islamic schools. These government-funded religious schools are fast becoming the only viable option for students who either can't afford private schools or who can't pass the public-school entrance exams. Few are spared; not even the grandson of Turkey's chief rabbi, who was reportedly placed in an Islamic high school in 2014.

Desecularization opens the country to jihadist influences. The three jihadists who killed 45 people at Istanbul's Ataturk Airport last year had been in Turkey for quite some time: After arriving from Syria, they rented an apartment in Istanbul where they spent a month assembling bombs. Where strong neighborhood-watch networks would have once identified these radicals in their midst, Turkey it-

self is now radicalizing, and so red flags are no longer raised.

All this leaves Turkey with three bleak trajectories. If he loses the referendum, Mr. Erdogan is likely to call for early elections. He will continue his divisive politics to shore up support for the AKP. This will entrench Turkey in a permanent state of crisis, accompanied by a deepening social schism and further terror attacks.

If he wins the referendum, Mr. Erdogan will try to force the country to fold under his powerful persona, becoming completely authoritarian. The third scenario is an extension of the second: Nearly half of Turkey will never entirely acquiesce to living under his iron grip. Add to this the covert anti-Erdogan policies of Russia, the fallout of the Syrian war, jihadist threats and Kurdish violence. Developments could catapult Turkey into enough violence to prompt a civil conflict.

A permanent state of crisis looks to be Turkey's best option under Mr. Erdogan.

Mr. Cagaptay, a senior fellow at the Washington Institute, is the author of "The New Sultan: Erdogan and the Crisis of Modern Turkey," out this month from I.B. Tauris.

Where Were the Pro-Refugee Protesters When Assad Gassed Syrians?

By Kassem Eid

I know how painful it is to suffocate from nerve gas. I know the devilish terror that it triggers in the victim's mind. I know because I am a survivor of the Syrian regime's chemical massacre of Aug. 21, 2013.

On that morning, I nearly died after inhaling the deadly perfume that Bashar Assad unleashed upon my hometown of Moadhamiya, in the western suburbs of Damascus. I struggled to breathe as this silent killer hugged my chest and pressed my lungs until my heart stopped.

beating out of pain. The doctors gave up on me and left me for dead. I woke up 30 minutes later screaming in agony and surrounded by corpses.

But an even worse moment came when President Obama canceled his "red line" that had promised consequences for the use of chemical weapons. At the time I was gassed, I was a local media activist for the Syrian Revolution against Assad's brutal regime. For two years, I was trapped in Moadhamiya as the town endured government siege, starvation and savage bombardment.

I escaped Syria and arrived in the U.S. in 2014, hoping that my testimony would help persuade Mr. Obama to stop the genocide. But after two years of speaking to the media, think tanks, universities, the State Department, Congress, the Pentagon and the National Security Council, I was sure that nothing would change the president's mind—not me, not the "Caesar report" published that year on the industrial-scale torture in Syria's prisons, and not the millions killed and displaced by Assad's genocide.

I left the U.S. a year ago out of disappointment and frustration. Even though I was a refugee who had made it to America, I was disgusted with myself for living a comfortable life while thousands of Syrians were still being slaughtered each day by Assad, Iran, Hezbollah, Russia and Islamic State. I now live in Germany among other Syrian refugees.

As I watched footage of the nerve-gas attack last week that killed more than 100 people, including children—Assad's worst chemical massacre since 2013—I couldn't help but cry and feel outraged at each and every person who could have saved them but didn't.

Only two months ago, American airports became protest zones because President Trump attempted to bar entry temporarily to refugees and travelers from seven nations, including Syria. Where is all that outrage today? How come protesters didn't pack the streets in

front of the White House and the United Nations last week to demand military action against Assad?

Syrians—like the people in the other Arab Spring countries—didn't rebel against the dictatorship as a

President Trump has given my people hope, but if Americans truly care they can help remove Syria's tyrant.

way to gain entry to the U.S. as refugees. We rebelled because we wanted to live for the first time as equal citizens in our own nation. We wanted to stay home and make Syria a better place.

President Trump has done more with one strike to fight Islamic State than his predecessor did in six years. He has now given the Syrian people hope that the U.S. will stand for human rights and freedom. Islamic State thrives on hopelessness and international passivity to convince its fighters to seek revenge instead of justice.

It was on Obama's watch, due to his inaction, that Islamic State formed and created a caliphate the size of Indiana.

I want to thank President Trump for his brave action in striking the Assad regime and holding it accountable for its massacre of civilians. This is the first step in saving

the lives of Syrians being killed every day, helping them stay where they live and allowing refugees like me to return home. But more needs to be done.

Americans who really care about refugees should take to the streets, call their representatives and ask for even more action against the murderer who displaced us. President Trump could order strikes to fully ground Assad's air force, whose bombing forces civilians to flee. The Assad regime still has more than a dozen operational military airports from which to continue its attacks. Help civilians by creating safe zones and no-fly zones.

If you really care about human rights, work to remove Assad, the tyrant who has killed, raped, gassed, burned, tortured and displaced millions of civilians. If you really care about eliminating Islamic State, oust the dictator who for years has supported extremist terrorist groups like al Qaeda, Hamas and Hezbollah and who buys oil from Islamic State.

Please help us. Please stop Assad. Let the world know, let Syrians know, and let Assad know that there are consequences for his crimes. If you don't act, I fear that what happened on Aug. 21, 2013, and again on April 4, 2017, will repeat itself many times over.

Mr. Eid, who often uses a pseudonym, Qusai Zakarya, that he adopted while opposing the regime in Syria, now lives in Germany.

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SPORTS

GOLF

Garcia's 'Lucky' 13



BY BRIAN COSTA

ON TUESDAY BEFORE THE MASTERS, as Sergio Garcia prepared for yet another attempt to win his first major championship, his fiancée, Angela Akins, handed him a stack of letters. Each one was handwritten on green paper, the same color as the jacket given to the tournament winner.

The letters came from friends and family members from Texas to Spain, addressing two points: why they love him, and why they knew he could win.

The injection of positivity added to what Garcia had already been working to boost within himself: a self-belief that wouldn't

waver, combined with an inner calm that would endure through his worst shots. But as he approached the 13th tee Sunday, it still wasn't clear whether this new, Zen version of Garcia would hold up.

Would a player known for his meltdowns at majors—who had alternately cursed the golf gods, the golf course and himself—really be able to keep it together? He was, however unintentionally, about to find out.

"Thirteen was a big test," Garcia said in an interview Tuesday.

How he passed it was a window into how he won.

The Tee Shot

Tucked in the deepest part of the famed Amen



Sergio Garcia, far left, hits a key approach shot to the 13th hole. Left, the improbable series of shots that he says catapulted him to the title.

drey Hepburn, Theodore Roosevelt and Akins herself. She wrote: "Don't forget to be awesome."

Devoid of self-doubt, Garcia grabbed his 9-iron and drilled a three-quarter chip

shot down the middle-left side of the fairway, giving him the ideal line into the green.

The Pitch

Eighty-seven yards from the pin near the front of the green, Garcia gripped a 58-degree wedge and eyed the downslope toward the back. "I knew I could use that slope a little bit with the spin on the ball and leave myself with a reasonable par putt," he said. The question was how reasonable.

The slope and speed of the greens at Augusta National don't lend themselves to precision, but precision on this shot was everything.

On average, from the fairway in the 75-to-100-yard range on the PGA Tour last season, Garcia's approach shots stopped about 15 feet from the hole. But this one took a few bounces, spun backward and came to rest just 7 feet from the hole.

How much does that 8 feet matter? From 15 feet, Tour players make about 23% of their putts. From 7 feet, the conversion rate is about 58%.

The Putt

Nothing frays a player's nerves quite like a makeable putt on greens as tricky as Augusta's. But with a dramatic par save suddenly within reach, Garcia was comfortable.

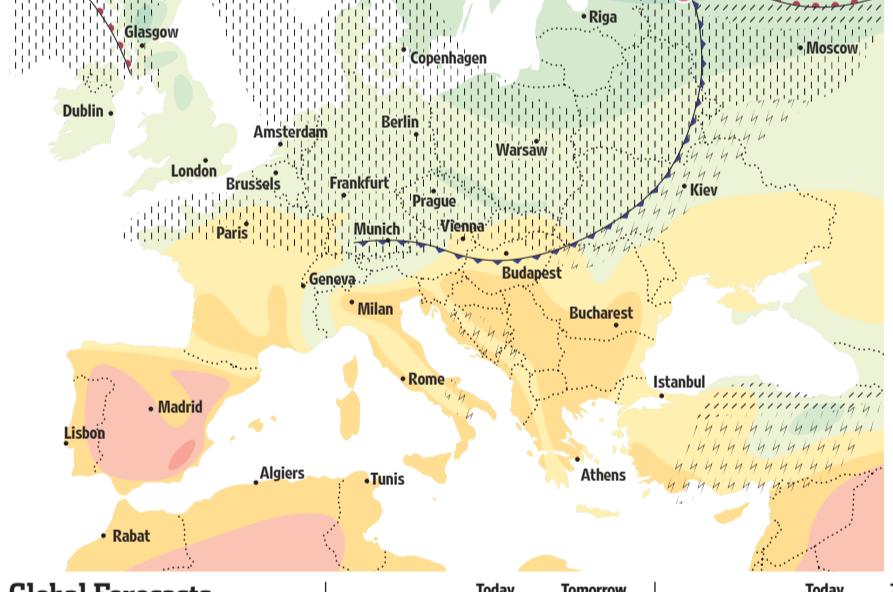
"Don't get me wrong: When I say I was calm, that doesn't mean I wasn't excited for the moment," Garcia said. "But I felt like I was under control. I could feel the adrenaline, but I wasn't shaking."

Spotting a slight left-to-right break, Garcia aimed an inch left of the hole and made a steady stroke. Two days later, he remembered precisely where it fell in: over the middle-left side of the cup.

The putt, coupled with Rose's miss from 6 feet, kept Garcia two strokes back. On his charge to win the Masters, he had better holes, most notably an eagle on No. 15. But the most important one may have been the most revealing one.

"As soon as I made that putt, I pretty much hit every shot the way I wanted," he said. "That catapulted me."

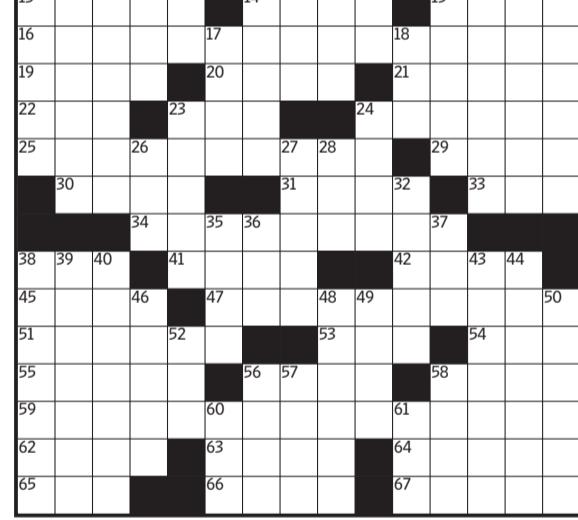
—Brad Reagan contributed to this article.

Weather**Global Forecasts**

s=sunny; pc=partly cloudy; c=cloudy; sh=showers; t=tstorms; r=rain; sf=snow flurries; sn=snow; l=ice

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	11	6	c	13	8	sh
Anchorage	8	-2	s	9	-1	s
Athens	23	14	pc	23	14	s
Atlanta	27	15	pc	28	15	s
Bahrain	36	23	c	30	20	c
Baltimore	20	9	pc	18	9	pc
Bangkok	36	26	pc	33	25	t
Beijing	22	8	pc	28	13	pc
Berlin	11	5	pc	12	6	pc
Bogota	18	10	c	18	10	t
Boise	15	4	t	10	-1	sh
Boston	15	5	s	12	4	s
Brussels	12	5	c	13	6	c
Buenos Aires	20	10	pc	22	12	s
Cairo	26	16	pc	25	15	pc
Calgary	7	-2	c	7	-4	pc
Caracas	31	26	t	31	25	t
Charlotte	26	13	pc	27	13	pc
Chicago	13	8	r	19	16	sh
Dallas	27	16	pc	28	18	pc
Denver	25	8	s	26	6	pc
Detroit	13	7	c	18	10	pc
Dubai	37	26	pc	37	25	s
Dublin	11	6	c	12	4	sh
Edinburgh	12	5	c	12	3	sh
Frankfurt	15	4	c	15	6	c

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Geneva	20	5	s	20	6	s
Hanoi	24	20	c	28	22	c
Havana	29	19	pc	29	19	s
Hong Kong	23	21	c	26	23	t
Honolulu	28	22	c	28	22	pc
Houston	28	18	s	29	18	pc
Istanbul	17	8	s	17	10	s
Jakarta	32	25	t	32	24	pc
Johannesburg	21	12	pc	18	10	c
Kansas City	24	16	t	23	17	t
Las Vegas	27	12	pc	25	14	s
Lima	26	21	pc	26	21	pc
London	14	6	c	15	8	c
Los Angeles	20	10	pc	22	12	s
Madrid	28	10	pc	26	9	pc
Manila	35	25	s	34	25	s
Melbourne	23	12	pc	17	8	c
Mexico City	25	11	pc	25	12	pc
Miami	28	21	pc	28	22	s
Minneapolis	16	8	c	15	14	r
Monterrey	28	17	pc	29	18	pc
Montreal	14	1	s	14	4	s
Seattle	11	5	sh	10	5	sh
Seoul	19	10	s	15	10	r
Shanghai	20	11	pc	24	15	pc
Singapore	30	25	c	30	25	t
Stockholm	5	-3	c	5	-3	t
Sydney	22	15	s	23	16	s
Taipei	24	19	c	28	21	pc
Tehran	25	17	pc	30	18	c
Tel Aviv	24	16	t	21	14	sh
Tokyo	15	9	s	19	15	s
Toronto	13	1	pc	14	4	s
Vancouver	12	5	sh	11	4	sh
Washington, D.C.	21	11	pc	19	11	pc
Zurich	17	4	sh	17	5	pc

The WSJ Daily Crossword | Edited by Mike Shenk**THE WRIGHT STUFF |**

By Samuel A. Donaldson

Across	Down
1 "Seven whole grains on a mission" brand	38 Just your average guy
6 One way to run	39 Hit straight to the shortstop, say
10 Join a jury	40 London location
13 Sign up for advertising emails, say	43 Golden Globe-winning Donald Glover series
14 Asgardian rogue	44 Grandfather of Elizabeth II
15 Feature presentation	46 Sorts
16 One eligible for cheap auto insurance?	48 Shape an eyebrow
19 They get broken on playing fields	49 "Glad that's over!"
20 Doing	50 Genève's nation
21 Suits	52 Not just very
22 Alley	56 Teeny
23 Sarcoptagus symbol	57 Browse Amazon, say
24 States on a Monopoly board, e.g.	58 Function named from the Latin for "curve"
25 Forcibly evict families in foreclosure?	60 Spare tire makeup
29 Knocks over	61 Bone-chilling
30 Noodle product	
31 Take view of	
32 Fresh from the tub	
34 "The Twelve Days of Christmas," maybe?	
35 First name of comedy	
36 First name associated with 53-Across	
37 Diddly's ex	
38 Diddly's ex	
40 "Your point being?"	
41 She walks into Rick's gin joint	
42 Rugged mass of rock	
45 Pen plea	
47 Final works from authors?	
51 Being	
53 First name of comedy	
54 First name associated with 53-Across	
55 Noisy celebration, in Britain	
56 Understanding words	
58 Draped garment	
59 Master mopper's title?	
60 Alsace	
61 Bone-chilling	

► Solve this puzzle online and discuss it at WSJ.com/Puzzles.

Previous Puzzle's Solution

TIMON	FLARE	LOW
AMANA	LONER	EWE
COYER	LAWYER	SNL
ONSTRIKE	MASSED	

INDEX TO BUSINESSES

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UNITED

Continued from the prior page should be embarrassed to work for this company," Mr. Bridges says someone shouted.

The aviation department has placed one officer involved in the incident on leave and is conducting its own review. Chicago Mayor Rahm Emanuel condemned the incident but praised the department's response. "Anyone who saw that video had the same reaction: This was completely unacceptable at every level," he said.

U.S. airlines routinely sell more tickets than seats to account for no-shows.

A spokeswoman for Dr. Dao's attorneys didn't respond to requests for comment. His attorneys said Tuesday he was recovering in a Chicago hospital. Mr. Munoz said he had reached out to Dr. Dao but hadn't spoken to him.

The U.S. Transportation Department is reviewing United's overbooking policy amid lawmaker calls for changes across the industry. U.S. airlines routinely sell more tickets than seats to account for no-shows, and offer compensation to customers who take later flights. They also involuntarily bump thousands of passengers a year, a fraction of hundreds of millions of passengers

—Shibani Mahtani contributed to this article.

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BUSINESS & FINANCE

Rule Watches Out for 'Swiss Made'

BY BRIAN BLACKSTONE

BASEL, Switzerland—Switzerland's watch industry is wound up over two small words affixed just below the six o'clock mark on many watch dials: Swiss Made.

In January, as part of broader regulations meant to stiffen Swiss designations at home and abroad, the government put into effect requirements that watches include more Swiss-made components to qualify as Swiss Made. Some in the industry criticized the rules, which were initiated by the Swiss watch federation and backed by big companies like **Swatch Group**, as being too costly. But others, including luxury watchmaker **H. Moser & Cie.**, say the requirements are still too lenient.

The independent watchmaker, whose timepieces sell for an average of 25,000 Swiss francs (\$24,770), decided to eliminate "Swiss Made" from its watches in protest. "I cannot be behind a label I don't believe in," Moser Chief Executive Edouard Meylan said last month at Baselworld, the annual watch fair in Switzerland.

Moser watches are almost 100% Swiss, whereas the new mandate stipulates at least 60%. Previously the value of a watch movement had to be at least 50% Swiss to qualify; but that meant as little as 15% of the total value of a Swiss Made watch might be Swiss.

"Consumers were and still are willing to pay more for

Swiss Made watches," said Felix Addor, deputy director general at the Swiss Federal Institute of Intellectual Property. "At the same time, they have expectations which were not being fulfilled by the old rules and regulations."

Watches must also be technically developed, assembled and inspected in Switzerland to be called Swiss Made. While there isn't an official count of watches bearing the Swiss Made label, the Swiss watch federation represents about 250 brands.

Labor costs are high in Switzerland. But retouching components assembled abroad can get some watchmakers past the Swiss-made thresholds even if much of the watch is produced outside Switzer-

land, Mr. Meylan said. "People have been cheating customers for many years," he said.

Under the regulations, corporate violators face fines of up to 1.08 million francs and five years in prison for owners. The government doesn't proactively police watchmakers, however; any suspicions that competitors or consumers have over possible cheating go through the courts.

"It's very controversial," said Alexander Bennouna, watch-division head at Victorinox, maker of the Swiss Army knife, referring to the new law. He said he sees it as protecting the status quo instead of spurring innovation.

Victorinox watch dials are already stamped with the globally recognized cross-and-

shield logo. The timepieces, which sell for around 400 francs to 2,000 francs, make up 15% to 20% of company sales. Mr. Bennouna said they meet the new requirements, though he declined to specify further.

For some watchmakers, the Swiss Made label remains a touchstone. "We've always written Swiss Made on our dials," said Ulrich Herzog, chairman of Oris, whose mechanical watches sell for \$1,500 to \$6,000. "Swiss Made, Swiss quality and independence is really part of the values which Oris is based on."

But it is expensive to produce watches in Switzerland. The strong franc has driven up local production costs and hurt foreign sales. Sluggish economies globally and weakness in China and Hong Kong due to anticorruption laws and new visa rules also hurt high-end watchmakers last year.

"It was really the worst moment to start" the new rules due to the strong franc, said Dominique von Matt, chairman of Jung von Matt/brand identity, a consulting firm.

Swiss watch exports fell 10% in 2016, though they held up better in the 500 franc to 3,000 franc range that Oris operates in, declining only 4%. "To keep this price point, you have to buy certain components outside," Mr. Herzog said. Oris watches are Swiss engineered and Swiss made, except for the crown, buckle and strap.



Not all Swiss watchmakers support a stiffer labeling requirement.

SAVATORE DI NOLE/EUROPEAN PRESSPHOTO AGENCY

DEBT

Continued from the prior page than the government determines debt issuance, said Larry Hu, an economist at Macquarie Group Ltd.

At \$9.6 trillion, China's bond market is the world's third largest. Nonetheless, bonds make up only 17% of China's total social financing, a broader measurement of credit in the economy that includes nonbank debt, compared with 70% for bank loans.

In Europe, a dependence on bank lending led to credit crunches during the financial crisis. Policy makers have since tried to expand the corporate-bond market. Chinese regulators haven't yet experi-

enced a crisis of that magnitude, though the latest bond hiccups are a reminder of the challenge for authorities in maintaining stability while reining in debt levels.

The recent flight from bond issuance won't necessarily lead to a credit squeeze. An overwhelming majority of companies seeking to tap the Chinese bond market are state-owned, with access to alternative funding channels.

People familiar with two state-owned firms that canceled issues—**Weifang Binhai Tourism Group** Co. and **Fujian Electronics & Information (Group)** Co.—said that higher-than-expected rates prompted the cancellations, but the firms weren't suffering from a funding shortage.

After canceling a February

issue, Fujian Electronics issued a bond at the end of March on the Shanghai Stock Exchange, as liquidity eased slightly.

But in ailing sectors, such as coal and steel, the higher bond costs mean even state firms could face funding pressures, according to analysts and underwriters.

Economists expect costs for issuers in China's bond market to remain high this year, as central bank Gov. Zhou Xiaochuan has signaled a tighter hold on credit to avoid fueling asset bubbles and help companies reduce debt.

An investment banker at a Chinese securities firm said that the higher bond costs are pushing some firms to choose debt instruments with maturities of less than one year, a strategy that means frequent

HYPE

Continued from the prior page to add transaction fees—trading on these platforms before that was free—and adhere to anti-laundering regulations. The move has pushed more trading to Japan and the U.S., with China's share falling to 13%, according to research site CryptoCompare.

Meanwhile, a battle among bitcoin's insiders has erupted over its future. One side wants to keep it small and outside the purview of governments. The other side wants bitcoin to go mainstream, and is willing to accept more oversight to make it happen.

Bitcoin hasn't caught on with U.S. consumers. That is in part because bitcoin's followers are diffuse and never really had a champion committed to persuading both businesses and individuals of its merits.

At Cheap Air, an online travel agency, bitcoin purchases constitute less than 10% of overall purchases, roughly flat in recent months, said Chief Executive Jeff Klee. "If you step back and look at

Bitcoin Shuffle

Bitcoin's recent rally hasn't yet been dented by a sharp falloff in trading of the currency in China.

Bitcoin price index



Sources: Coindesk.com (Bitcoin price index); CryptoCompare

THE WALL STREET JOURNAL

the big picture," he said, "it certainly hasn't taken off."

Mr. Klee was personally involved in the decision to accept bitcoin in 2013—after a customer suggested it—and praises its utility and advantages for merchants, but said it hasn't yet been able to find a large audience. The typical customer staying away from bitcoin "loves their points and their miles," he said, referring

to credit-card perks. "That alone is tough to compete with."

As an investment, bitcoin has drawbacks as well. Even though its volatility is down compared with its eight-year history, it is still far too volatile, and opaque, for many mainstream investors. In March, the SEC rejected two proposed exchange-traded funds, the Winklevoss Bitcoin

Trust and SolidX Bitcoin Trust, citing the lack of transparency around trading on bitcoin exchanges, many of which are overseas.

The Internal Revenue Service recently ordered bitcoin-services company Coinbase to turn over all records of its customers from 2013 to 2015, a summons the government said was meant to root out potential tax evaders. The company is fighting the order.

Competitors aren't standing still. In February, a consortium of banks and tech giants including Microsoft Corp. and J.P. Morgan Chase & Co. announced a new financial platform based on Ethereum, a bitcoin competitor.

If bitcoin was a company, its growth would be managed by executives and shareholders. It isn't a company, though, it's an open-source software project without a recognized leader. That makes controlling its growth especially difficult, said OBI's Mr. Hoffman.

"You see the evolution from when it was so small, it was easy for everybody to be on the same page," he said. "Now there are so many competing projects, it's so huge, it's a mess."

easier on the country's battered banks, not least after Italy's largest lender, **UniCredit** SpA, raised €7.5 billion (\$7.95 billion) from a rights issue in January. The FTSE Italia All-Share Banks index is up 0.9% this year, according to FactSet.

But this month, that index has already fallen 5.7%, underscoring investors are again growing nervous about Italy.

"Its economy is stuck in a quagmire of low productivity and over-indebtedness—it just can't grow," said Edward Smith, a strategist at U.K. investment manager Rathbones.

"Without it being part of the European Union or monetary union, its borrowing costs would quickly spiral and the economy would be bankrupt," he said.

RISK

Continued from the prior page Union. Italy's public debt to GDP ratio is projected to be 133.3%, lower only than Greece's among EU members.

The slow pace of structural government reforms, along with low productivity, has held back growth

BUSINESS NEWS



French car manufacturer Peugeot is the latest regional player in the auto industry to announce plans to sell vehicles in the U.S.

Peugeot Sets Sights on U.S.

French car maker plans to first launch car-sharing service to gauge customer tastes

BY ADRIENNE ROBERTS

Peugeot, on the heels of acquiring **General Motors** Co.'s **Opel** unit in Europe, plans to take on the Detroit auto giant in its own backyard. The catch is it could take a decade to get there.

The French car company is the latest regional player in the auto industry to announce plans to sell in the U.S., joining India's **Mahindra Group**, China's **GAC Motor** and a flood of electric-car startups with similar ambitions. It has been decades since Peugeots were on sale in American showrooms, and its re-emergence would come as the market is already clogged with offerings.

Discounts are near an average of \$4,000 per car sold in the U.S., according to J.D. Power, and auto makers are engaged in a price war not seen since the financial crisis. Niche brands from Europe, such as Fiat, Jaguar and Maserati, shell out much richer incentives, according to Autodata Corp.

Peugeot understands it is a "dog eat dog environment," but isn't banking on being able to appeal to today's buyer, the company's U.S. Chief Larry Dominique said in an interview.

Mr. Dominique, a Chrysler and Nissan Motor Co. veteran, said Peugeot will wade into the market first via a car-sharing rental service in Los Angeles and San Francisco to study what he expects to be a relatively rapid shift in consumer tastes.

Peugeot is teaming with startup Travelcar to offer a service that lets customers flying into those cities rent other brands' cars from travelers who parked at the airport. Peugeot plans to eventually offer a car-sharing service with its own vehicles in the U.S., getting feedback from customers before selling cars in the country.

"We don't have a factory in [the] U.S. pumping out cars [like other auto makers]," Mr. Dominique said. "But we do have the ability to leverage mobility [experiments] to understand how car ownership is changing over time." Peugeot

plans to sell its cars in the country within 10 years.

Mr. Dominique's view that tomorrow's customers will value services over vehicle differentiation is shared by several industry executives. "The reality is vehicles on the road today are very similar—the brand [identity] and customer satisfaction are important," he said, pointing to Apple Inc. or Virgin America as benchmarks.

Peugeot is scrambling to get bigger, a characteristic it shares with several other car companies, including Fiat Chrysler Automobiles NV and Volvo Car Corp., which has Chinese ownership. Peugeot currently sells about 4 million vehicles annually, including 1 million Opels once the deal with GM is done, making it difficult to compete with industry heavyweights.

Toyota Motor Co., GM and other larger players sell about 10 million vehicles annually, which provides far more capital to invest in autonomous cars or meeting stringent regulations. Alphabet Inc. and other technology companies planning to enter the auto industry generally have deeper pockets than conventional car

companies.

Peugeot sells in China, the world's largest car market, but Mr. Dominique said the U.S. represents the biggest profit potential. At this stage, he is unable to outline the entire blueprint for entering that market, however.

"This is step one in a very long walk," Mr. Dominique said. "This is a walk on purpose, not a sprint" to launching in the U.S.

Lynk & Co., a startup car company sharing an owner with Volvo, also plans to enter the U.S. market. Like Peugeot it will offer car-sharing services and Lynk will attempt to sell directly to customers by cutting out franchise dealers, mirroring Tesla Inc.'s strategy.

GAC aims to start selling to U.S. buyers in 2019 via its own dealer network, a deal with its joint-venture partner Fiat Chrysler or by selling direct.

Companies like Peugeot also need to contend with established players looking to expand their U.S. footprint.

Lex Kerssemakers, head of Volvo's North American operations, is overseeing construction of a plant in South Carolina, its first in the country.

Volkswagen Adds SUV to U.S. Plant

By MIKE SPECTOR

Volkswagen AG plans to produce a new sport-utility vehicle in the U.S., following a larger SUV now rolling off the line at its Tennessee factory, a senior executive said.

The German auto giant plans to build a smaller, five-seat SUV at its Chattanooga, Tenn., factory, said Hinrich Woebcken, head of Volkswagen's North American operations, in a discussion with reporters at the New York International Auto Show on Wednesday. The larger, seven-seat Atlas SUV being assembled at the plant is headed for dealerships later this year.

Mr. Woebcken declined to provide a start date for production or a name for the coming smaller SUV model, which he described as a "brother or family member" to the Atlas. He said it is too early to determine whether the new vehicle will require additional investment or workers at the Tennessee plant.

Volkswagen in 2014 disclosed its decision to build the seven-seat model at the Chattanooga factory, investing \$900 million and adding 2,000 jobs. The unnamed SUV that Mr. Woebcken described on Wednesday has characteristics similar to the Atlas.

"Since it shares the same architecture, the same supply chain, the natural harbor for this product is Chattanooga," Mr. Woebcken said. Volkswagen recently shared the plans with dealers, he said.

Volkswagen began production on the Atlas at the end of last year, part of an effort to compete with rivals offering hot-selling crossover wagons and SUVs amid a sustained run of cheap gasoline in the U.S.

The auto maker has been known in the U.S. primarily for smaller cars and attracted a tiny share of American shoppers, frustrating dealers.

The company on Tuesday unveiled a new-vehicle limited



Volkswagen's Tennessee plant

warranty stretching six years or 72,000 miles on the 2018 Atlas and Tiguan SUVs expected to hit showrooms later this year. The warranty, which Volkswagen billed as the best among SUVs in the U.S., can be transferred beyond the first owner.

The new Tiguan is larger than its predecessor. Volkswagen plans to sell the older version, in addition to the revamped 2018 Tiguan, for several years before discontinuing the model, Mr. Woebcken said.

Volkswagen is working to restore its reputation among U.S. consumers after admitting to installing illegal software on nearly 600,000 diesel-powered vehicles that allowed them to cheat on government emissions tests. The crisis led to a congressional hearing, litigation and criminal charges. It could cost Volkswagen more than \$25 billion in legal settlements and penalties in the U.S. alone depending on how many vehicles the company is forced to repurchase.

Volkswagen is hoping the introduction of new SUVs later this year will aid a "rebirth of the brand," Mr. Woebcken said. The auto maker was heartened that its 2016 sales were roughly flat despite a lack of new models and the inability to sell its diesel-powered vehicles, he said.

BHP Debates Investor on Taxes

BY ROBB M. STEWART

MELBOURNE, Australia—Activist investor **Elliott Management** Corp. is pressing **BHP Billiton** Ltd. not only about its corporate structure, but also whether it is taking full advantage of a peculiarity of Australian investing: franking credits.

Elliott, which manages almost \$33 billion, has been trying for months to convince BHP executives of the shareholder value to be unlocked by spinning off the company's U.S. petroleum assets and collapsing a dual Australia-U.K. structure. It has now taken the idea public to try to win over other investors, even as the mining company fights back.

Much of that value is seen coming through unifying BHP as a single entity with its headquarters and tax residency in Australia, then leveraging local tax benefits—the franking credits—to buy back shares at a discount. In its letter, Elliott argued the dual-listed structure had "far outlived its original utility" and prevents the company from passing on the Australian tax credits to all shareholders.

BHP and Elliott traded new bars on Wednesday, with the company detailing why it was rejecting Elliott's ideas. The company said the plan would result in the "wastage" of the franking credits, while unifying its structure would cost \$1.3 billion in taxes, plus \$3 billion in lost value.

The company's dual-listing structure was used to facilitate the 2001 tie-up of Australia's BHP Ltd. and London-listed Billiton PLC without either acquiring the other in a legal



The mining company is under pressure from Elliott Management.

sense.

Australia and New Zealand are the last two major countries with a franking, or imputation, system after others abandoned their systems in the past 15 or so years. Franking was introduced in 1987 so that dividends wouldn't be taxed twice. The credits allow companies to pass along as a benefit taxes paid on Australian operations, reducing or eliminating the tax investors pay on dividends.

By 2016, BHP had amassed a balance of franking credits worth \$9.7 billion, or about 10% of its total market value. Unifying BHP as an Australian tax resident would allow it to buy its Australian shares at a discount and release far more franking credits, according to Elliott. The hedge fund espouses using an Australian Taxation Office allowance to buy back Australian shares off market at a discount of as much as 14%.

Elliott estimated the unified structure would enable BHP to return about \$33 billion to shareholders through off-market buybacks over five years to mid-2022, lifting earnings per share by about a third.

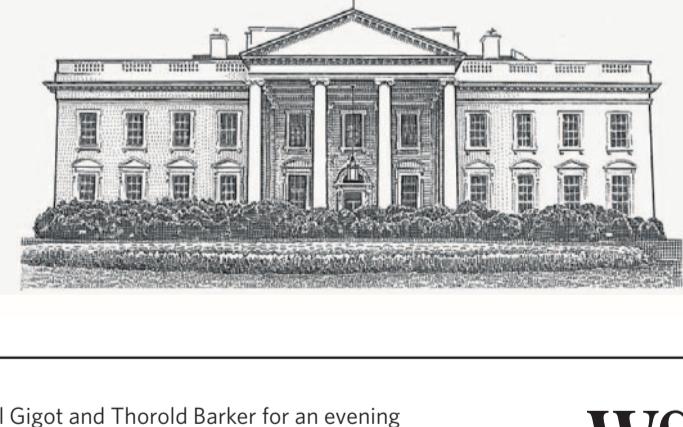
Shareholders in Australia would welcome a faster release of franking credits, though they acknowledge that BHP reviewed its structure and didn't come up with a solution. Some note that nothing prevents BHP from buying back its U.K. shares whenever they trade at a discount to the Sydney shares, which would offer a similar boost to earnings per share.

Some argue BHP doesn't lend itself to sizable buybacks given mining's cyclical nature. In recent years, big mining companies haven't had the financial strength to consider share repurchases—though that is changing as prices for iron ore, coal and other commodities pick up.



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TECHNOLOGY

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Samsung Product on Hold

English version of a Galaxy smartphone's virtual assistant faces delayed rollout in U.S.

BY TIMOTHY W. MARTIN

SEOUL—The English-language version of a voice-activated virtual assistant that is a significant feature of **Samsung Electronics** Co.'s newest flagship device won't be ready to go when the Galaxy S8 smartphone arrives in U.S. stores next week.

The delayed English-language rollout of the Galaxy S8's artificial-intelligence service, dubbed Bixby, could stretch on until as late as the end of May, a person familiar with the matter said. No final decision has been made on timing, people familiar with the matter said.

During recent internal tests, the performance of Bixby's voice recognition in English has lagged behind that of the virtual assistant's performance in Korean, the people familiar with the matter said.

In response to an inquiry from The Wall Street Journal, a spokeswoman for Samsung said that while other Bixby features would be available when the phone is released on April 21, the voice-activated Bixby service would only become available in the U.S. "later this spring." The spokeswoman didn't comment on the reasons for the delay.

Bixby, akin to Apple Inc.'s Siri, is an artificial-intelligence service used to field tasks. Samsung has made the service a selling point of the South Korean technology company's new smartphone. It introduced a button on the device devoted to Bixby, while extolling its "intelligent interface and contextual awareness."

The Bixby delay threatens to damp some of the enthusiasm



Customers sampled the Galaxy S8 smartphone at a Samsung store in Seoul earlier this month.

as for the Galaxy S8, whose sleek design has garnered strong reviews. In the buildup to the April 21 sales-launch day, Samsung had heavily touted Bixby, whose functions include voice recognition. Bixby, for example, can complete multiple tasks with a single voice command, such as locating a nearby steakhouse and hailing a taxi.

Industry experts doubt that a postponed Bixby launch would hurt sales significantly, given that initial enthusiasm for the Galaxy S8 smartphone has focused more on its sleek aesthetics. Others said it was too early to make a prediction.

"Rushing with a half-baked solution to the market will actually discourage users to use Bixby," said Neil Shah, research director at Counterpoint Research, which tracks smartphone shipments.

Counterpoint Research estimates Samsung will sell more than 50 million Galaxy S8 handsets—more than the S7 model, which was a best seller for the company. "I don't think Bixby is a Holy Grail feature which will hamper Galaxy S8

sales because eventually via software updates users will receive it," Mr. Shah said.

Samsung's decision to delay Bixby's voice-activation features, even by several weeks, comes after years of the smartphone maker pushing aggressively to meet promised launch dates.

Samsung's approach cost it last year when Galaxy Note 7 handsets began having battery problems, with some catching fire. Executives recalled the devices, but after issuing replacement handsets, those, too, had battery malfunctions. The misstep cost Samsung \$5 billion, rattled consumer trust and tarnished the company's premium brand image.

Its new flagship phone shows some signs of restraint: In a break with prior launches, the Galaxy S8 doesn't feature a more-powerful battery. After the Galaxy Note 7 recall, Samsung promised it would avoid future manufacturing blunders by creating an eight-point quality plan for smartphones, among other measures.

The Galaxy S8 is Samsung's most closely watched product

launch in years, and Bixby had been a highly promoted addition. Bixby has a variety of functions beyond its voice-activated features. It also has image recognition, so a user can take a photo of a bottle of wine and then learn what nearby stores sell it.

Samsung users don't yet have much enthusiasm for features like Bixby, with three-quarters saying they don't have a preference or don't care if a phone has an intelligent assistant, according to a survey last month by Fluent LLC, a marketing technology company.

"It's just not that big of a deal yet," said Jordan Cohen, chief marketing officer at Fluent, speaking of features like Bixby or Siri. "Mostly, people want a phone to be waterproof or have better battery life."

For Samsung, Bixby represents the company's first major foray into trying to compete in the growing field of artificial intelligence. Last year, it acquired U.S. startup Viv Labs Inc., which was founded by the co-creators of Siri, to bolster its capabilities.

Web Firms Defend Net Neutrality

By JOHN D. MCKINNON

WASHINGTON—Big internet firms told federal regulators that they would oppose Republicans' plans to roll back Obama-era net-neutrality rules, adding to signs of a looming political clash.

The Internet Association, a trade group that includes companies such as of **Netflix** Inc. and Facebook Inc., told Federal Communications Commission Chairman Ajit Pai in a meeting that it "continues its vigorous support of the FCC's [net-neutrality] order," the group said in a regulatory filing. It said the net-neutrality rules are "a vital component of the free and open internet."

The FCC declined to comment. Many consumer groups and congressional Democrats argue that the current rules, including reclassification, are necessary to preserve competition. Telecommunications firms have said little publicly.

expected to attempt to preserve basic elements of net neutrality, such as no blocking or throttling, while eventually shifting oversight responsibility to the Federal Trade Commission and reversing the reclassification.

After his meeting last week, word of his plans quickly spread through the internet community, and activists said they were mobilizing to fight it, setting up a replay of battles in 2014 and 2015 over net neutrality.

Many consumer groups and congressional Democrats argue that the current rules, including reclassification, are necessary to preserve competition. Telecommunications firms have said little publicly.

An industry group says existing rules are vital to a 'free and open internet.'

The Internet Association's regulatory filing holds out some potential room for compromise. The association said that while it "continues its work to protect consumers by maintaining existing FCC rules, its primary focus is on the end result—meaningful net-neutrality rules that withstand the test of time."

The association has previously argued that reclassification of internet-service providers as common carriers isn't necessary to effective open-internet regulation. Still, Tuesday's regulatory filing suggests the group has begun to mount a vigorous defense of the existing FCC rules. Notably, the group said the rules should be enforced by the FCC. Any effort by Mr. Pai to tamper with the reclassification is also likely to be opposed by consumer groups and Democrats on Capitol Hill.

Those rules require internet-service providers such as cable and wireless firms to treat all internet traffic the same way. The internet-service providers generally have opposed the rules, arguing that the FCC went too far in reclassifying them as common carriers. They say they support the basic outlines of net neutrality, however.

The plan, still being developed by Mr. Pai, apparently is

BUSINESS WATCH

CHEMCHINA

Syngenta Deal Cleared By Chinese Ministry

China's biggest foreign acquisition to date took a further step toward completion on Wednesday, with China's Ministry of Commerce approving the planned \$43 billion takeover of Swiss seed and pesticide maker **Syngenta** AG by state-owned **China National Chemical** Corp.

The approval by China's Commerce Ministry, which was expected given ChemChina's status as a major state-owned enterprise, marked the fourth approval this month for the deal.

The deal, if completed, would mark a significant breakthrough for China's state-owned enterprises on the global stage, proving they can navigate political and regulatory waters to scoop up prized assets and technologies to help China's economy expand. The companies said they expected the deal to close in the second quarter.

—Brian Spegele

DAEWOO

Shipbuilder's Survival Hinges on Creditors

South Korea's **Daewoo Shipbuilding & Marine Engineering** Co., the world's second-largest shipbuilder by revenue, could go into receivership as soon as next week unless its creditors agree to massive losses, according to people involved in the restructuring efforts.

Daewoo's creditors are expected to meet on Monday and Tuesday to decide whether they will convert about 1.55 trillion won, or \$1.4 billion, in unpaid bondholdings into equity as part of a 2.9 trillion won bailout package unveiled in March.

Daewoo incurred a loss of 2.7 trillion won in 2016, following a 3.3 trillion won loss a year earlier, hurt by stagnating ship orders and China's economic slowdown. The latest bailout package would inject funds if its creditors agree to it, allowing it to fulfill about \$34 billion in orders for about 95 ships by 2020.

—Costas Paris

CATHAY PACIFIC AIRWAYS

CEO Announces Plans to Leave

Cathay Pacific Airways Ltd. is replacing its chief executive, Ivan Chu, just weeks after the carrier reported its first annual loss in eight years and ahead of plans for significant cost cuts.

Rupert Hogg, Cathay's chief operating officer, will succeed Mr. Chu as CEO starting May 1, the airline based in Hong Kong said Wednesday. Cathay also announced several other staffing changes as part of a restructuring of its top management.

The senior-management shuffle follows the carrier's worst full-year results since the financial crisis in 2008.

Cathay last month reported a net loss of 575 million Hong Kong dollars (\$74 million), as it reeled under deep fuel-hedging losses and intensifying competition despite robust traffic demand in the region.

—Joanne Chiu

UBER

Communications Chief Steps Down

Uber Technologies Inc. is losing its communications chief in the middle of a public-relations crisis for the ride-hailing company.

Rachel Whetstone, who joined Uber in 2015 from **Alphabet** Inc.'s Google where she also led communications and public policy, said Tuesday that she is leaving the company.

She gave no reason for her planned departure.

Ms. Whetstone couldn't be reached for comment.

Jill Hazelbaker, Ms. Whetstone's deputy, will be taking over as senior vice president of policy and communications.

Her departure comes after a tumultuous couple of months for Uber, valued by investors at nearly \$70 billion.

The company is investigating allegations it tolerates sexual harassment, reviewing an internal program that was used to evade government officials, and fighting a lawsuit by rival Alphabet that claims Uber stole proprietary self-driving-car technology.

—Georgia Wells

Toshiba Partner Issues a Warning

By TAKASHI MOCHIZUKI

TOKYO—Western Digital Corp. has told Toshiba Corp. it believes it can block any Toshiba sale affecting their joint venture making semiconductors, a person familiar with the matter said, a new headache for the struggling Japanese company.

Toshiba warned Tuesday it might not be able to survive after losses at its U.S. nuclear unit **Westinghouse Electric** Co., which filed for bankruptcy last month. Toshiba said its survival plan centers around selling its profitable semiconductor unit, which makes NAND flash-memory chips used for data storage in smartphones, computers and other electronics products.

On April 1, Toshiba carved out the semiconductor unit into a separate company in preparation for the sale. Among the unit's assets is a



Western Digital owns SanDisk, which made original Toshiba deal.

stake in a semiconductor factory in Yokkaichi, Japan, that Toshiba jointly operates with Western Digital.

In a letter to Toshiba, Western Digital said the joint-venture contract prohibits each party from selling its stake without approval from the other, said a person briefed on

the letter. The letter expresses concerns about Toshiba's willingness to field offers from companies other than Western Digital and threatens legal action if Toshiba doesn't heed Western Digital's concerns, this person said.

The letter was earlier reported by Reuters.

A spokeswoman at **SanDisk**, the U.S. chip company that initially made the joint-venture deal with Toshiba and was acquired last year by Western Digital, confirmed that Western Digital had sent a letter to Toshiba but declined to discuss its contents. A spokeswoman for Toshiba said the Tokyo company briefed Western Digital about plans for the chip unit before the April 1 spinoff and declined to comment further.

People familiar with the matter said this week that **Foxconn Technology** Group of Taiwan has offered as much as ¥3 trillion (\$27 billion) for full control of the Toshiba chip unit. They have said Toshiba also received bids from **SK Hynix** Inc. of South Korea and **Broadcom** Ltd. of the U.S.

Western Digital made an offer but at a lower price than the other bidders, a Toshiba official said.

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DAEWOOD

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—Costas Paris

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AUCTION

NOTICE OF COURT ORDERED PUBLIC AUCTION

Conducted by Brian Testo Associates, LLC Marketing and Sale Consultant for Court Appointed Receiver, Joel B. Weinberg. Assets offered include Intellectual Property and related assets of Content Checked Holdings, Inc. and Content Checked, Inc. developer of mobile apps providing real-time verification of dietary allergies and nutrition requirements. Related assets include: rights to the app source code development contract, food allergen/ healthy recipe databases, www.contentchecked.com and 90 other food allergy-related web URLs.

Deadline for Qualifying Bids is 4pm, April 27, 2017

Auction Date for Qualified Bidders: May 10

Auction Location: Los Angeles, CA

For bidding qualification requirements and further asset descriptions please contact:

Brian Testo, Brian Testo Associates, LLC

(818) 592-6592 x101, briantesto@gmail.com

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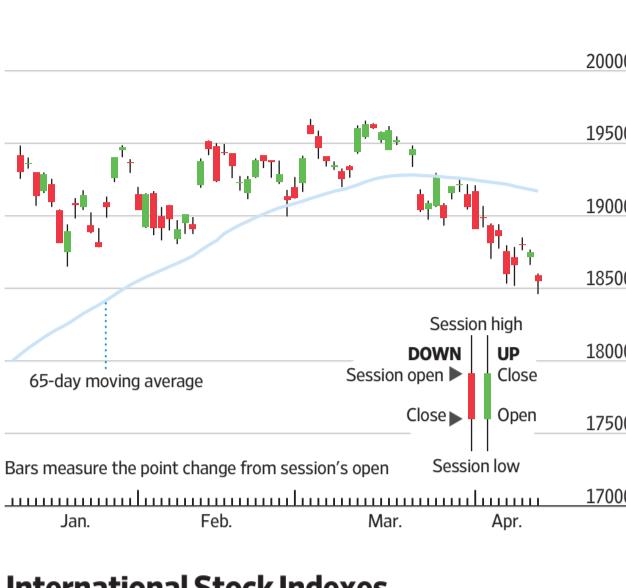


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MARKETS DIGEST

Nikkei 225 Index**18552.61** ▼195.26, or 1.04%

High, low, open and close for each trading day of the past three months.

Year-to-date
52-wk high/low
All-time high
19633.75 14952.02
38915.87 12/29/89

Bars measure the point change from session's open

Session open ► Close ▶ Open ▶ Session low

65-day moving average

STOXX 600 Index**381.90** ▲ 0.72, or 0.19%

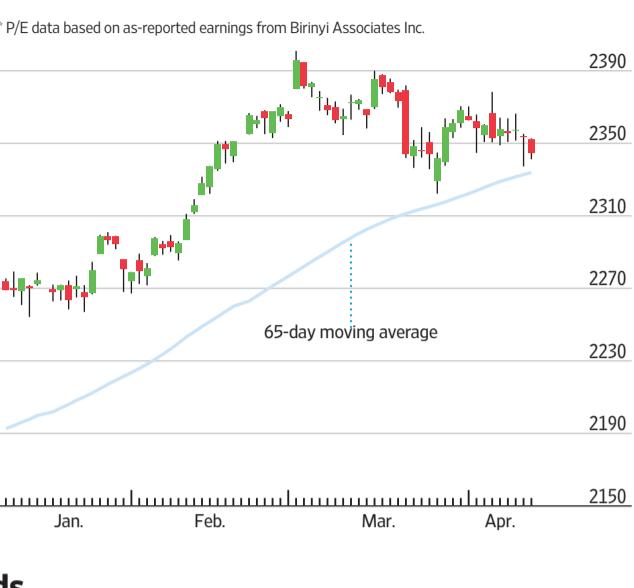
High, low, open and close for each trading day of the past three months.



65-day moving average

S&P 500 Index**2344.93** ▼ 8.85, or 0.38%

High, low, open and close for each trading day of the past three months.



65-day moving average

Data as of 4 p.m. New York time

Last Year ago

Trailing P/E ratio * 24.63 23.62

P/E estimate ° 18.32 17.41

Dividend yield 1.97 2.20

All-time high: 2395.96, 03/01/17

* P/E data based on as-reported earnings from Birinyi Associates Inc.

International Stock Indexes

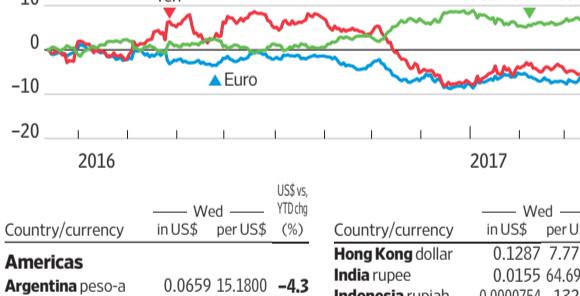
Data as of 4 p.m. New York time

Region/Country	Index	Close	NetChg	% chg	52-Week Range	Low	Close	High	YTD % chg
World	The Global Dow	2672.12	-6.36	-0.24	2193.75	2193.75	2720.47	2720.47	5.7
	MSCI EAFE	1790.77	3.80	0.21	1471.88	1471.88	1956.39	1956.39	4.3
	MSCI EM USD	961.41	6.97	0.73	691.21	691.21	1044.05	1044.05	21.1
Americas	DJ Americas	566.16	-2.33	-0.41	480.90	480.90	577.65	577.65	4.8
Brazil	Sao Paulo Bovespa	64025.22	-334.57	-0.52	48066.67	48066.67	69487.58	69487.58	6.3
Canada	S&P/TSX Comp	15649.96	-77.15	-0.49	13535.54	13535.54	15943.09	15943.09	2.4
Mexico	IPC All-Share	48977.41	-660.52	-1.33	43902.25	43902.25	49753.57	49753.57	7.3
Chile	Santiago IPSA	3754.57	-9.25	-0.25	2998.64	2998.64	3786.05	3786.05	16.5
U.S.	DJIA	20591.86	-59.44	-0.29	17063.08	17063.08	21169.11	21169.11	4.2
	Nasdaq Composite	5836.16	-30.61	-0.52	4574.25	4574.25	5936.39	5936.39	8.4
	S&P 500	2344.93	-8.85	-0.38	1991.68	1991.68	2400.98	2400.98	4.7
	CBOE Volatility	15.97	0.90	5.97	9.97	9.97	26.72	26.72	13.7
EMEA	Stoxx Europe 600	381.90	0.72	0.19	308.75	308.75	381.90	381.90	5.7
	Stoxx Europe 50	3163.14	3.43	0.11	2626.52	2626.52	3182.84	3182.84	5.1
Austria	ATX	2879.31	-7.04	-0.24	1981.93	1981.93	2913.76	2913.76	10.0
Belgium	Bel-20	3807.72	0.12	0.003	3127.94	3127.94	3827.15	3827.15	5.6
France	CAC 40	5101.11	-0.75	-0.01	3955.98	3955.98	5142.81	5142.81	4.9
Germany	DAX	12154.70	15.35	0.13	9214.10	9214.10	12375.58	12375.58	5.9
Greece	ATG	685.19	5.13	0.75	517.10	517.10	685.73	685.73	6.5
Hungary	BUX	32409.94	210.79	0.65	25126.36	25126.36	34334.92	34334.92	1.3
Israel	Tel Aviv	1394.12	-1.94	-0.14	1372.23	1372.23	1504.42	1504.42	-5.2
Italy	FTSE MIB	20004.93	-104.13	-0.52	15017.42	15017.42	20540.39	20540.39	4.0
Netherlands	AEX	517.81	-0.59	-0.11	409.23	409.23	521.48	521.48	7.2
Poland	WIG	58377.92	-132.11	-0.23	42812.99	42812.99	60631.65	60631.65	12.8
Russia	RTS Index	1078.72	-12.36	-1.13	864.46	864.46	1196.99	1196.99	-6.4
Spain	IBEX 35	10360.50	-55.80	-0.54	7579.80	7579.80	10534.50	10534.50	10.8
Sweden	SX All Share	563.54	2.29	0.41	443.66	443.66	565.81	565.81	5.4
Switzerland	Swiss Market	8663.77	22.22	0.26	7475.54	7475.54	8710.26	8710.26	5.4
South Africa	Johannesburg All Share	53551.31	16.15	0.03	48935.90	48935.90	54704.22	54704.22	5.7
Turkey	BIST 100	90952.16	47.67	0.05	70426.16	70426.16	91832.03	91832.03	16.4
U.K.	FTSE 100	7348.99	-16.51	-0.22	5788.74	5788.74	7447.00	7447.00	2.9
Asia-Pacific	DJ Asia-Pacific TSM	1548.75	2.36	0.15	1308.52	1308.52	1570.38	1570.38	8.9
Australia	S&P/ASX 200	5934.00	4.70	0.08	5054.70	5054.70	5934.00	5934.00	4.7
China	Shanghai Composite	3273.83	-15.14	-0.46	2806.91	2806.91	3288.97	3288.97	5.5
Hong Kong	Hang Seng	24313.50	225.04	0.93	19694.33	19694.33	24593.12	24593.12	10.5
India	S&P BSE Sensex	29643.48	-144.87	-0.49	25101.73	25101.73	29974.24	29974.24	11.3
Japan	Nikkei Stock Avg	18552.61	-195.26	-1.04	14952.02	14952.02	19633.75	19633.75	-2.9
Singapore	Straits Times	3186.01	11.26	0.35	2729.85	2729.85	3187.51	3187.51	10.6
South Korea	Kospi	2128.91	5.06	0.24	1925.24	1925.24	2178.38	2178.38	5.1
Taiwan	Weighted	9817.68	-14.74	-0.15	8053.69	8053.69	9972.49	9972.49	6.1

Source: SIX Financial Information; WSJ Market Data Group

Currencies

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



US\$ vs. Yen Euro

US\$ vs. Wed YTD chg (%)

Country/currency US\$ vs. per US\$ (%)

London close on April 12

Country/currency	Wednesday	Wednesday	YTD chg (%)
Europe			
Bulgaria leva	0.5425	1.8432	-0.8
Croatia kuna	0.1426	7.014	-2.2
Euro zone euro	1.0609	0.9426	-0.8
Czech Rep. koruna-b	0.0397	25.169	-2.0
Denmark krone	0.1427	7.0096	-0.8
Hungary forint	0.003397	294.38	0.03
Iceland krona	0.008977	111.40	-1.4
Norway krone	0.1164	8.5889	-0.6
Poland zloty	0.2498	4.0300	-4.4
Russia ruble-d	0.01756	56.960	-7.0
Sweden krona	0.1108	9.0265	-0.9
Switzerland franc	0.9940	1.0060	-1.3
Turkey lira	0.2731	3.66	

FINANCE & MARKETS

CME Group Retrenches in Europe

Firm to shut futures exchange and clearing operation in London as profits prove elusive

By ALEXANDER OSIPOVICH

CME Group Inc. said it would close its unprofitable European futures exchange and derivatives clearing business, bringing to an end the Chicago-based company's first attempt to open a stand-alone exchange outside of U.S. borders.

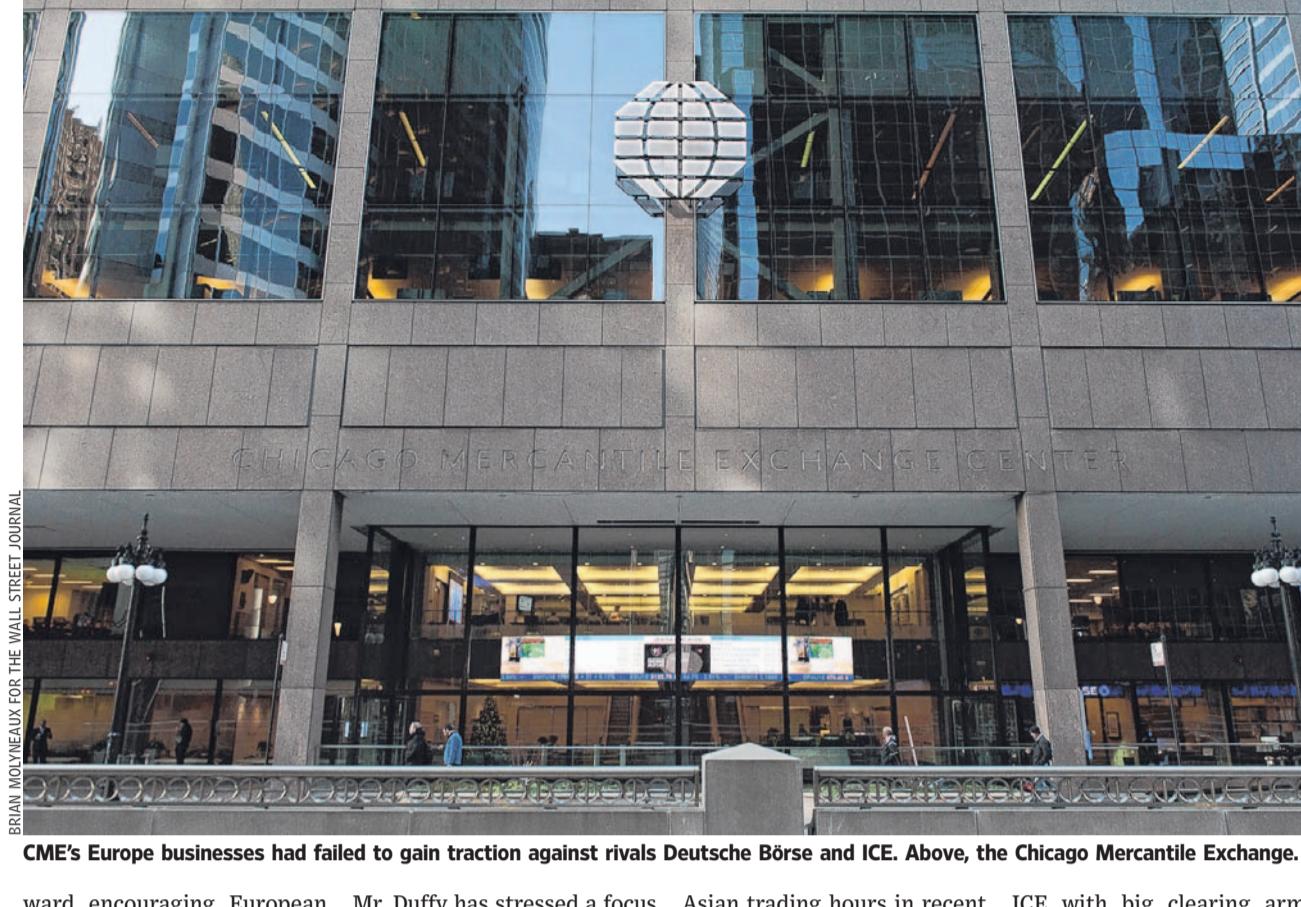
London-based CME Europe and CME Clearing Europe will be wound down by year's end, the firm said Wednesday, an announcement that came three years after the European exchange was launched.

The businesses had failed to gain traction against entrenched incumbents such as Deutsche Börse AG and Intercontinental Exchange Inc., or ICE, highlighting the difficulty that exchange operators face when making forays into new territory. There is no connection to the British vote to leave the European Union, a CME spokeswoman said.

"It's difficult to build liquidity versus incumbents, even if you have a very strong presence in another geographical region," said Rich Repetto, an analyst at Sandler O'Neill + Partners.

The two businesses lost \$110 million from their launch through the end of 2016, according to CME.

CME said it would maintain a significant operation in London, but it will be oriented to-



CME's Europe businesses had failed to gain traction against rivals Deutsche Börse and ICE. Above, the Chicago Mercantile Exchange.

ward encouraging European customers to trade CME's U.S.-listed products.

The April 2014 launch of CME's European exchange—which offers trading of foreign-exchange, energy and agriculture futures—was a signature initiative of former CME Group Chief Executive Phupinder Gill, who unexpectedly retired late last year. He was succeeded by Chairman Terry Duffy, who added the CEO title upon Mr. Gill's exit.

Since taking the CEO job,

Mr. Duffy has stressed a focus on businesses that add to CME's bottom line over long-term initiatives that may take years to turn a profit.

European clients traded an average of 2.6 million contracts a day across all of CME's exchanges last year, compared with average daily volume of 15.6 million from customers world-wide, according to CME. The U.S. exchange company says it has seen an increasing share of trading activity during European and

Asian trading hours in recent quarters.

CME Clearing Europe, launched in 2011, was a bid to grab market share in the unglamorous but important business of derivatives clearing, standing in the middle of two companies entering a trade to help protect both from default.

The financial crisis prompted regulators around the world to force more trades to be cleared, a boon to exchange operators like London Stock Exchange Group PLC and

ICE with big clearing arms that cater to newly regulated derivatives markets.

But CME's European clearing business never made much of a splash. As of Dec. 31, it held \$134 million in member funds required for derivatives trades, compared with \$147 billion for LSE's clearing subsidiary, \$47.3 billion for ICE's European division, and \$37.8 billion for Deutsche Börse, according to **Clarus Financial Technology**, a London-based data vendor and research firm.

Saudis Sell \$9 Billion In Islamic Bonds

Saudi Arabia has raised \$9 billion in its first international sale of Islamic bonds, or sukuk, people familiar with the transaction said Wednesday, as the kingdom rolls out an ambitious plan to reshape its oil-dependent economy.

By Carolyn Cui
in New York and
Nikhil Lohade in Dubai

The Saudi bonds will be split equally between five- and 10-year tranches after bankers received orders in total exceeding \$33 billion, according to bankers and investors. The Saudi government was able to issue more than the \$8 billion it had planned to sell, and yields were lower than initial guidance.

The five-year notes were sold at 2.93%, and the 10-year notes were sold at 3.65%.

Saudi Arabia, like other energy-exporting countries in the Mideast, is raising money to support its finances as income from oil sales declines. Saudi Arabia expects to run a deficit of about \$53 billion in 2017 and hopes to balance its finances by 2020, its Finance Ministry said in December.

Saudi Arabia is raising money via bonds as its income from oil sales drops.

"The sukuk should cover about one-fifth of the expected fiscal deficit," according to investors who reviewed the prospectus.

Saudi Arabia issued bonds worth \$17.5 billion in 2016, tapping for the first time the international markets in the largest-ever debt sale by a developing country, and has said it would continue to tap the markets for financing needs.

"They're kicking the oil barrel down the road; they're buying time on the fiscal deficit," said Patrick Drum, a portfolio manager at Bellingham, Wash.-based Saturna Capital, which runs a sukuk-bond fund.

Saudi Arabia's \$9 billion bond sale set the record for this year's emerging-market debt issuance, topping Kuwait's \$8 billion deal in March. For the first quarter, government and corporate bonds in emerging markets sold a total of \$179 billion in dollar-denominated debt, an all-time high for the period.

Saudi Arabian officials began to meet investors over the weekend and had opened books for the sukuk Tuesday.

Sukuk is structured to abide by Islam's ban on interest payments, typically by incorporating assets or cash flow in the underlying transaction. Issuers as a result are able to tap a wider pool of investors than with more conventional bonds.

OPEC Says Output Falls Further

By BOEN FAUCON

OPEC said its output kept falling in March as members tightened compliance to agreed-upon cuts, but said U.S. producers were enjoying a revival thanks to higher oil prices.

The 13-member Organization of the Petroleum Exporting Countries committed last year to cut about 1.2 million barrels of oil a day in a bid to bring a vast global oversupply of crude back in line with demand and raise petroleum prices.

The agreement helped raise oil prices about 20% after it was announced on Nov. 30. Russia and 10 other non-OPEC producers also pledged to trim another 558,000 barrels a day.

In its closely watched monthly oil report, OPEC said Wednesday that its production decreased by 153,000 barrels a day to an average of 31.93 million barrels a day. The group uses independent observers—such as analysts and shipping trackers—to assess its output.

The decrease was largely driven by lower production in the United Arab Emirates and Venezuela, by 33,000 barrels a day and 26,000 barrels a day, respectively.

A spokesman for the Fed declined to comment.

Mr. Iksil told The Wall Street Journal that news the Fed wouldn't proceed with an investigation made him "more determined than ever" to make his version of events public.

Mr. Iksil came to prominence in 2012 for his role as a trader in J.P. Morgan's Chief Investment Office in London, where he earned the nickname the "London whale" for the size of his bets in the credit markets.

These later soured and contributed to \$6.2 billion in trading losses at the bank.

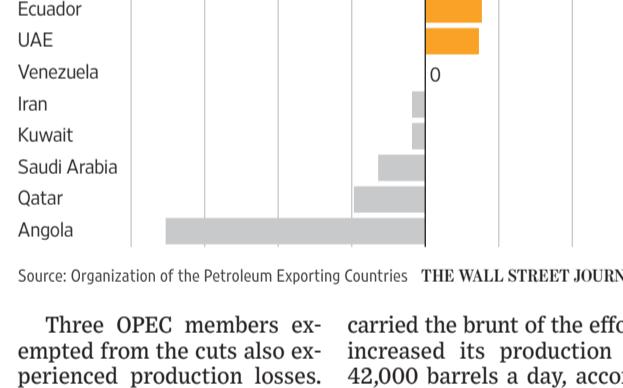
Since then, regulators on both sides of the Atlantic have looked into taking action against Mr. Iksil. None have done so.

Mr. Iksil has signed a non-prosecution deal with the U.S. Justice Department and in 2013 agreed to give evidence in proceedings against two former colleagues. He has also been helping the Securities and Exchange Commission with its investigation into the losses.

In 2015, the U.K.'s Financial Conduct Authority halted its investigation into Mr. Iksil after independent experts ruled its case against him wasn't strong enough. The U.K. regulator had already fined J.P. Morgan £137 million (\$171.1 million) for serious failings around the losses.

Uneven Compliance

Percentage by which each OPEC member's March output was over or under its pledged level.



Source: Organization of the Petroleum Exporting Countries THE WALL STREET JOURNAL.

Three OPEC members exempted from the cuts also experienced production losses. Libyan production fell in March by 61,000 barrels a day after its largest oil field, Sharara, was blocked by guards over wage arrears.

Nigeria, whose fields are producing less due to maintenance and sabotage, saw its output fall by 30,000 barrels a day. Iran, which is struggling to sell its oil due to U.S. banking sanctions, lost 29,000 barrels a day.

But Saudi Arabia, which has

carried the brunt of the effort, increased its production by 42,000 barrels a day, according to the independent observers used by OPEC. However, its output remains below its quota of about 10 million barrels a day. Saudi Arabia is set to support an extension of the production cuts when OPEC next meets on May 25, people familiar with the matter said this week.

But the group is still pondering how to deal with rising U.S. production, which is filling the vacuum left by its output.

put curbs.

In its monthly report, OPEC raised its U.S. supply growth forecast by 200,000 barrels a day for 2017.

"The number of drilling rigs and the reactivation of companies' spending are the two most important factors leading to an expected output surge in the coming months," it said. It cited a year-over-year rise in drilling rigs by 374 units, to 824 rigs in the week of March 31.

Some OPEC officials have expressed concerns over the commitment of Russia—the biggest non-OPEC participant in the production cuts—to pursue the effort.

The Eurasian nation is holding consultations with local companies to decide if it will renew its pledge to cut production in May, one OPEC official said.

But the OPEC report said Russia only carried cuts of 130,000 barrels a day in March, compared with a pledged 300,000 barrels a day. It also reversed its forecast for annual Russian production to increase by 40,000 barrels a day from a previously expected contraction of 20,000 barrels a day in 2017, following the startup of three new projects.

Dollar Slides as Trump Speaks About Currency

By CORRIE DRIEBUSCH
AND CHRIS DIETERICH

The dollar fell and gold rose on Wednesday afternoon after President Donald Trump told The Wall Street Journal that the U.S. currency "is getting too strong."

WEDNESDAY'S MARKETS Dollar Index, essentially flat before the news emerged, declined 0.3% to 90.2. The dollar fell 0.4% against the yen, after falling 1.2% on Tuesday.

A weaker greenback makes dollar-denominated assets less expensive to holders of other currencies. Gold rose to \$1,283.80 from about \$1,275 earlier in the afternoon.

Stocks, already in the red prior to the Trump comments, fell further as investors responded to news that he would prefer that the Federal Reserve keep interest rates low. Hope for higher rates, which make banking more profitable, has buoyed financial shares in recent months.

Shares of financial companies declined on the last day of trading before Citigroup

and J.P. Morgan Chase kick off earnings season.

The Dow Jones Industrial Average declined 59.44 points, or 0.3%, to close at 20,591.86, while the S&P 500 fell 0.4% and the Nasdaq Composite lost 0.5%.

In Europe, the Stoxx Europe 600 index picked up 0.2% to close at 381.90, its highest close since December 2015.

Citigroup, J.P. Morgan and Wells Fargo were all set to report their first-quarter earnings before the stock market opens Thursday, unofficially launching

earnings season, according to many traders and investors.

During this earnings season, U.S. companies were expected to report their strongest quarterly earnings since 2011, as of March 31, according to FactSet. Solid first-quarter results are needed to support the post-election stocks rally, some analysts say, noting that bets on soaring U.S. corporate profits led to the run-up in stock prices since early November.

If stocks are to remain at these levels, earnings must live up to expectations, they say.

"The market has priced in this earnings recovery," said Andrew Slimmon, portfolio manager with Morgan Stanley Investment Management, adding that stocks seem to be in "quiet season" ahead of the onslaught of first-quarter earnings, and that has led to some stalling in stock prices.

"The good news is, usually when the markets have stalled going into earnings season, it sets up for a good period for stocks during earnings," he said.

In the interim, investors have parsed political worries, from

questions about the timing and likelihood of President Donald Trump's tax reforms to the French presidential election later this month to a spate of geopolitical worries from the Middle East to the Korean Peninsula.

For the most part, however, investors keep returning to the health of the U.S. economy.

"Markets are thrown a geopolitical curveball from time to time, but economic data is good and there is still every reason to believe in risk," said Geoffrey Yu, head of the U.K. investment office at **UBS** Wealth Management.

On Wednesday, the head of the International Monetary Fund hailed the prospects of the global economy, even as she warned about protectionism. "After six years of disappointing growth, the world economy is gaining momentum," said IMF Managing Director Christine Lagarde in a speech. "At the same time, there are clear downside risks: political uncertainty, including in Europe; the sword of protectionism hanging over global trade; and tighter global financial conditions."

—Georgi Kantchev contributed to this article.

Shares of Citigroup, scheduled to report its results on Thursday, declined 0.9%.

ERIC THAYER/BLOOMBERG NEWS

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MARKETS

Did Banks Get a 'Trump Bump' or Not?

Results to be released are a moment of truth for expectations set by the new presidency

By PETER RUDEGEAIR

Investors get a first look at bank earnings under President Donald Trump this week.

The biggest U.S. banks kick off the first-quarter earnings season Thursday with **J.P. Morgan Chase & Co.**, **Wells Fargo & Co.** and **Citigroup Inc.** each reporting results.

Investors will seek to judge whether the outlook for the firms will live up to the sharp rise in bank stocks since the election, reflecting expectations that growth will pick up under Trump administration policies.

Most big banks are forecast to show higher profits compared with last year's dismal first quarter, when plunging oil prices, concerns about China's economy and tough trading conditions weighed on results.

But over the past 90 days, analysts polled by Thomson Reuters have revised their revenue estimates lower for three banks—Citigroup, J.P. Morgan and **Goldman Sachs Group Inc.**—and raised them a bit for **Morgan Stanley**, **Bank of America Corp.** and Wells Fargo. (Bank of America, Morgan Stanley and Goldman are scheduled to report earnings next week.)

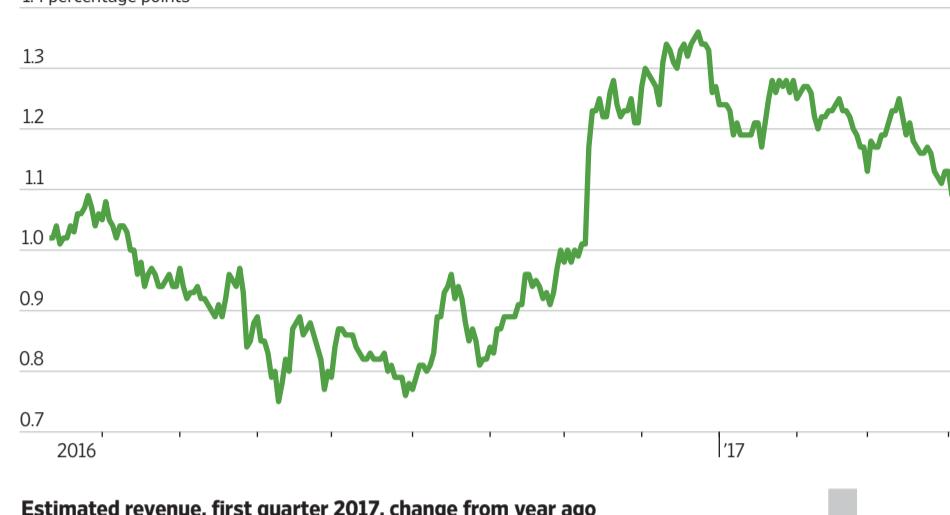
One reason for analysts' hesitancy is a surprising, sharp slowdown in business lending since late 2016. Commercial and industrial loans, which account for the bulk of many banks' loan portfolios, expanded by a 1% annual rate in January and shrank by a 1.3% annual rate in February, according to Federal Reserve data. That is a steep decline from the pace of expansion over much of the past year.

Checking In

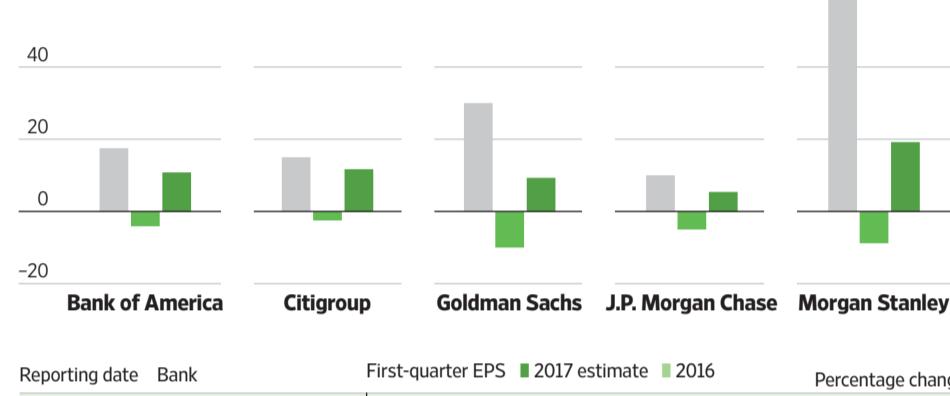
As earnings season gets under way, investors will be closely monitoring profit, revenue and trading trends at major financial firms for a read on whether a postelection bank-stock runup is justified. The yield curve measuring the gap between two- and

10-year yields has flattened and loan growth has slowed, likely limiting profit gains, but revenue should rise at many firms off soft year-ago comparisons. Analysts have pared back some estimates, keeping shares relatively flat in 2017.

10-year Treasury yield spread over 2-year yield



Estimated revenue, first quarter 2017, change from year ago

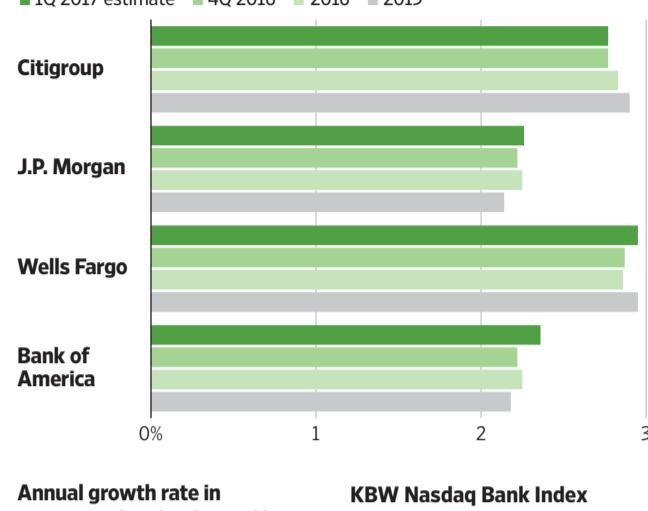


Reporting date	Bank	First-quarter EPS	2017 estimate	2016	Percentage change
April 13	Citigroup	\$1.24	\$1.10		▲13%
	J.P. Morgan Chase	\$1.52	\$1.35		▲13%
	Wells Fargo	\$0.97	\$0.99		▼2%
April 18	Bank of America	\$0.35	\$0.21		▲67%
	Goldman Sachs		\$2.68	\$5.18	▲93%
April 19	Morgan Stanley	\$0.88	\$0.55		▲60%

*Seasonally adjusted

Sources: FactSet (spread, performance); KBW (NIM); Federal Reserve (growth rate); Nomura (estimated revenue); Thomson Reuters (estimates); the companies (2016 earnings)

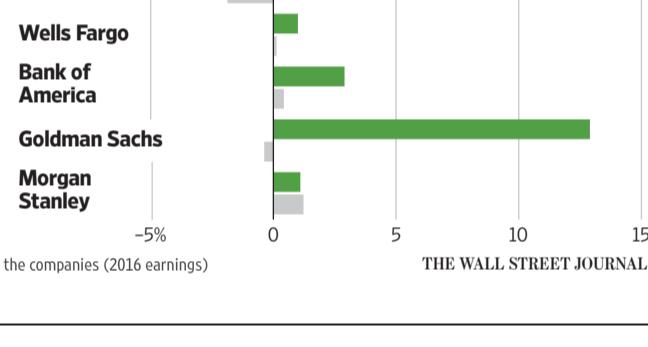
Net interest margin, a measure of how profitably banks lend or invest customer deposits



Annual growth rate in commercial and industrial loans*



Percentage change in last 90 days



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The Threat From Consumer Credit

Rapid growth in consumer credit is troubling policy makers on both sides of the Atlantic. More defaults are likely to follow when rising interest rates push up repayment costs.

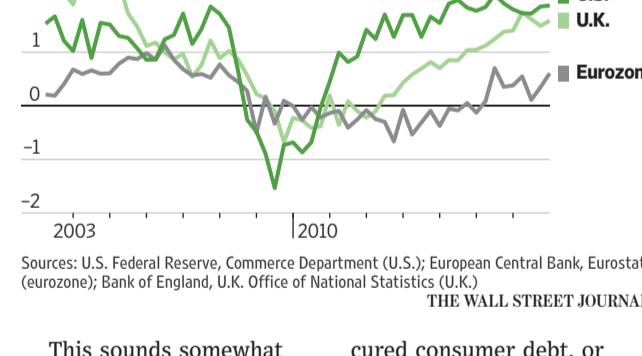
In the U.S., about one-quarter of banks are already expecting more people to struggle with consumer credit payments this year, according to a Federal Reserve survey.

But the bigger question is whether defaults or a lending slowdown will hurt economies that have relied on consumer spending. On this, central banks are surprisingly sanguine.

The European Central Bank said this week that the eurozone's recent consumer-driven recovery hadn't been spurred by growing household indebtedness. Similarly, the Bank of England said last week that consumer credit problems were unlikely to hurt consumer spending more broadly.

Helping Hand

Quarterly net new consumer credit as a share of household spending



Sources: U.S. Federal Reserve, Commerce Department (U.S.); European Central Bank, Eurostat (eurozone); Bank of England, U.K. Office of National Statistics (U.K.)

for changes in consumption. But there are potential problems with this.

Credit flows as a share of spending have been increasing since the financial crisis. That suggests the role of lending in supporting consumption has grown.

Also, consumer credit is more important for people on lower incomes and for younger people who don't own houses or other assets that have gained value from years of ultraloose monetary policies.

Lastly, when borrowers default on consumer debts, the losses for banks can be worse than for mortgages.

Consumer credit might seem like a small part of U.S. and European recoveries, but if the recent growth goes bad, it will have a big effect on some sections of society and on bank profits.

And that could have knock-on effects for everyone else.

—Paul J. Davies

OVERHEARD

Facing budget cuts, the Kentucky Coal Mining Museum has found a new way to trim its expenses, according to CBS affiliate WYMT.

Owned by a local community college, the museum is switching to solar power from electricity supplied by the grid that comes largely from locally mined coal.

The decline in coal production has been especially severe in the state.

A report by Kentucky's Department for Energy Development and Independence says the state still had the second-largest number of people employed in the industry of any state, but that production in 2015 had fallen to its lowest level since 1954.

The community college's communications director, Brandon Robinson, acknowledged the awkwardness of the move to the TV station, but noted that, "of course, coal is still king around here."

Well, more like prince.

BMW Takes Slow Lane to Win in China

Not everyone is having a rough ride as the world's largest car market slows down.

After a blockbuster 2016 for car sales across brands in China on the back of a government tax incentive, sales growth is dropping sharply.

German car maker **BMW** makes one-quarter of its sales in China, together with its joint-venture partner, **Brilliance China Automotive**. They didn't benefit much from last year's tax break because it mainly applied to cars with small engines—which account for only 15% of their sales. But BMW Brilliance is roaring back this year, with sales up 8.3% in March, comfortably outpacing most rivals.

The Chinese auto sector overall has been producing ever more cars. BMW Brilliance has bucked the trend by slowing production, and the net impact of not flooding the market is less pricing pressure.

BMW car prices rose by 0.9 percentage point on average in the last three months of 2016, according to Bernstein analysts, as it reduced discounts for consumers.

Meanwhile, it has been spending less on marketing and sales-incentive plans than rivals, helping to hold up margins.

Both BMW and Brilliance China are getting patient with higher valuations than their stock-market peers. Still, at 11 times forward earnings, Brilliance is trading below its five-year average of 12 times forward earnings, according to S&P Global Intelligence, while BMW is trading at 8.4 times. In China's fast and furious car market, slow and steady is winning the race.

—Anjani Trivedi

U.S. Business Lending Slows and No One Is Sure of Why

Not a Good Sign

Total loans and leases by U.S. commercial banks, change from a year earlier



Source: Federal Reserve

THE WALL STREET JOURNAL.

commercial and industrial lending alone equates to a \$100 billion shortfall in loans.

One explanation is that many companies have been tapping corporate-bond markets to lock in low rates and in some cases to pay down more expensive bank debt. In the first quarter of this year, corporate-bond issuance rose 18% from a year earlier, according to the Securities Industry and Financial Markets Association. But the rise isn't enough to explain the entire shortfall in lending.

Goldman's economists also point to dynamics in the oil industry. When oil prices were falling in the first quarter of 2016, many energy companies couldn't tap capital markets for financing. Instead, they drew on bank

lines of credit. Now that oil prices have rebounded, many are paying down their bank lines, Goldman says.

As the Goldman economists admit, this hypothesis is hard to verify because the Fed lending data aren't broken down by industry. Using data from the Office of the Comptroller of the Currency on the total size of credit facilities, they assume commodities companies borrowed around one-third of loan commitments available to them by March last year, then paid down about 35% of that balance over the rest of the year. They figure this would account for roughly the entire \$100 billion shortfall in commercial and industrial lending.

But Goldman's figures are

rough estimates, and others are skeptical. Paul Ashworth, an economist at research firm Capital Economics, says the oil thesis doesn't explain why there was such a sudden deceleration starting in November. Moreover, he notes that lending has slowed across the board, not just in commercial and industrial but also in mortgages, consumer loans and commercial real estate.

Political uncertainty may be one cause. Consumers and businesses have shown greater confidence since the election, but with major policy changes in taxes, trade and health care still in limbo, they might want more clarity before they take out big loans for new projects.

—Aaron Back

The slowdown is more surprising given the rise in business and consumer confidence since the election. And it is worrisome because the lack of business investment is considered an important reason why economic growth has remained weak.

Loans to businesses have slowed most, with the latest data showing commercial and industrial loans up 2.8% from a year earlier, compared with 8.9% growth in late October. Economists at Goldman Sachs Group estimate the slowdown in com-