

# THE WALL STREET JOURNAL.

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As of 12 p.m. ET DJIA 20748.73 ▲ 0.98% NIKKEI 18875.88 ▲ 1.37% STOXX 600 386.09 ▲ 2.11% BRENT 51.55 ▼ 0.79% GOLD 1275.40 ▼ 0.93% EURO 1.0851 ▲ 1.16% DLR \$109.78 ▲ 0.66%

## What's News

### Business & Finance

The euro, French government bonds and European stocks rose sharply after the first round of France's presidential election, as Emmanuel Macron edged out Le Pen. **A1**

◆ Apple will put more senior engineers in its autonomous cars than some of its rivals are using for road tests. **A1**

◆ Amazon has created a team focused on driverless-vehicle technology. **B3**

◆ Aluminum has defied the recent sell-off in copper, lead and other industrial metals, in anticipation of a Chinese clampdown on pollution. **B1**

◆ Eric Olsen resigned as CEO of Lafarge following controversy over payments the company made to armed groups in Syria. **B1**

◆ PPG raised its offer for Dutch rival Akzo Nobel to \$26.4 billion, the U.S. firm's third takeover attempt in two months. **B1**

◆ Tesla plans to double the number of chargers for its electric cars at its stations globally. **B3**

◆ Becton, Dickinson said that it would acquire C.R. Bard for \$24 billion in the latest merger of medical-supplies manufacturers. **B2**

◆ Samsung will roll out two patches for its new smartphone following complaints from customers. **B3**

◆ JAB Holding plans to put shoemakers Jimmy Choo and Bally International up for sale. **B3**

### World-Wide

◆ Xi urged Trump to exercise restraint over North Korea and stay in line with the U.N. Security Council, according to Chinese state media. **A3**

◆ Widodo denounced the divisive identity politics that defined the latest Jakarta election. **A3**

◆ Trump wants any spending deal to include some funding for a border wall less than a week before the U.S. government could run out of money. **A6**

◆ Obama was set to emerge from a self-imposed public absence with an event on "civic engagement" in Chicago. **A6**

◆ Maoist rebels killed at least 24 Indian paramilitary soldiers and injured six others in their stronghold in central India. **A4**

◆ Israeli prosecutors charged a teenager accused of making more than 2,000 threatening calls to Jewish institutions. **A4**

◆ The EU's statistics arm verified that Greece posted its first overall budget surplus in 21 years. **A4**

◆ In Germany, the number of crimes committed by migrants surged by 52.7% last year. **A4**

◆ Mattis arrived in Afghanistan for a surprise visit, hours after his Afghan counterpart and the army chief of staff resigned. **A3**

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## WORLD NEWS

# How Trump's Debut Could Have Differed



### CAPITAL JOURNAL

By Gerald R. Seib

**L**et's imagine an alternative opening act to the Trump presidency.

Specifically, let's imagine a presidency that attempted from the outset to take advantage of the fact that Donald Trump isn't an ideological conservative or a traditional Republican, but rather a radical centrist who should be able to create unconventional, bipartisan coalitions.

Imagine this new president had given a different kind of inaugural address, one in which he didn't accuse the capital's political leaders of flourishing at the expense of its citizens but

This alternative presidency would have set out from the beginning to build bridges to the 10 Democratic senators up for reelection in 2018 from states Mr. Trump carried, and the 12 House members who represent districts Mr. Trump carried in 2016. In this Trump presidency, the cabinet he chose would

rather sketched out a vision of a new way of working with those leaders.

This presidency wouldn't have started with polarizing issues guaranteed to back both parties further into their corners: aiming to repeal the Democrats' signature health-care law and imposing a ban on travel from a set of Muslim-majority countries as the first step in fighting terrorism. Rather, it would have opened with two big initiatives in which at least a few Democrats would have been willing—maybe even eager in some cases—to cooperate: rebuilding American infrastructure and changing the nation's inefficient tax code.

As the Trump presidency approaches its 100-day mark Saturday, it's easy to imagine that Mr. Trump, given a do-over, might choose this kind of opening act. It would have capitalized on his strongest single asset, which is the fact that he isn't the product of the traditional party system but rather that rarest of things in Washington, a genuine free agent.

have been populated with fewer ideological conservatives and instead would have included some moderate Democrats.

As the Trump presidency approaches its 100-day mark Saturday, it's easy to imagine that Mr. Trump, given a do-over, might choose this kind of opening act. It would have capitalized on his strongest single asset, which is the fact that he isn't the product of the traditional party system but rather that rarest of things in Washington, a genuine free agent.

The suspicion that Mr. Trump might wish he had chosen a different opening path is buttressed by the fact that the figures now ascendant in the administration's power structure—son-in-law Jared Kushner, daughter Ivanka Trump, National Economic Council director Gary Cohn, Treasury Secretary Steven Mnuchin—all fit into this kind of nonpartisan mold.

On more practical terms, such an opening would have diminished rather than ac-

centuated the power and leverage of the House Freedom Caucus, the band of the House's most conservative members who dealt the president his most grievous early blow in the collapse of the effort to repeal and replace Obamacare.

*The president could have capitalized on his nonideological, centrist background.*

In a narrowly divided, highly partisan environment, the power of any such small group is enhanced because even a few votes spell the difference between success and failure. A president with a broader power base can't be held hostage by any one faction.

Mr. Trump's populist appeal isn't rooted in partisanship but, in many ways, actually should transcend partisanship and ideology.

That is seen in a new Wall

Street Journal/NBC News poll. The survey shows that basic economic issues are more important to Americans right now than are other domestic issues, including health care. Americans are inclined to think the government should be doing more, not less, to help solve them.

Only one in 10 Americans sees Mr. Trump as a typical Republican. The vast majority in both parties consider him a different kind of Republican, and they are more likely to say that's a good thing rather than a bad thing.

This picture raises a couple of pertinent questions. The first is whether really it was possible to move down a nonpartisan path—or whether anti-Trump passions at the base of the Democratic Party would have made it impossible to do so. In other words, did Mr. Trump drive away Democrats, or did Democrats drive him further into the arms of fellow Republicans?

It's impossible to know for sure, of course, and certainly

both forces were at work to some extent. The one thing that seems clear is that some of Mr. Trump's more divisive early actions, decisions and priorities made it easier for Democratic activists to create pressure on their representatives to take a never-cooperate position.

**T**he more important question is whether it's too late to adopt a different approach. The answer: Of course not, after fewer than 100 days have passed. As noted, the president and his team already are pivoting toward a more centrist approach on some fronts.

Tax reform, infrastructure and national security all give Mr. Trump openings to become that builder of unconventional coalitions. The new Journal/NBC News poll indicates the most significant erosion in the president's standing since taking office has been among political independents. There's plenty of time to give them the kind of president they are looking for.

## Israel Remembers the Holocaust



SOMBER MOMENT: Holocaust survivor Bella Avner, right, visited the Auschwitz memorial in Jerusalem on Holocaust Remembrance Day.

## CHINA

Continued from Page One

increased as much as 700% in cities like Beijing and Shanghai. Property now accounts for 70% of personal wealth in the country.

"Housing is everything in China," said Li Gan, a professor at Southwestern University of Finance and Economics. Unless the Communist Party privatizes land, which is unlikely, farmers will continue to lose ground, he said.

Meanwhile, home prices keep rising at a faster pace, with March the quickest in the past five months. China has recently stepped up efforts to fight poverty. It also said it is building a new megacity two hours from Beijing, bringing whirlwind growth to a dusty backwater. Both initiatives suggest leaders' awareness of the deep inequities along rural-urban lines.

In 1978, when China embarked on economic overhauls, city dwellers earned about twice as much as rural residents; they now earn about 3.5 times as much, according to a study released in April by Paris School of Economics professor Thomas Piketty and World Bank consultant Li Yang.

Studies by the Asian Development Bank and the University of Michigan suggest China's rich-poor gap is even higher once property and hukou status are taken into account. "The urban-rural wealth divide is much greater than the income divide," Southwestern University's Mr. Gan said.

Often, the difference comes down to a line on a map.

Wang Qiang, a 30-year-old construction engineer from a village in northern China, bought an apartment in 2014 in the Banyan Tree Harbor residential complex astride a garbage dump in Yanjiao, just outside Beijing, across a dying river in Hebei province. Looking across the dry riverbed separating Yanjiao from the capital, Mr. Wang said he

hopes Beijing will someday absorb his community.

Giving him hope, some cities across China have extended property-buying rights to rural hukou holders. With a Beijing hukou, Mr. Wang's family would have access to better schools and hospitals and his two-bedroom apartment would be twice as valuable.

But for now, "I feel stuck," he said.

On the other side, 38-year-old app developer Liu Wei emerges from his apartment in upscale Jingmao International

City. Over the past decade, his Beijing residency status has helped him to purchase several apartments and a villa that he said are now valued at as much as 10 times what he paid for them. "I'm absolutely delighted with the price appreciation," he said.

Speculation that Yanjiao may be absorbed into Beijing has driven up property prices there at a rate matching that of Beijing in the past couple of years. But Yanjiao property values are still a quarter of those across the river.

Across China, urban residents accumulated wealth at twice the rate of rural dwellers between 2002 and 2010, leaving city dwellers with a nest egg six times larger, mostly because of housing, according to a 2015 study by Shi Li and Haiyuan Wan in China Economic Journal.

The opportunity cost of a rural background becomes even starker when considering the insider deals handed to urbanites who lived in apartments associated with their government jobs when China started to privatize housing.

Fang Liping, a 55-year-old retired math teacher, and her husband got their big break in the late 1990s when her school let her buy their three-bedroom government-owned apartment in central Shanghai for 500,000 yuan (around \$72,000). The five-story walk-up is now valued at around \$1 million and the family has since purchased two more apartments.

"We didn't consider it an investment," she said of her original apartment. "It's what everyone was doing."

China has for decades talked about overhauling the hukou system, which economists say undercuts economic growth. Political resistance is strong as city officials balk at providing services to more people.

While Beijing and Shanghai have plans to cap their populations, small cities ringed by unsold apartment blocks have welcomed rural hukou holders. However, they have little to offer in terms of jobs.

Beyond access to appreciating property markets, rural residents are also boxed out of good schooling and a range of other services in major cities.

"I've always thought about getting a home in the city and a city hukou, but it never came true," said Yang Shuanghu, 35, a driver from a village in poor Gansu province who can't work because of a back injury.

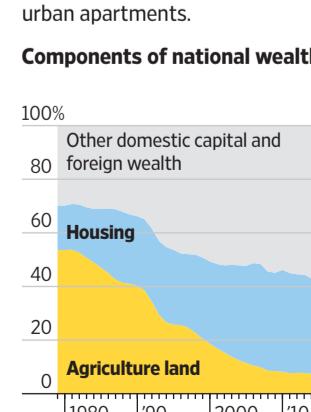
"To get by, sometimes I have to go to my sister's house to get food," he said. "Perhaps my daughter can grow up, get some education, and leave this place."

Wang Qian lives just outside Beijing, leaving his apartment valued at half what it would be if it were in China's capital.

### Land Poor, House Rich

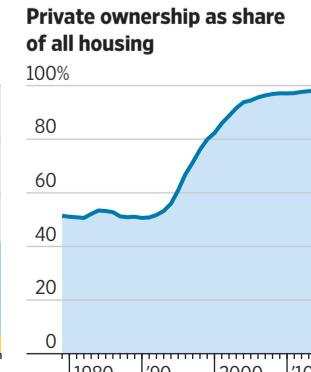
China's farmers have fallen behind as wealth has shifted from collectively owned land toward businesses and privately owned urban apartments.

#### Components of national wealth



Source: 'Capital Accumulation, Private Property and Rising Inequality in China, 1978-2015' by Thomas Piketty, Li Yang and Gabriel Zucman

#### Private ownership as share of all housing



THE WALL STREET JOURNAL.

## APPLE

Continued from Page One

Ford Motor Co. and General Motors Co., as well as Silicon Valley companies such as Uber Technologies Inc. and Tesla Inc., are investing heavily in self-driving technology.

Though Apple has been working since at least 2014 on self-driving cars—an effort dubbed Project Titan—it has been guarded publicly about the people working on the project.

Shilpa Gulati, the first person named on the Apple permit, has been in the field since at least 2009, when she was part of a team working in Antarctica on a NASA-funded project to develop an autonomous vehicle to explore one of Jupiter's moons.

She later worked on self-driving cars at Robert Bosch GmbH, a German technology and auto-parts supplier. According to her LinkedIn page, she is a manager working on special projects at a "Silicon Valley company," where she built a team of about 30 researchers and engineers.

The permit also names three engineers who worked at NASA's Jet Propulsion Laboratory: Paul Hebert, who designed a robot that could unlock a door; Jeremy Ma, who focused on algorithms for detecting three-dimensional objects; and Victor Hwang, who has worked on motion-planning algorithms for robots, according to their LinkedIn pages, which list them as working at Apple.

Rivals such as Waymo and Uber have more vehicles on the road than Apple. Waymo, for example, now mainly relies on technicians for testing, industry watchers say. For Apple, keeping engineers close to the technology could allow them to make quicker improvements, said Jeremy Carlson, an automotive analyst with research firm IHS Markit.

Apple declined to comment on its autonomous-driving plans or employees named in the document. The drivers named in the permit didn't reply to requests for comment.

The employees named in the permit are among an estimated 1,000 people working on Project Titan, said people familiar with the effort.

Their experience in robotics and camera vision from their work on space programs would be valuable to a self-driving program. Ms. Gulati, for example, has researched making autonomous wheelchairs move more gracefully.

The fundamental problems of controlling a wheelchair overlap a great deal with the fundamental problems of controlling a car,

said Benjamin Kuipers, the University of Michigan professor who oversaw Ms. Gulati's wheelchair research when she was a Ph.D. student at the University of Texas.

Hiring experts with self-driving car experience has become fiercely competitive and expensive in recent years. Sebastian Thrun, the so-called godfather of Google's self-driving car project, created a stir last fall when he told Recode that experienced autonomous-vehicle researchers were valued at \$10 million each, based on GM's acquisition of Cruise Automation Inc., which had about 40 employees, and Uber's acquisition of Ottomotto LLC, which had about 70 employees.

**1,000**

Estimated number of people at work on Apple's self-driving project

Ms. Gulati brought to Apple her experience in robotics and time spent at an automotive supplier. A graduate of the Indian Institute of Technology, she went from working on the NASA-funded Jupiter project to joining a Bosch team that developed algorithms for a car that could drive on highways, according to her personal website.

The permit also includes a 10-page training plan for test drivers, outlining when they might need to take control of a vehicle on the road.

Each driver is given two practice runs and three trials to pass tests such as responding to a vehicle's rapid acceleration by tapping the brakes.

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# WORLD NEWS

## Leader Calls for Pluralism

Indonesian president says it is his task to heal after religion swayed regional vote

BOGOR, Indonesia—President Joko Widodo spoke against the divisive identity politics that defined the latest Jakarta election, but in an interview dismissed concerns that Islamist hard-liners would stoke deeper conflict in the world's largest Muslim-majority nation.

By Ben Otto,  
Anita Rachman  
and Patrick McDowell

"Indonesia needs to avoid divisive issues such as race, religion and ethnicity to win elections," Mr. Widodo told The Wall Street Journal at the presidential palace outside Jakarta, days after a close ally from the Christian minority lost the vote for governor of the Indonesian capital. Islamists made religion the predominant election issue and in the run-up to the vote on Wednesday drew the country's largest protests in decades.

"We need to focus on policy issues and programs," Mr. Widodo said, after a race that consumed politics here for six months, slowing work on economic reforms.

The president, a Muslim who has championed Indonesia's secular democratic traditions, said there was nothing



President Joko Widodo and first lady Iriana cast ballots in the election for governor of Jakarta.

unusual about the tensions that erupted during the election, in which hundreds of thousands of people took to the streets against Jakarta Gov. Basuki Tjahaja Purnama, the most high-profile politician among the country's long-persecuted ethnic Chinese minority.

Mr. Purnama lost his reelection bid by 15% to 18% of the vote to a ticket led by Anies Baswedan, a former university rector who promotes a moderate form of Islam, according to pollsters' projections of samples from Wednesday's balloting. Official results are expected next week.

"Now it is my task to bring

the people together again," Mr. Widodo said. He said he would promote tolerance by meeting with religious groups across Indonesia. "Our DNA is pluralism."

"This election was not normal," said Tobias Basuki of the Center for Strategic and International Studies in Jakarta, pointing to how mainstream politicians relied on hard-line groups, bringing an Islamist narrative to the fore. "It's never been this way before."

Mr. Widodo said that "investors are not worried" about the election. The rupiah, weaker against the dollar by 1.7% in 2017, strengthened slightly after the election, as

did the local stock market, which is up nearly 7% on the year.

Mr. Widodo has long been seeking to attract new investment into infrastructure to build the ports and railways he says the country needs to boost economic growth.

"This was a bad result for the president, and so it is unsurprising to see him out doing damage control," said Matthew Busch, a research fellow at the Lowy Institute for International Policy. "Indonesia has had dirty and tense elections before...but the stakes were unusually high with the Jakarta governorship on the table."

## Xi Urges U.S. Restraint Toward North Korea

By TE-PING CHEN

BELIJING—Chinese President Xi Jinping urged U.S. President Donald Trump to exercise restraint over North Korea and said he opposed any action that would violate United Nations Security Council resolutions, Chinese state media reported.

The two leaders spoke by phone on Monday amid escalating tensions over North Korea's advancing nuclear and missile programs—their second phone discussion on the issue in the past two weeks following their Florida summit this month.

The conversations came a day before the 85th anniversary of the establishment of the Korean People's Army, when experts say Pyongyang may launch a sixth nuclear test, amid signs it has been preparing for one. On Sunday, it emerged that North Korea had arrested a U.S. citizen in Pyongyang, adding another potential flashpoint with the U.S. at a time of increasingly heated rhetoric.

Mr. Trump also spoke on Monday with Japanese Prime Minister Shinzo Abe, who said afterward that the American leader "has indicated by his words and actions that all possible options are on the table."

Mr. Xi said all parties should avoid further ratcheting up tensions on the peninsula, state media said, adding that the two pledged to stay in regular touch.

The White House issued short statements about the calls hours after Chinese and Japanese officials commented. Officials said Mr. Trump and Mr. Xi discussed North Korea's "continued belligerence."

"The two leaders reaffirmed the urgency of the threat posed by North Korea's missile and nuclear programs and committed to strengthen coordination in achieving the denuclearization of the Korean Peninsula," the White House said.

The White House provided no detail about specific issues discussed with Mr. Abe.

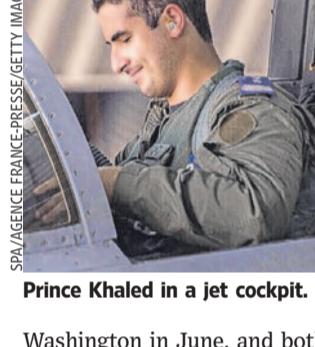
*P*ongyang might launch another nuclear test on Tuesday, experts say.

Mr. Trump and top U.S. officials have threatened to use unspecified military force against North Korea, and a U.S. aircraft carrier finally is en route to the Korean peninsula after White House and Pentagon officials prematurely announced its deployment.

Tensions between the U.S. and North Korea have risen since Mr. Trump indicated he will discard the Obama administration's policy of "strategic patience" and strike a more aggressive posture toward Pyongyang.

## Saudi Prince Khaled Named Ambassador to U.S.

By NIKHIL LOHADE  
AND DAHLIA KHOLAIF



Prince Khaled in a jet cockpit.

DUBAI—Saudi Arabia's King Salman appointed one of his sons as the kingdom's new ambassador to the U.S., as Riyadh seeks to cement improved ties with Washington following its disputes with the Obama administration over Iran and other American policy in the region.

The appointment of Prince Khaled bin Salman as the new envoy to Washington was announced in a decree by the Saudi monarch late Saturday, according to the official Saudi Press Agency. The prince, who is in his 20s, succeeds Prince Abdullah bin Faisal bin Turki bin Abdulah Al Saud.

The prince is seen as close to his brother, Deputy Crown Prince Mohammed bin Salman, who is in his early 30s and oversees the Saudi defense forces and the kingdom's economic-reform initiatives. Prince Khaled accompanied his brother on an official visit to

Washington in June, and both are said to belong to the king's inner circle of advisers.

Prince Khaled studied at Georgetown University and Harvard University, according to the website of the Saudi-owned Al Arabiya news channel. He also served as a pilot in the Saudi air force, during which he received training at Nellis Air Force Base in Nevada and Columbus Air Force Base in Mississippi.

—Summer Said contributed to this article.

## Mattis Makes Surprise Afghan Visit

By GORDON LUBOLD  
AND HABIB KHAN TOTAKHIL

KABUL—U.S. Defense Secretary Jim Mattis arrived in Afghanistan for a surprise visit on Monday, just hours after the resignations of his Afghan counterpart and the army chief of staff following the deadliest attack by insurgents on government forces since the war began in 2001.

It is Mr. Mattis's first visit to Afghanistan as defense chief, but his experience here is deep: A former Marine, he was the first commander of American troops here following the U.S.-led invasion of the Central Asian country in 2001.

While the Taliban were quickly forced from power that year, Afghanistan has been at war since then, and during his visit here, Mr. Mattis and the head of the U.S.-led international military force, Gen. John Nicholson, will discuss whether to recommend to President Donald Trump the deployment of more U.S. troops to the country.

In testimony to the U.S.



U.S. Defense Secretary Jim Mattis looked out on Kabul on Monday.

Congress in February, Gen. Nicholson said a few thousand additional American troops were needed to advise and train Afghan forces.

Currently, there are about 8,500 U.S. forces and some 6,000 soldiers from other members of the international coalition in Afghanistan in support of the central government in Kabul, which is fighting both the Taliban, the largest insurgency, and the local affiliate of the extremist group Islamic State.

Mr. Mattis's visit comes amid turmoil in the Afghan armed forces. The government of President Ashraf Ghani had no immediate comment on the departures of the defense minister, Abdullah Habibi, and the army chief of staff, Qadam Shah Shahim, and no reasons were given for the moves. Gen. Dawlat Waziri, the defense ministry spokesman, said only that their resignations had been accepted by Mr. Ghani.

Friday's Taliban attack on a

government army base in Balkh province left about 170 people dead, Afghan officials said, after six Taliban fighters infiltrated the heavily guarded base aboard military vehicles and opened fire in what became a five-hour battle. Five of the militants were killed and a sixth was captured alive by Afghan commandos, Afghan military officials said.

The Afghan defense ministry, which has come under pressure after initially trying to play down the attack, is examining what went wrong.

"The investigation has begun and many other officials will be investigated and sacked," Gen. Waziri said.

Mr. Mattis is winding up an eight-day trip that has taken him to Riyadh, Cairo, Tel Aviv and Jerusalem, as well as Doha and Djibouti. His talks with officials have focused on fighting terrorism and countering what the Trump administration says is Iran's destabilizing influence.

—Ehsanullah Amiri in Kabul contributed to this article.

A large advertisement for Breitling featuring a close-up of a Breitling Navitimer watch. The watch has a black dial with multiple sub-dials and a tachymeter scale. The brand logo, a stylized 'B' with wings, is prominently displayed on the dial. The watch is shown against a dark, smoky background.

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## WORLD NEWS

# French Presidential Runoff Spells New Era

Centrist Emmanuel Macron holds polling edge over far-right Marine Le Pen as they advance to next round

BY WILLIAM HOROBIN  
AND STACY MEICHTRY

PARIS—Centrist Emmanuel Macron and far-right politician Marine Le Pen led the first round of voting in France's presidential election as voters redrew the political map, placing the European Union at the center of a new divide.

Mr. Macron accrued the most votes in the first round with 23.8%, according to an official tally, ahead of Ms. Le Pen with 21.5%.

The vote marks a stunning rebuke of France's mainstream political forces. For more than four decades, a duopoly of conservative and socialist presidents has alternated in the Élysée Palace, squeezing out fringe parties as well as mavericks seeking to end the country's political and economic sclerosis.

On Sunday, the EU and its demands of free trade and open borders became the defining fault line of a new political order. On one side stood Mr. Macron, a former investment banker who seeks deeper EU integration. On the other was Ms. Le Pen, an avowed opponent of the EU and its common currency.

"You have an alternative, the real one," said Ms. Le Pen on Sunday. "The major issue of this election is runaway globalization, which is putting our civilization in danger."

Mr. Macron said he wanted to become the standard-bearer of a governing majority that can relaunch the EU.

"I want to be the president of patriots against the threat of all the nationalists," he told his supporters.

Opinion polls published Sunday indicated Mr. Macron would handily defeat Ms. Le Pen in a head-to-head contest as supporters of defeated candidates coalesce around him. The runoff between Mr. Ma-



Campaign posters for Marine Le Pen and Emmanuel Macron, who face each other in a final round of presidential balloting May 7.

cron and Ms. Le Pen is to be held on May 7.

The strength of Mr. Macron's score on Sunday could help restore calm in sovereign-debt markets. Investors have been demanding a premium to lend to France in the run-up to the vote, amid fears the country's membership in the EU and the euro was in jeopardy.

Europe's common currency rose 1.8% to \$1.0926 on Sunday, its highest level against the dollar since November. Against the Japanese yen, the euro surged to ¥120.8, up 3.2%.

Still, the first-round outcome suggests the country is more divided than ever over the European question. Votes for the main euroskeptic candidates, including Ms. Le Pen and far-left firebrand Jean-Luc Mélenchon, accounted for nearly half of the tally.

The race is also unfolding in a highly volatile climate. The slaying of a police officer in an assault on the Champs Elysées

on Thursday revived fears of terror attacks that buffeted the country in recent years, killing more than 200 people.

François Fillon, the conservative Les Républicains candidate who placed third with 19.9%, said he would cast his vote for Mr. Macron because "I have no other choice than vote against the extreme right."

The collapse of the ruling Socialist Party was amplified by the fourth-place performance of Mr. Mélenchon with 19.6%.

"This failure is a deep wound," said Benoît Hamon, the candidate of the Socialist Party, who garnered 6.4% of the vote, placing fifth. Mr. Hamon also called on his supporters to unite behind Mr. Macron, calling Ms. Le Pen "an enemy of the republic."

Mr. Mélenchon declined to support one of the top two finishers Sunday evening. Taking the podium before a chanting crowd, he instead accused both Mr. Macron and

Ms. Le Pen of failing to address a corrupt status quo and said that he would ask his supporters to vote on his website to determine whom his movement would support.

European leaders across the continent celebrated Mr. Macron's advance to the runoff. German Foreign Minister Sigmar Gabriel praised Mr. Macron as "the only truly pro-European candidate who didn't hide behind prejudices about Europe."

Mr. Macron and Ms. Le Pen will face an uphill challenge. Both need to field candidates for legislative elections scheduled for June 11 and 18 and command a majority in Parliament to implement their platforms.

For Mr. Macron—whose political party En Marche, or "On the Move," is barely a year old—the difficulty lies in uniting barons from mainstream parties on the left and right who have recently defected to his ranks. At the

same time, he needs to mobilize young supporters who have displayed savvy in campaigning on social media but lack experience in machine politics to turn out voters in local constituencies.

Ms. Le Pen's second-place finish is a step forward in her yearslong drive to re-fashion the National Front, a political party founded in the xenophobic and anti-Semitic spirit of her father, Jean-Marie Le Pen. Still, Ms. Le Pen's effort to push the party past World War II-era recriminations stumbled this month when she claimed the French state wasn't responsible for the 1942 roundup of Jews in which more than 13,000 people were arrested and kept in the Vel d'Hiv cycling stadium to be deported to Nazi concentration camps.

—Joshua Robinson,  
Nick Kostov, Matthew Dalton, Noémie Bissere  
and Sam Schechner  
contributed to this article.

## EU Executive Makes Rare Endorsement

BRUSSELS—The European Union's executive body is breaking with longstanding tradition by taking sides in the French presidential election, a potentially risky strategy aimed at helping centrist candidate Emmanuel Macron.

European Commission President Jean-Claude Juncker on Sunday night called Mr. Macron to congratulate him and wish him luck for the second round, a conversation that was tweeted about by his staff.

Mr. Juncker's intervention represents a stepped-up effort by EU authorities to actively defend Brussels from the growing political opposition it faces across the bloc. Some of Mr. Juncker's commission team also publicly welcomed Mr. Macron's first-round win, as did leaders of Germany, Belgium and Luxembourg.

As a rule of thumb, the EU's executive, unlike national leaders, typically stays above domestic party politics. Mr. Juncker's move comes as EU governments have increasingly bristled at Brussels' intervention.

Moreover, explicit commission backing of Mr. Macron could play into the hands of his May 7 runoff opponent, Marine Le Pen, who has derided Mr. Macron as a cheerleader for European and global elites.

On Monday, Mr. Juncker's spokesman, Margaritis Schinas, doubled down on the commission's support for Mr. Macron. Welcoming the prospect of a "strong, clear debate" on France's role in Europe ahead of the runoff, he said the choice on Sunday was "between defending what Europe represents and another option which aims to destroy Europe."

In the past, the EU has worked hard not to be seen as interfering in elections.

—Valentina Pop

## MARKET

Continued from Page One

the narrowest spread this year. The French CAC-40 stock-market index closed up 4.1%, driving the broader Stoxx Europe 600 up 2.1%.

Some investors believe this relief rally will continue, with an increased appetite for the euro and European stocks as electoral worries fade and the continent's improving economy comes further into focus. The increased appetite for riskier investments such as shares may hit bonds, which have benefited from haven buying and a vast European Central Bank bond-buying program some analysts believe will be scaled back this year.

"The balance of discourse was just so skewed against the euro," said Geoffrey Yu, head of the U.K. investment office at UBS Wealth Management. "As we move away from the politics, we think the euro is going higher. It's still quite cheap at these levels relative to long-term averages."

Political risks, particularly concerning the French election, have been investors' biggest concern for European markets this year. The focus has been especially intense given the surprise results of last year's U.K. Brexit vote and the U.S. presidential election and after Italians rejected attempts at a political overhaul.

Investors have put money into safer investments, including bonds and German government debt, and often avoided Europe's weaker economies.

But on Monday, German bonds sold off sharply. As prices fell, yields on 10-year bonds rose to 0.34% from around 0.24% on Friday. Gold, another haven that has benefited from concern over political risk, was down 1.5% in the wake of the French vote.

French government bonds, meanwhile, rallied alongside those of Italy, Spain and Portugal, the three European markets that typically sell off when investors are concerned over the risks of a breakup of the eurozone.

Investors had been concerned by the prospect of a

strong showing by Ms. Le Pen, the far-right leader of the National Front, or by the far-left candidate Jean-Luc Mélenchon. Ms. Le Pen wants to pull France out of the currency union, and Mr. Mélenchon had advocated scrapping some of its core fiscal rules, positions that would spell trouble for the euro and French bonds.

As recently as last week, some analysts were forecasting the euro would fall to parity with the U.S. dollar, a prediction that has been popular for more than two years but has yet to happen. After the French result, Deutsche Bank AG said it was in the process of updating its forecasts, which previously had predicted the euro would fall to \$0.95 by the end of 2017.

To be sure, risks remain. Investors see a gamut of problems for Italy, with weak growth, banks with bad loans and sky-high public debt. They also wonder what happens if the ECB begins to scale back its quantitative-easing program, which has supported the bonds of weaker economies and boosted shares.

"European government bond yields will likely come under pressure in the months ahead," Anthony Doyle, fixed-interest investment director at M&G Investments, said in an email. "As will European investment-grade corporate bonds that have benefited from the ECB's bond buying" program.

Ms. Le Pen may also still win. "It is probably too early for markets to see a big relief rally just yet," said Anna Stupnitska, global economist at Fitch Ratings.

Investors' nerves already had been soothed somewhat by a mid-March election in the Netherlands, when Prime Minister Mark Rutte beat anti-euro candidate Geert Wilders.

Inflows of cash into Europe's equity markets have been picking up, according to data provider EPFR Global. Investors have moved about \$5 billion into European equities since the beginning of the year, with a rise in inflows in the past four weeks.

—Jon Sindreu, *Emese Bartho* and *Noémie Bissere*  
contributed to this article.

## INDIA

### Maoist Rebels Kill Dozens of Soldiers

Maoist rebels killed at least 24 Indian paramilitary soldiers and injured six others in their stronghold in central India in one of the worst attacks on the country's security forces in recent years, police said.

The rebels fired from hilltops at a group of paramilitary soldiers who were guarding workers building roads in Sukma district of Chhattisgarh state, police officer Vishwanaranjan said.

The government has been trying to improve roads in the dense jungles of Chhattisgarh to make it easier for security forces to pursue the rebels.

The injured were taken by helicopter to a hospital.

CNNNews18 television quoted a paramilitary soldier as saying that hundreds of rebels attacked members of the Central Reserve Police Force and that there was an exchange of gunfire.

The insurgents, who say they are inspired by Chinese revolutionary leader Mao Zedong, have been fighting for more than three decades in central and eastern India, staging hit-and-run attacks to press their demand for a greater share of wealth and more jobs for the poor.

The government says the rebels are India's biggest internal security threat. According to the Home Ministry, they operate in 20 of India's 29 states and have thousands of fighters.

—Associated Press

## ISRAEL

### Teen Charged for Threatening Centers

Israeli prosecutors charged an Israeli teenager accused of making more than 2,000 threatening calls to Jewish institutions, schools, airports and airlines.

The 18-year-old, who is Jewish and has dual Israeli and American citizenship, was charged with thousands of counts of various crimes over the course of two years including extortion, carrying a weapon, assaulting a police officer, drug trafficking and money launder-



Guards escort the teen suspected of making numerous anti-Semitic threats from a court in Israel.

ing. He is also charged with possession of obscene materials including child pornography, according to the indictment filed in a Tel Aviv court on Monday.

He wasn't named in the Israeli indictment because some of his crimes were committed when he was under 18. The U.S. indicted the same person on similar charges on Friday.

At the time of his arrest, one of the teen's lawyers said he suffers from a nonmalignant brain tumor that affects his behavior. Another lawyer for the defendant on Monday referred questions to a spokesperson who said he would respond later to charges.

Israeli police arrested the teen last month as part of an investigation that involved the FBI and other security agencies in the U.S., Europe and Australia.

—Rory Jones

## GREECE

### Eurostat Confirms Government Surplus

The European Union's statistics arm verified that Greece posted its first overall budget surplus in 21 years, with debt repayments included, in 2016.

Eurostat expressed no reservations about the quality of data provided by the Greek national statistics service and published Friday. Greece posted a primary surplus of 4.2% of gross domestic product, excluding interest payments for 2016, Eurostat figures showed.

"This is significantly above the 0.5% of GDP program target set for 2016 and even above the target of 3.5% set for 2018," European Commission spokesman Margaritis Schinas said, adding that the body was confident

Greece would reach its targets in 2017 and 2018.

—Nektaria Stamouli

## GERMANY

### Crimes by Migrants Surged Last Year

The number of crimes committed by migrants surged 52.7% in Germany last year, fueling a sharp rise in violent offenses after years of stable rates and highlighting challenges facing Chancellor Angela Merkel and other pro-immigration politicians in coming elections.

Migrants, whom the police statistics define as refugees and rejected asylum-seekers, committed 174,438 crimes in 2016, up from 114,238, figures show. Over the same period, crimes by German citizens declined 3.4% to 1.41 million.

—Ruth Bender

# SEAS OF CHANGE

ECONOMIC UNCERTAINTY AND NEW REGULATIONS HAVE BROUGHT TESTING TIMES FOR THE MARITIME SECTOR, BUT A FRESH WAVE OF INNOVATION REPRESENTS A RAFT OF OPPORTUNITIES FOR THE INDUSTRY TO GET BACK ON COURSE

By Paul Kay

**T**he world has changed immeasurably over the past decade, with the global financial crisis, seismic political shifts, and technological advancements all playing a significant part. And while these developments have affected every industry to one degree or another, for the maritime sector it has been nothing short of a perfect storm.

A traditionally conservative business, the shipping industry has found the post-2008 waters particularly choppy, with falling freight rates and an excess supply of vessels adding to the myriad challenges brought by an uncertain economic environment. In addition, a flood of new regulations, the increasing size and docking needs of mega-ships, and a growing demand for greater sustainability are forcing ports and shipping companies to adapt quickly or risk being washed away by their competitors.

But while the changing seascape undoubtedly presents serious challenges for the industry, it also brings a wave of new opportunities for those who can lead the way in shaping the sector's transformation. Aptly enough, how best to navigate these challenging times is the theme of this year's Singapore Maritime Week (SMW), with the Lion City welcoming an estimated 20,000 industry professionals for a program of conferences, dialogues, exhibitions and social events from April 22-28.

"The next decade will be a defining moment for the maritime industry," says Andrew Tan, Chief Executive of the Maritime and Port Authority of Singapore (MPA), the driving force behind SMW. "The question is whether the maritime industry can stand aside from all the disruptive technologies that are impacting other sectors, such as Big Data, Internet of Things, cloud computing, sensors, Blockchain and growing use of mobile applications." Tan also points to the rise

of e-commerce and the development of 3D printing as factors that will add impetus to these developments.

"New players and platforms are already disrupting traditional business models and creating new value chains in some segments of the maritime sector," adds Tan. "Technology will be an enabler as it will be a leveller, and we should harness technology as a force multiplier to enhance the efficiency and effectiveness of the maritime industry." Remi Eriksen, Group President and CEO of global marine classification society DNV GL, also sees huge opportunities in the current state of flux. "I like to say, 'Never waste a good crisis,'" he says. "In tough times, we should use the opportunity to think along new lines, search for new solutions and take advantage of new technologies."

## NEW HORIZONS

From increased automation of vessels and using Big Data to optimize operational planning and deployment, to employing Augmented Reality (AR) to give crewmembers a more accurate picture of their surrounding environment, technology clearly has a huge role to play in the advancement of the maritime industry in the coming years.

As chairman of global maritime conglomerate BW Group Limited, as well as chairman of both the Singapore Maritime Foundation and the International Maritime Centre 2030 Advisory Committee, Andreas Sohmen-Pao is as well placed as anyone to assess the potential impact of technology on the shipping industry. In his view, the successful implementation of technology requires three critical conditions: clear legislation introduced in a timely fashion; willingness of companies to support technological innovation with ideas, capital and other resources; and a regulatory framework that encourages innovation and facilitates the introduction of new standards. "When industry players or countries resist progress, it results in a



Singapore's port is pioneering the latest technologies, pushing the maritime industry into the age of digital disruption.

chaotic global patchwork of legislation, damage to innovation, and penalties on companies that are trying to move forwards," he adds.

"Just as we are moving towards autonomous cars, one can envisage more autonomous vessels over time," says Sohmen-Pao on the subject of specific innovations set to change the industry. "Data analytics combined with sensors can enhance the way we operate vessels. Technology offers the chance to create platforms for commercial decision-making and trading. 3D printing can improve availability of spare parts."

Eriksen agrees, adding that the speed of development in the information and communications technology sector is bringing the cost of cutting-edge innovations within the reach of ever-greater numbers of companies. "Enhancement in sensor technology, increased ship connectivity and, for all practical purposes, unlimited computing power provides opportunity to increase efficiency, reduce operating costs, improve safety performance and reduce environmental footprints," he says.

## GREENER WATERS

Among the key factors shaping the industry's transformation and growing enthusiasm for innovation are new regulations and legislation, particularly those that force vessels to be more environmentally friendly. One particularly significant development, notes Noah Silberschmidt, CEO of Silverstream Technologies, is the International Maritime Organisation's decision to implement a 0.5% sulphur cap on fuel oil from January 2020—meaning that ship operators will need to install scrubbing technology or switch to clean distillates or distillate-based fuel oil rather than using heavy fuel oil to ensure compliance.

"There needs to be the right market environment to drive the uptake of innovation—an environment

that we believe now exists within shipping," says Silberschmidt, whose company pioneers air lubrication technology that reduces fuel consumption and associated emissions for the shipping industry. "In other words, this is a commercial incentive to reduce fuel costs and emissions in line with customer and regulatory demand, and a recognition that improved sustainability ultimately means increased competitive advantage and more profitability."

Silberschmidt also points to political pressure on the shipping industry to help achieve global warming targets defined in the Paris Agreement as a strong motivator for change. "The majority of opinion formers within the marketplace believe that there needs to be a pathway for the decarbonization of shipping," he says. "While these are significant challenges, in meeting them it will mean that shipping not only becomes a more sustainable industry, but also a more profitable and commercially viable one."

Eriksen, too, highlights decarbonization along with digitalization as key drivers for the coming decade, while noting that, "This is not just about the technology itself, but also about how successful we are in scaling it to the point where it delivers real financial, environmental and societal benefits."

So what will the future look like in the maritime industry? On the surface, probably not too different from what we have today—albeit enhanced by a host of technological advancements that complement and improve existing processes. "Some elements will look familiar," says Sohmen-Pao. "Large-scale transportation of goods over long distances in the most cost-efficient way known to man. In other ways, it will have progressed from where we are now—vessels that are cleaner and less expensive to run, and an integration of physical operations with insights from the virtual world."

Paul Kay is a freelance editor based in Hong Kong.

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## U.S. NEWS

# Trump Demand Muddies Shutdown Talks

White House wants any spending deal to include some funding for a border wall

By KRISTINA PETERSON

WASHINGTON—Less than a week before the federal government could run out of money, White House officials said President Donald Trump wants any spending deal to include some funding for a border wall, despite little appetite among congressional Republicans for risking a partial shutdown over the issue.

The administration's last-minute push, voiced on Sunday talk shows and by the president himself on Twitter, injected a note of volatility into this week, when lawmakers return after a recess and with little time for reaching an agreement to keep the government operating after its current funding expires at 12:01 a.m. Saturday—also the 100th day of Mr. Trump's presidency.

That deadline has left congressional Republicans juggling the demands of the White House and its shifting messages with those of Democrats, whose votes will be needed to pass a spending bill to avoid a shutdown.

Complicating the negotiations over the funding bill, top White House officials also are urging House Republicans to move swiftly to revive a partisan health-care bill that stalled last month, and Mr. Trump has said he would release a proposal for overhauling the tax code on Wednesday.

Given the complications and tight timeline, few, if any, of Mr. Trump's legislative ambitions are likely to be realized by Saturday. That means GOP lawmakers would face the uncomfortable choice of denying or deferring some of Mr. Trump's wishes, such as funding the wall, before the symbolic 100th day, or triggering a showdown with Democrats.

House Republicans held a weekend conference call where



Mr. Trump wants any spending deal to include some funding for a border wall. House Minority Leader Nancy Pelosi, above, said Democrats aren't willing to fund the wall.

GOP leaders said they would focus first on striking a deal to keep the government funded.

"The top priority is keeping the government open," Rep. Tom Reed (R., N.Y.) said in an interview after the Saturday afternoon call. "I support the [border] wall, but I don't like us getting bogged down in symbolic, ideological fights" on must-pass legislation.

House Speaker Paul Ryan (R., Wis.) told Republicans that the House Appropriations Committee had been working closely with the White House on the spending agreement,

according to a Republican on the call.

"And so, wherever we land will be a product the president can and will support," Mr. Ryan said, according to that person. If lawmakers can't reach a bipartisan deal by Friday, they may pass a one-week stopgap measure, buying more time for negotiations, lawmakers and aides predicted. A larger bill would fund the government until October and could include a newly written defense-spending bill.

The spending bill under discussion already was expected

to include some of the president's wishes, including an increase in funding for the military and border security.

But White House officials began pushing for more late last week, potentially destabilizing the precarious balance required to avert a shutdown.

Administration officials said Mr. Trump wants the spending bill to include funding to begin building the wall along the southern border. However, they haven't threatened that he would veto a bill that excluded it.

"The president has been

pretty straightforward about his desire and the need for a border wall," Homeland Security Secretary John Kelly said in an interview that aired Sunday on CNN. "I will suspect he will be insistent on the funding."

In March, the administration asked Congress for \$1.4 billion in spending for the current fiscal year for the project, with an additional \$2.6 billion for the next fiscal year, beginning Oct. 1.

"It's not like we're inserting something that the president didn't talk about on the campaign," White House budget director Mick Mulvaney said in an interview Friday. "It should come as a surprise to no one that President Trump wants money for a southern border wall."

Mr. Trump himself repeated his request over Twitter on Sunday. "The Democrats don't want money from budget going to border wall despite the fact that it will stop drugs and very bad MS 13 gang members," he said.

But White House Chief of Staff Reince Priebus said Sunday the administration could be flexible on whether the spending bill included money specifically for the wall, suggesting funds for border security could be considered sufficient for now.

On Capitol Hill, Democrats in both chambers have warned that they aren't willing to fund the wall in the coming spending bill.

"The Democrats do not support the wall," House Minority Leader Nancy Pelosi (D., Calif.) said Sunday on NBC. "The wall is, in my view, immoral, expensive, unwise, and when the president says 'Well, I promised a wall during my campaign,' I don't think he said he was going to pass billions of

dollars of cost of the wall on to the taxpayer."

While some Republicans said they would be willing to set aside funds for the border, many are reluctant to imperil a bill that would need at least eight Democratic votes to pass the Senate. GOP leaders are also likely to need Democratic votes in the House, where some conservatives are expected to oppose the bill, giving Democrats unusual leverage at a time of full GOP government control.

Democrats are pushing to include payments, known as "cost-sharing reductions," that help support Affordable Care Act plans by helping insurers lower costs for low-income consumers. An abrupt withdrawal of the payments would pose an immediate threat to health-insurance markets.

**GOP lawmakers and aides have stressed the need to show their party can govern.**

GOP lawmakers and aides have stressed the need to demonstrate their party can govern, particularly after House leaders were forced to pull their health-care bill from the floor last month. Mr. Priebus said on NBC Sunday that he "would like to have a vote this week" on a modified health bill, "but again, it's not something that has to happen in order to define our success."

Even if the bill were to clear the House this week, it isn't clear it could pass the Senate.

—Brody Mullins,  
Peter Nicholas  
and Michelle Hackman  
contributed to this article.

## Congress Disappoints in Survey

By AARON ZITNER

Americans have little confidence in Congress's ability to investigate Russia's meddling in the 2016 presidential election and would give the task to an independent panel, a new Wall Street Journal/NBC News survey finds.

Some 73% of adults in the survey said that a nonpartisan, independent commission should look into Russia's involvement in the election, compared with 16% who said Congress should take the initiative.

Some Democrats have called for an independent commission to conduct such an investigation, which is now being carried out by the intelligence committees in the Republican-controlled House and Senate, as well as by the Federal Bureau of Investigation. Republican leaders have said the intelligence committees are the appropriate panels to look into the matter.

But 61% of adults in the survey said they had little or



Respondents favor new panel on alleged Russian meddling in poll.

from the most-recent prior Journal/NBC News survey, in February.

The U.S. intelligence community has assessed that Russian President Vladimir Putin ordered a campaign to influence the outcome of the 2016 U.S. presidential election and that he aimed to help Mr. Trump prevail. In March, FBI Director James Comey testified that the FBI is investigating the Russian government's efforts to intervene in the election, including any relations between individuals associated with the Trump campaign and the Russian government. The White House has denied that any such collusion took place.

Russia has denied any involvement in the election.

The Wall Street Journal/NBC News poll was based on nationwide telephone interviews with 900 adults from April 17-20.

It has a margin of error of plus or minus 3.27 percentage points, with larger margins of error for subgroups.

## Obama Ends Public Absence With Appearance in Chicago

By MICHELLE HACKMAN

WASHINGTON—Former President Barack Obama on Monday broke his public silence since the inauguration, saying his top, post-White House priority is encouraging a new generation of political leaders.

Mr. Obama pledged as president to stay clear of politics but scheduled a forum on civic-engagement at the University of Chicago before his successor reaches the 100-day mark of his time in the White House.

"I'm spending a lot of time thinking about what is the most important thing I can do for my next job," Mr. Obama said. "And what I'm convinced

of is that although there are all kinds of issues that I care about, and all kinds of issues that I intend to work on, the single-most important thing that I can do is to help in any way I can prepare the next generation of leadership to take up the baton and take their own crack at changing the world."

Mr. Obama also said the country's political discourse has suffered amid the polarization of media consumption and the decline of what he described as "mediating" institutions that would bring together people with different types of political views.

Mr. Obama, who had vowed to avoid meddling in President Donald Trump's

handling of the office, has largely declined to make public statements as his successor works to dismantle portions of his legacy, including on immigration, health care and the environment.

Instead, the former president has taken a succession of vacations, with photographs most recently showing him on a trip to French Polynesia, where he was seen with rock star Bruce Springsteen, actor Tom Hanks and media mogul Oprah Winfrey.

Mr. Obama has set up a postpresidential office and staff in Washington while his younger daughter Sasha finishes high school. So far, though, details on his post-presidential plans have been

scant. That changed Monday, when students from across the Chicago area gathered to discuss the mechanics of civic engagement.

That appearance will be followed in May by one in Boston, where Mr. Obama will attend an awards ceremony, and another in Germany, where he will join German Chancellor Angela Merkel for

an event at the Brandenburg Gate in Berlin. He is also expected to deliver several private, paid speeches across the U.S. and Europe, according to media reports.



Mr. Obama at the University of Chicago on Monday, his first formal public appearance since leaving office.

SUSAN WALSH/ASSOCIATED PRESS

## U.S. NEWS

# States Shore Up Insurance Markets

By ANNA WILDE MATHEWS  
AND MICHELLE HACKMAN

Amid uncertainty in Washington about the future of the Affordable Care Act, states are moving to bolster their own insurance markets, hoping to fend off big rate increases and pullbacks by insurers.

Idaho, Oklahoma and Minnesota have passed bills that aim to blunt insurers' costs for covering people who buy individual insurance and have health conditions that require expensive treatments. The measures would allow insurers to unload at least some of the expense of these enrollees' claims onto state programs, typically using a version of reinsurance.

Last year, Alaska created its own reinsurance setup, an effort that state officials there said has helped to limit rate increases and keep its individual insurance market functioning.

Worried state insurance commissioners are also pushing back deadlines for filing 2018 plans and lobbying companies to participate in their ACA marketplaces. Insurers are struggling to make decisions about their 2018 ACA exchange offerings. Industry officials have said that uncertainty over Washington's plans for overhauling the law, particularly key federal payments that help insurers reduce costs for low-income ACA enrollees, may prompt higher premiums and exits from more markets.

Tennessee's insurance regulator, Julie Mix McPeak, has been meeting with insurers in hopes of filling a gap in her state where, after Humana Inc.'s announced departure next year, residents may have no exchange plans available.

"The message I'm conveying is, 'We'll do whatever we can to make this area attractive to you on the individual exchange market,'" she said, adding that the department is "trying to show flexibility and consideration" to any insurers willing to come in, including being open to their rate proposals.



Andrew Romanoff, head of Mental Health Colorado, speaks to the public in Vail, Colo., last week.

**Several states have passed bills that aim to blunt some costs for health insurers.**

those with serious medical needs, resulting in the past in some sharp premium increases and financial losses.

"We felt the need to try to do what we could to stabilize the market and encourage the carriers to stay in the market, and provide some relief," said Dean Cameron, director of the Idaho Depart-

ment of Insurance.

A few weeks ago, the state passed a law that will create a new reinsurance program. It is a revamped version of an existing program, sometimes called a high-risk pool.

Before the ACA's rules took effect, 35 states operated programs that aimed to ensure coverage for people who found it hard to obtain traditional individual plans. Under its new setup, Idaho's program will help pay claims for people with certain health conditions who are enrolled in regular ACA plans.

Mr. Cameron said that all of the insurers in Idaho's insurance exchange are losing money on the business. After the state's individual market saw a 25% average premium increase this year, he feared even larger ones next year. He hopes the new initiative will help hold down premiums.

The challenge for states is the price tag of such reinsurance efforts. Idaho officials said the state can use money from an existing insurance tax to help pay for its reinsurance effort, and Alaska used a similar setup to start its program.

In Oklahoma, however, state regulators are counting on federal funding to pay for a reinsurance program, which they hope to request from the federal government by July. They haven't yet settled on many of the program's details.

The state is seeking the money under an existing waiver option within the ACA that allows states to tweak the law's setup if they meet certain requirements, including showing that the changes won't reduce the number of people with coverage.

Alaska has applied for a similar waiver and it is seeking money with the argument that its program is saving federal dollars, which can be routed back to the state to support its effort.

Minnesota has made its reinsurance program contingent on a federal waiver, though its law would dedicate up to \$540 million in state money over two years to help insurance companies cover people whose claims expenses rise past \$50,000 a year.

The Trump administration has signaled that it will favor such waiver applications.

## INDIANA

### Student-Athlete Rule Fuels Concerns

A new policy at Indiana University that aims to ban prospective student athletes with a history of sexual abuse was hailed by advocates of tougher rules on violence against women, but some critics worry about creating a double standard for athletes and nonathletes.

The policy, which was approved this month and reported by the Indianapolis Star last week, says the university will screen prospective applicants or transfer students who may play intercollegiate sports or receive athletic financial aid, barring any who had been convicted of or pleaded no-contest to a felony involving sexual violence or had been formally disciplined by a previous institution for such behavior.

The new rule will apply to potential freshmen, transfer students and walk-on athletes.

Critics of the Indiana University policy said it sets a higher bar for student athletes than for the larger student body. One concern for schools is that such a distinction could open them up to the argument that these student athletes are undergoing what looks like an employment screening process and strengthen the argument that they should be treated like professionals in other ways.

—Laura Kusisto  
and Melissa Korn

## ENVIRONMENT

### California Man Wins Prize for Activism

An East Los Angeles man who helped shut down a toxic battery recycler joined activists who blocked other industrial projects as 2017 recipients of the Goldman Environmental Prize, the green world's highest honor.

The six activists were scheduled to be at a ceremony Monday in San Francisco by the Goldman Environmental Foundation, which was launched by the late San Francisco philanthropists Richard and Rhoda Goldman as a way to honor grassroots environmental activists around the world.

—Jim Carlton

## NEW ORLEANS

### First of 4 Confederate Statues Removed

Workers in New Orleans removed the first of four prominent Confederate monuments Monday, becoming the latest Southern institution to sever itself from symbols viewed by many as a representation of racism and white supremacy.

The Liberty Place monument, which commemorates whites who tried to topple a biracial post-Civil War government in New Orleans, was taken away on a truck in pieces around 5:30 a.m. after a few hours of work.

—Associated Press

## Videoconference Call From Space



**CONGRATULATIONS:** President Trump on Monday lauded NASA astronaut Peggy Whitson, above with Flight Engineer Jack Fischer, for her record-breaking stay aboard the international space station.

## The Face of Real News

Lingling Wei's expert insights into China and its economy helped answer some of the most pressing questions when the yuan significantly devalued. Her work gave readers an insider's look at the mechanisms at play during the complex turn.

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## IN DEPTH

# SMOKE

*Continued from Page One*  
lion last year. An average pack in the U.S. cost an estimated \$6.42 in 2016, up from \$3.73 in 2001, according to TMA, an industry trade group.

A flurry of consolidation has wonnowed the U.S. tobacco market from seven big players to two: Altria and Newport maker Reynolds American Inc., which together sell eight out of every 10 cigarettes in the country. As companies combined, they squeezed out costs and increased pricing power, along with profits.

The operating profits of U.S. tobacco manufacturers have grown 77% since 2006 to \$18.4 billion in 2016, according to Bank of America Merrill Lynch Global Research. Industry executives and analysts now figure the country generates more tobacco profits than any other market in the world outside China, where a state-run monopoly controls sales and prices.

Johnny Cagigas oversees the machines that spit out as many as 10,000 "sticks" a minute at Reynolds American's plant here. He started out in the industry 20 years ago, and remembers the pressure and worries over an uncertain future.

When he tried to fill positions in the late 1990s at a Brown & Williamson factory in Macon, Ga., he says job candidates would ask, "Do you think they will shut you down?" Many refused offers.

### Riding a wave

"In a blessed way, I started at the right time, because now I'm getting to ride a wave that people were used to back in the '60s and '70s," he says in his office, nestled inside a complex where overhead conveyor belts push along neatly stacked Newports. Robots squirt orange liquid into e-cigarette cartridges. "Uncertainty doesn't faze us a whole lot now," he says.

Investors are also cheering. In 2000, U.S. tobacco companies' price-to-earnings ratios were about a third of their consumer-staples peers'. Today, they're roughly 10% higher, according to Morgan Stanley. The S&P 500 Tobacco Index fell 22% between 1998 and 2002. Over the past decade, it's up 17%, outperforming the broader S&P 500, which climbed 58%.

The industry sells 5.5 trillion cigarettes each year to the world's one billion smokers. In many ways, the U.S. has become attractive again as opportunities around the rest of the globe wane.

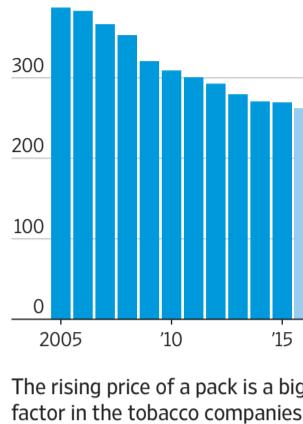
Taxes are often lower in the U.S. than elsewhere in the developed world, according to World Health Organization data. About 42% of the average U.S. pack price is tax, according to TMA. In Britain, meanwhile, taxes make up 82% of the average pack, which sells for about \$10.90, or about \$4 more than the average U.S. price, according to Britain's Tobacco Manufacturers' Association.

Thanks partly to the First Amendment, U.S. tobacco makers also aren't constricted by some of the more stringent branding and health-warning rules introduced elsewhere. In Britain and Australia, cigarettes are sold in drab, greenish-brown packs with a large health

### Smoking-Hot Returns

Although the number of cigarettes purchased each year has been dropping, tobacco companies have been making more money.

#### Cigarettes sold in the U.S.\*



The rising price of a pack is a big factor in the tobacco companies' growing profits...

#### Avg. price of a pack of Marlboros



#### Price breakdown for a pack of Marlboros, 2016†



\*2016 is an estimate †For a pack of Marlboros

Sources: Euromonitor International (cigarettes, brand market share); Company reports and Bank of America Merrill Lynch Global Research estimates (profit pool); Wells Fargo (price per pack, taxes, breakdown)

#### Total U.S. tobacco profit pool



...even though state and federal taxes eat a hefty portion of the sales price.

#### Taxes as a pct. of retail price‡



#### Share of cigarette sales in the U.S., 2015



#### Imperial Tobacco

7.5%  
Winston  
USA Gold  
Kool  
Sonoma  
Salem

#### Liggett Vector

2.6%  
Pyramid  
Grand Prix  
Liggett Select

#### Others

9.8%

fuel the innovation for next-generation products?" said David O'Reilly, BAT's head of research and development, in a recent interview.

Back in 2004, London-based BAT was retreating from the U.S. It merged its Brown & Williamson unit with Reynolds to create Reynolds American, keeping a 42% stake. Now, BAT is doubling down again on the U.S. Earlier this year, it agreed to pay \$49.4 billion for the other 58%.

Since that megadeal, analysts have been awfully about the prospect that Altria might get back together with Philip Morris International. A combination would create a \$300 billion-plus behemoth.

A Philip Morris spokeswoman said the company has "no further plans beyond" its existing cooperation with Altria on alternative products. Altria declined to comment.

"Many of the reasons BAT and Philip Morris cited for leaving have become more manageable," said David Taylor, U.S. head of Imperial Brands PLC, another U.K.-based global player, in an interview. In 2015, Imperial bought four American cigarette brands, and an e-cigarette brand, boosting its market share here to 9.5% from about 3%.

### Cost cuts

Altria and Reynolds, meanwhile, have been cutting costs for years. Reynolds consolidated its cigarette manufacturing here in Tobaccoville after its 2004 merger with Brown & Williamson. In 2015, Reynolds bought Lorillard, at the time America's No. 3 tobacco company, for \$25 billion.

As part of those deals, Reynolds claims more than \$1 billion in cost savings. Altria says it cut \$2 billion in costs between 2007 and 2013.

Today's boom is all the more remarkable considering the depth of the crisis Big Tobacco found itself in more than two decades ago. Back then, it was slashing prices to fend off cheaper competitors.

In April 1993, Altria-predecessor Philip Morris Cos. cut the price of Marlboro by roughly 20%. Stock prices plunged across the industry.

A year later, the FDA said for the first time it was considering regulating tobacco. The following week, ABC aired an explosive investigation concluding that companies manipulated nicotine content to hook consumers.

At a congressional hearing in April 1994, the top executives of seven tobacco companies testified under oath that they didn't believe nicotine was addictive. A flood of news reports followed, with leaked internal documents showing nicotine's addictive qualities were widely known inside the industry.

In 1997, the then-chief executives of Philip Morris and RJR Nabisco Holdings Corp., the owner at the time of RJ Reynolds Tobacco Co., sat down with four attorneys general, a public-health advocate and a slew of attorneys in an Arlington, Va., hotel conference room to begin talks over settling the mounting legal woes. States were seeking billions in compensation for costs associated with treating smoking-related illnesses. They also wanted new marketing restrictions and money for youth-smoking prevention programs.

The industry reached a deal with 46 states, five U.S. territories and the District of Columbia. Companies agreed to make annual payments indefinitely, calculated using a complex formula that accounts for volume and inflation. At the time, both sides estimated that those payments would amount to a jaw-dropping \$206 billion over the first 25 years. The four remaining states settled separately.

"There was the sense that the industry may be teetering at the time on the edge of distress if not bankruptcy," recalls Phil Angelides, a former board member for the California Public Employees' Retirement System, who as California state treasurer in 2000 spearheaded a tobacco divestment drive by the pension fund. "The industry was on its knees."

But the settlement also drew a line under the biggest of the industry's legal woes. States gave up future legal claims, reducing uncertainty. The industry's payments toward the master settlement have amounted to \$119.5 billion to date, according to data from the National Association of Attorneys General.

Stiffer regulation also didn't hurt as badly as some feared. In 2000, Philip Morris came out in favor of federal oversight. The company took part in negotiations on legislation, passed in 2009, giving the FDA regulatory control of tobacco products. Last year, the agency said it would assume the same authority over e-cigarettes.

Industry executives and analysts say the oversight ended up creating a high barrier to entry for new players. Former Rep. Henry Waxman, a Democrat from California who sponsored the legislation, said its goal wasn't to hobble the industry but to reduce smoking.

### 'Lower the noise'

The adult smoking rate in the U.S. fell to 15% in 2015, from 25% in 1995. The rate among high-school students dropped to 11% from 35%, according to the U.S. Centers for Disease Control and Prevention.

"We were trying to lower the noise around tobacco issues," Altria's Mr. Barrington said. "We were trying to create a level playing field for manufacturers to compete."

Firms also found they could easily pass on the costs to smokers. Altria figures the settlements with all 50 states equate to about 69 cents of the price of each pack.

"They took very little of an earnings hit," said Richard Daynard, chairman of the Tobacco Products Liability Project at Northeastern University School of Law in Boston. The group was created in 1984 to use litigation to tackle tobacco-led public health issues.

Gary Fisketjon, an editor at publisher Alfred A. Knopf, remembers when a pack of unfiltered Camels cost a dollar. Now they go for \$14 or more at Manhattan convenience stores. Mr. Fisketjon, 62, splits his time between New York and Nashville and stocks up on cigarettes in Tennessee, where they're cheaper.

Colleagues on smoke breaks often complain about the rising price of cigarettes, he says. "It's like, I can't even afford to do this anymore, it's so ridiculously expensive." But I say, 'Well, here you are.'

# REBEL

*Continued from Page One*  
lot of America feels that way; there was an election recently that showed that."

In the opinion of Mr. Leavens, a gallery manager for a fine-arts auctioneer, "Vermont has been full of rebels for a long time."

To protest the decision, local opponents have twice helped vote down the nearly \$50 million school district budget. Signs saying, "Be a Rebel. Vote No" dotted yards. Plans for a third vote on the budget are in the works.

"I can't remember anything that has caused this much emotion and division," says Diane Bugbee, 52 years old. She has a son who is a senior at South Burlington High and backs a new school nickname. Rebels, she says, has too much baggage: "There are just some things that can't be rebranded."

The controversy heated up in 2015 when the Burlington Free Press newspaper dug up some old high-school yearbooks from the 1960s. They showed photos of cheerleaders and sports teams posing alongside Confed-

erate flags. Until the early 1990s, the school's mascot was, in fact, a Confederate colonel.

The "Confederate Rebel guy," as principal Patrick Burke calls the mascot, has long been removed from the school's gym floor, uniforms and official materials.

Yet in this largely white, upscale, liberal city of some 18,000 people, also known as the headquarters of Ben & Jerry's ice cream, the photos didn't go down so well. In the November election, Donald Trump won 19% of the vote here; Hillary Clinton, 68%.

Monica Ostby, a 49-year-old parent of two South Burlington students, says she hadn't been aware of that bit of school history. "I thought it was about Ethan Allen," she says, referring to the Revolutionary War figure who was a founder of Vermont. She says the Rebels nickname is too tainted to keep.

Not so, says Sandy McDowell, who chimed in during a packed school-board meeting Wednesday night, where the back and forth stretched to more than three hours.

"This will be short because I have to go home and let the dog out," Mr. McDowell, an en-

gineer in his 60s, told the board as the meeting neared 10 p.m.

In Mr. McDowell's view, the Rebels name doesn't need fixing, and it could just as easily refer to Muhammad Ali, Rosa Parks or himself, for that matter.

Replacing the Rebel nickname isn't likely to be a simple matter. The name adorns the school's athletic jerseys, as well as banners hanging from lamp posts. Rebel signs surround the track and football field. "Home of the Rebels" is plastered on the scoreboard and across a press box atop the bleachers.

Some residents have complained about the cost—with past estimates approaching \$50,000—to buy new Rebel-less sports uniforms. The school district superintendent now proposes spending less than that if students make do with one jersey for both home and away games. The district also will have to excise the many Rebel-related markings from the school.

To study the matter, the school board has convened a new 40-member "South Burlington School District Mascot Selection Oversight Committee."

Meanwhile, a "Rebel Alli-

ance" Facebook page dedicated to overturning the board's decision has drawn more than 2,000 members. It is pushing a citywide vote to decide whether to keep the Rebels name on campus.

Stacey Savage, a 46-year-old director at a cosmetology school, says any Confederate symbolism related to the school name is long gone. The school, she says, is trying to "make sure all students feel good about everything. Well, welcome to life, not everything is

going to make everyone happy."

The donnybrook is an echo of other mascot controversies. In Massachusetts, Amherst College this month adopted a mammoth as its mascot after last year renouncing its unofficial mascot—Lord Jeff—because historians say its namesake, Lord Jeffrey Amherst, suggested germ warfare against Native Americans by infecting them with smallpox.

In a statement, Amherst College said the mammoth was chosen by a vote of Amherst alumni, students, faculty and staff, and then "ratified by three alumni Inspectors of Election." In submitting the mammoth for consideration, Amherst College community members had described the extinct creatures as worthy of the honor because they were not only "stupendous and monumental," but also highly social and herbivores.

Mr. Burke, South Burlington high's principal, explained the Rebels decision in an interview for the student newspaper at campus rival Burlington High School, home to the Seahorses.

If there was a "crazy terrorist group that's racially motivated and out killing people, and they call themselves the Seahorses, you guys would be like, 'Oh my God, let's get this name changed,'" he told the newspaper.

Some of the students appear fed up. At Wednesday night's school-board meeting, South Burlington High School senior Ryan Croxford, who doesn't care what the place is called, admonished the grown-ups for "fighting over this ridiculous stuff."

In his view, the 17-year-old student says, the debate was "really petty at this point."



The South Burlington Rebels at the start of a football game.

GLENN RUSSELL/FREE PRESS

# LIFE & ARTS

YOUR HEALTH | By Sumathi Reddy

## The Ticks are Coming

Mild winters and growing deer and mice populations point to a big year for ticks and Lyme disease diagnoses

**MILDER WINTERS,** burgeoning mice and deer populations and a bumper acorn crop from two years ago mean this year's tick season is expected to be bad and more widespread, experts say. With that comes the threat of more tick-borne diseases, including the most common, Lyme disease.

States like Connecticut—home to the town of Old Lyme where the disease was first diagnosed—are already reporting a higher number of ticks infected with the *Borrelia burgdorferi* bacterium, which causes Lyme disease, as well as other tick-borne pathogens. The deer or blacklegged tick can infect humans with Lyme disease, as well as up to seven other sometimes fatal diseases.

Of the more than 800 ticks the state has received from residents so far this year, nearly 38% have tested positive for Lyme disease, compared with an average of about 27% in the past five years for the full season, said Goudarz Molaei, a research scientist at the **Center for Vector Biology and Zoonotic Diseases**, part of the Connecticut Agricultural Experiment Station, a state-owned research facility.

About 10% of ticks have tested positive for the pathogen that causes Babesiosis, a malaria-like disease, and 5% have tested positive for the bacteria that causes Anaplasmosis, a flulike disease that can be fatal if left untreated.

"This problem is going to stay with us and it is going to get worse," said Dr. Molaei. Milder winters and no snow cover or frost means more ticks survive, he said.

The harbinger of how bad a tick season is going to be is the acorn supply, said Richard S. Ostfeld, a senior scientist at the **Cary Institute of Ecosystem Studies** in Millbrook, New York, who has been monitoring local tick populations and their hosts for 25 years.

In 2015 there was a bumper acorn crop, he said, which led to an explosion of white-footed mice last summer. That meant more hosts for baby ticks to latch onto. The mice are what infect some ticks with Lyme and other diseases.

"Ticks survive really well when they feed on a mouse compared to other animal hosts so more ticks survive to the nymph stage," said Dr. Ostfeld. "So our expectation is that we should have an unusually large number of infected nymph-stage ticks starting next month."

Ticks have a two-year life cycle and feed from hosts three times during that period. Most cases of Lyme disease in humans are transmitted by nymph stage ticks. The adult ticks also feed on deer so



### How to Avoid Ticks and Prevent Lyme Disease

- **Avoid** tall grass, leaf piles and wooded areas. Stay in the center of walking and hiking trail.
- **Use repellent** that contains DEET — 20% or more — on skin and clothing.
- If camping or hiking, **treat** clothing and gear with permethrin.
- When working outside or walking in the woods, **wear** long sleeves and long pants and stick your pants inside your socks. Wear lighter colored clothing so you can see ticks more easily.
- Do a thorough **tick check** of the body using a mirror. Make sure to

check hard-to-reach areas, including under the arms, behind the ears, inside the belly button, behind the knees and in the groin area. A lice comb can help for checking hair.

- **Showering** or bathing after spending time outside can wash off ticks that haven't latched on yet.
- **Check** pets and clothing and equipment that has been outside for crawling ticks.
- **Drying clothes** on high heat for 10 minutes can kill ticks. Add additional drying time for wet clothes.
- Regularly **mow or trim your lawn** to avoid tall grass and rake leaves.

■ Place a **3-foot wide barrier** of gravel or wood chips between the lawn and wooded areas. Try to maintain a 9-foot barrier between the wood chips and areas such as the patio, garden and play areas.

■ Try to **plant crops** that deer don't like or erect an 8-foot fence to keep them out.

■ **Spray** your yard with acaricides or tick pesticides to help reduce the number of ticks.

**Sources:** CDC; Connecticut Agricultural Experiment Station; Patricia DeLaMora, Weill Cornell Medicine, Manhattan, New York; Jorge Parada, Loyola University Medical Center, Maywood, Illinois.

KENT WOOD/SCIENCE SOURCE

deer populations help adult ticks reproduce, although the deer don't infect the ticks and when they bite humans they are bigger and easier to detect and remove.

Lyme disease is the most com-

mon vector-borne disease in the U.S.

### Symptoms and Treatment

Symptoms can include a ring-like rash, along with flulike symp-

toms, muscle and joint aches and swollen lymph nodes. It is usually diagnosed based on symptoms or a blood test.

It is treated with antibiotics. Longer-term infections can cause

more serious symptoms, including arthritis, severe muscle pain and headaches, heart palpitations, brain inflammation and nerve pain. Diagnosis and treatment of Lyme disease is controversial with many differences of opinion between patient groups and doctors.

The **Centers for Disease Control and Prevention** estimates there are more than 300,000 new cases of Lyme disease a year, about triple the rate from two decades ago. Most cases are centered in the Northeast, mid-Atlantic region and Upper Midwest states, such as Minnesota and Wisconsin. On the West Coast, where it is less common, it is spread by a different species, the western blacklegged tick.

Getting bit by a deer tick doesn't mean you will get Lyme disease. On average 10 to 30% of deer nymphal ticks are infected with Lyme disease, depending on the region, said Rebecca Eisen, a research biologist with CDC's Division of Vector-borne Diseases.

Ticks typically feed on humans for three to five days, said Jorge Parada, a medical director of infection prevention and control at **Loyola University Medical Center** in Maywood, Illinois.

A tick that latches on for only a few hours is unlikely to transmit infection. For Lyme disease to be transmitted, a tick usually has to be attached for 24 to 48 hours, said Dr. Parada, though for some other diseases it is less time. Thus, "the importance of doing tick checks."

### Tick Detection and Removal

Ticks won't crawl a lot once on a host, said Dr. Parada. They are usually found on the lower extremities, as they cling on to legs when people are walking through wooded areas or grass. Sometimes they will drop down onto people from a higher bush and end up in someone's hair or behind the ear.

Once done with a feeding, the tick will fall off on its own, said Dr. Parada. Many Lyme disease patients never see a tick on them, which can make diagnosis of the disease difficult.

Valneva, a biotech company based in France, recently started a phase one clinical trial for a Lyme disease vaccine in humans in both Europe and the U.S.

The trial includes 180 subjects and is focusing on the safety of the vaccine.

Unfortunately, approval is far away.

A spokeswoman for the company said the first approval could happen at the end of 2024 at the earliest.

### DREAMSPACE

## A PARIS MUSEUM ALSO SERVES AS A MUSE

BY HEIDI MITCHELL

AS AN ARTISTICALLY inclined youngster in Paris, Myriam Badault loved whiling away hours in her grandmother's apartment. She was particularly captivated by an armoire crammed with art supplies, where she would gravitate during visits.

"It was a secret place, where one drawer had water colors, pastels and everything you needed to draw. Another drawer was filled with candies," says Ms. Badault, now the creative director of Diptyque, a French maker of body-care products, perfumes, home fragrances and other items. "It was paradise, a place where I never felt bored."

After graduating from business school and working for perfumer Annick Goutal and the fashion houses of Chanel and Rochas, Ms. Badault sought out an equally magical successor to the armoire. She found it at the Musée des Arts décoratifs, one of the museums housed within the Louvre.

On a slow day at Diptyque's



Paris headquarters, located above the company's original boutique at 34 boulevard Saint-Germain, Ms. Badault might slip out to immerse herself in the galleries of furniture, wallpaper and *objets*. The museum has collected wall coverings since 1864 and counts about 400,000 swatches of fabric among its holdings. The collection is "a

treasure," says Ms. Badault, who is 48. "It is amazing to find thousands of wall coverings gathered together in one place."

Ms. Badault seeks out art wherever she goes, but always returns to the Musée des Arts décoratifs. "One recent

exhibit I saw was on

wallpapers which are not often shown because they are so fragile," she says. The retrospective, "Papier peint panoramique: Tombeau de Clorinde et Camp des croisés," was fascinating because it mixed prints from the 18th century with contemporary wall coverings. It was funny to see the way people interpret the idea of decorative arts. I love that the museum doesn't try to be too intellectual. It's art on a



The Musée des Arts décoratifs, in Paris, above, inspires Myriam Badault, inset, the creative director of Diptyque.

human scale."

After a few hours at the museum, Ms. Badault is filled with ideas. On one visit she stumbled upon archival fabrics from Diptyque,

which was founded in 1961 and recently reintroduced many of its original patterns on cloth tote bags and cases for throw pillows. "I am constantly seeking in-

spiration for unique designs," Ms. Badault says, "and the Musée des Arts décoratifs is a wonderful place ... to collect my thoughts and further develop my visions."



## OPINION

# By Trashing Mexico, Trump Hurts the U.S.

By Robert B. Zoellick

**P**resident Trump interrupted his prepared remarks in Wisconsin last Tuesday to excoriate, yet again, the North American Free Trade Agreement. "We're going to make some very big changes," the president pledged, "or we are going to get rid of Nafta once and for all."

Mr. Trump is playing with fire. Over the past 30 years, presidents of both parties have recognized that the U.S. benefits from working with Mexico and Canada. The more robust North America is, the better it can compete and project power globally.

In contrast, Mr. Trump's approach seems almost designed to help elect an anti-American, pro-Castro populist, Andrés Manuel López Obrador, to the Mexican presidency in 2018.

**Without Nafta, American businesses would lose protection from populism south of its border.**

Mr. Trump's policy of confrontation pits his hostile nationalism against an American tradition of practical internationalism. Because of historical legacies and national pride, North American integration and cooperation have been built on respect for the sovereignty and independence of Canada, Mexico and the U.S. That differs sharply from the European model of integration, which has sought shared sovereignty.

Consider how Mr. Trump's own priorities would fare under his Mexican policy, starting with illegal immigration. Today's illegal immigrants are coming to the U.S. primarily from

Central America. Washington should cooperate with Mexico to create a multistage defense. Working with Mexico to strengthen law enforcement, the rule of law, and intelligence would leave both countries better positioned to stop drug traffickers, criminals, human smugglers and terrorists.

Insulting Mexico, on the other hand, will make it impossible for politicians there to work with Yankee gringos. A hostile Mexico can ignore the flow of people northward, while American policies that weaken investment and growth in Mexico simply create more incentives for Mexicans to migrate to the U.S.

Mr. Trump's great wall would be a waste of money, as conservative Republicans from border states now acknowledge. A combination of fencing, additional border police, electronic surveillance and other intelligence tools would stop illegal immigration more effectively and at a lower cost. Fiscal conservatives should just say no to Mr. Trump's \$20 billion boondoggle.

U.S. Secretary of State Rex Tillerson knows that the amendments Mexico's President Enrique Peña Nieto made to his country's constitution in 2013 open the door to investment that will expand North American energy security and Mexico's income. Mr. Tillerson may not be aware, however, that because Nafta's energy terms refer to Mexico's constitution, American investors are now protected against a populist reversal of Mexican policy—but only as long as the U.S. remains in Nafta. The integration of North American energy markets helps the U.S. sell gas and electricity to Mexico while lowering costs of production in North America.

Mr. Trump's policies will actually increase costs and weaken the global competitiveness of the U.S. auto sector, his favorite subject for industrial policy. Efficient manufacturing relies on integrated supply chains that crisscross borders. U.S. producers seeking to compete with Asian and European manufacturers now transfer components across North American borders up to 14 times in the process of completing final goods. More than 30% of Mexico's exports to the U.S. contribute to the integrated auto sector.



ASSOCIATED PRESS

**President Trump in Kenosha, Wis., on April 18.**

Mr. Trump's protectionist economists have questioned the data on U.S. exports. Yet when the Manufacturers Alliance for Productivity and Innovation recalculated trade statistics to count only the value added by each country, the U.S. had a surplus in manufactured goods with Mexico and Canada.

If Mr. Trump blocks Mexico's exports, Mexico will strike back, hurting other parts of the U.S. economy. American farmers, already struggling with low prices, could forfeit sales of soybeans, corn and fruit. Poorer Mexicans will consume less,

so U.S. sales will drop. American exporters of services, a source of competitive advantage and surplus, could suffer. Six million U.S. jobs depend on exports to Mexico, with workers in Arizona, Louisiana, Michigan and Texas particularly vulnerable to self-defeating economic nationalism.

Mr. Trump will also discover that the U.S. needs friends. When I first started working with Mexico in the 1980s, I could usually guess Mexico's foreign policy by putting a minus sign in front of any U.S. position. The old one-party state of the PRI, which ruled for more than 60 years, placated leftist intellectuals by posting them to the Ministry of External Affairs, where they were free to indulge in anti-American policies.

But when I became the U.S. trade representative in 2001, my closest partners in opening markets were Mexican and Canadian counterparts. Mexico's central bankers and economic officials became natural allies as macroeconomic policies converged.

Until recently, Europeans, Asians and even other Latin Americans assumed that the three North American countries would be aligned on most foreign policies. The Mexican public's attitude toward the U.S. had shifted from sullen resentment to admiration and friendship.

Looking to the future, the alliance of the three North American democracies—being energy self-sufficient with integrated infrastructure and efficient and secure borders—could offer the U.S. a resilient and powerful base from which to face global challenges. Defense Secretary Jim Mattis and Homeland Security Secretary John Kelly should brief the president on the high number of Mexican-Americans in the U.S. Marine Corps.

When White House Chief of Staff Reince Priebus was chairman of the Republican National Committee, he concluded that the GOP needed to reach out to Mexican-Americans and other Hispanics. Insults and attacks on citizens' home countries are not a winning formula for the future.

William Seward, Lincoln's secretary of state and the man with the vision to purchase Alaska, wrote in 1853 that someday Mexico, Canada and the U.S. would create a North American union, but only after a long process and solely through free choice. Seward fought for America's national union while also promoting an internationalist vision.

Vice President Mike Pence and members of the cabinet have tried to reassure allies in Europe and Asia that a nationalist America can be internationalist, too. Mr. Trump should apply this correction at home and stop abusing America's amicable and vital neighbors.

*Mr. Zoellick is a former World Bank president, U.S. trade representative and deputy secretary of state.*

## The Folly of Investing in China's 'One Belt, One Road'

By Patrick McCabe

**O**n May 13, Beijing will host a summit meeting of countries participating in its massive infrastructure initiative known as "One Belt, One Road"—a belt of overland corridors and a complementary road of sea routes linking China to Eurasia and Africa. Neighboring countries may benefit from Beijing's investment, but investors have reason to be wary.

The summit follows President Xi Jinping's January star turn at the Davos World Economic Forum where he touted OBOR as an investment opportunity: "Over three years ago, I put forward the 'Belt and Road' initiative. Since then, over 100 countries and international organizations have given warm responses and support to the initiative... and our circle of friends along the 'Belt and Road' is growing bigger."

OBOR and the associated Asian Infrastructure Investment Bank (AIIB) raise important geostrategic questions: What risks will OBOR recipients incur when all roads lead to Beijing? How will China extract its pound of flesh from developing nations who borrow but cannot repay? Will OBOR facilitate China's overseas military basing?

Putting those concerns aside, some in the U.S. agree with Mr. Xi that OBOR offers investment opportunities. There are several problems with this view.

OBOR has a number of red flags that should give prospective backers pause. First, it was announced in 2013, meaning it was conceived using financial assumptions that are now unrealistic. The cash-flow projections were made at a time when China's double-digit GDP growth seemed unstoppable.

The Communist Party, striding through the financial wreckage of 2008 unsullied, saw its decades of propaganda about Western decline seemingly coming true. Basking in boom times, OBOR's architects certainly didn't plan for a halving of growth.

Fast forward to 2017 and China is achieving a more modest 6.5% GDP growth target, and then only through massive expansion in borrowing. We saw in 2008 what happens when people and businesses borrow recklessly on the assumption that prices and incomes will always rise.

China has spent trillions propping up its stock market and currency with questionable results, and its foreign-currency reserves have fallen

by more than \$1 trillion since their peak in June 2014.

China's debt-to-GDP ratio has skyrocketed to 282% from 150% over the past decade. This year China's capital outflows surged to a record \$725 billion, suggesting the country's own citizens are skeptical of its growth prospects.

**Beijing seeks foreign money for an infrastructure-led growth model just as the initiative begins to fail.**

Second, OBOR outlays are snowballing as other huge ventures with dubious returns take ever-bigger bites of China's finances. The People's Liberation Army is building armadas of advanced warplanes, warships and missiles, while China's space program envisages a space station by 2022 and a man on the moon by 2036.

Meanwhile, China spent billions to encase disputed South China Sea coral reefs in concrete. That has no economic payoff. As well as antagonizing neighboring countries, it de-

stroyed an ecosystem that sustains millions of fishermen, many of whom are Chinese.

China's politically directed investments in excess infrastructure, "zombie" firms, vanity projects and tens of billions in bad loans to Bolivia, Brazil, Libya, and Venezuela, among others, are notoriously unproductive. Stack China's losses and obligations on top of slowing growth and it's no wonder Beijing is eager to find new OBOR investors.

Third, the initiative is unlikely to deliver on its promises. A 2016 report from the Center for Strategic and International Studies states Chinese officials privately expect to lose 30% of their investments in Central Asia, 50% in Myanmar and 80% in Pakistan.

That shouldn't come as a surprise. A 2016 Oxford University study found costs exceeded benefits for a majority of infrastructure investments in China since 1986. It predicts that unless China shifts to fewer and higher-quality infrastructure investments, the country is headed for a financial crisis. The infrastructure-led growth China touts as a development model should be avoided.

In March Chinese state media quoted Zhang Tao, the International

Monetary Fund's deputy managing director, as he reassured the world that "China will remain a strong engine of global recovery with its ongoing economic reforms." Even as Mr. Xi burnishes his globalist credentials, Beijing has been tightening decidedly nonglobalist capital controls, trying to stem a torrent of capital flight.

These actions resemble the strategy of a property developer whose financing fell through while his condo tower is half-built: exude strength and confidence to attract desperately needed investors while obscuring imminent insolvency. If OBOR is so successful, why would the Communist Party ask foreigners for help?

At next month's summit, Mr. Xi will no doubt reiterate the message that China is an unstoppable development juggernaut poised to seize the mantle of globalism from the U.S. Beijing will pressure financial institutions to buy the debt of the AIIB and OBOR-related entities, because it's an \$8 trillion "sure thing." The smart money will stay far away.

*Mr. McCabe is a federal employee at the U.S. Pacific Command. The views expressed here are his own.*

By Ray Jayawardhana

**W**e live in a "me, me, me" world. Interest in the self, and its assorted extensions, appears to trump all else. Smug politicians and overhyped celebrities are not the only ones to suffer from this common affliction. Astronomers, who might be expected to develop a broader—humbler?—perspective on account of their majestic subject matter, tend to be self-centered in their own way.

I am speaking here of our predilection to judge all other worlds by how closely they resemble ours.

Over the past quarter-century, scientists have identified thousands

of planets orbiting stars other than the sun, confirming that our solar system is merely one among tens of billions or more in the Milky Way galaxy alone. The diversity of planets and planetary systems they have uncovered is truly astounding: speedy gas giants in star-hugging orbits, Tatooine-like worlds with double sunsets, rocky globes both scorched and frozen.

Yet we continue to obsess over finding an identical twin of our planet circling an identical twin of our sun. The reasoning is that such a setting would offer the best odds of harboring life. Some have called this idealized world Earth 2.0; others have dubbed it Mirror Earth.

In August, when evidence of a planet around Proxima Centauri, the sun's nearest stellar neighbor, came to light, both the researchers themselves and the media reports emphasized its "Earthlike" characteristics. Some glossed over glaring differences between that world and ours. Proxima b, as the planet was dubbed, orbits an active red dwarf star, much less massive than the sun and much more prone to releasing hazardous flares. With a year that is only 11 Earth-days long, Proxima b is almost certainly tidally locked, with one hemisphere baked in constant heat while the other remains in eternal darkness. What's more, the planet may have lost

much of its water and other volatile substances long ago.

In February, when astronomers reported the discovery of a remarkable retinue of seven planets around the nearby star Trappist-1, again the headlines highlighted that they are

**We have more to learn from planetary systems that are starkly different from our own.**

"Earth-size," roughly speaking, and that at least three may possess "temperate" climates, like that of the Earth. Trappist-1 is so puny that it barely qualifies as a star, though it may emit lethal doses of ultraviolet radiation. Its planetary orbits are so squashed that all seven would fit well inside Mercury's orbit around the sun. Does that sound remotely like a replica of our solar system? Obviously not.

But I would argue that we have more to learn from the Trappist-1 planetary system precisely because it is so starkly different from ours. Its mere existence—a prosaic star with a rich entourage of potentially rocky planets—speaks to the ubiquity of such worlds in the galaxy.

It is tempting to believe that there is something extraordinary, or special, about our cosmic circumstances. In fact, some have argued that complex life on Earth emerged through a series of improbable events that are unlikely to be repeated elsewhere, despite the vast-

ness of space and the immensity of cosmic time.

But the real reason for our preoccupation with finding a carbon copy of the Earth is that we don't know any better. So far, we are aware of only one planet with life—ours—so we are inclined to believe that it must represent the platonic ideal, just as Gottfried Leibniz argued three centuries ago.

In fact, there are good reasons to think that in some cases planets somewhat bigger than ours, so-called super-Earths, would provide more-stable conditions. What's more, planets around red dwarfs, with lifetimes much longer than the sun's, would offer much more time for the emergence and evolution of life. As a practical matter, it is easier to search for signs of life from afar on a super-Earth around a red dwarf than on a smaller, Earth-size world orbiting a bigger, sun-like star. That's why the exoplanet announced last week will be a prime target for the James Webb Space Telescope, to be launched next year.

If the plethora of exoplanet discoveries to date has taught us anything, it is to expect the unexpected. Thus, focusing narrowly on "Earth-like" planets in our search for habitable abodes seems unwise. Five centuries after Copernicus, it is about time that we cast aside our geocentric perspective of other worlds and life in the universe.

*Mr. Jayawardhana, an astrophysicist and the dean of science at York University in Toronto, is author of "Strange New Worlds" (Princeton University Press, 2011).*

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Notable & Quotable

Paul Bedard writing at WashingtonExaminer.com, April 23:

A new Washington Post poll that declares President Trump as "the least popular president in modern times," waits until the second to last paragraph to reveal another tidbit: . . . [Hillary] Clinton would still lose to the president, despite the high disapproval ratings and problems with his first 100 days detailed by the paper. It reads:

*The new survey finds 46 percent saying they voted for Clinton and 43 percent for Trump, similar to her two-point national vote margin. Asked how they would vote if the election were held today, 43 [percent] say they would support Trump and 40 percent say Clinton.*

## LIFE & ARTS

BONDS: ON RELATIONSHIPS | By Elizabeth Bernstein

# Let's Think More About Sex

Better communication in your relationship can come from more sexual thoughts, not just being nicer

### WANT A BETTER relationship?

Typically, everyone—moms, best friends, therapists—gives the same advice on how to improve a relationship: Be nice. Listen more. Help out around the house. And they're right.

But now researchers say that just thinking about sex can help. When we have sexy thoughts we are more likely to open up and share information about ourselves. That helps us bond.

The new research, which will be published in print next month in the *Personality and Social Psychology Bulletin*, consists of three studies with a total of 245 heterosexual participants conducted by psychologists at the **Interdisciplinary Center**, a private university in Herzliya, Israel. In study one, participants were asked seven questions about what food, clothing and locations they would prefer for a first date. In between questions, pictures flashed on the screen so quickly the participants weren't consciously aware of them. Half the participants were shown erotic photos of a naked member of the opposite sex. Half were shown pictures of fish. Then they were asked to share a personal story via Instant Messenger with someone they thought was an attractive member of the opposite sex (but was really a researcher).

In study two, some participants watched a scene from the movie "Original Sin" where the actors Antonio Banderas and Angelina Jolie have sex. Others watched a film on cat behavior. All were then asked to tell an embarrassing personal story while face-to-face with another participant of the opposite sex.

In study three, participants watched several videos of couples interacting sexually or several movies of couples talking about their feelings. Then they were asked to tell an embarrassing personal story via online chat to an attractive member of the opposite sex (again, really a researcher). They were also asked whether or not they wanted to go on a date with that person.

The findings in all three studies were consistent: The people who were exposed to sexual stimuli revealed significantly more personal information. They also were more likely to want to meet the person they had just opened up to online. There were no gender differences in the results.

Previously, psychologists looked at sexual arousal as our body's way to initiate sex



ILLUSTRATION BY ROB WILSON

with a desirable partner. These findings show that the point may also be to establish emotional bonding.

"Sexual desire makes you chatty," says Gurit Birnbaum, a social psychologist and associate professor of psychology at the Interdisciplinary Center, who is the lead researcher on the new studies. She says this is because we are wired to bond.

This chattiness obviously helps out when two people first start dating. But it is good news for couples in long-term relationships, too. Dr. Birnbaum says that thinking about sex starts a positive cycle of emotional intimacy: When you think about sex and then disclose personal information, the other person likes you more. If the attraction is

mutual, he or she typically reciprocates by sharing as well. That, in turn, makes you feel more affection.

How can you harness this sexually prompted chattiness to boost the emotional connection in your relationship? Dr. Birnbaum has some advice:

First, be aware of it. And be careful to whom you are blabbing. If you see a suggestive ad in a magazine and start oversharing to the bus driver or a cute co-worker you're not helping your marriage.

Pick up your partner's cues. If he or she seems more romantic, maybe it is a good time to talk. You don't have to delve into life's big issues. And certainly don't choose this time to bring up any problems in the

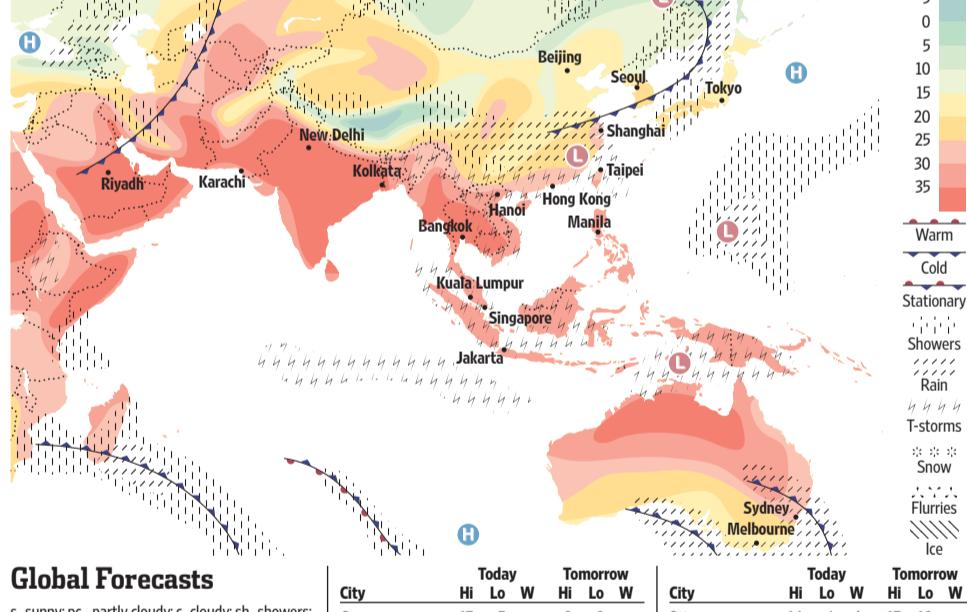
marriage. But an amorous partner is probably an attentive audience.

Don't dump. Reciprocal, and gradual opening up is attractive. Spewing your emotions without control—or rambling about every insignificant detail—is not. And make sure it is a good time for your partner to talk. The middle of a weekend-long visit from your in-laws is not the time.

Create a sexy atmosphere. If you're feeling emotionally distant, put on some music. Light candles at dinner. Wear that shirt your partner thinks matches your eyes. Watch "Original Sin" together.

And if your partner is in a happy, open and sharing mood, have sex. Remember, it boosts relationship satisfaction, too.

### Weather



### Global Forecasts

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	9	2	sh	11	2	t
Anchorage	13	5	c	14	4	c
Athens	21	12	s	22	13	s
Atlanta	25	15	s	29	17	s
Baghdad	29	15	s	30	15	pc
Baltimore	16	13	r	22	13	pc
Bangkok	38	27	s	38	28	s
Beijing	20	5	pc	23	7	s
Berlin	10	1	r	10	2	pc
Bogota	20	11	c	19	9	r
Boise	15	7	r	12	3	sh
Boston	9	8	r	15	11	r
Brussels	9	0	sh	10	1	t
Buenos Aires	20	7	r	16	6	s
Cairo	27	14	s	28	16	s
Calgary	4	-4	sn	6	-1	sf
Caracas	32	25	t	32	25	pc
Charlotte	21	13	c	28	16	s
Chicago	24	16	pc	25	14	t
Dallas	32	21	s	26	10	t
Denver	14	-1	c	15	3	c
Detroit	20	12	pc	24	16	c
Dubai	36	24	s	35	25	s
Dublin	9	1	sh	8	4	sh
Edinburgh	9	-1	sn	9	4	c
Frankfurt	12	3	r	12	2	pc

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Geneva	17	5	r	9	2	r
Hanoi	33	24	t	31	23	pc
Havana	29	19	s	31	19	s
Hong Kong	27	24	t	29	23	t
Honolulu	30	23	pc	29	23	s
Houston	30	23	p	30	13	t
Istanbul	18	9	s	19	10	s
Jakarta	31	25	t	30	24	t
Johannesburg	20	8	pc	20	7	pc
Kansas City	24	9	p	12	5	r
Las Vegas	25	15	p	29	19	pc
Lima	25	20	p	26	20	pc
London	12	3	t	11	2	sh
Los Angeles	26	15	pc	27	17	pc
Madrid	23	7	t	18	3	pc
Manila	34	25	s	35	27	s
Melbourne	19	9	r	12	9	sh
Mexico City	27	12	pc	28	11	pc
Miami	28	19	s	29	24	s
Minneapolis	19	6	r	10	1	sh
Monterrey	38	20	s	38	15	s
Montreal	15	7	pc	17	11	c
Moscow	11	5	r	13	4	c
Mumbai	32	25	p	32	26	pc
Nashville	26	14	s	29	18	c
New Delhi	39	24	pc	39	25	pc
New Orleans	27	19	s	29	20	pc
New York City	12	10	r	18	15	r
Washington, D.C.	17	14	r	23	17	pc
Zurich	15	2	r	6	1	r

### The WSJ Daily Crossword | Edited by Mike Shenk



### THE UNKNOWN | By Zhouqin Burnikel

Across		
1 Features	25 Casino city in the Silver State	45 Ranked, as tournament players
4 Musicians' copyright org.	28 Destroyer, in naval slang	48 No longer deceived by
9 Money holder	31 Forgot to put in	49 "This ___ suddenly!"
13 Pendulum's path	33 Up to, briefly	51 Bearded bloom
14 Found, say	34 Guidebook features	53 Ireland, poetically
15 "To whom ___ concern"	35 Bit	55 *Fans of Gene Simmons's band
16 Incensed feeling	36 Treasure-indicating phrase, and a hint to the first words of the starred answers	58 *Ready-to-attack unit
17 *Crowded place on New Year's Eve	40 Friend, en français	61 Seek answers
19 *First down distance	41 First son	62 Dunne of "I Remember Mama"
21 Catherine Palace resident	42 Music's Daft Punk, e.g.	63 Buy a round
22 Words of understanding	43 Unified whole, in psychology	64 Cal. column heading
23 Sicilian smoker		

► Solve this puzzle online and discuss it at [WSJ.com/Puzzles](http://WSJ.com/Puzzles).

- 65 Fresh look  
66 Vase inserts  
67 Pro- (some golf tourneys)  
**Down**  
1 Hispaniolan nation  
2 Collar  
3 Act opener  
4 Nick and Nora's terrier  
5 Commotion  
6 New Jersey city across the Delaware from Philadelphia  
7 "Give it \_\_\_!"  
8 Scoring ams.  
9 Jeb of the Confederacy  
10 Alabama Slammer liqueur  
11 Distant  
12 Pupil's place  
15 Measures of brightness  
18 Ranch problem  
20 Busybody  
24 "The Daily Show" host Trevor  
26 "Nifty!"  
27 "That's strange"  
29 Around  
30 Battery type  
32 Debate topic  
34 Range part: Abbr.  
36 Beast, Cyclops, Storm et al.  
37 1960s sitcom with a title palomino  
38 Joins a jury  
39 Speakers' stands  
40 Before today  
44 2006 Winter Olympics host  
45 Evening gala  
52 Wanda of comedy  
54 Likable candidate of 1952  
56 Too-good-to-be-true offer  
57 Match components  
58 Military address  
59 Number before quattro  
60 Mil. outposts



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# BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Tuesday, April 25, 2017 | B1

Yen vs. Dollar 109.7830 ▲ 0.66%

Hang Seng 24139.48 ▲ 0.41%

Gold 1275.40 ▼ 0.93%

WTI crude 49.17 ▼ 0.91%

10-Year JGB yield 0.022%

10-Year Treasury yield 2.270%

## Lafarge's Chief Executive Quits

Cement maker says Olsen will leave in July amid controversy over firm's Syria payments

By BRIAN BLACKSTONE

ZURICH—LafargeHolcim Ltd. Chief Executive Eric Olsen abruptly resigned in the wake of a controversy over payments the cement company made to armed groups in Syria amid the country's civil war.

The Franco-Swiss company said Mr. Olsen, a U.S.-French dual national, will leave July 15. It said it had started a search for a successor. Chairman Beat Hess will serve as interim CEO after Mr. Olsen departs.

Lafarge said Monday in a



LafargeHolcim's Eric Olsen

separate release detailing the findings of an internal probe into the Syria payments that the role of Mr. Olsen as CEO had been a "point of attention" in the review. But it said its internal investigation cleared him of any wrongdoing regarding the payments, or knowledge of them.

It declined to comment further, citing legal proceedings in France.

The Paris prosecutor has opened a preliminary investigation into whether LafargeHolcim violated international sanctions on doing business with Islamic State or other extremist groups in Syria, a spokeswoman for the prosecutor's office said.

Mr. Olsen, in a written statement, said his decision to resign "is driven by my conviction that it will contribute to addressing strong tensions that have recently arisen around the Syria case." He said he was "absolutely not involved" with, or aware of, the payments. "I believe my departure will contribute to bringing back serenity to a company that has been exposed for months on this case," he said.

Lafarge had previously disclosed that its local unit in 2013 and 2014 provided funds to third parties, who then hired armed groups, including groups on Western sanctions lists, to "maintain operations and ensure safe passage of employees and supplies to and from the plant."

The disclosures over the Syrian payments have been a distraction for the company, as it pushes ahead with the complex integration of Switzerland's Holcim and France's Lafarge, two of the world's biggest cement makers. Hol-

cim and Lafarge merged less than two years ago.

Mr. Olsen has been chief executive since the cement merger in 2015. Before that, he served in a variety of executive roles at Lafarge and was executive vice president of operations starting in 2013.

In a written statement Monday, the company provided some further detail about its internal probe into the payments. It said "a number of measures taken to continue safe operations at the Syrian plant were unacceptable, and significant errors of judgment were made that contravened the applicable code of conduct."

The company said it determined that "although these measures were instigated by

Please see CEO page B2

## PPG Again Raises Akzo Bid

Paint giant PPG Industries Inc. on Monday raised its offer for Dutch rival Akzo Nobel NV to €24.6 billion (\$26.4 billion), the U.S. firm's third takeover attempt in a two-month-long, unsolicited courtship.

By Christopher Alessi, Austen Hufford and Andrew Tangel

PPG increased its offer price for Akzo to €96.75 a share from its bid last month of €88.72 a share. PPG's initial approach at the start of March was at €83 a share.

"It's clear we're not going away," PPG Chairman and Chief Executive Michael McGarry said in an interview, calling the latest bid the company's final offer. "It's clear that the shareholders and the stakeholders will all benefit from PPG being the owner of the larger, combined company."

Akzo, whose stock was up almost 5% on Monday, confirmed it had received PPG's updated offer and would "carefully review and consider" the proposal.

PPG's latest offer comes as Akzo is warding off an effort by some of its largest investors, including activist investor Elliott Management Corp., to push the Amsterdam-based company to engage in negotiations with the Pittsburgh-based firm.

Elliott earlier this month called for a special meeting of Akzo's shareholders to try to oust the chairman of its supervisory board, who is seen as an opponent of such a deal. Akzo responded by saying that it strongly supported Chairman Antony Burgmans and would reject an agenda item seeking to dismiss him. The company hasn't yet said whether it would agree to hold the extraordinary meeting.

PPG said the new bid values Akzo at a premium of 24% over its closing price of €78.20 a share on April 21, the last full day of trading before the revised offer.

That was just days after Akzo unveiled the details of a new strategy to separate its specialty-chemicals unit, which is part of Chief Executive Ton Büchner's continuing effort to ward off PPG. Mr. Büchner has repeatedly refused to engage with PPG, calling the first two takeover offers inadequate.

Mr. McGarry said PPG has gone out of its way to assuage concerns over the acquisition, including a pledge that the combined company would be listed on stock exchanges in both New York and in Amsterdam.

"We have bent over backwards to appease them," Mr. McGarry said, adding: "There is no room left for them to raise for any further concerns. It's time for them to come to the table."

Mr. McGarry has said all options remain on the table, though he wanted to avoid a hostile bid. "We strongly prefer a negotiated deal with Akzo Nobel, and it to be done privately," he said.

## INSIDE



POINT MAN FOR TRUMP ON WALL STREET

FINANCE & MARKETS, B9



India's Supreme Court banned the sale of booze within 500 meters of national and state highways starting this month.

## India Spirits Makers Feel New Chill

By SAABIRA CHAUDHURI

GOA, India—An increasingly hard-line view on alcohol in India is threatening sales for global spirits makers as a new ruling forces many local sellers to shut down or adapt.

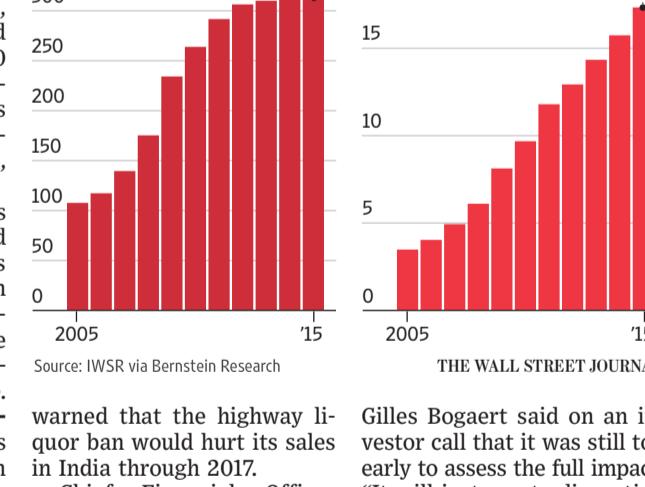
In an attempt to reduce alcohol-fueled road accidents, India's Supreme Court banned the sale of booze within 500 meters, or 547 yards, of national and state highways starting this month, a decision that affects liquor stores, bars, restaurants and hotels.

The move has shaken India's bar and restaurant industry and sent a chill through large spirits makers that are betting on growing demand in the emerging middle class in India, the country that is the world's largest whiskey market by volume.

On Thursday, Pernod Ricard SA, which owns brands such as Chivas Regal Scotch whisky and Absolut vodka,

### Subcontinental Surge

Liquor sales have risen for years in India, by volume and revenue, but new regulations threaten to crimp that growth.



warned that the highway liquor ban would hurt its sales in India through 2017.

Chief Financial Officer

Gilles Bogaert said on an investor call that it was still too early to assess the full impact.

"It will just create disruption

over the short term," he said.

Investment bank Jefferies Group LLC estimated the ruling affects roughly 35% of India's liquor outlets. Danish brewer Carlsberg A/S estimates there are 66,000 of these across the country.

Roughly one million jobs could be affected and \$9 billion to \$15 billion lost because of the ban, according to estimates from Riyaaz Amlani, president of the National Restaurant Association of India. In the tourist-heavy state of Goa, 85% of liquor stores could close or be forced to move because of their proximity to highways, he said.

Jefferies earlier this month cut its per-share earnings estimate on Diageo PLC's Indian affiliate, United Spirits Ltd., for fiscal 2019 by 6.5%, saying volumes of high-end liquor would be weaker through 2018 than previously expected.

Carlsberg CEO Cees 't

Please see INDIA page B2

## Aluminum Wins in China's Pollution Fight

By DAVID HODARI

Air pollution in China is helping the price of aluminum to thrive.

The metal has defied the recent selloff in copper, lead and other industrial metals, in anticipation of a Chinese clampdown on pollution that is expected to lead to the closure of some aluminum smelters later this year.

Most industrial metals have been hit by concerns that Chinese demand is waning and the fading of the global reflation trade—the rally pinned to expectations of higher economic growth and inflation since the election of U.S. President Donald Trump.

But aluminum has risen 4.1% in the past three months, and is up 15% in London for the year to date.

That compares with a fall of

nickel and a gain of 2.4% for copper.

In late February, China's government issued directives aimed at tackling smog created by burning coal—moves that some analysts say could later this year cut as much as 30% of aluminum production from a country that accounts for roughly half of the world's output.

Most global aluminum producers use a mix of electricity sources, but China's energy-intensive smelters receive 90% of their power from coal, according to the International Aluminum Institute, an industry body.

Smelters in China's Henan, Shandong and Shanxi provinces are due to close this coming winter, in a move that would remove 6% of global capacity at that time, according to ETF Securities.

"That could be enough to

### Up and Up

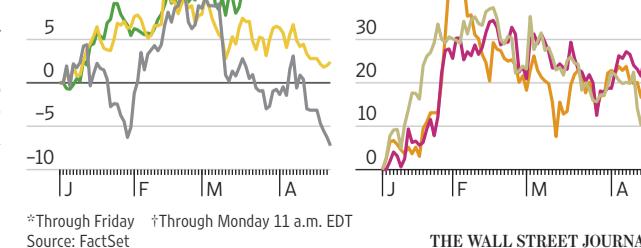
Higher aluminum prices have boosted producers' stocks.

#### Three-month forward prices on London Metal Exchange\*

Year-to-date change

Aluminum (high grade)      Copper      Nickel

Rusal Corp. of China      Alcoa<sup>†</sup>



\*Through Friday      †Through Monday 11 a.m. EDT

Source: FactSet

tip the global balance of aluminum into a deficit," said Nitesh Shah, a commodities strategist at the firm.

Though similar directives

issued by the central government have been broadly ignored by provincial authorities in the past, there are indications

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## CEO

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local and regional management, selected members of group management were aware of circumstances indicating that violations of Lafarge's established standards of business conduct had taken place."

Last month, Lafarge said the Syria allegations weren't expected to have a material financial effect. It posted a net profit of 1.79 billion Swiss francs (\$1.8 billion) for 2016, a turnaround from a pro forma net loss of 2.12 billion francs the previous year.

Some analysts said the departure could be further disruptive to Lafarge's integration efforts. The company's

shares were up 1% early Monday after the announcement of Mr. Olsen's resignation, in a generally upbeat market across Europe, but fell later in the session and were down slightly in late-afternoon European trading.

"In our view, it is extremely disappointing that Eric Olsen has to leave at a time when the company is gaining traction and delivering on targeted synergies," said analysts at Vontobel.

Lafarge also came under criticism in France last month over comments Mr. Olsen made that signaled the company's willingness to supply cement for a border wall with Mexico that U.S. President Donald Trump has proposed building.

—Matthew Dalton in Paris contributed to this article.

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The complete tender document including EMD, Bid Qualification Criteria (BOC) etc. can also be viewed at our web site [www.hindustanpetroleum.com](http://www.hindustanpetroleum.com) under tender section: link "Tenders & Contracts". All further revisions, clarifications, corrigenda, addenda, time extensions etc. to above tender will be hosted on above HPCL websites only. Bidders should regularly visit this website to keep themselves updated.

Manager - Purchase

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#### Corrigendum No.3 to E-Tender Notice No. 18/2017

The PMRDA has published E-Tender notice for Request for proposal (RFP) for Appointment of Consultancy Firm for preparation and Implementation of Town Planning Scheme/s (TPS) vide Tender ID No. 2017\_PMRDA\_204573\_1.

Now the date of submission of RFP is extended upto 09/05/2017 upto 02.00 p.m. All other details are available on [www.mahatenders.gov.in](http://www.mahatenders.gov.in)

Sd/x

Metropolitan Commissioner & C.E.O.

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### AUCTION

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UCC 9-610 Foreclosure Auction  
Day and Date: Friday, April 28th, 2017  
Time: 10:00am PDT

Location: Office of Brian Testo Associates, LLC  
2128 Costano St. #1, Woodland Hills, CA 91364

Description of assets to be sold:  
The assets to be sold consist of certain of the tangible and intangible assets used in the business of Signorelli ("Assets") including all inventory, equipment, general intangibles, investment property and all other assets (except Accounts).

For a more detailed list of Assets or to arrange an inspection of them, please contact:

Brian Testo, Brian Testo Associates, LLC  
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THE WALL STREET JOURNAL.

## BUSINESS & FINANCE

# Becton in \$24 Billion Deal

BY JOSEPH WALKER

**Becton, Dickinson & Co.** said Sunday that it would acquire **C.R. Bard Inc.** for \$24 billion, the latest merger of medical-supplies manufacturers.

The deal values C.R. Bard at \$317 a share, a 25% premium to the company's share price as of Friday's close.

Bard shareholders will receive about \$222.93 a share in cash and the balance in Becton Dickinson stock, the companies said.

Becton Dickinson, based in Franklin Lakes, N.J., said the deal would improve its market position in medication management and infection prevention by broadening its product portfolio.

Bard, whose products include catheters and implantable heart-devices, had \$3.7 billion in sales last year. It is based in Murray Hill, N.J.

The deal would be the latest merger of medical supplies and devices companies looking to increase their product offerings to gain market share among hospitals and physician practices, which have undergone intense consolidation in recent years. Hospitals are increasingly looking to narrow the number of suppliers they use, in part to negotiate better discounts in exchange for purchasing more volume.

Hospital consolidation has been a factor in several recent deals, including the merger of orthopedic-device makers Zimmer Holdings Inc. and Biomet Inc., and Medtronic PLC's \$49.9 billion acquisition of Covidien PLC in 2015.

"Customer consolidation continues in the U.S. marketplace," said Becton Dickinson



Becton Dickinson sells medical supplies. It plans to acquire C.R. Bard, which is also based in New Jersey.

Chairman and Chief Executive Vince Forlenza in an interview.

"It certainly drove what we were thinking about" when considering the Bard deal, said Mr. Forlenza, who added that there were some 100 hospital mergers last year.

Becton Dickinson has been moving over the past several years to offer more comprehensive solutions to its hospital customers, and acquiring "Bard is a continuation of that," Mr. Forlenza said. "It builds upon it and broadens it at the same time."

The transaction is expected to increase Becton Dickinson's adjusted earnings per share and result in \$300 million in annual pretax cost savings by

2020, the companies said. Combined, the companies will have about 67,000 employees, according to their most recent annual reports.

Becton Dickinson will create a new unit called BD Interventional from which Bard's businesses will operate and report results.

The unit will be managed by Tom Polen, who was promoted to president of Becton Dickinson, the company announced separately on Sunday. Mr. Polen, who was previously president of Becton Dickinson's medical unit, will now oversee all of the company's operating segments.

Becton Dickinson had \$12.5 billion in sales last year, with about 45% of the revenue

coming from international markets. The company sells products including syringes and needles to hospitals and physicians as well as diagnostic tools and laboratory supplies used by researchers.

The companies said that Becton Dickinson's strong international presence would help Bard to expand overseas, where it has 500 registered products. The combined company will have a large footprint in emerging markets, including \$1 billion in annual sales in China, they said.

Bard's international sales rose 11% to \$1.2 billion last year and represented nearly one-third of the company's total revenue.

An alternative bet on Europe is that the economy is recovering faster as global growth picks up, and that a reformist in France's Élysée Palace could make Germany more willing to help out (although Mr. Macron may have to work with a prime minister from another party, hampering his policy agenda). Again, the biggest winners from a faster expansion and a rise in interest rates should be the banks. If the economy doesn't behave, the banks will be the big losers. European banks are cheap, and it isn't hard to see why.

Continued from the prior page

tions that Beijing is taking a tougher stance with the current crackdown, said Caroline Bain, an economist at Capital Economics.

Since those February directives, the Chinese government has halted construction at three smelters in Xinjiang province, she said.

## TECHNOLOGY

WSJ.com/Tech

# Amazon Studies Driverless Ideas

Technology fits into the company's push to get more involved in transporting goods

BY LAURA STEVENS  
AND TIM HIGGINS

**Amazon.com** Inc. has created a team focused on driverless-vehicle technology to help the retail giant navigate the shake-up of transportation, according to people briefed on the matter.

Amazon quietly formed the team, which has comprised about a dozen employees, more than a year ago as part of a broader ambition to transport more of its goods itself. For now, Amazon doesn't intend to build a fleet of vehicles, according to these people. Instead, the team serves as an in-house think tank to figure out how to exploit autonomous vehicles.

The initiative, still in its early phases, could help the Seattle-based company address one of its biggest logistical complications and costs: delivering packages quickly. Amazon could use autonomous vehicles including trucks, forklifts and drones to move goods. In addition, driverless cars could play a broader role in the future of last-mile delivery, enabling easier package drop-offs, experts say.

Many details of the team's work, such as the extent of its progress, couldn't be determined. An Amazon spokeswoman declined to comment.

Amazon hosted an event last week titled "Radical Transportation Salon" to discuss the future of transportation with other companies, the people said. The event, spearheaded by H.B. Siegel, whose responsibilities at Amazon include new ideas, in part targeted experts in autonomous vehicles. It wasn't clear which companies attended.

"Amazon has a plan in place



Autonomous vehicles could serve Amazon in its warehouses, but also someday on highways and city streets transporting its goods.

to shake up the entire supply chain as we know it today," said Dave Sullivan, an automotive analyst for consultancy AutoPacific Inc.

Tech giants and auto makers are in a race to develop autonomous-vehicle technology that, while unproven, has the potential to reshape what Deloitte Consulting estimates to be the \$2 trillion in annual revenue tied to the automotive industry.

Waymo LLC, the self-driving tech unit of Google parent Alphabet Inc.; General Motors Co., Tesla Inc. and Uber Technologies Inc. are among the many global companies aiming to put self-driving vehicles on the road in the near future. They are joined by Silicon Valley startups eager to beat these bigger companies to market and players such as Apple Inc., whose intentions haven't become clear.

There have been early signs

of Amazon's interest in autonomous-vehicle technology. In January, Amazon won a patent for coordinating autonomous vehicles in a roadway, earlier reported by technology news website Recode. A job posting on Amazon's site calls for a research scientist "to develop future mobility and transportation systems" at Amazon Robotics, which largely focuses on the company's warehousing technology.

Over the past few years, Amazon has been building out its supply chain and logistics network, aiming to deliver more of its own packages. It also envisions transporting goods on a large scale for other companies, one day competing with delivery giants United Parcel Service Inc. and FedEx Corp., according to people familiar with the matter.

The company is leasing 40 planes and has bought thou-

sands of branded truck trailers. Tractor trailers have long been considered a likely first target for widespread driverless technology, in part due to how regularly they drive the same stretches of highway. Amazon is interested in autonomous trucking, according to the people.

Humans have a 10-hour limit when driving, but a self-driving truck could drive through the night, said Alex Rodrigues, co-founder of Embark, a startup that aims to develop technology to enable long-haul trucks to operate on the highway. "So instead of taking four days to drive coast to coast, it takes a day and a half."

The biggest portion of Amazon's spending and energy has gone toward another type of autonomous means of transport: drones. That initiative, announced in 2013, is further along and has a bigger

team dedicated to the effort. It is expected to continue to be the major focus of the company, according to the people.

In December, Amazon tested a commercial drone delivery in the U.K., but regulations in the U.S. make it unlikely drones would become a major delivery option domestically soon.

Amazon could see potential in linking self-driving technology with its payments and services, as cars play a bigger role in placing and receiving deliveries.

Its voice-command software, Alexa, which has been successful in its Echo speakers, is being used in cars. Ford Motor Co., Daimler AG's Mercedes-Benz and others have announced ways to integrate Alexa into their vehicles, enabling drivers to tap into some functions from home, such as starting the engine and unlocking doors.

## BUSINESS NEWS

# JAB Holding Puts Jimmy Choo Up for Sale

BY SAABIRA CHAUDHURI

the controlling shareholder of Jimmy Choo, whose Italian-crafted shoes sell for up to \$3,800.

Jimmy Choo is traded in London, where it has a market value of £636.6 million (\$816 million). The brand said it hadn't received any offers so far.

Shares in Jimmy Choo climbed 11% in London on Monday.

JAB said it considered its holdings in the luxury sector as noncore, given its significant investments in coffee and related areas in recent years.

The company—controlled by members of Germany's wealthy and reclusive Rei-

ray of well-known consumer brands in recent years, despite maintaining a low profile. This month, JAB said that it would buy Panera Bread Co. for about \$7.16 billion, taking the coffee-and-sandwich chain private.

In addition, JAB bought U.S. company Krispy Kreme Doughnuts Inc. in 2016 for about \$1.35 billion, and a JAB-led investor group acquired Keurig Green Mountain Inc. for about \$14 billion.

In 2015, the European investment fund paid roughly \$5 billion for control of Monde-

lez International Inc.'s coffee business. It also owns Peet's Coffee & Tea and Danish coffee-bar chain Bresso Coffee A/S.

The stance that JAB outlined on Monday is a departure from 2014, when JAB said its increasing commitment to luxury goods was key to its investment strategy.

But in 2015, JAB folded Italian leather-goods brand Zagliani into Bally, leaving Belstaff as its only other luxury holding.

—Nina Adam contributed to this article.

## BUSINESS WATCH

CHOW TAI FOOK

### Australia Approves Takeover of Alinta

Hong Kong conglomerate **Chow Tai Fook Enterprises** Ltd. won Australian government approval for its takeover of gas-and-electricity provider **Alinta Energy** Ltd.

The deal was approved with strict conditions, a spokeswoman for Treasurer Scott Morrison said Monday. No details were disclosed, and the treasury declined to comment further.

The buyout offer from Chow Tai Fook valued Alinta at about four billion Australian dollars, or US\$3.02 billion, a person familiar with the situation said when it was announced last month. The companies didn't disclose financial terms.

The deal is expected to close by the end of April, Alinta said.

—Robb M. Stewart

disclosed the board change in a filing Monday.

Mr. Kleinfeld has been on the board of Hewlett Packard Enterprise since the corporate technology company spun out of Hewlett-Packard Co. in 2015.

—Austen Hufford

GENERAL MOTORS

### High Court Rejects Firm's Legal Bid

The U.S. top court rejected a request from **General Motors** Co. to limit the fallout from its ignition-switch defect.

The U.S. Supreme Court denied the Detroit auto maker's request to review a lower-court ruling that gave some victims' families the power to sue over defective ignition switches, exposing the company to billions of dollars in potential new claims.

GM had tried to overturn a July ruling from the Second U.S. Circuit Court of Appeals that said the auto maker should have disclosed the ignition-switch defect when its operations were sold during its 2009 bankruptcy. Under bankruptcy law, a company's operations can be sold "free and clear" of past liabilities, blocking future lawsuits over claims that arose before the sale.

The decision could expose GM to hundreds of additional wrongful death and personal-injury cases. The defect has been linked to 124 deaths and led GM to settle a federal criminal case.

—Katy Stech

Ahead of the Model 3 intro-

duction, Mr. Musk has been working to alleviate complaints about overcrowding at the Supercharger stations, which recharge Tesla electric vehicles far faster than conventional chargers and are intended for long-distance travelers. The network began in 2012 and has served as a unique perk of ownership; but in November Tesla announced that this year it would stop providing unlimited free access to the charging stations for buyers of new vehicles.

Tesla understands the danger of having too few places to charge its vehicles. In a March filing, it said the growing number of its vehicles on the road "will require us to continue to increase the number of our Supercharger stations significantly." It added that the expansion will require "significant cash investments," and that "if we fail to do so, our customers could become dissatisfied, which could adversely affect sales of our vehicles."

Colin Langan, an analyst for UBS, in March estimated that it could cost Tesla between \$1.9 billion and \$7.5 billion to build out its fast-charging stations in the U.S. to provide a coverage area similar to gas stations. "Investors are underestimating the capex in Super-

# Tesla to Increase Chargers at Stations

BY TIM HIGGINS



Tesla drivers have complained of long waits at some sites. Above, a recharging station in California.

# Samsung Prepares Updates For Its S8

BY EUN-YOUNG JEONG

**SEOUL**—Samsung Electronics Co. said it would roll out two software updates for its new Galaxy S8 smartphone this week after users complained of red-tinted screens and patchy Wi-Fi connections.

In announcing the updates Monday, the company said neither the screen hue nor the Wi-Fi issue were product defects, and that it was offering fixes simply for consumers' comfort.

The display-related patch would give users "a further enhanced ability to adjust the color setting to their preference," Samsung said in an emailed statement.

The second software patch, Samsung said, would resolve Wi-Fi issues in some S8 devices stemming from what it described as a fault in the wireless access point of a certain South Korean carrier. The fix will be rolled out only in South Korea.

The moves come three days after the Galaxy S8 hit shelves in the U.S. and Canada. Samsung has said preorder sales for the highly anticipated smartphone exceeded those for its earlier model, the Galaxy S7.

In Samsung's home market of South Korea, where the S8 became available a few days before its North American launch, the S8 recorded more than a million preorder sales.

It is rare for devices running on Google's Android operating system, such as the Galaxy S8, to require software updates so soon after launch, said Tom Kang, an analyst at Counterpoint Technology Market Research.

Apple Inc. releases new software packages with every new iPhone, but this isn't the case with Samsung's flagship phones or with other makers of Android-powered devices, Mr. Kang said.

Three consumers who spoke to The Wall Street Journal said last week that they noticed reddish screens after turning on their Galaxy S8 devices for the first time, under factory settings.

It is unclear how many devices have the screen-color or Wi-Fi connection issue. Samsung declined to comment on the number of complaints it has registered.

The smartphone maker needs a smooth start for the Galaxy S8 to help win back consumer trust after the company's costly recall last year of three million Galaxy Note 7 devices because of overheating batteries.

Klaus Kleinfeld resigned from the board of **Hewlett Packard Enterprise** Co. on Sunday, his second exit from a public company's board since he was ousted as chief executive of Arconic Inc. last week.

Mr. Kleinfeld left the aluminum-parts maker after sending a bizarre letter to an activist investor. Hewlett Packard Enterprise

# THE FUTURE OF FINANCE

B4 | Tuesday, April 25, 2017

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## Where Financial Regulation Goes From Here

A closer look at the two main competing visions—and what they mean for consumers, institutions and the economy



BY RYAN TRACY AND ANDREW ACKERMAN

The 2008 financial crisis was a global economic catastrophe that triggered years of new regulations designed to prevent another meltdown. Now that tide of rules is cresting, with officials across the globe talking about pulling back regulations instead of adding new ones. The defenders of the current regime are fighting to save it.

At the heart of the debate are opposing philosophies about free markets, regulation and the role of government. After 2008, the Obama administration in the U.S. pursued an aggressive rule-making path, injecting the government further into bank boardrooms, loan-underwriting decisions and conversations about retirement advice—all in the name of protecting citizens from a financial crisis and risky financial products.

With Republicans in control of the White House and Congress, the U.S. is seeing a resurgence of a different philosophy, one that favors freer markets and is skeptical of Washington's recent approach to overseeing Wall Street. The government, these critics say, has repeatedly overreached in trying to prevent another crisis. It should take stock of all the work that has been done since the crisis—and consider rolling back many rules that critics say aren't working as intended or weren't needed in the first place.

As the debate rages on, here's a closer look at the two competing visions for financial regulation.

### REIN IN THE BANKS: The Need for Discipline

Advocates who support active financial oversight favor an approach that can be summed up this way: Let the markets work, but within significant regulatory constraints to protect society from excesses.

Left to their own devices, financiers can cause a lot of trouble, advocates say. Big banks have incentives to seek short-term profits without regard for the long-term consequences of their actions—and the 2008 crisis provided an example of just how much damage they can do if they succumb to those incentives.

Financial firms and consumers lent or borrowed too much, and regulators failed to act on warning signs before this excessive risk-taking spiraled out of control. Worst of all, the government bailed out some firms because it determined they were "too big to fail" without the financial system imploding. The result was a panic so sweeping, it dried up credit for Main Street and threatened the entire economy.

Regulatory hawks concede that government housing policies may have played some role in inflating the housing bubble but say it wasn't central to the meltdown. Lack of oversight was. So, they argue, the government has an obligation to protect the economy from risky behavior—by banning those behaviors entirely or adopting policies that act like a tax on it, making it less attractive in the short term. Financial firms and their customers may have less freedom under these rules, but these advocates say that the effects of those restrictions pale in comparison to the cost of a huge financial crisis.

The 2010 Dodd-Frank law, approved by a Democratic Congress and signed by Democratic President Barack Obama, expanded the government's power to react to what it viewed as emerging risks in financial markets. Firms considered "systemically important" to the economy now face tougher rules and more intrusive oversight than smaller competitors. A new regula-

tory committee can designate any firm for these tougher rules.

The idea is that if these firms pose an outsize risk, they should pay for it through higher regulation, even if those rules are complex. Federal Reserve Chairwoman Janet Yellen has said huge banks must "bear the costs that their failure would impose on others." If the firms don't like the regulation, so be it, these policy makers say: They can shrink or split themselves apart.

Tougher rules have meant that regulators take a far more active role in the continuing management of large firms, and to some extent smaller ones as well.

The pro-regulation advocates acknowledge that such involvement might be uncomfortable, but say it's a lot better than burdening taxpayers in the event of future bailouts.

Take the case of dividends. Large banks can no longer decide on their own to raise the dividend they pay to shareholders. They

must get permission from the Federal Reserve first as part of their annual stress tests. The Fed justified the restrictions by pointing out that in the lead-up to the 2008 crisis, big banks paid out capital via dividends, then months later needed capital from taxpayers to stay alive. These restrictions are just one example of the myriad extra rules firms must now keep in mind as they make day-to-day business decisions.

In another case, when financial firms started ramping up a practice bank examiners considered dangerous—"leveraged loans" to companies already deep in debt—regulators at the Fed and the Office of the Comptroller of the Currency responded with prescriptive lending standards that they relentlessly enforced. Critics say the regulators should have let firms make their own lending decisions, but the Fed and Office of the Comptroller say that when a type of lending poses a risk to the broader economy, they have an obligation to try to nip it in the bud.

Backers of an expanded regulatory regime also believe the government has an important role in setting

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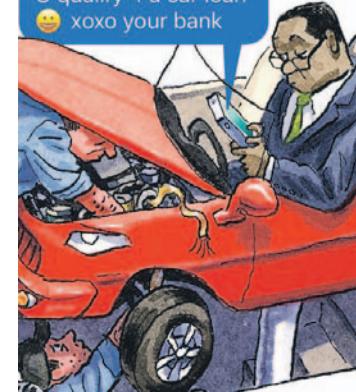
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Some firms use analytics in search of the next big thing

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Offerings help people save and cope with fluctuating income

#### Is It a Lie or the Truth?

Finance pros can't tell, boding ill for their ability to detect fraud

## JOURNAL REPORT | THE FUTURE OF FINANCE

### Regulation

*Continued from the prior page*  
standards for the sale of financial products to limit fraud and deception. Lenders must document a borrower's ability to repay a mortgage loan, for instance. Under another Obama-era rule, financial advisers must take their clients' best interest into account when giving advice about investing for retirement.

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Supporters of this approach acknowledge that it will restrict financial firms from doing certain kinds of transactions, but say it still leaves them plenty of room to operate and innovate. They just won't be able to operate quite so freely as to do considerable potential harm to their customers and the public. They also say more needs to be done to improve financial oversight, such as addressing the continued purgatory of Fannie Mae and Freddie Mac, the mortgage firms that are still under government control, and looking for ways to ease the burden of enhanced regulation on community banks.

Those who support a hard line on regulation agree with critics that regulators won't be able to stop every crisis. But they believe disasters would be more likely if regulators didn't act strongly when they see budding risks.

"Wall Street Reform isn't perfect," former Treasury Secretary Jacob Lew wrote in an academic journal in December. But he added: "It would be a grave mistake if technical refinements were to give way to a dismantling of the new forward-looking, flexible approach to regulating the financial sector that Wall Street Reform established."

#### LET THE MARKET WORK: Complex Regulations Do More Harm Than Good

Proponents of freer financial markets say the government should let the banks and markets function with limited constraints from bureaucrats. In their view, post-financial-crisis regulations have harmed the broader economy through expensive and unduly restrictive red tape.

Government interference in any industry or market produces unintended consequences, because bureaucrats and regulators don't have the knowledge that people working in the field do, regulatory critics say. That leads to problems and distortions when the government tries to push an industry to do something to achieve a political goal that's unrealistic.

The housing bubble was a particularly disastrous example of this kind of meddling, the critics believe. They argue that the government pushed a goal of boosting homeownership through policies that essentially forced banks to take on risky borrowers. Fannie Mae and Freddie Mac lowered their standards, further signaling that lenders should take on low-quality borrowers.

Regulatory critics think the way to head off severe crises is to have fewer rules, not more. Have the government set simple guidelines about what fi-

nancial firms are allowed to do, and then let the markets decide the rest. Executives will have a natural incentive not to go overboard because they won't have the government to back them up if they make mistakes—and if they do things that may harm consumers, they will lose business.

Ultimately, this side argues, the market does a better job of rewarding good ideas and behavior—and punishing bad—than the government ever could. Regulators, meanwhile, aren't infallible, and could just as easily miss a future crisis as they missed the last one, deregulation boosters say.

So they strongly favor easing post-crisis financial regulations, including the 2010 Dodd-Frank financial law, which they say will end a period they see as unduly restrictive.

For instance, the so-called Volcker rule bans banks from most trading or speculating unless they are doing so on customers' behalf. Proponents say the rule is designed to rein in reckless risk-taking at taxpayer-insured banks, but conservative critics complain that it is unduly burdensome to comply with, and deprives banks of legitimate money-making opportunities. They also say it has harmed liquidity—the ability to easily buy or sell—in certain financial markets.

Critics have also argued against the post-crisis rules for trading financial instruments known as swaps. In the lead-up to the crisis, these vehicles acted as a form of insurance against defaults on all sorts of debts. Dodd-Frank supporters in Congress argued that the market for swaps was kept opaque, and mandated that banks report swaps, among a series of sweeping changes. But Republican critics say regulators needlessly limited the methods by which banks are allowed to execute such trades. The limited flexibility has sent trading of these instruments overseas and away from U.S. markets, these critics say, fragmenting markets in potentially harmful ways.

A plan on the table—from Rep. Jeb Hensarling (R., Texas), who heads the powerful House Financial Services Committee—would reverse course on Dodd-Frank. It would scrap most of the law's provisions and exempt big financial institutions from many rules as long as they maintain higher capital levels, measured in a simple calculation. Mr. Hensarling says this approach would curb excessive risk-taking by banks, because they would fund loans with a larger share of investor equity instead of riskier forms of funding. And that, in turn, would mean banks wouldn't have to rely on the government to assess and head off financial risks, returning the management of financial firms to their executives.

"This approach not only helps unleash greater opportunities for small businesses, innovators and job creators, it also stops investors from betting with taxpayer money," Mr. Hensarling said in a speech last fall.

Some policy makers, who maintain regulators are too slow to embrace innovations, see other benefits from lightened rules. Chris Giancarlo, the top U.S. derivatives regulator, has been especially vocal about the need for Washington to fully embrace financial technology firms. His concern is that rules created for an analog world haven't kept pace with—and may stifle—digital innovation. For instance, financial-services firms should be encouraged to experiment with new digital strategies rather than be constrained by numerous rules. Proponents of stricter rules also say those rules should accommodate innovation.

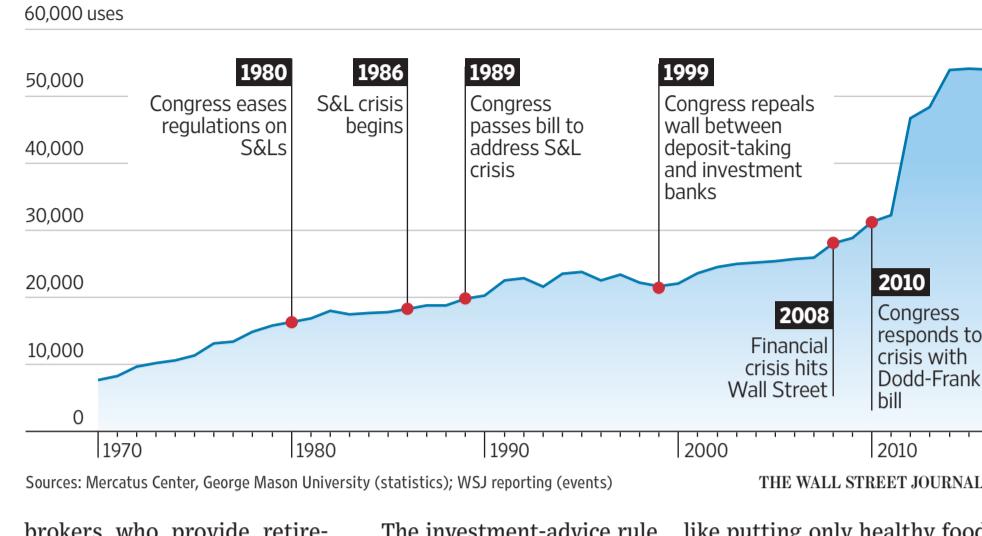
Advocates for loosened regulations also say fewer rules would benefit borrowers. For one thing, they argue, post-crisis Washington has forced banks to be overly conservative in their lending decisions, which hurts consumers. For instance, in the name of protecting borrowers from bad practices by so-called predatory lenders, people with less-than-pristine credit histories have trouble obtaining home loans from banks.

Along similar lines, advocates want to curb the powers of the Consumer Financial Protection Bureau, an agency created under Dodd-Frank to police consumer-finance markets. The bureau's defenders say the mortgage crisis showed U.S. consumers needed a new financial cop. But critics say restraining the bureau would lead to more lending and availability of credit.

Yet another priority: a repeal of stricter standards for

### Rough Guide to Regulation

The number of times the terms "shall," "must," "may not," "prohibited" or "required" appeared, by year, in Title 12, Banks and Banking, of the U.S. Code of Federal Regulations



Sources: Mercatus Center, George Mason University (statistics); WSJ reporting (events)

brokers who provide retirement advice. The rules, they say, are overly complex and will reduce access to advice for investors with lower-balance accounts.

The investment-advice rule unduly restricts options for retirement savers, Gary Cohn, a top economic adviser to President Donald Trump, said in a February interview. It "is

like putting only healthy food on the menu," he said, "because unhealthy food tastes good but you still shouldn't eat it because you might die younger."

## There will be more than nine billion people to feed by 2050.

Over the next 35 years, it's estimated that the world's population will swell by two billion. To keep up, global food production needs to increase by 70%. CME Group is helping farmers, ranchers, processors and producers meet this need by giving them products designed to manage the inherent risks associated with grain and livestock markets. This is how global agribusiness can sustain a hungry world. This is how the world advances. Learn more at [cmegroup.com/food](http://cmegroup.com/food).

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## JOURNAL REPORT | THE FUTURE OF FINANCE

# British Banking Braces For Hard Times

The good news: Brexit may not hurt London's financial sector as much as people think.  
The bad news: Other things will hurt it a lot more.

BY PAUL J. DAVIES

BREXIT ISN'T THE toughest challenge facing the City of London.

Banks in Britain are still languishing in the doldrums brought on by the financial crisis of 2008. Weak banking activity and low investment returns have caused revenue to shrink, leading to widespread cost-cutting and automation.

While Britain's planned departure from the European Union threatens London's position as the "investment banker to Europe," in the words of Bank of England Gov. Mark Carney, the impact that will have on London itself will likely be smaller than people think. EU clients provide only one-fifth to one-quarter of revenue for the City's finance sector.

Other, continuing pressures

look more significant—in particular, low investment returns and pressure from clients to cut costs. In a low-return world, everyone from fund managers to small individual investors wants to pay lower fees.

"Trading [is] a commodity business, it's about who can do it most efficiently," says Andrew Formica, chief executive of fund manager Henderson Group. "It's becoming a bit of an arms race in terms of technology investment."

### Passive investing

Pressure to cut costs is fueling a move to passive investing, in which fund managers do much less trading and research. Where active managers remain, they have to cut costs, too, to stay competitive. This all feeds into less revenue for investment banks, forcing them to cut more costs.

And the same trends that

are hurting banks in Britain are affecting big banks everywhere.

"The continued uncertainty makes it a lot harder to invest in the future," says Hakan Enver, operations director at Morgan McKinley Financial Services, a recruitment company. "It's a lot of things, not just Brexit," Mr. Enver says. "But that is good cover" for layoffs as well, he says.

The total number of people employed by all kinds of banking in the U.K. has fallen 22% from its precrisis peak in 2008, or by about 120,000 jobs, according to data from Britain's statistics office.

Technology is replacing people on trading floors and in the middle and back offices where trades are checked, confirmed and settled. Some of this is to give investors an edge in markets with computer-driven tools such as algorithmic and high-frequency trading.

### Analysts here and there

But technology also means more work can be moved offshore or to cheaper locations. More reliable internet links with India, for example, mean people can work together on the same documents or files in real time.

One U.K. firm, Frontline Analysts, runs teams of equity and credit analysts based in India on behalf of investment banks in London. The bank can cut back its more expensive big-city staff to just those who interact with clients directly, but still have access to a cheaper team to do much of the number crunching and report writing.

Frontline's senior people can work from anywhere. One managing director, Daniel Davies, spent more than a decade



Canary Wharf in London. Many trends hurting Britain's financial industry are being felt globally.

SIMON DAWSON/BLOOMBERG NEWS

as a bank-stock analyst at Exane BNP Paribas, Credit Suisse and elsewhere, but now trains and oversees teams of India-based analysts from his home in Exeter in southwest England.

"Investment banks can't shift the front office and they can't shift the brand, but as time has gone on and margin pressure has been brought to bear, they've realized they need to cut costs per head," Mr. Davies says.

Investment-bank executives don't want all their research to be run from elsewhere because it is harder to monitor, while their most important analysts have to spend time selling ideas to clients rather than training and checking faraway number crunchers.

"We in Frontline stand in between and do the quality assurance," Mr. Davies says. "I can do that from a cafe or from my home office."

### Thinning research

In Europe, new regulations will soon force all banks to charge clients for research. That is going to put even more focus on costs because investors won't be willing to pay for many research teams.

Henderson's Mr. Formica says banks could set up joint ventures just for research to reduce and share the output. But

for some, cutting more people is the more likely outcome—either by outsourcing or no longer doing research.

Another big cost for banks everywhere is satisfying all of the extra reporting and compliance demands from regulators since the crisis. This involves a lot of repetitive, data-processing activity that is labor intensive, which has kept staff and real-estate costs high in banks' middle and back offices, particularly in the City, where office space is among Europe's most expensive.

How big banks are handling their compliance and other back-office work is something being looked at by Accenture, the global consulting and services firm.

### The impact of AI

Accenture cut 17,000 of its own back-office processing jobs, it says, by adopting what it calls artificial-intelligence tools. The company says it is now promoting the same kind of technology to banks, while also talking up the importance of retraining those who are displaced, as it did itself.

"No question, AI will lead to substantial job displacements over time," says Richard Lumb, Accenture's global head of financial services. "But the technology is still young....The real power of AI

is in how it augments workforces and makes it possible for people to do higher-value work."

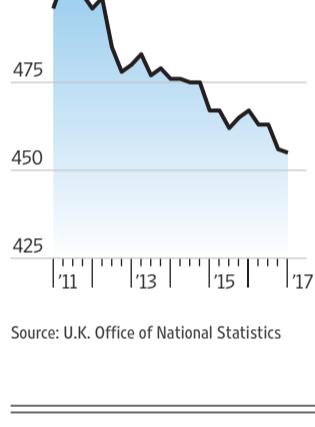
Ultimately, Brexit is just one symptom of the growing desire in the U.S., the U.K., and across Europe to put up more borders between international trade and finance to protect unhappy voters at home. When it comes to banking, this protectionist theme was at work long before the Brexit campaign began. It is a theme that has led regulators increasingly to put up barriers between global banks' operations and capital bases in different countries, making them less efficient.

Kinner Lakhani, an analyst at Deutsche Bank, believes that the postcrisis crunch in financial activity has passed. But to stay profitable, he says, investment banks will need to cut costs further to substitute for economies lost through increased regulation. "Subsidiarization and Balkanization will challenge business models that don't have scale," he says. "Investment banks have adjusted significantly, but the process is not complete."

**Mr. Davies** is a London-based writer for The Wall Street Journal's Heard on the Street column. Email [paul.davies@wsj.com](mailto:paul.davies@wsj.com).

## Bigger Than Brexit

The financial industry in London has been shedding jobs for years, as it has across Europe and globally. British banking jobs:



Investment bankers and traders by year for Europe (dominated by London) and the rest of the world, in thousands

Year	Europe	Rest of world
2011	24.96	42.14
2012	21.98	38.22
2013	21.47	36.93
2014	20.65	35.54
2015	20.33	35.07
2016	19.94	33.26

Note: Figures cover front-office producers (bankers and traders who bring in revenue for their employer) and exclude middle or back-office jobs that involved settlement, management, administration, accounting, etc.

Source: Coalition

THE WALL STREET JOURNAL.

Source: U.K. Office of National Statistics

# A City That's Built on Blockchain

Dubai wants to use the technology to conduct its business

BY NIKHIL LOHADE

DUBAI HAS GROWN from a tiny fishing village to a major trading hub by attracting businesses with near-zero taxes, advanced transportation infrastructure and a secure environment in a tumultuous region.

Now it's planning another transformation to bolster its claim as the leading center for business in the Middle East—to an economy that relies heavily on blockchain technology.

Blockchain is perhaps best known as the technology behind the digital currency bitcoin, but it can serve many purposes. It uses a digital ledger to efficiently share and track information related to contracts and transactions, the records of which are permanent, verifiable and secure.

The goal of Dubai's government is to conduct a majority of the emirate's business using blockchain, which it expects will make government services more efficient and help promote enterprise in Dubai as it will become easier to do business there.

"We want to make Dubai the first blockchain-powered government in the world by 2020," says Aisha Bin Bishr, director general of Smart Dubai, a government office tasked with facilitating innovation in the emirate. "It is disruptive for existing systems, but will help us prepare for the future," she says.

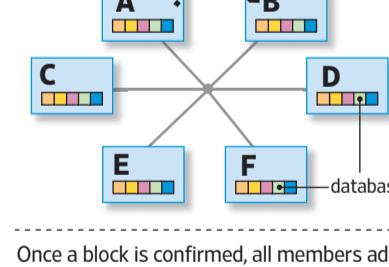
### Testing it out

Blockchain has yet to be deployed widely for commercial use, but many big global companies are testing the technology. It has attracted the most attention in the financial-services sector and is seeing growing interest from industries such as supply-chain management, health care and shipping.

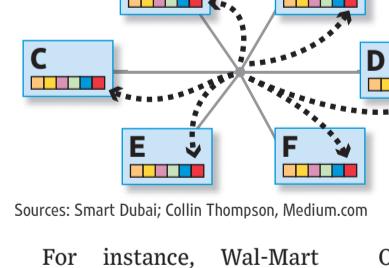
### Building Block to the Future

Dubai hopes to use blockchain, the technology behind the digital currency bitcoin, both to power its government and to enhance its status as a trade and finance hub. Blockchain allows for secure record keeping in online ledgers where members share and confirm information with no central authority. It can be used, for instance, to consolidate records for shipping goods around the globe. How it works:

All members have a copy of the shared database/ledger. When a member wants to send money to another member (e.g., A to B), a "block," or chunk of data, is created to represent the transaction.



Once a block is confirmed, all members add the block to their copies of the database.



Sources: Smart Dubai; Collin Thompson, Medium.com

For instance, Wal-Mart Stores Inc. is trying out blockchain to improve the way food is tracked, transported and sold to consumers across China. And **Depository Trust & Clearing Corp.**, a big Wall Street firm that processes financial transactions, plans to start using blockchain by early next year. The technology shift could help cut its cost of warehousing information on the transactions it handles, savings that could be passed on to customers.

In general, blockchain has the potential to speed up transactions, increase transparency and help reduce fraud such as money laundering. But it also faces several challenges to broad adoption.

One is cybersecurity. Backers of blockchains claim they are secure by design, but the technology hasn't been adopted widely enough yet for it to be seriously tested. Several hacking attacks against digital currencies in recent years underscore the security concerns.

Regulatory uncertainty is another hurdle, especially in the financial-services industry. Legal frameworks globally will have to change to adapt to the growing use of the new technology.

The costs to shift to the new technology, which continues to evolve, are also high.

And there are many technical challenges involved in integrating blockchain databases

with existing systems.

Despite all that, the advantages of blockchain are attractive for many businesses and institutions.

Dubai, a semi-autonomous member of the United Arab Emirates, is the first city to back the technology on a governmental level.

### Public-private effort

In March, Smart Dubai kicked off a citywide effort to implement blockchain. Over the coming months, it will conduct workshops with key government, semigovernment and private organizations to identify and prioritize the services that can be most enhanced by blockchain.

It also will educate the public and private sectors about

the technology's potential.

Following these workshops, Smart Dubai expects the public and private sectors to collaborate and start rolling out blockchain pilot projects this year. It also plans to build a shared platform—Blockchain as a Service—for Dubai governmental entities to use for implementing their projects.

Wesam Lootah, the chief executive of Smart Dubai, says a collaborative effort is crucial to ensure that the emirate as a whole is moving in the same direction to take advantage of synergies and avoid duplication of efforts and costs.

Smart Dubai has appointed **International Business Machines Corp.** as its blockchain lead strategic partner and **Consensys**, a custom-software development consultancy, as its blockchain adviser.

Dubai is adopting this technology as "government agencies and businesses realize the need to have a shared, secured ledger that establishes accountability and transparency while streamlining business processes," says Takreem El Tohamy, IBM's general manager for the Middle East and Africa. "The key is to always keep business value at the forefront."

### First steps

Several key Dubai entities are already trying out the blockchain technology.

The Department of Economic Development, a government agency, is usually the first stop for any company planning to do business in Dubai. Its role includes facilitating the setting up of businesses, issuance of commercial licenses, protecting the rights of businesses and consumers, and promoting enterprise and trade in Dubai.

The department, to start with, is working on shifting its

entire business registration and licensing services to blockchain.

"We want to transfer existing data to blockchain as well as create a system for new information," says Mohammed Shael Al Saadi, the department's chief executive for corporate strategy. "This data would be available to other Dubai entities, cutting down on duplication and easing and accelerating the process to set up businesses in Dubai," he says.

Another big early investor in blockchain is **Emirates NBD**, Dubai's largest bank, which is majority owned by the **Investment Corporation of Dubai**, manager of the Dubai government's portfolio of commercial investments. Emirates NBD in February started working with IBM and some other Dubai entities to explore the use of blockchain for trade finance and logistics.

Trade is Dubai's biggest business. It has used its ports and free zones to become a major import-export hub, connecting markets in Asia with those in Africa, Europe and beyond. Non-oil foreign trade in the emirate totaled about \$348 billion in 2016.

"The aim is to replace paper-based contracts with smart contracts that will help reduce complex documentation for the tracking, shipping and movement of goods," says Ali Sajwani, the group chief information officer at Emirates NBD.

"We have a very clear objective to make Dubai the capital of the blockchain industry," says Smart Dubai's Ms. Bishr. "By 2020 we'll have 100% of applicable government services and transactions happen on blockchain."

**Mr. Lohade** is an assistant news editor for The Wall Street Journal in Dubai. He can be reached at [nikhil.lohade@wsj.com](mailto:nikhil.lohade@wsj.com).

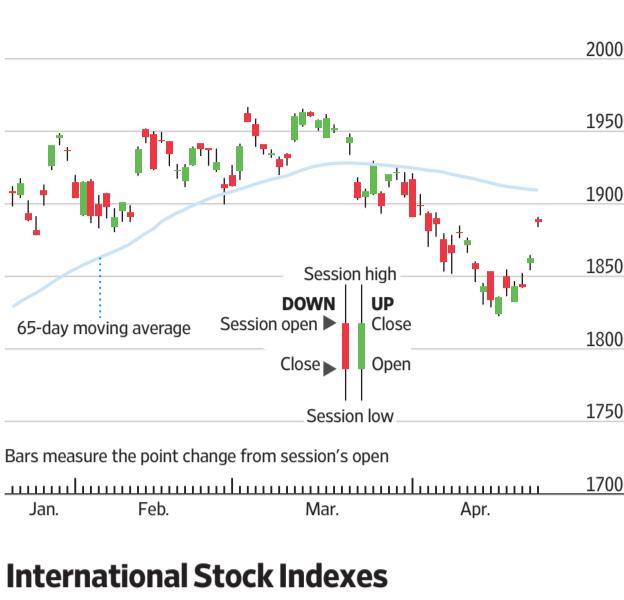


## MARKETS DIGEST

### Nikkei 225 Index

**18875.88** ▲ 255.13, or 1.37%

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



Bars measure the point change from session's open

Jan. Feb. Mar. Apr.

### STOXX 600 Index

**386.09** ▲ 7.97, or 2.11%

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

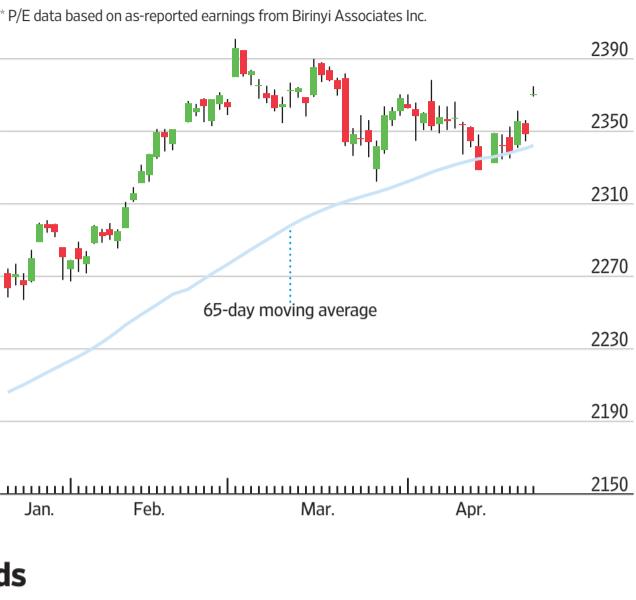


Jan. Feb. Mar. Apr.

### S&P 500 Index

**2370.58** ▲ 21.89, or 0.93%

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



Jan. Feb. Mar. Apr.

Data as of 12 p.m. New York time

Last Year ago

Trailing P/E ratio \* 24.39 24.11

P/E estimate ° 18.24 17.80

Dividend yield 1.98 2.17

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

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

### International Stock Indexes

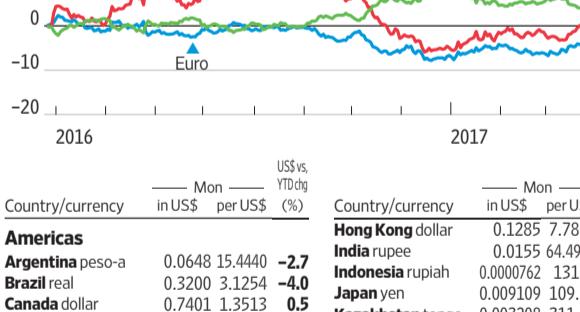
Data as of 12 p.m. New York time

Region/Country	Index	Close	NetChg	% chg	52-Week Range	Low	Close	High	YTD % chg
<b>World</b>	<b>The Global Dow</b>	<b>2712.55</b>	52.13	<span style="color: green;">+1.96</span>	2193.75	2080.47	2720.47	7.3	
	<b>MSCI EAFE</b>	<b>1824.78</b>	44.01	<span style="color: green;">+2.47</span>	1471.88	1956.39	1824.78	6.3	
	<b>MSCI EM USD</b>	<b>970.74</b>	8.96	<span style="color: green;">+0.93</span>	691.21	1044.05	970.74	22.2	
<b>Americas</b>	<b>DJ Americas</b>	<b>571.97</b>	5.25	<span style="color: green;">+0.93</span>	480.90	577.65	571.97	5.8	
Brazil	<b>Sao Paulo Bovespa</b>	<b>64576.86</b>	816.24	<span style="color: green;">+1.28</span>	48066.67	7203	64987.58	7.2	
Canada	<b>S&amp;P/TSX Comp</b>	<b>15728.60</b>	114.12	<span style="color: green;">+0.73</span>	13535.54	15943.09	15728.60	2.9	
Mexico	<b>IPC All-Share</b>	<b>49460.83</b>	493.00	<span style="color: green;">+1.01</span>	43902.25	49753.57	49460.83	8.4	
Chile	<b>Santiago IPSA</b>	<b>3735.45</b>	24.64	<span style="color: green;">+0.66</span>	2998.64	3786.05	3735.45	15.9	
<b>U.S.</b>	<b>DJIA</b>	<b>20748.73</b>	200.97	<span style="color: green;">+0.98</span>	17063.08	21169.11	20748.73	5.0	
	<b>Nasdaq Composite</b>	<b>5974.86</b>	64.33	<span style="color: green;">+1.09</span>	4574.25	5983.43	5974.86	11.0	
	<b>S&amp;P 500</b>	<b>2370.58</b>	21.89	<span style="color: green;">+0.93</span>	1991.68	2400.98	2370.58	5.9	
	<b>CBOE Volatility</b>	<b>11.34</b>	-3.29	<span style="color: red;">-22.49</span>	9.97	26.72	11.34	-19.2	
<b>EMEA</b>	<b>Stoxx Europe 600</b>	<b>386.09</b>	7.97	<span style="color: green;">+2.11</span>	308.75	386.09	386.09	6.8	
	<b>Stoxx Europe 50</b>	<b>3179.14</b>	63.67	<span style="color: green;">+2.04</span>	2626.52	3182.84	3179.14	5.6	
France	<b>CAC 40</b>	<b>5268.85</b>	209.65	<span style="color: green;">+4.14</span>	3955.98	5295.47	5268.85	8.4	
Germany	<b>DAX</b>	<b>12454.98</b>	406.41	<span style="color: green;">+3.37</span>	9214.10	12456.18	12454.98	8.5	
Israel	<b>Tel Aviv</b>	<b>1402.53</b>	17.37	<span style="color: green;">+1.25</span>	1372.23	1496.34	1402.53	-4.6	
Italy	<b>FTSE MIB</b>	<b>20684.41</b>	942.66	<span style="color: green;">+4.77</span>	15017.42	20684.41	20684.41	7.5	
Netherlands	<b>AEX</b>	<b>523.73</b>	11.54	<span style="color: green;">+2.25</span>	409.23	525.02	523.73	8.4	
Russia	<b>RTS Index</b>	<b>1116.58</b>	32.41	<span style="color: green;">+2.99</span>	873.58	1196.99	1116.58	-3.1	
Spain	<b>IBEX 35</b>	<b>10766.80</b>	389.80	<span style="color: green;">+3.76</span>	7579.80	10769.80	10766.80	15.1	
Switzerland	<b>Swiss Market</b>	<b>8711.32</b>	157.33	<span style="color: green;">+1.84</span>	7475.54	8713.16	8711.32	6.0	
South Africa	<b>Johannesburg All Share</b>	<b>52921.41</b>	726.82	<span style="color: green;">+1.39</span>	48935.90	54704.22	52921.41	4.5	
Turkey	<b>BIST 100</b>	<b>93802.81</b>	1378.88	<span style="color: green;">+1.49</span>	70426.16	93802.81	93802.81	20.0	
U.K.	<b>FTSE 100</b>	<b>7264.68</b>	150.13	<span style="color: green;">+2.11</span>	5788.74	7447.00	7264.68	1.7	
<b>Asia-Pacific</b>	<b>DJ Asia-Pacific TSM</b>	<b>1554.93</b>	5.62	<span style="color: green;">+0.36</span>	1308.52	1570.38	1554.93	9.3	
Australia	<b>S&amp;P/ASX 200</b>	<b>5871.80</b>	17.70	<span style="color: green;">+0.30</span>	5103.30	5934.00	5871.80	3.6	
China	<b>Shanghai Composite</b>	<b>3129.53</b>	-43.62	<span style="color: red;">-1.37</span>	2806.91	3288.97	3129.53	0.8	
Hong Kong	<b>Hang Seng</b>	<b>24139.48</b>	97.46	<span style="color: green;">+0.41</span>	19694.33	24593.12	24139.48	9.7	
India	<b>S&amp;P BSE Sensex</b>	<b>29555.84</b>	290.54	<span style="color: green;">+0.99</span>	25101.73	29742.24	29555.84	11.4	
Indonesia	<b>Jakarta Composite</b>	<b>5664.48</b>	...	<span style="color: red;">Closed</span>	4704.22	5680.24	5664.48	6.9	
Japan	<b>Nikkei Stock Avg</b>	<b>18875.88</b>	255.13	<span style="color: green;">+1.37</span>	14952.02	19633.75	18875.88	-1.2	
Malaysia	<b>Kuala Lumpur Composite</b>	<b>1756.05</b>	...	<span style="color: red;">Closed</span>	1614.90	1756.05	1756.05	7.0	
New Zealand	<b>S&amp;P/NZX 50</b>	<b>7222.94</b>	25.72	<span style="color: green;">+0.36</span>	6664.21	7571.11	7222.94	5.0	
Pakistan	<b>KSE100</b>	<b>50111.67</b>	403.02	<span style="color: green;">+0.81</span>	33684.56	50192.36	50111.67	4.8	
Philippines	<b>PSEI</b>	<b>7588.88</b>	10.72	<span style="color: green;">+0.14</span>	6563.67	8102.30	7588.88	10.9	
Singapore	<b>Straits Times</b>	<b>3144.03</b>	4.20	<span style="color: green;">+0.13</span>	2729.85	3187.51	3144.03	9.1	
South Korea	<b>Kospi</b>	<b>2173.74</b>	8.70	<span style="color: green;">+0.40</span>	1925.24	2178.38	2173.74	7.3	
Taiwan	<b>Weighted</b>	<b>9717.95</b>	0.54	<span style="color: green;">+0.01</span>	8053.69	9724.49	9717.95	5.0	
Thailand	<b>SET</b>	<b>1564.66</b>	-5.36	<span style="color: red;">-0.34</span>	1381.69	1591.00	1564.66	1.4	

Source: SIX Financial Information; WSJ Market Data Group

### Currencies

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



2016 2017

London close on April 24

Country/currency	Mon	US\$ vs. per US\$ (%)	YTD% (%)
<b>Europe</b>			
Bulgaria leva	0.5553	1.8008	<span style="color: red;">-3.1</span>
Croatia kuna	0.1455	6.873	<span style="color: red;">-4.2</span>
Euro zone euro	1.0851	0.9216	<span style="color: red;">-3.1</span>
Czech Rep. koruna-b	0.0404	24.739	<span style="color: red;">-3.7</span>
Denmark krone	0.1458	6.8564	<span style="color: red;">-3.0</span>
Hungary forint	0.003482	287.17	<span style="color: red;">-2.4</span>
Iceland krona	0.009293	107.61	<span style="color: red;">-4.7</span>
Norway krona	0.1168	8.5591	<span style="color: red;">-1.0</span>
Poland zloty	0.2559	3.9079	<span style="color: red;">-6.7</span>
Russia ruble-d	0.01790	55.879	<span style="color: red;">-8.8</span>

## FINANCE & MARKETS

# Trump's Point Man on Wall Street Rules

BY RYAN TRACY

WASHINGTON—After Donald Trump won the presidency, Craig Phillips shifted gears. The recent retiree from BlackRock Inc. had been donating to Hillary Clinton's campaign and angling for a job in a Democratic administration.

Immediately after the November election, Mr. Phillips logged on to Mr. Trump's transition website, GreatAgain.gov, and filled out a form for volunteers, according to people familiar with the matter.

Five months later, he has emerged in Mr. Trump's understaffed Treasury Department, helming the administration's plan for financial deregulation and serving as a key point of contact with the financial industry.

Mr. Phillips's influence as a counselor to Treasury Secretary Steven Mnuchin may continue for the foreseeable future. Mr. Trump has nominated other senior Treasury officials but not an undersecretary of domestic finance—an area on which Mr. Phillips is advising the Treasury.

Through a Treasury spokeswoman, Mr. Phillips declined to comment for this article. In a statement, the spokeswoman touted his "forty years of domestic and global capital markets experience" and said "he

is dedicated to lending his expertise to public service, and he is a key member of our team at the Treasury Department."

His primary job at the Treasury Department is to craft a response to Mr. Trump's February executive order asking for a broad review by the department of financial regulations to determine whether they are consistent with goals like growing the economy.

Mr. Phillips didn't speak much publicly about his regulatory views during his time at BlackRock, which began during the 2008 financial crisis. What he has said suggests he saw the Obama administration's regulatory approach as too aggressive, while rejecting some conservatives' views that the government should have little if any role in back-stopping financial markets.

Mr. Phillips grew up in Orlando, Fla., and has said he dreamed of being an astronaut or surgeon before settling on finance. His first job on Wall Street in 1976 was with Kuhn Loeb & Co. at 40 Wall Street—a property now known as the Trump Building.

In the 1980s, Mr. Phillips worked at the Credit Suisse First Boston investment bank alongside Laurence Fink, part of a team that was at the cut-

ting edge of creating complex new bonds made up of mortgages. He didn't join Mr. Fink and others when they left to form BlackRock, now the world's largest asset manager, in 1988.

At Morgan Stanley from 1994 through 2006, Mr. Phillips made a name for himself selling mortgage securities backed by commercial real estate and expanding that business into Europe.

Former colleagues say he had a talent for attacking complex problems. "Easily one of the five smartest people I have known in my 25-year career," said Arvind Bajaj, a real-estate investor who worked for Mr. Phillips at Morgan Stanley.

His Morgan Stanley group provided billions of dollars in financing for mortgages it could bundle and resell. They worked closely with subprime lender New Century Financial Corp., which went bankrupt amid accusations it coaxed borrowers into loans they couldn't repay. Morgan Stanley later admitted its bankers failed to disclose to investors important information about mortgages as part of a \$2.6 billion federal civil settlement.

Mr. Phillips departed Morgan Stanley in 2006 as the housing market began to unravel. In 2008, he landed at BlackRock, where he dealt with the unraveling, leading a sort of financial SWAT team. The group evaluated toxic assets of bailout recipient American International Group Inc., assessed Greek bank loans and provided financial models for the Federal Reserve's annual bank "stress tests."

The business was profitable, but Mr. Phillips was an unpopular manager at BlackRock, former colleagues there said. His team's job-satisfaction ratings were below other BlackRock divisions, they said.

BlackRock declined to comment on Mr. Phillips.

The BlackRock job led Mr. Phillips to spend more time in Washington. He proudly showed office visitors a hang-

ing photograph of him grinning next to President Barack Obama. He has donated to both political parties over the years, but gave mostly to Democrats in recent years. In October 2016, he gave about \$130,000 to support Mrs. Clinton's presidential bid as well as \$33,400 to the Democratic Senatorial Campaign Committee, federal records show. In

January, he gave \$100,000 to Mr. Trump's inaugural committee.

His support for Democrats has irked Republicans on Capitol Hill and inside the Trump administration, who perceive Mr. Phillips as a potential roadblock to implementing a broader conservative agenda on financial regulation and other issues, some GOP staff-

ers said.

On Jan. 3, Mr. Phillips was tapped for Mr. Trump's Treasury Department "landing team." After the Jan. 20 inauguration, he was one of the first Trump administration staffers sent to Treasury headquarters next to the White House.

—Sarah Krouse contributed to this article.

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	AS EQ HKG 04/21 AUD 13.54 13.4 21.5 5.1	AS EQ HKG 04/21 AUD 13.12 13.3 20.9 6.5	
	AS EQ HKG 04/21 CAD 12.53 13.7 17.4 NS	AS EQ HKG 04/21 HKD 11.14 13.1 19.3 NS	
	AS EQ HKG 04/21 NZD 13.64 13.1 20.8 4.2	AS EQ HKG 04/21 CNH 11.48 10.2 25.2 NS	
	AS EQ HKG 04/21 SGD 11.11 15.6 23.4 NS	AS EQ HKG 04/21 SGD 10.11 5.1 20.6 NS	
	AS EQ HKG 04/21 USD 10.24 4.8 6.6 NS	AS EQ HKG 04/21 USD 10.24 4.8 6.6 NS	
VP Multi-Asset Fund Cls A HKD	OT OT HKG 04/21 HKD 10.11 5.1 20.6 NS	OT OT HKG 04/21 USD 10.24 4.8 6.6 NS	
VP Multi-Asset Fund Cls A USD	OT OT HKG 04/21 USD 10.24 4.8 6.6 NS	OT OT HKG 04/21 USD 10.24 4.8 6.6 NS	
VP Taiwan Fund	AS EQ CYM 04/21 USD 18.45 10.1 24.0 7.2	AS EQ CYM 04/21 USD 18.45 10.1 24.0 7.2	

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Craig Phillips is advising the administration on domestic finance.

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TOKYO PHILHARMONIC

# MARKETS

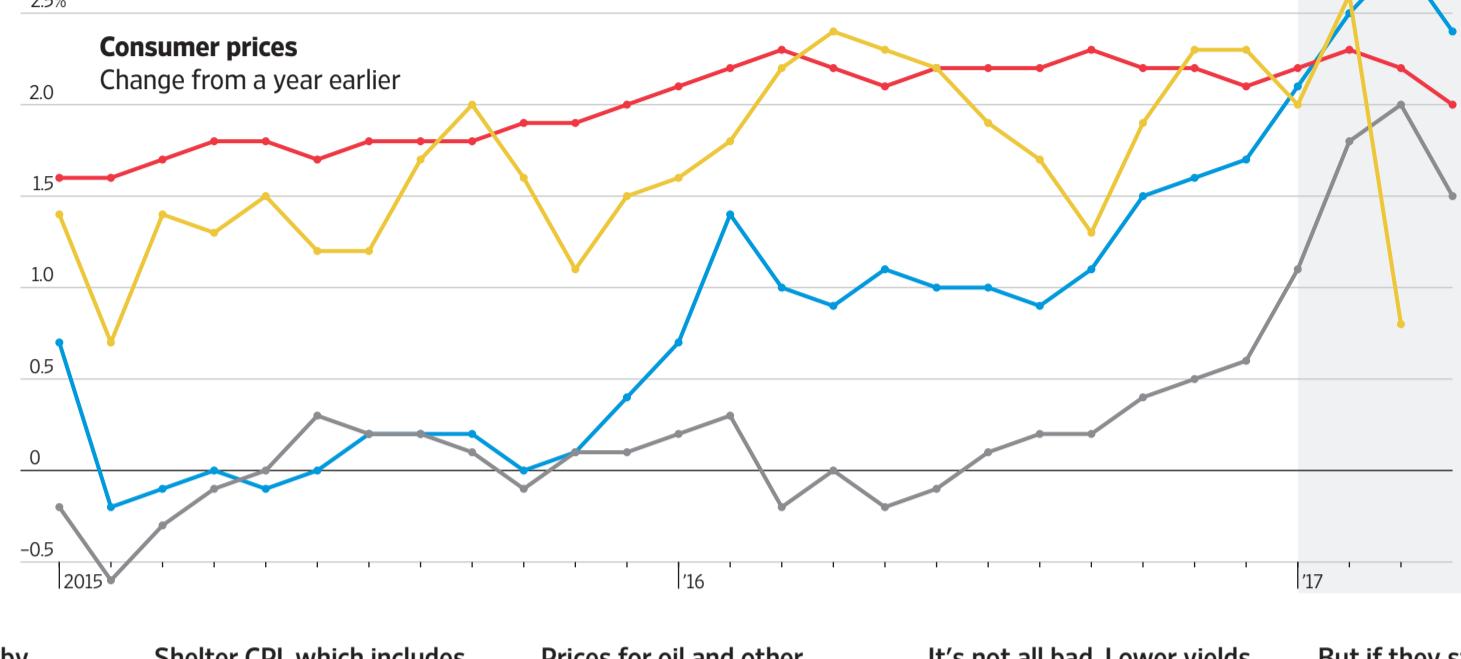
THE DAILY SHOT | By Lev Borodovsky

## The Case for Peak Inflation

Have we hit peak inflation? Investors are certainly acting like we have. It's a potential shift with broad implications for markets and the economy.

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From South Africa to Slovakia, we see the same pattern of inflation falling after a rise over the past year.



Much of it is driven by China, the manufacturer to the world.

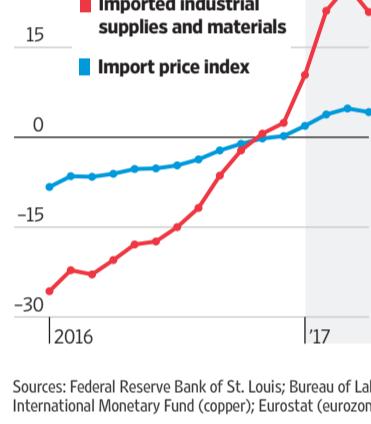
Shelter CPI, which includes rent, seems to have peaked and market inflation expectations are now declining.

Prices for oil and other industrial commodities such as iron ore and copper have declined after long rallies.

It's not all bad. Lower yields have trimmed corporate funding costs and pushed mortgage rates lower.

But if they stay low, it could throw more cold water on once-hot sectors like the banks.

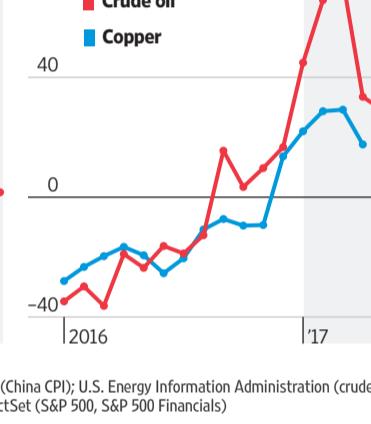
Import prices, change from a year earlier



Shelter CPI and inflation expectations



Prices, change from a year earlier



Corporate bond yield and mortgage rate



Performance since 2015



Sources: Federal Reserve Bank of St. Louis; Bureau of Labor Statistics (CPI, core CPI, import prices, shelter CPI); OECD (China CPI); U.S. Energy Information Administration (crude); International Monetary Fund (copper); Eurostat (eurozone CPI); Moody's (bond yield); Freddie Mac (mortgage rate); FactSet (S&P 500, S&P 500 Financials)

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## HEARD ON THE STREET

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FINANCIAL ANALYSIS & COMMENTARY

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## More Chips to Play in This Sector

### OVERHEARD

### Euro Slips Its Political Shackles

When it comes to the euro, what doesn't kill it should make it stronger. The threat posed to the currency by the French elections has faded. The focus should move to the economy and the European Central Bank.

The euro was the immediate beneficiary of the market-friendly outcome of Sunday's vote, which pits centrist Emmanuel Macron against euroskeptic Marine Le Pen in a runoff May 7. Unless there is a huge shock, Mr. Macron, who is staunchly pro-European, looks set to win. The euro rose to a five-month high against the dollar above \$1.09 late Sunday before consolidating around \$1.085. French stocks and bonds jumped too.

While the French elections were in the foreground, the economic backdrop has been quietly improving. Political worries haven't deterred consumers or businesses. Investors have started to put money back into European assets.

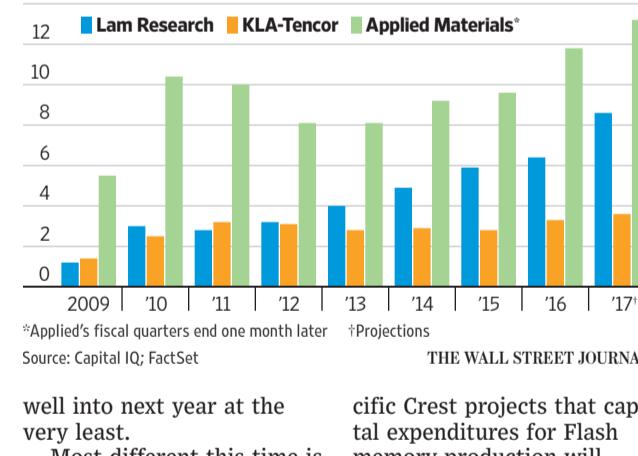
The ECB meeting this week could check big gains for the euro. Markets revved up speculation after March's meeting about the potential for a shift in the central bank's ultraloose monetary-policy settings; ECB officials led by President Mario Draghi and Executive Board member Peter Praet have spent time tamping expectations down. It is unlikely the ECB will want to repeat that process after April's meeting, and expectations for any tweaks to policy are low.

But by June, if Mr. Macron is installed in the Élysée Palace and the eurozone economy is still on track, the ECB will be back in the spotlight. A debate about monetary policy, rather than politics, should further support the euro.

—Richard Barley

#### Chipper

Revenue per calendar year



six years. Demand for 3D NAND gear was credited as a major reason.

Applied Materials is expected to see a 43% jump in revenue for the fiscal quarter that ends this month. KLA-Tencor, which has less exposure to the flash market, is still expected to post a 26% jump in sales for the March quarter when it reports its results later this week.

Demand for 3D NAND gear should extend well beyond the near term. On Lam's earnings call, Chief Executive Martin Anstice said he expects just a little over half the installed base of NAND production equipment to be converted to 3D NAND by the end of the year. That would leave plenty of upside for next year.

And despite their recent gains, shares of Lam and Applied Materials are still trading at slight discounts to the peer-weighted PHLX Semiconductor Index as a multiple of forward earnings. This rally still has some flash left in it.

—Dan Gallagher

well into next year at the very least.

Most different this time is the market for flash memory, which is shifting to a new production process called 3D NAND. This has caused a supply shortage that has boosted NAND spot prices by 42% over the past 12 months, according to DRAMeXchange.

It also has spurred demand for equipment as memory makers upgrade their fabs. Wes Twigg of Pa-

cific Crest projects that capital expenditures for Flash memory production will jump 25% this year. Atif Malik of Citigroup said he expects the current supply-demand balance to "remain tight" through 2018, which will likely keep pricing strong through then.

Last week, Lam Research reported a 64% jump in revenue year over year for its fiscal third quarter, ended March 26. That is the biggest gain seen by the company in

though, may not allow Evergrande to list at a valuation too far away from the level in Hong Kong. Hence Evergrande's frantic efforts to bolster its current share price in Hong Kong. Despite being heavily indebted—Evergrande's net debt, including \$16 billion worth of perpetual bonds, is more than four times its equity—the company has spent a half-billion dollars over the past month buying up 3% of its shares on issue.

This strategy doesn't look tenable, partly because of Evergrande's parlous finances. The company made no profit last year, excluding

revaluation gains on its investment properties, despite a 60% rise in revenue. One key reason is its burdensome financing costs: Its interest bill reached \$3.2 billion last year, including payments to holders of those perpetual securities.

The other reason is technical. Hong Kong-listed companies must have at least a quarter of their shares in public hands. If all the shares Evergrande has bought back recently are canceled, its Chairman Hui Ka-yan will own around 76% of the company. The Hong Kong exchange could give Evergrande space to rectify this

situation before suspending the stock, but the room for the company to keep buying its own shares looks limited.

In any case, Evergrande's hopes of a quick listing in Shenzhen may be misplaced. Wanda Commercial, a shopping mall and office developer controlled by China's richest man, Wang Jianlin, is still in limbo, seven months after delisting itself from Hong Kong's market to seek a mainland listing.

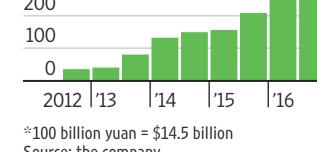
While it waits for the nod in China, Evergrande's soaring Hong Kong-listed shares could sink back into the quicksand.

—Jacky Wong

## A Chinese Property-Stock Surge That Is Set to Crumble

#### Ever Higher

China Evergrande's net debt, including perpetual securities



to attract higher valuations, making it easier for them to raise fresh capital in the future.

Chinese regulators,

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surge is an example of the distortions caused when Chinese companies traded overseas head home—Evergrande is currently planning to list a subsidiary that houses most of its assets on the Shenzhen market. That could bring advantages: Mainland-listed shares tend

to attract higher valuations, making it easier for them to raise fresh capital in the future.

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—Richard Barley