

# THE WALL STREET JOURNAL.

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## What's News

Business & Finance

Unilever said it would sell its margarine and spreads business, part of a broad restructuring in the wake of a spurned takeover approach by Kraft Heinz. **A1**

◆ Seven & i said it would purchase more than 1,100 U.S. convenience stores and gas stations from Sunoco for \$3.3 billion. **B1**

◆ Spotify is considering a direct listing, in which the company would simply register its shares on a public exchange and let them trade freely. **A1**

◆ Several big Wall Street firms are balking at a contract that the New York Stock Exchange is requiring them to sign to keep trading on its markets. **B5**

◆ GE is weighing a sale of its lighting unit, the latest move in the conglomerate's pivot away from consumer businesses. **B3**

◆ Ford will start building electric cars in China, tapping into a state-sponsored surge in green-energy vehicles. **B1**

◆ Twitter launched a new version of its service in India tailored for users with slow and unreliable internet connections. **B4**

◆ An Australian regulator is suing Apple over software that disabled iPhones and iPads that had been serviced outside Apple stores. **B4**

◆ BlackRock named Cisco's chief as a director, making him the first tech CEO on the money manager's board. **B7**

### World-Wide

◆ Nunes said he is stepping aside from the probe of possible Russian interference in the 2016 election, citing the need to confront ethics complaints filed against him. **A1**

◆ Autopsy results of three victims of the gas attack in Syria suggest the banned chemical agent sarin was the cause of death. **A3**

◆ Duterte vowed to stake a claim to disputed islands in the South China Sea by ordering troops to occupy and fortify all ocean features controlled by Manila. **A1**

◆ The Fed agreed at its March meeting that it would likely begin shrinking a \$4.5 trillion securities portfolio later this year. **A5**

◆ The EU slapped Chinese steel imports with new antidumping duties. **A4**

◆ Trump is reconsidering his foreign policy due to a convergence of crises in Syria and North Korea. **A3**

◆ Top ECB officials clashed over how quickly to wind down the bank's massive monetary stimulus. **A3**

◆ India's central bank left its main lending rate unchanged, as it waits for further proof that inflation is under control. **A4**

◆ Labor unions launched a nationwide strike in Argentina to protest austerity measures that have taken a toll on consumption. **A4**

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Malaysia: RM750; Singapore: \$55.00 (incl GST)  
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## Nunes Cedes Role in Russia Probe

House committee leader says he will step aside to confront 'false' ethics claims

By BYRON TAU

WASHINGTON—House Intelligence Committee chairman Devin Nunes is stepping aside from the panel's probe of alleged Russian interference in the 2016 election, citing the need to confront a congressio-

nal ethics inquiry into allegations that he improperly disclosed classified information to the public.

The California Republican said in a statement Thursday he would temporarily remove himself from the investigation into alleged Russia meddling in the election and whether any members of either presidential campaign were in contact with foreign agents.

The probe will instead be led by Rep. Mike Conaway (R., Texas), with assistance from

### Senate Triggers 'Nuclear Option'

Republicans eliminated the filibuster on Supreme Court picks, thwarting Democrats' opposition to Gorsuch. **A5**

Reps. Trey Gowdy (R., S.C.) and Tom Rooney (R., Fla.). Mr. Nunes will remain the chairman of the Intelligence Committee and participate in the panel's other activities.

The three will temporarily take charge of the committee's Russia investigation while the Office of Congressional Ethics looks into what Mr. Nunes described as "entirely false and politically motivated" accusations lodged against him.

"I am requesting to speak to the Ethics Committee at the earliest possible opportunity in order to expedite the dismissal of these false claims," Mr. Nunes said.

The top Republican and Democrat on the House Ethics

Committee, Reps. Susan Brooks (R., Ind.) and Ted Deutch (D., Fla.), confirmed in a short statement that the committee was investigating complaints that Mr. Nunes publicly disclosed classified information.

Two Washington-based liberal legal groups, Democracy 21 and Citizens for Responsibility and Ethics in Washington, or CREW, have asked Congress for an investigation into the congressman's statements to the media. The Ethics Committee

Please see NUNES page A5

## A Florida Wave for Xi-Trump Summit



BIG VISIT: Supporters awaited Chinese President Xi Jinping in Palm Beach, Fla., for his summit with President Donald Trump. **A11**

## Duterte Vows South China Sea Move

By JAKE MAXWELL WATTS

MANILA—Philippine President Rodrigo Duterte said he would stake his country's claim to disputed islands in the South China Sea by ordering Filipino troops to occupy and fortify all ocean features controlled by Manila, a remark that appeared to be aimed at China.

The president, speaking Thursday during a visit to a west Philippines island, struck a more assertive tone than he has in the past, one that risks upsetting his newfound close-

ness with Beijing.

"It looks like there's a race to grab islands," Mr. Duterte said. "What is ours now, we should get and make a strong point that it is ours."

Mr. Duterte said he had ordered the military to place the national flag on all of the islands controlled by the Philippines, which he said numbered about nine or 10. "I must build bunkers there or houses and provisions for habitation," he said.

The president said he might also visit one of the is-

lands, Pag-asa, to mark independence day in the Philippines on June 12.

The Philippines is one of several claimants to islands and features in the South China Sea. Its claims compete with those of Beijing, which maintains that China has historical rights to almost the entire sea.

While Mr. Duterte didn't make clear who specifically he was referring to when he spoke of a race to claim territory, late last month Beijing sought to quell alarm in Ma-

nila after a Chinese mayor raised the prospect of building on the disputed Scarborough Shoal.

In 2012, China seized control of the Scarborough Shoal from the Philippines and blocked access to Filipino fishermen. The island, known as Huangyan in Chinese, is about 12 nautical miles from the Philippines' northwestern coast and sits near valuable fishing grounds.

China's foreign ministry didn't respond to a request to

Please see SEA page A4

## Spotify Considers Unorthodox IPO

By MAUREEN FARRELL AND TELIS DEMOS

Music-streaming service Spotify AB is readying an initial public offering that is expected by year-end. The rub is this: It may not really be an IPO.

Spotify is seriously considering a direct listing, in which the company would simply register its shares on a public exchange and let them trade freely, according to people familiar with the matter. The company wouldn't raise any new money or use underwriters to place new blocks of stock.

That would mark a departure

from the typical IPO, in which new investors buy shares from the company or its early investors, or both, the night before they start trading. The initial price is set by underwriters following extensive meetings with potential new investors.

In a direct listing, investors purchase shares in the open market after they are listed. The price is set organically based on supply and demand. Spotify, which has raised more than \$1 billion in equity, was last valued privately at \$8.5 billion in June 2015. The Swedish company is targeting a public valuation

Please see IPO page A2

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DESIGNS OF A MASTER ARTIST

## SOUTHERN SPAIN'S SWEET SPOT

MANSION, W9

## A PASSOVER LEGACY IN RECIPES

OFF DUTY, W1

## Want a Masters Winner's Jacket? It Just Takes Some Green

\* \* \*

Augusta tries to keep its blazers in the club, but \$20,000 can buy one

BY BRIAN COSTA

For a day, Keith Millhouse was a revered figure in golf. At a professional tournament outside Los Angeles several years ago, spectators gawked at him. Players did double-takes as they walked past, he said, and Tiger Woods smiled at him.

No one recognized Mr. Millhouse, a 55-year-old environmental attorney. They did recognize his garb: a green jacket from Augusta National Golf Club, one of the rarest and most prestigious garments in the world of sports.

Officially, only the winner of the Masters tournament, which began Thursday, and the club's roughly 300 mem-

bers receive the jackets. Mr. Millhouse doesn't play much golf. He has never set foot inside the club's gates.

All he had to do was pay

\$11,000 for it at an auction.

"Some people were kind of looking at me like, 'Is he a weirdo?'" he said. "I don't know if they appreciated what it was that they were looking at."

Augusta National is famously exclusive and stringent. It prohibits those who receive green jackets, which bear breast patches featuring the club's iconic logo, from taking them off the premises. An exception: A Masters winner may take it home and

return it the next year.

In recent years, a small number of jackets have found their way onto the market.

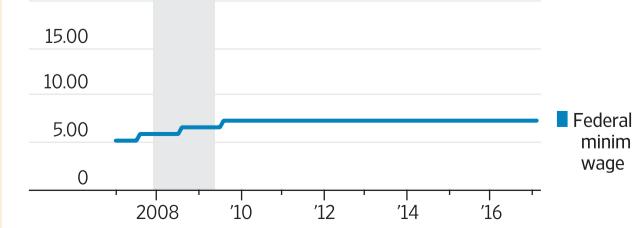
Ryan Carey, co-founder of a golf-memorabilia company, Green Jacket Auctions, said he and his partner have sold around a dozen since 2006. Jackets owned by former club members, such as one up for auction this week, typically go for around \$20,000.

Those that belonged to Masters champions are rarer. Mr. Carey's company in 2013 sold the jacket awarded to Horton Smith for his 1934

Please see GREEN page A6

## Wage Movement Hits Roadblock

Seasonally adjusted average hourly earnings for all U.S. private sector employees and the federal minimum wage



Momentum is shifting against minimum-wage increases in the U.S. **A6**

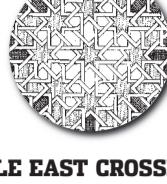
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China: RMB28.00; Hong Kong: HK\$23.00;  
Indonesia: Rp25,000 (incl PPN);  
Japan: Yen620 (incl JCT); Korea: Won4,000;  
Malaysia: RM750; Singapore: \$55.00 (incl GST)  
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## WORLD NEWS

# Trump's Middle East Push Vexes Israeli Right



MIDDLE EAST CROSSROADS  
YAROSLAV TROFIMOV

BEIT EL, West Bank—President Donald Trump's interest in solving the Israeli-Palestinian problem is running into a stubborn fact: Much of Israel's

governing coalition is pretty happy with the status quo.

The Israeli economy is booming. Jewish population growth has nearly caught up with Palestinian birthrates. And the level of violence remains at historic lows. The wars ravaging the wider Middle East, meanwhile, have distracted regional attention

"They've been surprised. They're a bit uneasy," said Daniel Shapiro, who served as U.S. ambassador to Israel until January and is now a visiting fellow at the Institute for National Security Studies in Tel Aviv.

"There is nothing more sustainable than the current situation that has already existed for 50 years and that is getting better all the time," said retired Brig. Gen. Effie Eitam, Israel's former minister of national infrastructure and housing who now runs a private intelligence company in Jerusalem.

That's why Mr. Trump's ambition to resolve the intractable dispute—a solution that would likely require Israel to accept Palestinian

statehood and give up most of the territory it has occupied since 1967—has confounded Israel's right-wing coalition months after it celebrated the U.S. election as divine deliverance from international pressure.

"They respect [the Trump administration] and if they can promote it, we can be very happy, but we are not naive," Mr. Erdan said. "In the immediate future, I don't see a solution that can be viable."

"We respect [the Trump administration] and if they can promote it, we can be very happy, but we are not naive," Mr. Erdan said. "In the immediate future, I don't see a solution that can be viable."

In a March phone conversation with Palestinian Authority President Mahmoud Abbas, Mr. Trump "emphasized his personal belief that peace is possible and that the time has come to make a deal," accord-

ing to a White House readout.

Mr. Abbas later told a U.S. special envoy that such a "historic deal" is indeed achievable "under President Trump's leadership."

The sentiment in the Israeli government is different. Gilad Erdan, Israel's minister of public security and strategic affairs and a senior member of Mr. Netanyahu's Likud party, said he didn't expect the Trump administration to achieve a breakthrough soon.

"We respect [the Trump administration] and if they can promote it, we can be very happy, but we are not naive," Mr. Erdan said. "In the immediate future, I don't see a solution that can be viable."

"They have to be concerned that there will be additional pressure, even if it's not as public as it was sometimes the case during the Obama administration," he added. "There is certainly potential for a major disagreement later on."

"We respect [the Trump administration] and if they can promote it, we can be very happy, but we are not naive," Mr. Erdan said. "In the immediate future, I don't see a solution that can be viable."

"Trump has really put his family name, his brand on this issue. They are serious about getting something

done," said Tamara Cofman Wittes, a senior fellow at the Brookings Institution and former deputy assistant Secretary of State for Near Eastern affairs. Mr. Trump has tapped his son-in-law Jared Kushner to oversee the Israeli-Palestinian effort, among other tasks.

Mr. Netanyahu's cabinet—seeking to accommodate American requests—has imposed modest new limits on West Bank settlement expansion.

That's not something that the West Bank settlers' leaders had expected from a Trump White House. Oded Revivi, head of foreign affairs at the settlement movement's umbrella group, the Yesha Council, said it was disappointing that Washington still wanted to halt settlement growth instead of looking for new "out of the box" solutions.

"I don't have an answer for why they are so eager to solve this dispute," said Mr. Revivi, who serves as mayor

of one of the bigger settlement towns, Efrat. "If you do what you have always done, don't expect a different solution, no matter what administration it is."

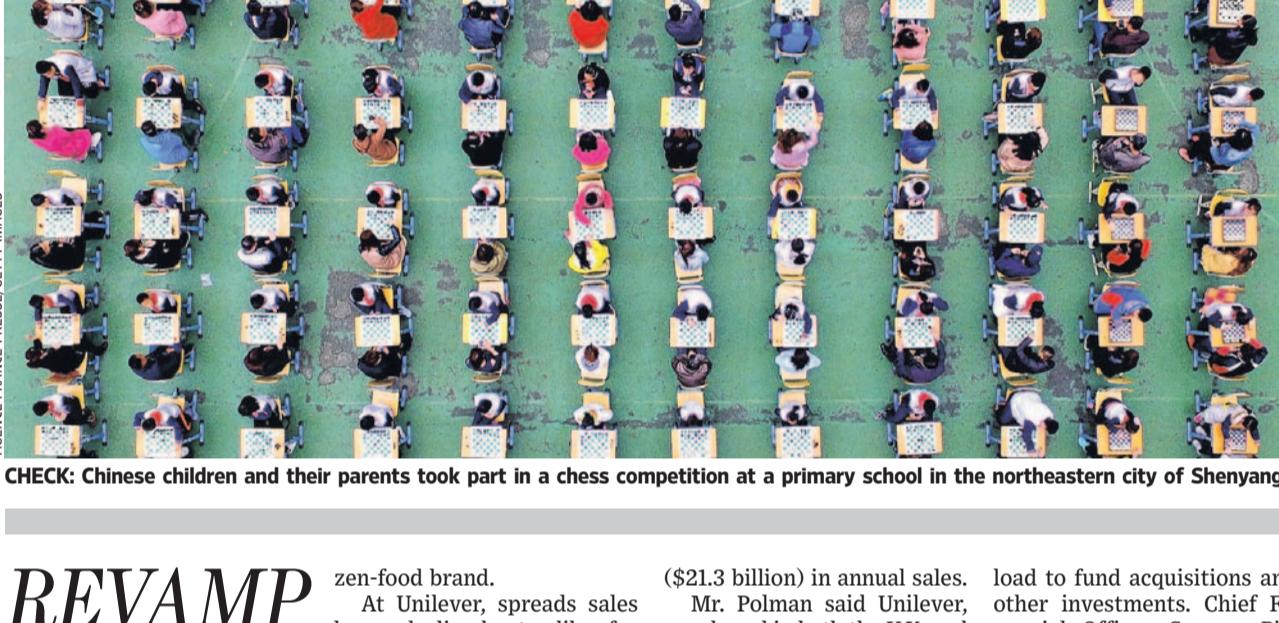
Unlike the Obama administration, Mr. Trump's Middle East team includes senior officials with a deep personal connection to these West Bank settlements. Plaques commemorating donations by the new U.S. ambassador to Israel, David Friedman, grace several buildings in the settle-

ment of Beit El north of Ramallah. Jason Greenblatt, Mr. Trump's special envoy for the Israeli-Palestinian conflict, studied Judaism in another West Bank settlement in the 1980s. Settler leaders say they still hope these connections will influence U.S. policy.

Lawmaker Ayman Odeh, the head of the Arab parties' alliance in the Israeli parliament, wasn't so sure.

"To be honest," he said, "nobody knows what will happen with Trump tomorrow."

## Students and Parents Make Their Move in Chess Contest



CHECK: Chinese children and their parents took part in a chess competition at a primary school in the northeastern city of Shenyang.

## REVAMP

Continued from Page One

mann's mayonnaise and Dove soap said it would sell or separate its spreads business, which generates more than \$3 billion a year in revenue.

Analysts estimate the business, which includes margarines but not condiments such as mayonnaise, could fetch \$7.5 billion to \$8.5 billion in a sale. But some have questioned its attractiveness on its own to potential buyers or to investors as a publicly traded unit.

"We suspect other food assets would need to be injected" to stir interest, said Société Générale analyst Warren Ackerman. "It doesn't sound like Kraft Heinz is coming for spreads anytime soon."

An array of food assets are up for sale around the world as consumer-goods companies increasingly favor faster-growing personal-care and home products or focus on building up certain food lines.

Reckitt Benckiser Group PLC

on Monday said it would seek to sell its unit that includes French's, the best-selling mustard in the U.S. France's Danone SA last week put its Stonyfield organic yogurt unit up for sale, seeking to clear the biggest antitrust hurdle to its \$10.4 billion acquisition of WhiteWave Foods Co.

China's Bright Food Group Co., meanwhile, has hired bankers to look for buyers for its Weetabix cereal and snack brand, according to people familiar with the matter. Swiss frozen-bakery goods company Aryza AG has said it is looking at strategic alternatives for Picard, a popular French fro-

zen-food brand.

At Unilever, spreads sales have declined steadily for years in developed markets such as Europe and the U.S., despite the company's attempts to restructure the business, launch new products and buoy sales through marketing campaigns. Mr. Polman has said he wouldn't sell the business unless Unilever received its asking price.

The spreads unit isn't just another business for Unilever. The company was formed in 1929 through a merger of British soap business Lever Brothers and the Dutch company Margarine Unie, which dated back to 1872.

Unilever said Thursday it would combine its foods and refreshment units into one organization, based in the Netherlands, to boost growth and cut costs. Its refreshment brands include Ben & Jerry's ice cream and Lipton teas. Excluding spreads, the two units bring in about €20 billion

(\$21.3 billion) in annual sales.

Mr. Polman said Unilever, now based in both the U.K. and the Netherlands, plans to review that dual-headed legal structure with the aim of improving the company's ability to make large acquisitions. The current structure, in which Unilever's capital is split between listings in London and Amsterdam, halves the company's firepower, he said.

SocGen's Mr. Ackerman said the combination of the foods and refreshment units, alongside the structural review, could pave the way for breaking that business apart from the higher-margin home and personal-care arm, which is centered in the U.K.

Overall, Unilever said various initiatives—including more efficient marketing spending and supply-chain savings—would allow it to increase cost savings from €4 billion to €6 billion.

The company also said it

plans to nearly double its debt load to fund acquisitions and other investments. Chief Financial Officer Graeme Pitkethly said the increased leverage ratio would lower Unilever's credit rating by one notch but still give it access to short-term debt.

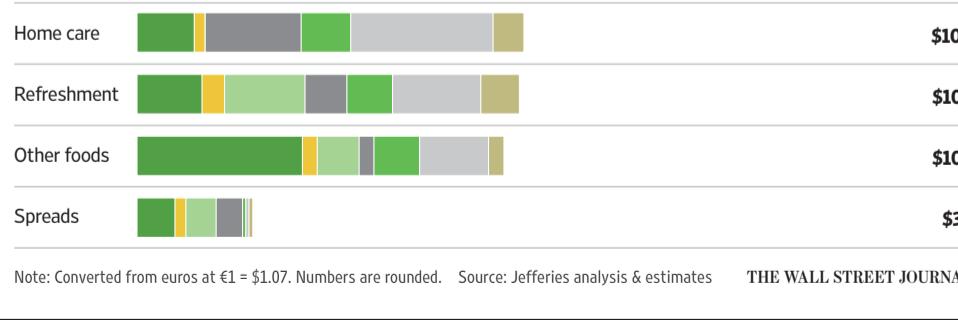
The increased leverage could also help protect Unilever from future bids from opportunistic buyers, said Neil Wilson, an analyst at ETX Capital.

Unilever said it would launch a €5 billion share-buyback program this year and raise its dividend by 12%, reflecting greater confidence in its outlook for profit growth. The buyback marks a rare concession by Mr. Polman, who has labeled repurchasing shares—a practice that elevates per-share earnings, a key investor metric—as financial engineering. Unilever's last buyback was in 2007.

—Ben Dummett and Rory Gallivan contributed to this article.

### Spread Around

Unilever has bulked up on personal and home care but still has big food, beverage and spreads businesses.



Note: Converted from euros at €1 = \$1.07. Numbers are rounded. Source: Jefferies analysis & estimates

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growing antipathy toward public ownership in Silicon Valley and corporate America more broadly. The number of public U.S. companies has declined dramatically as private funding sources multiply and officials weigh the cost of increased scrutiny from investors and regulators.

When firms go public, they are increasingly doing so in ways that insulate them from such forces, like handing founders outsize voting control, as in Snap Inc.'s recent share sale. In Spotify's case, it is an approach that would spell bad news for a key business on Wall Street that is already reeling.

Last year, investment banks generated the smallest amount of revenue from share sales in more than 20 years, according to Dealogic. IPO activity and traditional stock sales by companies that are already public have been anemic.

# \$8.5B

Spotify's most recent valuation, as of June 2015

Spotify's advisers would get much smaller fees than IPO underwriters typically receive, the people said. In the case of the \$4 billion Snap debut, underwriters shared about \$100 million—one of the smallest fees on record on a percentage basis.

Spotify wouldn't be the first to try to disintermediate Wall Street. Google, now part of Alphabet Inc., employed a so-called Dutch auction in its 2004 IPO to try to put more shares in the hands of small investors and avoid a first-day pop.

But in a sign of the difficulty of bucking the usual approach, Google's IPO was priced at \$85 a share, below the \$108 to \$135 the company targeted, as investors struggled to pinpoint its value. The shares soon started climbing and now change hands for about \$850 apiece.

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# WORLD NEWS

## Autopsies Tie Syria Deaths to Sarin Attack

Turkish findings fuel international pressure to assign blame for massive casualties

By MARGARET COKER

ISTANBUL—Autopsy results of three victims of Tuesday's gas attack in Syria suggest the banned chemical agent sarin was the cause of death, Turkey's Health Ministry said, as international pressure mounts for a wider investigation into who was responsible for the mass civilian death toll.

A Turkish criminal forensics team, with United Nations specialists observing, examined three Syrians who died after being brought to Turkey for treatment following the attack on the village of Khan Sheikhoun.

The death toll is at least 85 people. The United Nations Children's Fund said at least 27 of those killed were children and around 550 others, including many children, were injured.

Turkey's Health Ministry on Thursday said the autopsies showed victims suffered excess fluid in the lungs, increased lung weight and internal bleeding before death,

which it said suggested poisoning by sarin.

"Based on the test results, evidence was detected in patients which leads one to think they were exposed to a chemical substance [sarin]," the ministry said.

Biological samples from the victims, a 35-year-old Syrian woman and two Syrian men, 25 and 26, were taken during autopsies that started late Wednesday and continued until Thursday morning. The tests were conducted by forensics teams in the southern city of Adana with representatives from the U.N.'s Organization for the Prohibition of Chemical Weapons and the World Health Organization in attendance, according to the Adana prosecutor's office.

Earlier in the day, Justice Minister Bekir Bozdag told the Turkish state-run Anadolu news agency that his view was that the evidence meant that forces loyal to Syrian President Bashar al-Assad were behind the attack. He didn't provide any further detail.

"The autopsies' results establish that chemical weapons were used. The forensic report presents this in a very clear way," Anadolu quoted Mr. Bozdag as saying, adding that



WHO experts took part in an autopsy at a hospital in Adana, Turkey, on Wednesday.

"Assad's use of chemical weapons is established through this scientific examination."

The OPCW declined immediate comment. Officials from WHO couldn't immediately be reached for comment.

Syria's Foreign Minister Walid al-Moallem reiterated his government's claim that

the Syrian army has never used chemical weapons in the country. He repeated accusations that extremist groups fighting the government possessed such banned weapons.

Russia, which remains Syria's strongest ally in fighting the insurgency against Mr. Assad's regime, stood by Da-

mascus, with President Vladimir Putin criticizing what the Kremlin called "baseless" accusations against the Syrian leader during a telephone conversation with Israeli Prime Minister Benjamin Netanyahu.

Mr. Putin "underscored the unacceptability of baseless accusations against anyone until

a careful and objective international investigation," according to a Kremlin statement about the phone call.

Russia and Syria both have asserted that a chemical weapons storehouse made by Syrian rebels exploded on Tuesday in Khan Sheikhoun.

Russian Deputy Foreign Minister Sergei Ryabkov said Moscow would support an independent investigation by the OPCW, according to the news agency Interfax.

International condemnation has mounted as medical evidence compiled through the week strongly indicates that residents in the village in Idlib Province had been exposed to a chemical attack because of the nature of the mounting deaths.

Turkish officials said the autopsy results, conducted by the Adana prosecutor's office, would be shared with the International Criminal Court at The Hague. The U.N. teams overseeing the forensics were to continue studying the medical results from the tests, these officials said.

—Noam Raydan in Beirut, Thomas Grove in Moscow and Julian E. Barnes in Brussels contributed to this article.

## Global Crises Force Trump to Rethink Foreign Policy

By CAROL E. LEE  
AND FELICIA SCHWARTZ

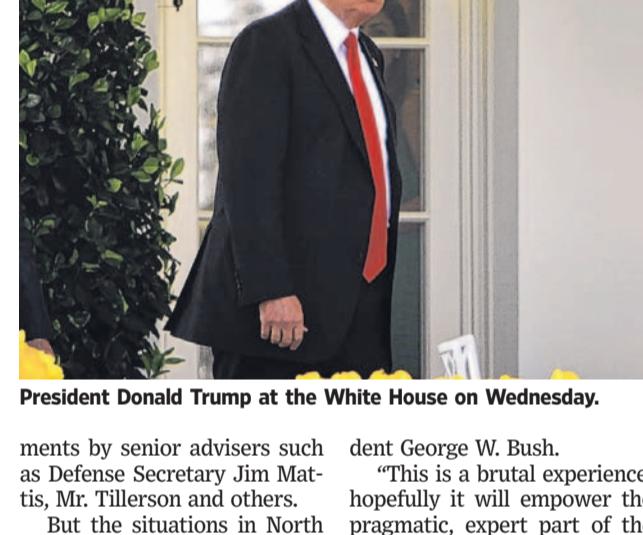
WASHINGTON—A confluence of crises in Syria and North Korea is forcing President Donald Trump to re-evaluate his fledgling foreign policy, deciding which advisers he will listen to and which campaign pledges to jettison.

The apparent chemical-weapons attack in Syria and the latest ballistic missile test by North Korea raise the stakes for two upcoming events: Mr. Trump's summit this week with Chinese President Xi Jinping, a key ally of North Korea, and Secretary of State Rex Tillerson's planned visit next week to Russia, a patron of the Syrian regime.

On Wednesday Mr. Trump approved changes that removed adviser Steve Bannon from the operations of the White House National Security Council and restored the roles of traditional U.S. security officials. The administration portrayed the move as long-planned, but others said it was the result of shifting White House dynamics.

"It looks like it's snapping back to the mean of more regular order in the foreign-policy-making process," said Richard Fontaine, president of the Center for a New American Security and a former foreign-policy adviser to Sen. John McCain (R., Ariz.). "The question is going to be how does all of this connect with the president and rest of the White House?"

In recent months, Mr. Trump roiled U.S. ties with many allies through Twitter messages and public comments, eclipsing the more sober and cautious state-



President Donald Trump at the White House on Wednesday.

ments by senior advisers such as Defense Secretary Jim Mattis, Mr. Tillerson and others.

But the situations in North Korea and Syria require effective, reliable cooperation from key allies, such as Japan and South Korea, or European and Arab nations, said R. Nicholas Burns, a former career diplomat and undersecretary of state during the administration of Presi-

dent George W. Bush.

"This is a brutal experience; hopefully it will empower the pragmatic, expert part of the administration," Mr. Burns said.

Mr. Trump has yet to develop a broad policy on Syria, which overlaps with his strategy against Islamic State, his goals for relations with Russia and his efforts to engage the Persian Gulf states, which have long

wanted the U.S. to force out Syrian President Bashar al-Assad.

Mr. Trump has filled the top slots in his foreign-policy team, but many positions remain empty. Mr. Trump's choice for ambassador to Israel, David Friedman, was recently sworn in, but his pick for ambassador to China hasn't been confirmed; he has yet to nominate an ambassador to Russia.

The administration's most visible point person on Syria, and Russia, has been Nikki Haley, the U.S. ambassador to the United Nations. Ms. Haley said Wednesday the U.S. would act on its own if Russia doesn't cooperate in a response to the chemical-weapons attack.

On China, Mr. Trump's son-in-law and senior adviser in the White House, Jared Kushner, has played a leading role in formulating the administration's policy. The president's top diplomat, Mr. Tillerson, also tried to lay groundwork for this week's visit by Mr. Xi during a recent trip to Beijing.

Susan Thornton, the acting assistant secretary of state for East Asian and Pacific affairs, said Wednesday the Trump ad-

ministration wants China to close off its financial pipeline to North Korea, because "they are going to have an important part to play in the international effort to do something about North Korea's increasingly provocative moves."

Mr. Trump has otherwise taken a rather traditional U.S. approach to China—recognizing, for instance, the "One China" policy he initially said was up for negotiation—despite fiery campaign rhetoric against Beijing's trade and economic policies.

Mr. Trump's swiftest policy turnaround has been on Mr. Assad's future. Days ago, his administration dropped the long-time U.S. demand that Mr. Assad relinquish power as part of any political resolution to the Syrian conflict. On Wednesday, Mr. Trump said the chemical attack changed his view.

"It's extraordinary to me that they could pivot so quickly," said Aaron David Miller, an expert at the Wilson Center and former adviser to Republican and Democratic secretaries of state. "We've gone from risk aversion to risk readiness in 24 hours."

## ECB Officials Disagree On Need for Stimulus

By TOM FAIRLESS

FRANKFURT—Top European Central Bank officials clashed over how quickly to wind down the bank's massive monetary stimulus, underlining the challenge in communicating a policy shift as the eurozone economy heats up.

The president has signaled in recent days that he is willing to scramble the U.S. approach to North Korea, including by using military force, and he put his stance on Syria in play as well in a news conference on Wednesday.

Mr. Trump thus showed a readiness to shift from positions he held during his campaign,

## Images of Children Stir World Outrage

America's ambassador to the United Nations brandished two grim photos—including a close-up of a shirtless dead child, arms outstretched—when she addressed an emergency session of the Security Council on Wednesday in the aftermath of a suspected chemical attack in Syria.

By Laurence Norman,  
Felicia Schwartz  
and Nathan Hodge

"We cannot close our eyes to the picture," said the ambassador, Nikki Haley. "We cannot close our minds to the responsibility to act."

The grisly images taken in the wake of Tuesday's deadly assault were splashed across front pages and television screens, and shared widely on social media. The images spurred sharp outrage that fed calls for a stronger international response to the Syrian conflict.

The U.S. and others blamed the attack, which killed at least 85 people and left hundreds of others ill, on the government of Syrian President Bashar al-Assad.

President Donald Trump said the attack, and the images of "women, small children, and even beautiful little babies" had changed his view of the Syrian conflict and Mr. Assad. "That attack on children yesterday had a big impact on me," Mr. Trump said. "I've been watching it, and seeing it, and it doesn't get any worse than that."

In Washington, Sen. Marco Rubio (R., Fla.) and Sen. Ben Cardin (D., Md.) stood in front of poster-size photos of victims of the attack and urged the Trump administration to

take action. Statements from the administration are "not enough," Mr. Rubio said.

"There needs to be a level of outrage, this needs to become a priority," he said. "Otherwise we have lost our compass as a people and as a nation and more importantly for those who care deeply about our national security."

Diplomats gathered in Brussels for a conference this week aimed at raising funds for Syrian refugees expressed outrage.

European Union foreign-policy chief Federica Mogherini said the images from Syria "remind us all that here we have a responsibility to unite" to make peace. "What we've seen yesterday has horrified all of us," she said. "I can say this as a politician, but first of all as a mother."

But some diplomats said they were skeptical the latest violence—and the images of its

toll—would be a turning point in a conflict that has killed more than 400,000.

The international divisions that have stymied a resolution played out in how the apparent chemical attack was covered by the media of different nations.

Russia's state-dominated broadcasters gave little airtime to the images of civilian victims of the chemical attack. Russian officials have put forward two narratives in response to the photos and videos of the bodies offered by rescue workers: either casting doubt on their credibility, or suggesting that the victims had been affected by a Syrian government strike against a rebel chemical-weapons facility.

Maria Zakharova, spokeswoman for the Russian Foreign Affairs Ministry, attacked the White Helmets, a civil-defense organization that operates in parts of rebel-controlled Syria. All falsified reports on this issue come only from the notorious 'White Helmets' and the odious Syrian Observatory for Human Rights, based in London," she said in a briefing.

Many news agencies in Iran, an Assad backer where state-owned or semi-official outlets dominate, avoided reporting on the chemical attack.

Still, graphic pictures of tragedies have sparked public outrage and helped drive policy change in the recent past.

In September 2015, the picture of a lifeless boy face down on a Turkish beach helped drive the EU response to the migration crisis. Days later Germany's government signaled it was willing to give asylum to any Syrian refugees who wished to come.

—Farnaz Fassihi contributed to this article.

FRANCIS LENOIR/REUTERS  
ECB President Mario Draghi

policy meeting, published on Thursday—come as economic data raise questions about whether the ECB will reach its inflation target.

ECB President Mario Draghi told economists and financiers in Frankfurt that it was too early for the central bank to change course because policy makers weren't yet convinced that higher consumer-price inflation was here to stay. His chief economist, Peter Praet, struck a similar tone, warning that the region's economy still faced considerable risks.

But at a banking conference in Berlin, Jens Weidmann

president of Germany's influential Bundesbank, said he



A man carries a child into a makeshift hospital in Khan Sheikhoun after the suspected chemical attack.

## WORLD NEWS

# Thunder-Stick Diplomacy

Rare sports competitions pitting South Korea and the North spotlight those who favor rapprochement; "Unify the fatherland!"

BY JONATHAN CHENG

GANGNEUNG, South Korea—It is a time of high tension on the Korean Peninsula, with South Korea in the midst of a dramatic political transition and the North once again on a potential collision course with the U.S. over its nuclear and missile programs.

But you wouldn't know it from the scene inside the Olympic hockey rink here in Gangneung, just a short drive south of the world's most heavily militarized border.

Cheering fans waved thunder sticks, Bon Jovi blared from the speakers and concession stands did a brisk business in overpriced hot dogs. The women's hockey teams for North and South Korea were playing each other, the first inter-Korean sports match to take place on Korean soil in nearly three years.

Amid all the apprehension, these have turned out to be busy days for inter-Korean sports diplomacy.

On Friday, in a qualifier for the Women's World Cup, South Korea's women's soccer team is squaring off against the North at Pyongyang's Kim Il Sung Stadium. The matches this week come before the Winter Olympics, to be staged next February, in Pyeongchang, South Korea, when the South is again expected to host the North.

Sports diplomacy can accompany political rapprochement between two political enemies—famously in the early 1970s, when table-tennis competitions helped to thaw Sino-American rela-



South Koreans cheered on North Korea at a game between the two nations' women's ice-hockey teams, in Gangneung, South Korea.

brate Kim Jong Un's birthday in 2014.

"When things go all to hell, the first thing that both sides agree on every time is sport and culture, and this time they've done it," says Michael Spavor, a Canadian and former resident of North Korea who accompanied Mr. Rodman during his meeting in Pyongyang with Mr. Kim.

"If things go well here, and public opinion is good, it can open the door for more sporting and cultural engagement activity," said Mr. Spavor, who was in Gangneung Thursday to attend the inter-Korean hockey game.

The North Korean women's hockey team have become a focus of public attention in the South, where they have spent their time between games going to the beach and strolling through a nearby forest.

Earlier this week, the North Korean team showed up to take in the South's hockey game against Slovenia from the stands. They were photographed laughing together and sipping from cans of Coca-Cola.

For South Korea, the hockey tournament marks the first time that a North Korean team is competing in the South since the Asian Games in 2014.

But so far, the mutual displays of camaraderie haven't helped North Korea's women's hockey team. It lost its first two games at the tournament in South Korea before squeezing out an overtime win against the U.K.

Its southern rival, meantime, has won all three of its games, and on Thursday, it beat the North, 3-0.

tions. Today, Korean reunification is a goal for a rowdy contingent of South Koreans that generally comes out and cheers for the North whenever they appear in the South.

Left-leaning and favoring pan-Korean solidarity, many were in attendance on Thursday at the hockey game. They wore matching white hoodies bearing a light-blue silhouette of the Korean Peninsula, a symbol of a reunified Korea. The almost entirely South Korean crowd chanted "We are one!"

and "Unify the fatherland!" They cheered every goal and near-goal—by either team.

While Friday's setting in Pyongyang is expected to be more austere, Thursday's match had the capitalistic backdrop common to Western sports events. North Korean players skated on ice painted with the logos of North Face and the South Korean conglomerate, Lotte.

Few signs of harmony exist today between the two Koreas. The animosity is unmistakable between the North, run by dictator Kim

Jong Un, and the South, headed by a caretaker government after the conservative former president Park Geun-hye was removed from office last month in an impeachment scandal.

The South Korean Ministry of Unification approved the two matches even after blocking nearly all cultural and humanitarian exchanges between the two sides since the North conducted its fourth and fifth nuclear tests last year. A ministry spokeswoman wouldn't say why it did so but said the approvals

didn't signal any broader interest in talks now.

North Korea has historically been enthusiastic about sports exchanges. In recent years, Pyongyang has hosted hundreds of foreigners for a marathon each year through the streets of its capital.

That event takes place this year on Sunday, though South Koreans aren't invited.

It has also welcomed a delegation led by the American former professional basketball star Dennis Rodman, who has visited the North three times—once to cele-

## SEA

Continued from Page One  
comment on Thursday.

Chinese island-building over the past three years has raised fears in the U.S. and among its Asian allies including the Philippines that Beijing plans to use its expanding military power to enforce its territorial claims in the South China Sea and to take control of a shipping route that carries more than \$5 trillion of world trade annually.

Since taking office at the end of June, Mr. Duterte has sought to bring the Philippines closer to Beijing, winning billions of dollars in investment commitments from China. His

welcoming stance is in contrast with previous administrations that had been wary of Beijing's increasingly assertive territorial claims.

Mr. Duterte made little of a ruling in favor of the Philippines last year by the Permanent Court of Arbitration in The Hague, which said Beijing's historic claims to most of the South China Sea have no legal basis. In recent weeks, however, he has faced increasing pressure at home to assert his country's claims.

"We tried to be friends with everybody but we have to maintain our jurisdiction now, at least the areas under our control," Mr. Duterte said Thursday.

—Sofia McFarland contributed to this article.



BRP Andres Bonifacio FF17 docked in Manila on Thursday.

# Cautious India Keeps Rates Steady

BY DEBIPRASAD NAYAK AND CORINNE ABRAMS

MUMBAI—India's central bank left its main lending rate unchanged as it waited for further proof that inflation is under control.

The Reserve Bank of India's monetary-policy committee kept its repurchase rate at 6.25% on Thursday, as predicted by all 10 of the economists polled by The Wall Street Journal.

It was the third meeting in a row that the RBI hasn't moved the rate, leaving it at the lowest it has been in 6½ years.

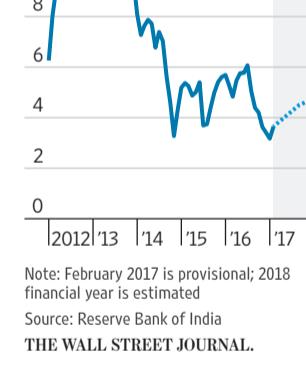
Late in the fiscal year that started this month, inflation could be "challenged" and needs to be "closely and continuously monitored," RBI Gov. Urjit Patel said.

The central bank showed it was increasingly concerned about inflation. It nudged up its forecast range for inflation and raised the reverse repo rate—the interest rate the central bank offers to commercial banks for surplus cash deposits—0.25 percentage point to 6%. The rate was last raised a year ago, but was cut in October.

The central bank said it expects consumer inflation to average around 4.5% in the

## Inflation Trajectory

India's inflation has moderated, but is projected to tick up again.



Note: February 2017 is provisional; 2018 financial year is estimated

Source: Reserve Bank of India

THE WALL STREET JOURNAL.

first half of this financial year and then rise to 5% in the second half. This is higher than the 3.65% consumer inflation recorded in February and at the high end of the target range it has set for the year ending in March 2018.

While India's inflation rate seems largely in check in recent years—the country that has struggled with chronic price problems for decades—economists warn it could rebound again on pressures from volatile food and oil prices,



Reserve Bank of India Gov. Urjit Patel, seen on Thursday, said inflation needs to be 'closely and continuously monitored.'

rising government employee wages and a nationwide roll-out of a new goods and services tax regime.

"While inflation has ticked up in its latest reading, its path through 2017-18 appears uneven and challenged by upside risks and unfavorable base effects toward the second half of the year," the RBI said in its policy statement.

Gov. Patel also voiced his concern about a recent move by India's most populous state, Uttar Pradesh, to waive loans

to farmers, saying it was a dangerous precedent that could add to the country's fiscal deficit and lift lending rates.

"This can lead to the crowding out of private borrowers," Gov. Patel said. "We need to create a consensus such that such loan waiver policies are eschewed."

The benchmark S&P BSE Sensex stock index ended down 0.16% and the rupee gained 0.5% against the dollar after the announcements.

## WORLD WATCH

### EUROPEAN UNION EU Raises Duties On Chinese Steel

The European Union slapped Chinese steel imports with new anti-dumping duties, heightening a conflict in which each side accuses the other of unfair trade practices.

The European Commission—the EU's executive arm—introduced levies ranging from 18.1% to 35.9% for five years starting Friday on certain hot-rolled flat steel products from China. The definitive duties increased from provisional tariffs of 13.2% to 22.6% imposed in October.

The EU's move came amid a global steel glut. Major producers, including China, are trying to sell their products at low prices, undercutting European firms.

The measures follow tariffs on heavy steel plates from China in February and duties imposed in August against Chinese and Russian exports of cold-rolled steel products—used in packaging, au-

tomatic, and construction.

The latest move, expanding duties to hot-rolled flat steel, is poised to affect manufactured goods such as steel tubes used

in construction, shipbuilding and energy pipelines.

Manufacturers from China are targeted by 18 of the EU's 41 anti-dumping and antisubsidy

measures on steel products that are already in place. In a sign of ongoing China-EU trade tensions, 23 of the commission's 31 ongoing investigations, which could

yield new tariffs, are aimed at Chinese exporters ranging from metals to coated-paper, footwear, solar panels and ceramic tiles.

An official at the Chinese mission to the EU couldn't be reached for comment.

—Emre Peker

### ARGENTINA

#### Government Faces First Labor Challenge

Labor unions launched a nationwide strike in Argentina, shutting down schools, banks and public transportation to protest austerity measures that have taken a toll on consumption and sharply increased public-service prices.

The strike, the first against President Mauricio Macri's 16-month-old government, comes as unions demand higher wages to compensate for high inflation, which has pushed an estimated 1.5 million people into poverty.

It also comes amid rising political polarization ahead of congressional elections in October that

could determine how much leverage Mr. Macri has to continue pushing market-oriented policies.

Public school teachers in the biggest province, Buenos Aires, have been on strike for nearly a month, locking hundreds of thousands of children out of class as they demand a 25% raise. The local government is offering 19%.

Officials estimated the 24-hour strike would cost \$1 billion in lost output as factories suspend vehicle production and truckers halt delivery of goods.

The economy shrank 2.3% last year after the government devalued the currency, leading inflation to jump. The inflation surge, exacerbated by a move to slash subsidies for transportation, electricity and gas, hit families and small businesses. Consumption fell sharply and companies laid off workers in the first half of 2016.

Mr. Macri said his austerity measures have been painful but necessary to dismantle over a decade of populist policies that spooked investors

—Taos Turner



TIME PASSAGE: A technician inspects the clock at Prague's 14th Century Old Town Hall before the start of work to restore the building. The job is expected to take 18 months and cost about €185 million.

## U.S. NEWS

# GOP Ends High-Court Filibusters

Senate Republicans invoke 'nuclear option' to clear path for Supreme Court pick

By SIOBHAN HUGHES

WASHINGTON—Senate Republicans eliminated the filibuster on Supreme Court nominees Thursday, thwarting Democratic opposition to Judge Neil Gorsuch's nomination to the Supreme Court and removing a key pillar of the minority's power to exert influence in the chamber.

In a showdown on the Senate floor that unfolded over 2½ hours, Democrats sustained a filibuster of Judge Gorsuch, whom they call an out-of-the-mainstream judge, by a 55-45 margin. Republicans fell five votes short of the 60 they needed to end the filibuster.

Majority Leader Mitch McConnell (R., Ky.) then triggered a rules change to eliminate the 60-vote threshold on Supreme Court nominees, a move often called the "nuclear option" because it upends a longstanding Senate tradition.

The move paved the way for Judge Gorsuch to be confirmed Friday by a simple majority, filling the vacancy on the high court left by the death of Justice Antonin Scalia last year. Former President Barack Obama had nominated Judge Merrick Garland to the seat, but Republicans, who hold the Senate majority, declined to consider the nomination.

Judge Gorsuch's confirmation would allow President Donald Trump to quickly put his stamp on the court, replacing one conservative justice with another and keeping a promise to conservative ac-



The Republicans' move paved the way for Judge Neil Gorsuch, above, to be confirmed to the Supreme Court by a simple majority.

tivists that Mr. Trump made during the presidential campaign.

Thursday's fast-moving developments culminated decades of escalating partisan warfare over presidential nominees and court picks.

They also in a sense it completed a process Democrats began in 2013, when they ended filibusters for lower-court judges and executive branch nominees due to frustration over what they saw as Mr. McConnell's obstruction of

Obama appointees.

Senators of both sides Thursday bemoaned the partisanship that led to the filibuster and rules change, saying the harm would be lasting in the Senate, a chamber traditionally known for collegiality and compromise in an otherwise polarized Washington.

The four Democrats who sided with Republicans in favor of ending debate were Heidi Heitkamp of North Dakota, Joe Manchin of West Vir-

ginia, Joe Donnelly of Indiana and Michael Bennet of Colorado. All except for Mr. Bennet are up for re-election next year in states that President Donald Trump, a Republican, won; Mr. Bennet is from Judge Gorsuch's home state.

Democrats have raised other concerns about Judge Gorsuch's nomination, including criticism of his record.

The rule change has caused consternation from many veterans of the Senate who worry about the state of

the institution.

"I find myself torn between protecting the traditions and practices of the Senate and the importance of having a full complement of Justices on the U.S. Supreme Court," said Sen. John McCain, an Arizona Republican who has been part of deals to avert rules changes in the past.

This time, Mr. McCain said, "I am left with no choice. I will vote to change the rules."

# Fed Looks To Reduce Holdings This Year

By NICK TIMIRAO

Federal Reserve officials agreed at their March policy meeting they would likely begin shrinking a \$4.5 trillion portfolio of Treasury and mortgage securities later this year, though they remained undecided on how quickly to reduce the holdings and to what level, according to minutes released this week.

The minutes of the March 14-15 gathering help answer a question hanging over markets in recent months. The Fed has been telegraphing interest-rate increases for years but has been guarded on how it will handle the sizable securities holdings it acquired through asset-purchase programs during and after the 2007-09 recession. Those programs aimed to hold down long-term interest rates and boost economic growth.

Reducing the balance sheet is a delicate task as it could cause long-term rates to rise and undermine the expansion. The portfolio grew from less than \$1 trillion before the financial crisis to \$4.5 trillion. The Fed has maintained its size by reinvesting proceeds of maturing securities into new mortgage and Treasury bonds. Ceasing reinvestments would cause it to shrink.

"Most participants...judged that a change in the [Fed's] reinvestment policy would likely be appropriate later this year," the minutes said.

The Fed's balance-sheet strategy remains a work in progress. Most officials want to use short-term interest rates as their primary tool for conducting monetary policy, which means once they set in motion their plan for shrinking the portfolio, they would want that wind-down to run quietly in the background.

Among the details not worked out in March was whether the Fed would phase out its reinvestment policy slowly or cease it all at once, though the minutes suggested officials saw the first option as the primary way to shrink the portfolio. Officials saw that as least disruptive to markets and the economy but also possibly hard to communicate clearly, the minutes said.

Other questions center on when to begin the process. Some officials said they wanted to set a numerical interest-rate trigger, meaning they would start shrinking the portfolio after their benchmark rate rose to a specified level. They raised it in March to a range between 0.75% and 1% and penciled in two more quarter-point increases this year.

Others favored a qualitative approach based on broader assessments of the economy and financial conditions.

The discussion about how to wind down the portfolio is picking up now that the economy is moving closer to meeting the Fed's goals of steady, low inflation and maximum, sustainable employment.

The Fed's preferred inflation gauge in February exceeded the bank's 2% target for the first time in nearly five years. So-called core prices, which exclude food and energy, have been more stable, at around 1.8% over the past year.

# White House Takes Lead Role on Tax Plan

The Trump administration, stung by its failure to advance a health-care overhaul through Congress last month, is trying to lay a stronger foundation for a tax-code rewrite by taking a lead role in shaping the legislative push, according to several senior administration officials.

By Peter Nicholas,  
Nick Timiraos  
and Richard Rubin

Despite the effort, no consensus has emerged among senior White House advisers about either the shape of the tax plan or the strategy for building a coalition on Capitol Hill. Administration officials are courting Democrats, but the two parties face wide fissures that could be difficult to close.

Meantime, divisions have emerged within the Republican Party and inside the White House itself, where members of the GOP establishment and Wall Street moderates have been jockeying for primacy against economic nationalists in the new administration.

Much remains unsettled, and the timing is tight. One White House official said that the current August goal for a plan to pass could slip and that it might be difficult to pass anything after December.

"If it slips to the next year, it becomes harder and harder," the official said. "So we're really going to push aggressively to get something done."

Last week, President Donald Trump met with Treasury Sec-



NICHOLAS KAMM/AGENCE FRANCE PRESSE/GTY IMAGES

President Donald Trump, at the White House Wednesday, has said he backs a simpler tax code.

retary Steven Mnuchin, National Economic Director Gary Cohn and senior advisers Steve Bannon and Jared Kushner to review the state of play on the administration's tax plan. Meanwhile, the GOP president's legislative advisers met this past week with a group of House Democrats on Capitol Hill, sounding them out on ideas and various options under consideration.

If it succeeds, the tax legislation could become a model for Mr. Trump's administration. Its failure would mark another major policy setback for

Mr. Trump, which would significantly diminish his ability to get any major initiatives through Congress.

The main blueprint for a bill now is a plan pushed by House Speaker Paul Ryan (R., Wis.), but the White House is wary of one of the bill's key components: a border-adjusted tax proposal that would subject imports to a 20% corporate-tax rate while exempting exports from U.S. taxation.

Any change on so sweeping a scale needs more widespread backing than has been evident to date, Mr. Trump's aides said.

Wooing Democrats now

seems part of the playbook—a lesson learned from the failure of the health-care bill. Administration officials have stepped up outreach in recent days.

"Over 70% of Americans support action on tax reform this year," said Tony Sayegh, a Treasury spokesman. "Clearly, this is going to be an effort that should attract significant bipartisan support."

But some moves that might appeal to Democrats, such as higher taxes on the wealthy, risk losing key GOP support. Many Democrats also want the tax overhaul to be tied to an

ambitious infrastructure package, but for now, Mr. Trump's administration seems committed to keeping them separate, mindful of the difficulty involved in passing either one.

That posture could scare off Democrats.

"It's harder to come to the table and find a bipartisan solution if tax reform and infrastructure don't move together," said Rep. Josh Gottheimer (D., N.J.), who was part of a group of House Democrats who met this past week with Mr. Trump's legislative aides. "My worry is if you decouple them, you lose the opportunity to make sure they both get done."

Democrats who cooperate with Mr. Trump also risk reprisals from voters back home.

Broadly, Mr. Trump wants a simpler tax code and lower business-tax rates to stimulate investment and spur manufacturing. Coupling those moves with a middle-class tax cut, the White House appears ready to pitch the plan in populist terms—a vehicle for job creation and relief for struggling families.

A populist approach, and one that appeals to Democrats, might force Republicans to give up or scale back tax-rate cuts on high-income households, a priority for the GOP, which argues that lower high-end rates are needed to encourage people to work, save and invest more. Messrs. Ryan and Trump have both said they want to drop the top rate for individuals to 33% from 39.6%.

Others favored a qualitative approach based on broader assessments of the economy and financial conditions.

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## NUNES

Continued from Page One didn't confirm those complaints prompted the inquiry.

In a March 28 letter to the Office of Congressional Ethics, the two groups requested an inquiry into whether Mr. Nunes broke a rule barring members of Congress from unauthorized disclosure of classified information received in the course of their service in the House. The groups alleged that Mr. Nunes viewed classified reports and subsequently spoke about their contents to the press.

In a second letter dated April 4, the groups said that Rep. Adam Schiff of California, the senior Democrat on the House Intelligence Committee, stated that he had viewed the

same documents and then declined to comment on their contents.

"The fact that Representative Schiff has viewed the same documents as Chairman Nunes, described them as classified, and then, unlike Chairman Nunes, stated that he could not discuss the contents of the documents because of their classified nature, underscores the need for OCE to conduct an inquiry into whether Chairman Nunes improperly disclosed classified information," the letter said.

Complaints to the Office of Congressional Ethics can be forwarded on merit to the House Ethics Committee, which can then decide whether to open an investigation. But the House Ethics Committee can also launch an investigation of its own accord based on re-

ports from its staff or members of Congress.

"I cannot speak to why House Ethics decided to move," said Jordan Libowitz, a spokesman for CREW. "But we're looking forward to a quick investigation and are interested to see what they come up with."

The Senate and House intelligence committees are running separate but parallel investigations into the U.S. intelligence community's assessment that Russia ran a campaign designed to help Donald Trump win the election. Russia has denied meddling in the election; Mr. Trump and his aides have denied colluding with the Russian government.

The alleged Russian campaign, according to U.S. intelligence officials, included cyber-attacks on the email accounts

of senior Democrats and a propaganda effort aimed at demonizing Mr. Trump's Democratic opponent, Hillary Clinton.

The congressional panels have sought testimony from a string of former aides and associates to Mr. Trump.

Mr. Nunes has faced criticism from Democrats over his handling of the probe, which also covers politically sensitive questions of alleged surveillance of Mr. Trump and his staff. Mr. Trump and his aides have repeatedly accused the Obama administration of spying on him and his campaign, without providing any evidence to back up the allegation.

Mr. Nunes served on Mr. Trump's transition team. Further, White House officials helped provide him information on what he subsequently

described as "incidental" surveillance of aides to Mr. Trump under the previous administration.

Mr. Nunes initially declined to share that information with other members of the committee but made public statements about it to the media. Mr. Nunes and other Republicans have also accused the Obama administration of improperly "unmasking" and leaking to the press the names of Trump associates caught up in surveillance of foreign agents.

Members of former President Barack Obama's administration have steadfastly denied conducting improper surveillance of Mr. Trump and his team.

—Paul Sonne,  
Kristina Peterson  
and Siobhan Hughes  
contributed to this article.



JOSHUA ROBERTS/REUTERS

Devin Nunes, seen in March, faces an ethics investigation.

## U.S. NEWS

# Push to Raise Minimum Wage Hits Block

Politicians who had supported increase have reversed course, citing business impact

BY SCOTT CALVERT  
AND ERIC MORATH

BALTIMORE—Cities and counties from Portland, Maine, to Los Angeles have successfully passed local minimum-wage increases, but recent resistance in seemingly friendly territory suggests a momentum shift.

The newly elected Baltimore mayor last month vetoed an increase of the local wage floor to \$15 an hour by 2022, despite favoring the policy as a candidate. Earlier this year, the top elected official in Montgomery County, Md., outside Washington, blocked a similar measure despite the county previously being at the forefront of local minimum-wage increases.

"I want people to earn better wages," Baltimore Mayor Catherine Pugh, a Democrat, said in an interview. "But I also want my city to survive."

Proponents view increases as a way to ensure low-wage workers earn incomes above the poverty line, and to narrow the disparity between rich and poor Americans. Opponents say raising the minimum wage

discourages hiring and encourages employers to invest in automation or move jobs to lower-wage states or countries.

The federal minimum wage of \$7.25 an hour is set by Congress. It hasn't increased since 2009. The average hourly wage of U.S. workers has increased by almost \$4 an hour, or 18%, since the last federal increase, according to the Labor Department.

Emily Bruno, founder of Silver Spring, Md.-based Denizens Brewing Co., said a minimum-wage increase would disproportionately hurt the local businesses that Montgomery County officials often tout, because small firms have less ability to absorb large cost increases than national chains do.

An increase to \$15 an hour would raise her labor costs by \$300,000 a year, she said.

"My employees are like family, I want to pay them as much as I can," Ms. Bruno said. "But I also need to make a profit to remain in business."

Lawmakers in several other states also are pushing back against local minimum-wage increases. At least four municipalities in Cook County, Ill., have opted out of the county government's move to raise the minimum wage in the Chicago suburbs to \$13 an hour by 2020. Iowa Gov. Terry Bran-



At Denizens Brewing Co., a minimum-wage increase would be costly, the company's founder said.

stad, a Republican, approved legislation in March to roll back higher minimum wages already approved in four counties. In Flagstaff, Ariz., council members just amended a minimum-wage increase approved by voters in November to slow the pace of increases.

Those rejections could reinvoke business groups that have been pushing back on a national wave of minimum-

wage increases that included California and New York establishing an eventual \$15 level.

Mike Whatley, director of state and local government affairs at the National Restaurant Association, said Democratic opposition to minimum-wage increases is helpful to groups like his. "It shows their peers around the country that they are willing to push pause and spend a little more time con-

sidering what it will mean for their community," he said.

Others say people shouldn't read too much into a few losses. Last year, 18 cities and counties and seven states approved minimum-wage increases, according to the National Employment Law Project, an organization that advocates for low-wage workers.

"Cities, counties and very

large states raising the minimum wage is the trend," said NELP attorney Tsehay Gebrelassie. "The two vetoes are the anomaly."

In Baltimore, supporters of the bill say the mayor broke her promise by rejecting legislation that the City Council approved in an 11-3 vote. Efforts by council members to override the veto came up short. As a result, the city will continue to follow Maryland's statewide minimum wage, which is set to rise to \$9.25 in July and to \$10.10 next year.

"This was blatant, clear-cut betrayal by an elected official," said Mark McLaurin, political director at the Service Employees International Union, Local 500. The union, which represents workers in Maryland, campaigned on behalf of Ms. Pugh. Mr. McLaurin said the larger concern is the recent actions in Maryland "give carte blanche to Democrats across the country to give short shrift to working people."

The mayor said she worried the wage hike would drive private-sector jobs out of the city, where the 6.6% unemployment rate is far higher than in surrounding counties. In addition, city analysts estimated the bill would have raised municipal payroll costs by \$115 million over four years, as the higher minimum wage was phased in.

## Indiana Restaurant Owner Deported

BY ALEJANDRO LAZO

Roberto Beristain walked south over the border into Mexico late Tuesday night, 20 years after he crossed the same boundary into the U.S.

Mr. Beristain, an undocumented immigrant and business owner living in Indiana with his American wife and children, was deported to Mexico despite legal efforts to keep him in the U.S., his attorneys said Wednesday.

Officials with U.S. Immigration and Customs Enforcement said they "turned him over to Mexican authorities" at the border crossing in El Paso, Texas.

Mr. Beristain's case gained attention as an example of the Trump administration's enforcement priorities, which include deporting immigrants who may not have committed violent crimes but have violated U.S. immigration law.

Federal immigration authorities had known for years that Mr. Beristain, 43 years old, was in the U.S. illegally, despite a deportation order from 2000. The Obama administration in 2012 granted him permission to stay as long as he checked in with immigration officials and proved he was staying out of trouble.

Under that order of supervision, Mr. Beristain was per-



PHOTO BY PHILIP KOLLER/REUTERS

mitted a Social Security card, work permit and a driver's license. He paid taxes and had recently purchased Eddie's Steak Shed in Granger, Ind., from his sister and brother-in-law, according to his family.

Attorneys for Mr. Beristain had asked an immigration judge to rescind his removal order and to stay his removal. Attorneys had also filed a habeas petition challenging his detention.

But before his cases could be heard by a judge, ICE officials took him from a detention facility in Texas and dropped him off at the U.S.-Mexico border and had him walk across into Juarez, Mexico, his attorneys said in a statement.

"This was an attempt to short-circuit the justice process by intentionally removing him before a judge could stop his removal," said Adam Ansari, a Chicago attorney advocating for Mr. Beristain's family.

"We were in communication with the government regarding those motions—what they failed to mention was that they were in the process of throwing him out of the country."

ICE officials didn't comment beyond confirming Mr. Beristain's removal.

Mr. Beristain was detained Feb. 6 and transferred

pursue his case in immigration and federal courts, they said.

His family has said that his absence has caused a significant strain on the business and the family. Mr. Ansari, the lawyer, declined to comment about Mr. Beristain's exact whereabouts on Wednesday evening.

Mr. Beristain drove into the U.S. from Mexico in 1997, to visit an aunt in California, said his wife and stepson.

He moved to Fort Wayne, Ind., where, working at a restaurant as a bus boy, he met the woman who would become his wife, Helen, a Greek immigrant, who was a waitress. The couple have three children together, all born in the U.S., ages 15, 14 and 8.

His wife, a naturalized U.S. citizen, voted for Mr. Trump. A Republican, she agreed with the idea that criminals shouldn't be in the U.S. illegally, but said she never imagined her husband, who has no criminal record, would be targeted.

Mr. Beristain came to the attention of immigration authorities during a 2000 family trip to Niagara Falls. After Mr. Beristain crossed the border into Canada, he was questioned on his return by U.S. officers, who determined Mr. Beristain was in the U.S. illegally.

Because jackets can usually be traced to the original owners' families, auctioneers say, authentication isn't difficult.

Mr. Carey said people sometimes approach with replicas, but the jackets are nearly impossible to forge.

Most have the name of the member or champion stitched inside. A manufacturing number is inside the right breast pocket. Most were made by Ohio-based Hamilton Tailoring Co. The brass buttons featuring Augusta National's logo are made by Connecticut-based Waterbury Button Co. The color is particular: Pan-

## GREEN

Continued from Page One  
Masters victory, the tournament's first year, for \$682,000.

"Are you serious?" said Jack Nicklaus, a six-time champion and Augusta National member, who said he had no idea jackets were being auctioned. The green jackets are "very sacred," he said, but if an original owner is short on money and "if that's what they need to do, then that's OK." Looking down at his own green jacket, Mr. Nicklaus quipped: "I wonder what I could get for this?"

An Augusta National spokesman declined to comment on the wayward jackets.

Members started wearing green jackets at the 1937 Masters to make themselves more identifiable to spectators. The club began awarding them to winners in 1949, including to prior champions.

Most auctioned jackets date to when the club was less strict about their being taken off-premises and are consigned by the recipients' heirs. "These are items that for the most part have been hanging in closets for decades," Mr. Carey said. "Families say, 'Wait a minute, this should probably be sold.'"

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The brass buttons featuring Augusta National's logo are made by Connecticut-based Waterbury Button Co. The color is particular: Pan-

could wear it around Masters time every spring.

His jacket became a recurring sight at government proceedings near his Southern California home. One year, he wore it to a meeting of the Moorpark City Council, of which he was a member. Another year, he wore it to a session of the Ventura County Transportation Commission, which he chaired.

"In Keith walks in this green jacket and everyone is looking at it going, 'Where the heck did you get that?'" said Darren Kettle, the commission's executive director. "We go through roll call and he says, 'I'm here today because I didn't make the cut.'"

Mr. Millhouse wouldn't eat or drink wearing it. In 2015, it was time to let it go—keeping it longer, he said, would be akin to keeping the Mona Lisa for himself. He sold it at auction for around \$17,000.

The buyer, private-equity executive Christopher O'Brien, 58, keeps it on a mannequin in a two-story sports-memorabilia display inside his Greenwich, Conn., home.

"My perception was that the jackets couldn't be sold because they couldn't get out of the locker room," Mr. O'Brien said. "When they were sold, my impression was Augusta pursued people over it."

There is only one known instance of the club's trying to take a jacket off the block. In 2013, it sued a Dallas auction house offering the jacket Art Wall Jr. won at the 1959 Masters, which Mr. Wall's family said disappeared years earlier.

The matter was settled out of court, and the jacket returned to the club, said a person familiar with the case.

In 2015, heirs of a late Augusta National member left a jacket among clothes it donated to the Guild Shop, a Houston thrift store. After a volunteer recognized it, said Claire Hughes, the shop's comptroller, the store sold it to a Pennsylvania car dealer last year for around \$20,000.

Players who haven't won a green jacket can only dream of what it would be like standing alongside the world's greatest golfers while wearing one. Or they could ask Mr. Millhouse what it's like.

"I was going to offer a player who hadn't won the Masters an opportunity to wear it," Mr. Millhouse said, "but I didn't want to be too obnoxious."

"It's a very rare jacket," said Eddie Alexander, 58, a Nashville hospital development executive who paid \$20,000 for one in 2015. "That was the one piece of Augusta National that I could own that would be difficult to get."

The jacket Mr. Millhouse bought in 2009 belonged to W. Ron Alexander, a Scottish businessman and Augusta National member who died in 2006. Mr. Millhouse had it tailored to size 40 from 42 so he

could support a simple policy completely separating the two businesses, these people said.

—Ryan Tracy and Emily Glazer

BALTIMORE

## U.S. Seeks Another Delay of Police Pact

The U.S. Justice Department is continuing its fight to delay the implementation of a proposed overhaul of the Baltimore Police Department hammered out in the final days of the Obama administration, despite opposition from city officials.

—Scott Calvert

## WHITE HOUSE

### Adviser Is Amenable To Big-Bank Breakup

The former Goldman Sachs Group Inc. executive who is the top White House economic adviser told lawmakers he could support legislation breaking up the largest U.S. banks, according to people familiar with the matter, a development that bolsters congressional efforts to reinstate the Depression-era Glass-Steagall law.

The comments by Gary Cohn, director of the White House National Economic Council, came in

a private meeting with lawmakers on the Senate Banking Committee Wednesday, these people said. His remarks were reported by Bloomberg.

Mr. Cohn was asked by Sen. Elizabeth Warren (D, Mass.) whether the administration planned to carry out a promise included in the Republican 2016 platform—and made by the Trump campaign—to restore the law separating traditional commercial banking from Wall Street investment banking. The law was repealed in 1999.

Mr. Cohn expressed an openness to working with Ms. Warren on the issue and said he

could support a simple policy completely separating the two businesses, these people said.

—Ryan Tracy and Emily Glazer

U.S. Attorney General Jeff Sessions isn't convinced the agreement will improve public safety, a Justice Department lawyer told a federal judge

Thursday. Deputy Assistant Attorney General John Gore again requested a delay in the process so the federal government could conduct a review of the agreement.

A lawyer for Baltimore said the city opposes any delay. David Ralph, interim city solicitor, said police officials have already begun implementing changes and that the consent decree is vital for public confidence.

—Scott Calvert

## U.S. WATCH

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# BOOKS

'You are not only responsible for what you say, but also for what you do not say.' —Martin Luther

# The Monk Who Shook the World

A pugnacious wit and the new technology of print made Luther one of history's first media stars

## Martin Luther

By Lyndal Roper  
Random House, 540 pages, \$40

BY RICHARD J. EVANS

**ON OCT. 31, 1517**, an obscure monk in the small Saxon university town of Wittenberg posted a one-page document on the door of the Castle Church, presenting 95 theses for public debate. The monk's name was Martin Luther, and the event is traditionally taken to mark the launching of the Reformation, which split the previously united Catholic Church and inaugurated more than a century of violent religious conflict in Europe.

There have been many biographies of Luther. This latest one, by the Regius professor of history at Oxford, the Australian-born Lyndal Roper, aims to recover the great Reformer's inner life and character, seeking less to explain why his actions were so influential than to understand what drove him to undertake them. It is a fine achievement, deeply researched and fluently written, and it brings its difficult and cantankerous subject to life as no other biography has.

Ms. Roper uses a vast mass of source material in her quest, including 120 volumes of Luther's collected works. But she also breaks new ground by setting his thought and actions firmly in social context. In some of the best and most illuminating passages in the book, she explores the world of the mining community in and around Luther's home town of Mansfeld, "where wagonloads of charcoal would file along the muddy roads, and where the smell of the fires of the smelters hung on the air." It was a world of casual violence and verbal and physical aggression, she writes, and "since just about all men carried knives, fights tended to become bloody."

Life and work were dangerous and uncertain, generating a feeling that a man was helpless in the face of God. Politically, the region was under the thumb of the Elector of Saxony, who allowed its towns only a minimum of freedom of action. This was far from the civilized and democratic south German cities whose study dominated our understanding of the Reformation until the fall of the Berlin Wall made it possible to research the rough-and-ready life of eastern towns like Mansfeld.

Luther's journey to the church door in Wittenberg really began in 1505 when, defying the wishes of his father, who wanted him to become a lawyer, he took holy orders and entered the Augustinian monastery in Erfurt after studying at the town's university. There he was subjected to harsh discipline, living in Spartan discomfort, waking at intervals to observe the monastic hours, his days and nights marked by an overwhelming sense of his own sinfulness.

In 1511 he was transferred to another monastery, in Wittenberg, where he soon made his mark as a teacher in the university. He was driven to write his 95 theses by the activities of a Dominican friar, Johannes Tetzel, who was selling "indulgences," documents through which the pope guaranteed remission of sins and entry into heaven in return for a financial contribution aimed at funding the construction of St. Peter's in Rome (though in fact much of the money simply went to pay off the Catholic Church's debts). So efficacious were these indulgences, Tetzel said, that even if a man had raped the Virgin Mary he could still go straight to heaven if he purchased one.

Luther's outrage at such statements went much further than mere anger. Entry into heaven, he declared, depended not on the pope's authority or on that of his priests. It did not depend on the intercession of the saints or acts of penance or good works. On the contrary, it depended solely on true, heartfelt penitence, on sincere belief in God's divine mercy—in short, on faith alone.

Written in Latin, and published in a small and unimportant Saxon town, the 95 theses might not have attracted much attention had they not been printed. Their publication, combined with the fact that Luther sent copies to the church authorities, sparked a public investigation, ensured that they were distributed across Germany within a few weeks.



REFORMER A statue of Luther in Wittenberg, Germany.

Ms. Roper is particularly good on the role of printing, invented in Europe by Johannes Gutenberg only a few decades earlier. Luther became a master of using it to give his views wide currency, switching from Latin to German to appeal to as large a public as possible. His "Sermon on Indulgences and Grace," for example, went through 25 printings between 1518 and 1520. He alone was responsible for one fifth of all works printed in Germany between 1500 and 1530.

Luther's ideas spurred people to action. Copies of Tetzel's defense of indulgences were reportedly being publicly burned by students within a short time of their appearance. But the 95 theses also sparked outrage among conservatives. The more Luther's theses were attacked, the more pugnaciously he defended them, becoming increasingly radical in the process.

Summoned to a formal, public disputation with the papal legate Cardinal Cajetan, in the prosperous south German city of Augsburg, Luther trounced his opponent with his better command of Latin and won a number of influential adherents in the process. Fearing that Rome's denunciation of his ideas as heresy would lead to his arrest and condemnation, his friends helped him climb over the city wall and flee to safety. He left behind an "Appellation to the Pope" posted on the cathedral door, with a copy sent to be printed and distributed, and verbatim minutes of the disputation, also printed and sent all over Germany.

The church authorities arranged another public disputation, this time at Leipzig, with the formidable conservative theologian Johann Eck. Lasting nearly three weeks, it was held in the castle in the presence of the Elector of Saxony. Luther and his second, Andreas Karlstadt, were protected by gangs of students armed with spears and halberds. The arguments were so technical that Eck's supporters were reported to have spent most of their time in the debating chamber fast asleep and had to be woken for their evening meal.

But the outcome was dramatic: Eck forced Luther to deny the authority of the pope and the Papal Council and to appeal to the sole authority of the Bible for his arguments. This drove the radical implications of Luther's stance into the open.

After the debate, he published a string of attacks on the papacy as corrupt and avaricious and denounced practices such as praying to saints, taking monastic vows, holding masses for the souls of the dead, and going on pilgrimages as lacking any biblical sanction. Only faith could justify the sinner. Redemption depended solely on God's mercy.

Formally condemned as a heretic, Luther publicly burned the condemnation along with a copy of the canon law in a carefully staged ceremony at Wittenberg. His own publications were publicly burned by

the church authorities, and in 1521 he was formally excommunicated. He was summoned to the Imperial Diet, the assembly of German princes and sovereigns presided over by Charles V, recently elected Holy Roman Emperor. Speaking in front of the assembled princes and the emperor in the Rhenish town of Worms, Luther refused to retract anything. "Here I stand," he was reported to have said, "may God help me, I can do no other."

Following this, Charles V issued a condemnation of "Dr. Martin" in his own hand. It was a dangerous moment for Luther. He fully expected martyrdom. The emperor had given him a safe-conduct, but Luther was only too aware that a similar guarantee issued to an earlier heretic, the Bohemian Jan Hus, had counted for nothing, and Hus had been burned at the stake.

Luther was convinced that the anti-Catholic Peasants' War was the work of the Devil and also that the pope was the Antichrist—so he married to spite them both.

But as he made his way home, Luther was kidnapped by soldiers sent by his supporter the Elector of Saxony and secretly imprisoned in the Wartburg Castle, both for his own safety and for that of the Elector, who feared the consequences of defying both the emperor and the pope. Here Luther spent his time translating the New Testament into German, a work of genius, as Ms. Roper correctly describes it.

Difficult though it may be to write about Luther's German Bible for an English-speaking readership, one wishes she had devoted more space to this, not only one of the most beautiful of all works of German literature but also perhaps the most influential.

By this stage, a mere five years after the 95 theses, events were beginning to escape Luther's control. There were attacks by his supporters on priests' houses, while monasteries, starting in Wittenberg itself, were emptying as the monks rejected their vocation. Altarpieces, images of saints, crucifixes and other objects were destroyed. People seized chalices and publicly urinated in them.

Services began to be said in German, particularly under the influence of Andreas Karlstadt, who renounced his vows and his doctorates and conducted church services dressed as a peasant. In communion services, Karlstadt and Luther now started to serve congregations not only bread but also wine, which had hitherto been withheld from the congregation by the priest. This was another act of defiance against papal authority.

But Karlstadt now began to argue that the communion service was only an act of remembrance; Christ

was not physically present either in the bread or in the wine. For Luther, this was the sticking point. He believed passionately in the real presence of Christ in the bread and wine, asserting his belief in an aggressive sermon directed against Karlstadt and other "crazies" at Jena in 1524. Some years later, indeed, when communion wine was accidentally spilled on a woman's jacket, Luther rushed forward and began licking it off before cutting away the fabric he was unable to clean and burning it.

He also defended the use of images in church, rejecting the bare whitewashed walls favored by more radical Reformers. In 1525, some of these radicals, led by the theologian Thomas Müntzer, rose in a massive peasant rebellion against the feudal aristocracy in southwestern Germany, with the unrest spreading rapidly further east. Luther issued a

least, disconcerting: He had become convinced that the Peasants' War was the work of the devil, and so he married to spite him, as Ms. Roper writes, in an "affirmation of his courage and joy" amid death.

Nevertheless, he clearly enjoyed married life: Katharina rapidly fell pregnant and did so again every couple of years. Her husband filled out physically with good eating and drinking. His household grew as friends, students and disciples arrived and stayed. His embrace of physical pleasure marked him out from the asceticism of many of the other leading Reformers.

At another Imperial Diet, held at Augsburg in 1530, Charles V gave the Reformers one last chance. Luther was kept away for his own safety, and his followers made concessions he would perhaps not have allowed. But after lengthy negotiations the emperor rejected these, and the Reformers were too suspicious of the church authorities in any case to agree to a deal.

The split proved permanent. The Augsburg Confession, written for the occasion by Luther's principal lieutenant, Philipp Melanchthon, became the fundamental document of Lutheran Protestantism. Luther began to build his own church organization with its own liturgies and ceremonies, while the princes who followed him formed an armed pact in their own defense, the League of Schmalkalden. By the time of Luther's death in 1546, Christianity was divided beyond repair.

Ms. Roper suggests, as many have done before, that Luther's deference to authority and his deep anti-Semitism did much to prepare German Protestants to support Hitler and the Nazis many centuries later. But this is to underestimate both Luther's willingness to challenge authority, the hallmark of his early career, and to ignore the fact that millions of Germans born into the Protestant faith belonged in the early 1930s among the Nazis' most committed opponents, the Social Democrats and the Communists. Drawing a line between the 16<sup>th</sup> and the 20<sup>th</sup> centuries does not end the end convince.

Perhaps, too, Ms. Roper focuses too narrowly on Luther's theology, to the neglect of other sides of his character. One would have liked more discussion, for example, of his talents as a musician; he composed, among other works, the great battle hymn of the Reformation, "Ein Feste Burg Ist Unser Gott" ("A Mighty Fortress Is Our God"). But overall she has given us a fine account of the man, both his good and bad sides, rooted in a profound knowledge of the social milieu from which he came and through which he worked: a magnificent study of one of history's most compelling and divisive figures.

Mr. Evans, Regius professor emeritus of history at Cambridge, is the author of *"The Pursuit of Power: Europe, 1815-1914."*

## BOOKS

'If they substituted the word "Lust" for "Love" in the popular songs it would come nearer the truth.' —Sylvia Plath

# The Yeah Yeah Yeahs

### The Poetry of Pop

By Adam Bradley

Yale, 414 pages, \$28

BY DOMINIC GREEN

FRANK SINATRA'S most enduring vocal performance is not "And now the end is near / And so I face the final curtain." It is "Doo-be, doo-be doo." Paul McCartney's most memorable lyric is not "Yesterday / All my troubles seemed so far away." It is "Nah, nah nah, nah-nah nah nah, nah-nah nah nah, Hey Jude." Yet who would claim that "Hey Jude" is Mr. McCartney's best lyric or that "Strangers in the Night" was Sinatra's best performance?

Words and music go together like love and marriage, or a horse and carriage. Songwriters and lyricists split royalties equally, too. But words and music are not equal partners. Pop is music, not literature, and it's a business before it's an art. Without music, the ingenious lyric falls onto the page as doggerel. And even when accompanied by music, words may be less emotionally evocative than vocal noises. Mr. McCartney's vocal signature is a whoop in imitation of Little Richard, whose signature is "A-wop-bop-a-loo-bop-a-wop-bam-boom!"

Adam Bradley's "The Poetry of Pop" is an exhaustive and often enlightening investigation of, as he puts it, "the aesthetic labors of language and performance that create the recordings we cherish or despise." A great recording unites a composition and a performance, but the craft of making songs precedes the art of performing them.

Pop lyrics are clearly related to poetry. Lyrics have meter and rhythm; usually they rhyme. Like teenagers, lyrics sound casual but are very often rigidly conventional. Lyrics resemble parents, too, for the modern song lyric descends from folk music and lyric verse. And though almost all pop music is shallow, cynical and commercially standardized, we often experience it as poetic—as expressing our deepest, most sincere emotions.

Mr. Bradley skillfully breaks down a century of standards and pop songs into their elements to reveal the interaction of craft and art in composition and performance. There are, he writes, three "rhythmic forces" in any pop song: the "musical rhythm" of the beat; the "poetic rhythm" of the lyrics; and the "performative rhythm" of the interpretation. The tempo of the beat is fixed by the composer, but the syllables in the lyrics have their own natural pattern, which is compressed or stretched as the vocalist moves with and against the "rhythmic grid." Soul producer Jerry Wexler once compared this to the "tempo rubato" of Baroque music, in which truncated phrases compensate for



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IAMB THE WALRUS Paul McCartney and John Lennon performing in Manila in 1966, during the Beatles' final world tour.

the "stolen time" of extended expression. Consider The Who's "My Generation." After Roger Daltrey has stretched the rhythm with "Why don't you all f-f-f-fade away," the band go in search of lost time like a herd of angry elephants.

Lyrics are written, but a great performance leaves the writing behind. The elisions, feints and pauses of a performance by Billie Holiday or Van Morrison cannot be transcribed. For that matter, anyone who watches the music video for Fergie's 2016 song "M.I.L.F. \$" will recall that the emotive effects of performance—in this case, the singer writhes in a bath of milk—can eclipse the poetic ones.

Strong lyrics can turn out to be weak: Too much cleverness and the listener will forget to follow the melody. It is easier to remember the words to the mock-opera section of Queen's "Bohemian Rhapsody" than the harmonies. Mr. McCartney was wise in "For No One" to sing his Larkinesque couplet "Your day breaks / Your mind aches" in a monotone.

Worse still, weak lyrics can be strong. The beat demands rhyming lines, and loose rhymes are easier to translate into pure sound. Hence another undying McCartney phrase, "Ob-la-di, ob-la-da."

Worst of all, many successful lyrics are born as what Grace Jones would call slaves to the rhythm. "Bang, bang, the boogie to the boogie / Say up jump the boogie to the

bang bang boogie," the Sugarhill Gang observed on their pioneering "Rapper's Delight" (1979). The sound that ends a line is often implied by the chords, melody and prior lyrics. As the Tin Pan Alley hacks knew, soft open-sounding words are best, because they float away on the rhythm. "I love you just the way you ARE," Billy Joel explained with customary reticence in an interview. "You can't say, 'Da, da, da, da, da, FRED.' Keith Richards calls this extraction of language from sound "vowel movements."

The evolution of "Yesterday" is a case study in vowel movement. Mr. McCartney had the chords and the melody too, but only some "dummy" lyrics with masculine line endings. "Scrambled eggs / Oh you've got such lovely legs" grew into a jingle: "Scrambled eggs / Good for breakfast, dinner-time or brunch / Don't buy six or twelve, buy a bunch." The song's true words arrived months later. The title came to Mr. McCartney as he rode in a car while on holiday in southern Portugal. The rest of the lyrics followed that rhythmic prompt. "I started to develop the idea," he recalled in "Many Years From Now," a 1997 biography by Barry Miles. "Da-da da, yes-ter-day, sud-den-ly, fun-il-ly, mer-il-ly."

The performed lyrics to another 1965 hit, the Rolling Stones' "(I Can't Get No) Satisfaction," syncopate to the rhythmic grid while retaining most of the rhythm of the printed lyric. The repeated line "I can't get

no satisfaction" is, Mr. Bradley tells us, a "trochaic tetrameter (a sequence of four stressed/unstressed syllabic pairs)." The next line, "Cause I try and I try and I try and I try," is an "anapestic tetrameter (four instances of two unstressed syllables followed by a stressed syllable)." The song began as a guitar riff. The written and performed lyrics have almost identical rhythm because both were tailored to fit the riff.

Frank Sinatra's most enduring vocal is not  
'And now the end is near.'  
It's 'Doo-be, doo-be doo.'

A cynic might wonder if applying literary criticism to pop music is like sending a restaurant critic to McDonald's. Yet Mr. Bradley, an English professor at the University of Colorado, finds complex poetic inheritances buried in the most banal songs. Extended metaphor? He cites Duran Duran's "Hungry Like the Wolf," in which the simile of the title runs wild across the whole lyric: "I'm on the hunt. . . . Stalked in the forest, too close to hide / I'll be upon you by the moonlight side." Metonymy? "Baking soda! I got baking soda!" the Long Beach rapper O.T. Genasis cries in his 2014 hit "CoCo," where one part of the recipe for crack cocaine stands for the whole.

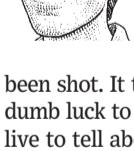
While Mr. Bradley demonstrates the poetry of pop lyrics, he fails to erect a "poetics" of pop on these verbal foundations. A lyric may be literally poetic, but a song can only be metaphorically poetic. Jimi Hendrix's lyrics to "Little Wing" aspire to the condition of poetry, but his guitar solo on the 1967 recording reminds us just why, as that old rocker Walter Pater said, all art—poetry included—aspire to the condition of music. Still, Mr. Bradley places words before sounds, against sense and the wisdom of the songwriters. Toying with "poetics" like Chuck Berry with his "Ding-a-Ling," he tells readers they should be "reading with your ears."

The usual term for this sort of theorizing is "aesthetics"—the philosophy of expression and reception. But that would raise the issue of quality. Admittedly, the sentiment and melody of "With a Little Help From My Friends" resemble that of the 1824 hit "Ode to Joy" (lyrics: F. Schiller; music: L. van Beethoven). But the Ninth Symphony is a complex secular prayer for universal fraternity. "With a Little Help From My Friends" was written because Ringo got a filler on every Beatles album. Mr. McCartney called it "a little craft job." Pop's virtues are not those of high art, and that is the secret of its charm.

Mr. Green, a historian and critic, has played guitar with Burt Bacharach and written songs with the James Taylor Quartet.

### FICTION CHRONICLE: SAM SACKS

## Like Fathers, Like Daughters



SAMUEL HAWLEY is a retired thief whose middle-aged body is mapped with scars, a souvenir of each of

the dozen times he's been shot. It takes both hard luck and dumb luck to be plugged so often and live to tell about it. "Bullets," Hawley observes in Hannah Tinti's "The Twelve Lives of Samuel Hawley" (The Dial Press, 376 pages, \$27), "usually go right through me."

When Ms. Tinti's novel begins, Hawley has moved with his 12-year-old daughter Loo to Olympus, a fishing village on the North Shore of Massachusetts where his dead wife grew up and her mother still resides. He finds a quiet job raking for shellfish, but his history of violence keeps catching up with him, both in the sudden appearance of criminal associates and in the appetite for recklessness his daughter is starting to develop. "There was a taste that filled Loo's mouth whenever she was getting ready to hit someone. Tangy, like rust."

switching between the story lines gives the book an irresistible velocity that Ms. Tinti sustains to the end, by which point she's settled the last of Hawley's old scores.

What works less well is the book's gesturing toward mythology. Ms. Tinti has modeled the flashbacks to Hawley's gunfights on the 12 labors of Hercules, and though those connections are tenuous, there's no missing the influence of "Moby-Dick" in mo-

by bracing her elbow to keep her hand steady, "the same way that [her] father had taught her to hold a gun." In some ways, a washed-up outlaw is the perfect person to raise a headstrong teen-

grows infatuated with one of his interviewees, a television star. Another follows a white sanitation engineer to a cheaply made housing development in a poor black township. In the third an



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age girl. He's already accustomed to suffering and has the scars to prove it.

Ivan Vladislavić's "The Exploded View" (Archipelago Books, 197 pages, \$18) joins four trenchant, thematically linked stories about post-apartheid Johannesburg. (The author is a native South African, but of Croatian origin.) The first concerns a worker for the census bureau who

acclaimed black artist exhibits some Jeff Koons-esque work involving the ironic use of kitsch African masks. And finally, a billboard designer is caught on a dangerous stretch of highway on the city's outskirts after nightfall.

The tableaux depict a South Africa in a state of physical construction and cultural reconstruction. "The boundaries of Johannesburg are drifting

away," writes Mr. Vladislavić, as high rises, office parks and townhouse complexes shoot up amidst squatters' camps and still-empty tracts of the veld. The TV star's posh gated community, an Italianized prefab development called Villa Toscana, uncomfortably coexists with rickety housing hastily erected for poor blacks. And the sense of lurking disorder and disorientation is sharpened by the cacophony of languages: Zulu, Sotho, Igbo, Afrikaans, English and more. "He could no longer tell the difference between kindness and cruelty," the sanitation engineer thinks about his dealings with his black colleagues and clients. "Every day he found himself wondering whether people were being nice to him or taking the mickey."

Though "The Exploded View" was published in 2004 and is only now appearing in the U.S., the stories do not seem dated. Johannesburg is here a city where the authentic and the ersatz have become hopelessly confused. Thus the artist's mass-produced ethnographic masks create the same effect as the billboards that line the crowded highways. "On a large enough scale, with sufficient repetition, everything became conceptual," the artist thinks. The city evoked in this subtle and provocative book is another work in progress, one inhabiting the chaotic zone between conception and reality.

## BOOKS

'There are decades where nothing happens; and there are weeks where decades happen.' —Vladimir Ilyich Lenin

# The Wheels of Revolution

### Lenin on the Train

By Catherine Merridale

Metropolitan, 353 pages, \$30

BY ANDREW STUTTAFORD

**OF ALL THE WEAPONS** deployed in World War I, among the most lethal may have been a train that left Zurich on April 9, 1917. Thirty-two of its passengers—a ragbag of revolutionaries and their family members—were on their way to Russia. At their head was Vladimir Lenin. The czar had just been overthrown, and a new democracy was struggling to be born. But the change in government was less of a revolution than Lenin had in mind. He had been in exile for years, most recently in Switzerland. To put things right, he had to return home.

Switzerland and Russia are not exactly neighbors. Much of the territory lying between them was controlled by states with which Russia was at war, states that wouldn't be expected to offer free passage to someone who was not only an enemy national but also an individual dedicated to the destruction of their own social systems.

Lenin, however, had cut a deal with the kaiser's Germany. In "Lenin on the Train," Catherine Merridale, a distinguished historian of Russia and the Soviet Union, describes Lenin's journey, the reasons it came about and the events it set in motion. Berlin had realized, she tells us, that supporting foreign insurgents could help destabilize Germany's enemies from within. With democratic Russia set on continuing the war Lenin opposed, it seemed sensible to transport the veteran revolutionary like (in Winston Churchill's words) a "plague bacillus" in a "sealed truck" and release him to infect his fragile homeland. And so on that April day began a ride across Europe that led, within months, to catastrophe and, over time, to the loss of thousands, then hundreds of thousands, then millions, of lives.

Ms. Merridale uses the journey as the centerpiece of a broader account of the fall of czarism and the mounting Bolshevik pressure on the government that replaced it, but she does not neglect the details of that time on the rails. She retraces Lenin's route from Switzerland through Germany to neutral Sweden up to Lapland and the frontier with what was still Russian-ruled Finland, then onto Russia proper and arrival at Petrograd. A vivid writer, Ms. Merridale



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depicts the watchful supervision by wary German hosts, as well as Lenin's bossiness—smoking restrictions, mandated sleeping periods, less noise please, enough already with the "Marseillaise"—a tiny hint of totalitarian discipline to come. But in those days, there was still room for dissent: "As the last of the sandwiches was finished, everyone else was reduced to whispering, fidgeting and stifling their giggles."

The revolutionaries' railway carriage was uncomfortable—ostentatiously ascetic, they had opted for cheap seats—and although theirs was not really a "sealed" train, they were kept as far apart as possible from the locals as they traveled through Germany: The authorities in Berlin did not want to risk friendly encounters, even though one did take place between the Reds, parked for one night on a railway siding in Frankfurt, and German soldiers eager to know the prospects for peace.

The border crossing between Haparanda, Sweden, and Tornio, Finland, fits neatly into the world Ms. Merridale re-creates so evocatively in this book, a world of spies, secret policemen, conspiracies, dirty money and disorder: "A lively trade in smuggled war-related

goods already flourished in these forests; a fog that could hide heavy crates could certainly make people disappear. There were plenty of strangers about, too, the kind whom no one could identify."

Today Haparanda is tranquil, a small, remote town in Sweden's northern reaches, but in 1917 it was the only safe European "land bridge" into Russia for its allies. It was so flooded with goods—an "archipelago of containers and sacks," writes Ms. Merridale—that its customs house (which handled "twenty-seven million mail items and packets" in just six months of 1917) was overrun. Meanwhile, British officer Harold Gruner, known as "the Spy" to his colleagues, was waiting in Tornio and set about interrogating the Russians when they arrived. He had been sent by the British as a junior adviser to help out their Russian allies and, of course, to gather intelligence.

London was aware of how destructive Lenin could be to the Russian war effort and knew that a Russian collapse would, by freeing up large numbers of German troops, pose a major threat on the Western Front. But the Brit was no Bond. His efforts to delay Lenin

were confined to questioning and a strip search. With the new Russia touchingly, if naïvely, unwilling to refuse entry to any of its citizens, however dangerous, delay was all that was possible. Lenin was allowed into Finland, cheered into Russia and, on the evening of April 16, the train drew into Petrograd's Finland Station beneath hastily erected triumphal arches and was greeted by a vast crowd of people, few of whom could have grasped what the returning hero had in mind for them: "[Lenin's] eyes took in the scarlet banners, station lights . . . and the flashing brass of cornets and trombones. Somewhere in this unexpected human sea, a guard of honour from the Second Baltic Fleet had just presented arms. In their blue uniforms and jaunty caps, the lads looked like hangovers from the old empire. Lenin was irritated by the show, which reeked of bourgeois pageantry and pride."

Sometimes Ms. Merridale gives the impression of being overwhelmed by the force of Lenin's personality. Staring out of a modern train window as she follows Lenin's trail, she reflects that "a hundred years have passed since the great

Russian came this way," a curious description of a man who did so much to devastate the homeland for which he held little patriotic affection and who can only be considered great if that word is stripped of all moral meaning.

Ms. Merridale understands the violence that not only ran through Lenin's vision but was integral to it—a violence that, for all her discussion of the hopes he conjured up,

Of all the weapons deployed in World War I, the most lethal may have been a train that left Zurich on April 9, 1917.

was apparent to many of those watching the Bolsheviks with growing dread in the summer of 1917. She draws the necessary contrast between the sanctified Lenin of Soviet mythology and the "mass murderer" that he was, even if she vacillates over the number of killings for which he was responsible in his own lifetime. On two occasions she maintains that the toll ran into the "tens of thousands"—an extreme underestimate, echoed by her calculation that, in its seven decades, the number of "guiltless victims" killed by the Soviet state ran into the "low millions," a claim that takes the word "low" where it should not go. But in another place she refers to the preservation of Lenin's body in that notorious mausoleum in Red Square as "an insult to the countless bodies [he] had destroyed," language that comes far closer to summing up the butcher's bill.

Toward the end of "Lenin on the Train," Ms. Merridale mentions a Stalin-era painting of Lenin stepping out of the train at Petrograd. Just behind and above him stands Stalin, in a pose "suggesting that he could be a mentor or chaperone," but the artist was doing what he had to. Stalin had never, Ms. Merridale explains, been in Lenin's carriage (nor was he, it appears, even at the Finland Station that night). And Stalin was disciple, not mentor: The slaughterhouse he perfected is where Lenin's train was already headed.

*Mr. Stuttaford, who writes frequently about culture and politics, works in the international financial markets.*

# China's Fearsome Dragons

### Fortune Makers

By Michael Useem, Harbir Singh,

Liang Neng & Peter Cappelli

PublicAffairs, 274 pages, \$28.99

BY JULIAN B. GEWIRTZ

**THE WORLD'S LARGEST MAKER** of personal computers is a Chinese company called Lenovo. But how many Americans beyond the small community of China analysts have heard of its founder, let alone its founding story, which rivals that of Apple or Microsoft? Lenovo's story began in 1984, when Liu Chuanzhi, a computer engineer, started selling and distributing PCs from the stodgy confines of the state-run Chinese Academy of Sciences. Doing business in the early years after China abandoned central planning was difficult—he had to contend with inexperienced executives, political uncertainty, and abiding anti-capitalist attitudes. "The lowest thing you could do in the early '80s, as a scientist, was to go into business," he says.

Yet Mr. Liu, who had been subjected to hard labor during the Cultural Revolution, proved to be a tenacious, fast-learning executive who relentlessly expanded his business in China and abroad. "We just learned by trial and error, which was very interesting—but also very dangerous," he admits.

By 1990 Lenovo was producing its own computer products, not just selling and distributing others, and they were a big success. In 2005 it bought IBM's PC business.

Though we read stories in the paper every day about China's booming economy, the titans of Chinese business and their tales of entrepre-

neurship remain relatively unknown. Their absorbing stories are recounted in "Fortune Makers: The Leaders Creating China's Great Global Companies" by four business scholars, Michael Useem, Harbir Singh, and Peter Cappelli at the University of Pennsylvania's Wharton School and Neng Liang of the China Europe International Business School. They sketch portraits of dozens of China's major private companies, including the e-commerce giant Alibaba, the auto maker Geely and the property developer Vanke, which are now powerful forces far beyond China's shores.

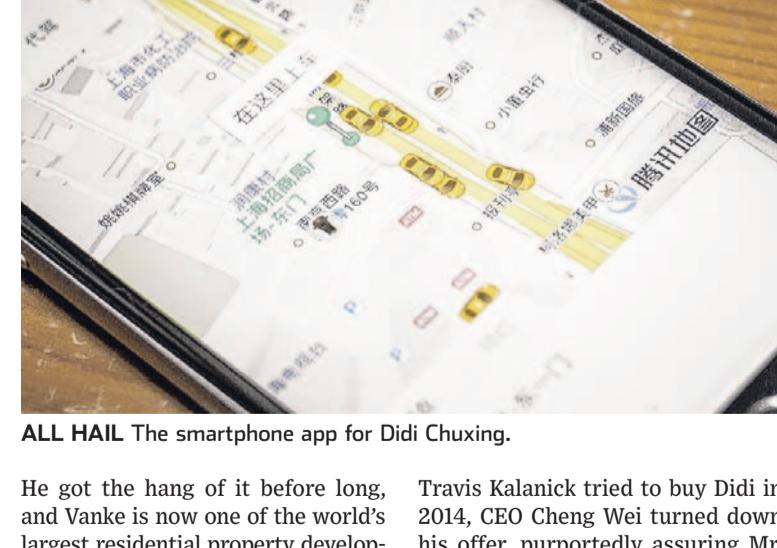
When Uber tried to buy Didi, CEO Wei Cheng turned down the offer, assuring Travis Kalanick: "There will be a day when we will surpass you."

Their insights stem primarily from the in-depth interviews that they conducted with the companies' executives ranging from Alibaba's Jack Ma to the CEOs of lesser-known businesses producing everything from beer to kitchenware.

Reflecting on Lenovo's stunning ascent, Mr. Liu acknowledges to the authors: "If it were not for Deng Xiaoping's reform and open-door policy, none of us would be able to achieve much, regardless of how capable we are." So it is for the many private enterprises discussed in the book, which quickly distinguished themselves from the sluggish state-owned enterprises that distort China's socialist market economy. Yet without clear

models to emulate, the founders of these firms marched headlong into risky terra incognita.

There was a steep learning curve for nearly every company profiled here. Wang Shi, who started Vanke in 1984, arrived at one early meeting with a client carrying a large bag for the cash payment that he expected to receive. "Instead," the authors recount, "the client came with a check, which Wang had never seen before."



BLOOMBERG

ALL HAIL The smartphone app for Didi Chuxing.

He got the hang of it before long, and Vanke is now one of the world's largest residential property developers and managers, with revenue of \$23.9 billion in 2014. Other founders were less lucky, losing vast sums, falling into corrupt business practices, or running afoul of the Chinese Communist Party.

What do the success stories have in common? The authors argue that the thriving private enterprises share a set of common traits that they dub the "China Way." Key to the China Way is the pursuit of

growth at all costs—even if that means slashing profits, marginalizing total shareholder returns, or taking costly risks.

As an example, the authors recount how the ride-hailing service Uber lost out in China to the "fleet-footed" Didi Chuxing Technology, an exemplar of the China Way that proved agile and ferociously willing to burn through cash in order to gain market share. When Uber CEO

panies. Many private businesses in China have developed a lean architecture that can adapt and reorient quickly as strategies evolve, while also prioritizing long-term growth and a zeal for learning over a near-term fixation on maximizing shareholder returns. Western executives, especially those looking to do business in the world's second-largest economy, may find useful teachings in this book's zestful inside stories and thorough case studies.

In the near term, however, American discussions of Chinese business may remain more focused on criticism than emulation, especially amid warranted concerns about the theft of intellectual property and continued government intervention behind the scenes. This is only reinforced by the lack of a level playing field within China and state-led efforts to increase the competitiveness of Chinese firms, including state-owned enterprises, on the world stage.

Yet despite the continued interference of the government, macroeconomic uncertainty, and persistent concerns such as weak employee management systems, dependence on charismatic "big-boss" founders, and rapidly changing worker demographics, the authors are sanguine about these companies' prospects. Still, as they acknowledge, it is simply too early to say conclusively how history will assess China's private companies. As they become bigger and even more important to the country's success, the temptation for the state to intervene will only increase—and the world will be watching.

*Mr. Gewirtz is the author of "Unlikely Partners: Chinese Reformers, Western Economists, and the Making of Global China."*

## OPINION

### REVIEW & OUTLOOK

## The Man Who Knows Too Much

**P**oliticians aren't always as dumb or cynical as they sound, but you wouldn't know that from Wednesday's confirmation hearing for Scott Gottlieb. Democrats criticized the nominee to run the U.S. Food and Drug Administration for the "conflict of interest" of knowing too much about the industries he'd regulate.

Washington Senator Patty Murray and other Democrats devoted most of the morning to agitating about Dr. Gottlieb's "unprecedented financial entanglements" because he has consulted for various companies and invested in health-care startups. Rhode Island's Sheldon Whitehouse flopped in with a strange remark about "dark-money operations," which is an amusing way to describe financial disclosures available on the internet.

Bernie Sanders, never one to be hamstrung by knowledge, tweeted Wednesday that it was a "disgrace" to have an FDA commissioner who has taken money from drug companies. These are the same committee Democrats who pummeled Betsy DeVos for not having enough experience in public education.

Dr. Gottlieb disclosed his work in accordance with government rules and will liquidate his investments. He agreed to recuse himself for a year on decisions relevant to his past interests. He also promised Wednesday to follow directives from the Health and Human Services eth-

**Democrats fret that Scott Gottlieb is too expert for the FDA.**

ics office, and to be an "impartial and independent advocate for the public health."

The irony of the claim that Dr. Gottlieb can be bought by the industry is that pharmaceutical companies won't be thrilled by some of his priorities. One is increasing generic-drug competition: On Wednesday he offered a tutorial in how companies exploit regulatory barriers to competition for their commercial advantage. Sounds like something ol' Bernie should like.

Another ugly charge is that Dr. Gottlieb won't address the opioid crisis because he has worked with companies that produce painkillers. Yup—he wants to take a pay cut and subject himself to bureaucratic hassles so he can peddle pills to addict more Americans. Who writes this stuff? In fact, Dr. Gottlieb called opioid abuse "a public emergency on the order of Ebola and Zika" and suggested an "all-of-the-above" strategy that would include inventing less addictive painkillers and better patient care.

Dr. Gottlieb has written lucidly about how FDA can unleash innovation without compromising public safety, which he rightly calls a "false dichotomy." Democrats once believed in expertise, and if they cared about delivering cures for patients as much as they fret that someone is making a profit, they'd confirm Dr. Gottlieb in a millisecond.

## Late Hit on Neil Gorsuch

**D**emocrats haven't found a weakness in Supreme Court nominee Neil Gorsuch, and not even a filibuster seems likely to stop his confirmation. But opponents will try anything, and late Tuesday they used some willing media outlets to claim that a handful of sentences in his book and dissertation were similar enough to suggest plagiarism.

Politico reports—based on "documents provided to Politico," you can guess by whom—that in his book, "The Future of Assisted Suicide and Euthanasia," Judge Gorsuch used another author's words to describe Down syndrome and a condition known as "esophageal atresia with tracheoesophageal fistula." In a 1984 Indiana Law Journal article, Abigail Kuzma wrote that "esophageal atresia with tracheoesophageal fistula indicates that the esophageal passage from the mouth to the stomach ends in a pouch, with an abnormal connection between the trachea and the esophagus."

Judge Gorsuch used the same words in his explanation of the medical condition, a technical description of a specific ailment outside his area of expertise. Ms. Kuzma has issued a statement that she has "reviewed both passages and [does] not see an issue." Because the passages "are factual, not analytical in nature," she writes, and "both describe the basic facts of the case, it would have been awkward and difficult for Judge Gorsuch to have used different language."

**The latest progressive desperation ploy to stop the judge's confirmation.**

Politico also criticizes Judge Gorsuch for citing primary sources when attributing portions of his writing, rather than citing secondary sources. But primary sources are an approved method of citation in academic publications. Judge Gorsuch describes Derek Humphry, a founder of the Hemlock Society and advocate for voluntary euthanasia,

in similar terms as a book on the euthanasia movement written by Ian Dowbiggin, but he credits books by Rita Marker and Sue Woodman as the primary sources.

Politico rolled out some left-leaning academics to call this and a couple of other examples of plagiarism, but this is thin soup. Someone subjected every word in all of Judge Gorsuch's more than 5,000 pages of writing to a Big Data plagiarism analysis, and this is all they found.

Oxford University emeritus professor John Finnis, who supervised Judge Gorsuch's doctoral thesis, reviewed the allegations and says that "in all four cases, Neil Gorsuch's writing and citing was easily and well within the proper and accepted standards of scholarly research and writing in the field of study in which he was working." Georgetown professor John Keown was an outside examiner on Judge Gorsuch's dissertation and called the allegations "entirely without foundation."

Late political hits are a progressive specialty. Republicans should be happy to dismiss this desperation ploy and vote to put the distinguished jurist on the High Court.

## California's Wasted Winter Rains

**R**eservoirs and rivers are overflowing as storms have pounded California this winter, and after years of drought that should be good news. The problem is that misguided environmentalism is wasting the water windfall and failing to store it for a nonrainy day.

Hydrologic records indicate that this year could be the wettest on record in California. Statewide snowpack measures 160% of average. Precipitation in Palm Springs exceeds the historic norm by more than 50%. Lo, the desert is actually blooming. Most of the major reservoirs in the north are full, and some are releasing hundreds of billions of gallons of water to prevent flooding and make room for the melting snowpack this spring.

While farmers and communities downstream can capture some of the discharges, millions of acre-feet will invariably flow into the ocean due to lack of storage capacity and rules to protect endangered fish species. One problem is that while the state population has increased 70% since 1979, storage hasn't expanded. Water districts in Southern California have developed small local reservoirs and groundwater basins, but what's most needed is storage in the north where most of the rain and snow falls.

The Public Policy Institute of California estimates that five proposed reservoirs could add four million acre-feet of storage capacity at a cost of \$9 billion. Yet environmentalists have opposed every significant surface storage project for three decades. The state is even razing four hydroelectric dams on the Klamath River that green groups complain impede fish migration.

Ah, the fish. Regulations intended to protect smelt and salmon have limited pumping at the Sacramento-San Joaquin River Delta. As a result, some seven million acre-feet of water that was once available for Central Valley farmers and Southern California is flushed into San Francisco Bay each year.

Meanwhile, a 60-mile dry riverbed on the San Joaquin River that hasn't borne fish since the 1940s is being restored at a cost of \$1.7 billion to farmers and state and federal taxpayers. The river restoration is expected to divert an additional 170,000 acre-feet each year, but it could be more since the Chinook salmon that environmentalists

want to revive require cool temperatures—meaning more water—to spawn and survive. Government biologists are spending millions of dollars to truck (literally) salmon around the valley while trying to calibrate optimal temperatures and water flows. Yes, these salmon have chauffeurs.

In September, the State Water Resources Control Board proposed limiting the amount of water that farmers and cities in the north could use from three tributaries that feed into the San Joaquin River in order to boost the Central Valley's fall-run Chinook salmon population, which numbers 750,000. The plan would reduce water available to farmers and cities by 250,000 acre-feet on average annually and 500,000 acre-feet during dry years. If all goes according to plan, the salmon population could increase by 1,103.

The affected communities including the Bay Area are represented by Democrats and enjoy senior water rights. So they've been less vulnerable to regulatory cutbacks that have parched farmers in the south. While the state board's plan would cause more farmland to be removed from production, the main casualties would be low-income and Hispanic communities like Merced that rely on groundwater recharged by the tributaries.

What's especially ironic is that all of the water diversions intended to benefit the environment may be causing irreparable environmental damage. Communities and farmers have drilled deeper wells and pumped more groundwater to compensate for reduced imports from the delta, leading to severe land subsidence.

A recent report by the California Department of Water Resources found that the San Joaquin Valley is sinking at a rate of nearly 2 inches a month in some areas. Land around Corcoran dropped 22 inches between May 2015 and September 2016, complicating engineering work on the state's bullet train. Subsidence has also reduced the carrying capacity of the California Aqueduct, which delivers water to Southern California, by 20%.

California has an arid climate, and parched times will return, which is all the more reason to take advantage of the wet years. That greens and politicians won't do so suggests they almost wish for permanent drought.

**The drought is over but the greens keep sending the water out to sea.**

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

## The Trump Tweets



Asked during an interview with the Financial Times whether he regretted any of his tweets, President Trump said, "I don't regret anything." He said Twitter is part of the reason he made it to the White House and on balance the tweeting is worth it: "You know if you issue hundreds of tweets, and every once in a while you have a clunker, that's not so bad."

Mr. Trump's deputy press secretary, Sarah Huckabee Sanders, complained on "Fox News Sunday" that the media's coverage doesn't reflect the reality of the new presidency: "The media constantly wants to talk about something that doesn't exist instead of something that does." She said, "We've spent the last couple of months doing major policy initiatives and rollouts in the forms of executive orders, rolling back regulations, creating an environment where businesses are confident in hiring again."

All of this is true, not least Mr. Trump's belief that Twitter helped him into the Oval Office. Back then, Mr. Trump's tweets drew free-media attention to himself and his shoestring campaign. The tweets destabilized his opponents, notably Hillary Clinton, who over-focused on him at the expense of her own message. The tweets rallied the Trump base and held it together when he had virtually no ground game. In the campaign, the tweets produced a positive outcome.

In his presidency, though, Mr. Trump's tweets are producing the opposite result. They have become presidential speed bumps.

This time, the tweets are drawing attention to himself as a president in permanent tension with two major American institutions: the U.S. press and the intelligence community. His furious, highly charged tweets about them produced a reaction. Both institutions are now in active opposition to his presidency, especially the media.

The ancient advice, "don't pick fights with people who buy ink by the barrel," is still true. The media—print, television, the web—buy time with the public by the petabyte. Every Trump tweet produces media pushback as negative coverage or snark at an overwhelmingly anti-Trump ratio.

Tweeting "Sleepy Eyes Chuck Todd" incentivizes every decision-maker at NBC to put anti-Trump reporting at the top of its hourly news budget across the network. Where is the upside?

Mr. Trump has many sympathizers in his fight with the media. But for every president back to Lyndon Johnson, this is like waging battle with the tides. Repetitive negative publicity on this scale will suppress the Trump message and agenda.

Mr. Trump has a point about the media's microscopic coverage of the Russia collusion story and its disinterest in the Obama White House's abuses of U.S. in-

telligence. But the intensity of his tweets against the failing New York Times, the dishonest Washington Post and CNN's fake news is mainly increasing audience size and political market share for the media's version of these events.

The campaign tweeting destabilized Mr. Trump's Republican primary opponents. The presidential tweeting is destabilizing people who are on his side—in Congress, in the government and in the military.

The Trump "change" presidency, running hard on multiple fronts, was inevitably going to produce a big Beltway counteroffensive. The tweets disrupt the momentum of the people who are executing his plans and his legislative agenda.

The Trump White House doesn't put much stock in the Gallup poll's daily tracking of the president's approval rating, but its fall below 40% is almost entirely the result of public anxiety driven by negative static.

**Twitter helped him win the White House. Now Twitter may cause him to lose it.**

As former presidents know, falling steadily downward in public approval causes some House members and senators to distance themselves from the White House. With so many hard votes coming up, that small distance could determine whether he wins or loses.

After the election, the Democrats were confused and on defense. The political storms erupting after Mr. Trump's tweet storms have energized the defeated Democrats, whose candidates are raising hundreds of thousands of dollars for 2018 from small donors on the internet.

During the primaries, the Trump base emerged as a solid 30%. It will never abandon him. But as president, the arena of battle—on taxes, spending and infrastructure—has moved unavoidably to Washington, where the Trump base is a less-potent factor.

Mr. Trump is right. Twitter helped him win the presidency. But the net-negative effects of the president's tweets are eroding his chances for success in Washington, where every victory is won at the margin.

The president should step back from tweeting and assemble a professional, Trumpian team to handle his public relations. If his presidency fails, historians of the Trump presidency will record that Twitter raised him up, and Twitter brought him down.

\* \* \*

Correction: Last week's column stated that Republican Rep. John Faso of New York signaled his intention to vote against the Trump health-care reform bill. The good news is that Mr. Faso, who defeated progressive Zephyr Teachout in 2016, stood his ground and publicly supported the bill.

Write [henninger@wsj.com](mailto:henninger@wsj.com)

## LETTERS TO THE EDITOR

### Could a Faltering Shinzo Abe Achieve All This?

Your editorial "Abe Loses Momentum" (March 31) provides an inaccurate representation. Abenomics is progressing steadily. Japan's gross domestic product has reached record levels since 2013, as nominal GDP has risen by ¥47 trillion (\$423.9 million) and real GDP has risen by ¥27 trillion.

The number of people employed has increased by 1.7 million, and women comprise 87% of that increase. The unemployment rate has decreased to 2.8%, or close to full employment. In March, the Nikkei Stock Average closed about 2,150 points above 2015, and 9.4% higher than before the 2008 financial crisis. The latest BOJ Tankan survey shows an upward trend in every sector and company size.

Although the Osaka kindergarten issue covered in your editorial was addressed by many opposition-party members in the current Diet session, the Diet never stalled and the budget was passed without alteration or delay. With this budget, the employment-insurance premium will be lowered beginning this month. Children will be given great opportunities through measures including a new scholarship system and a plan to eliminate child-care waiting lists.

Furthermore, eight agricultural- and dairy-industry reform bills were just submitted, opening a path to reform on the largest scale. In addition to undertaking work-style reform, Prime Minister Abe is positioning the internet of things and human-resources investment as the core of his strategy.

As a strong believer of free and fair trade, Mr. Abe aims to swiftly reach an agreement on fundamental elements of the Japan-EU Economic Partnership Agreement. This was reaffirmed recently with the leaders of the European Union. While postponement of reforms under the Trans-Pacific Partnership was unexpected, Japan will engage in productive economic talks with the U.S.

The last thing Mr. Abe has in mind is complacency.

EIICHI HASEGAWA  
Special Advisor to the Prime Minister  
Government of Japan

### Where Were the Republicans At the Garland Hearings?

It takes gumption or myopia for Sen. Orrin Hatch to lambaste Senate Democrats' "astonishing treatment" of Judge Neil Gorsuch while remaining silent about Senate Republicans' refusal to even hold confirmation hearings for President Obama's Supreme Court nominee Judge Merrick Garland ("Judge Gorsuch's Foes Embarrass the U.S. Senate," op-ed, March 28). Sen. Hatch may have a point about diminishing comity and embarrassing behavior in the Senate, particularly regarding Supreme Court nominations. The senator's omission of his own role and that of his party in contributing to the toxic environment makes it difficult to trust the motivations behind his appeal that the "madness needs to stop."

MARK DUBOIS  
Durham, N.C.

### This Immigrant Problem Is More Imagined Than Real

I suspect that the American readers who comment negatively about today's immigrants not assimilating into U.S. culture don't know any and have spent no time with them (Letters, March 31 responding to Bret Stephens's "Other People's Babies," Global View, March 22).

These people should challenge themselves to do this: Go volunteer at their local school and meet some of the kids, go to community gatherings and meet the parents. They will be pleasantly surprised.

Many, possibly most, espouse the best of traditional American conservative values: hard work, a focus on education, thrift, industry and a strong interest in engaging with the larger American community.

KIM GOULD  
Seattle

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## OPINION

# A Resolute Message for China

By John Bolton

This week's summit with China's President Xi Jinping is the most important meeting President Trump will have during his first 100 days in office. The 21st century could well be defined by the Washington-Beijing relationship. Things are not going well so far for the U.S. China is on the march globally, and the American Mr. Trump inherited from "No Drama Obama" has been watching it happen.

Remembering Mr. Trump's campaign promises, the White House may be tempted to focus the summit on China's many violations of its multilateral trade commitments, including pirating intellectual property; tilting domestic markets in favor of Chinese companies, especially state-controlled ones; and discriminating against foreign litigants in judicial proceedings. China's mercantilist policies have



AP/GETTY IMAGES

A newsstand in Beijing.

## From Taiwan to North Korea, Trump can make clear to Xi that America is no longer in retreat.

harmed America and the liberal international trading order generally. All merit extended discussion.

But it's even more important that Mr. Trump enter the meeting with a coherent strategic plan to address geopolitical and economic disputes. He should feel no pressure to bridge, let alone resolve, any of them now. He should instead focus on conveying clearly his administration's worldview, which is very different from his predecessor's.

Making America's foreign policy great again should mean that apologies, acquiescence, disinterest and passivity are terms that no longer describe or apply to Washington's leaders. No grandiose final communiqué is needed; a simple

statement that the two leaders had a full and frank exchange of views will suffice.

Topping the agenda should be North Korea's nuclear-weapons program, the most imminent danger to the U.S. and its allies. U.S. Secretary of State Rex Tillerson and Defense Secretary Jim Mattis have made clear how seriously they view the prospect of Pyongyang fitting an intercontinental ballistic missile with a nuclear warhead and threatening targets in the U.S. The president must follow up vigorously, or the Chinese may underestimate how strongly the U.S. feels about the North Korean menace.

The only real way to end the North Korean threat is to reunify the peninsula by merging North Korea into the South. China will find that difficult to swallow. But if the Trump administration can demonstrate the many benefits to China flowing from the regional stability and global security that reunification would bring, Beijing should come around.

North Korea has achieved its current nuclear capabilities despite 25 years of American attempts to halt its progress. U.S. options for stopping Kim Jong Un from taking the final step are now severely limited. Moreover, the U.S. and China must bear in mind that whatever

North Korea can do, Iran can do immediately thereafter—for the right price. As Pyongyang inches ever closer to producing deliverable nuclear weapons, the prospect of a pre-emptive U.S. strike against its nuclear infrastructure and launch sites cannot be ruled out.

Beijing has itself threatened to turn the international waters of the South China Sea into a Chinese lake by building bases on disputed rocks and reefs. In the East China Sea, Beijing seeks decisive ways to break through "the first island chain" and into the Pacific. Taiwan is a target; Mr. Xi will repeat the phrase "One China" in hopes of hypnotizing the Trump team into believing it means what Beijing believes it means, rather than America's longstanding interpretation.

The Obama administration's policy was to call for China, the Philippines, Vietnam and others to resolve their territorial disputes through negotiation. This might have worked had U.S. military forces been sufficiently deployed to support the other claimants and manifest America's will not to accept Chinese *faits accomplis*.

Instead, Mr. Obama presided over the continuing world-wide decline of America's naval capabilities. While Mr. Trump is committed to reversing that decline, it won't

happen overnight. Accordingly, as when Ronald Reagan replaced Jimmy Carter, Mr. Trump must display political resolve, buying time until the necessary naval assets are once again at sea. Otherwise, China gets what it wants with cold blue steel, not diplomatic niceties.

China's threatening military buildup has implications well beyond its bordering seas. Its cyber-warfare program is large and growing. Its antiship missiles and other offensive naval weaponry are expressly intended to diminish America's ability to project power into the Western Pacific. China's own naval buildup—its first in 600 years—endangers all its East and Southeast Asian neighbors; its nuclear and ballistic-missile efforts threaten India in unprecedented ways and have major implications for America's nuclear-posture review; and its anti-satellite program is aimed squarely at U.S. intelligence-gathering capabilities in space.

For eight years, China's military budget has climbed while America's has fallen. Communist Party leaders drew the inescapable conclusion that they had a free hand to translate China's economic successes into military hardware and then to use, or threaten to use, those capabilities to achieve their international objectives. Who would stand in their way? China's neighbors, from Japan around to India, are incapable of resisting its power without American help. But while Washington has no appetite for conflict, neither should it simply accept Beijing's adventurism.

Mr. Xi must leave Mar-a-Lago with the firm conclusion that he needs to recalibrate China's geopolitical strategy. That alone would be a significant win for the home team. Spring training is finished. For Messrs. Xi and Trump, the real season starts Thursday.

*Mr. Bolton is a senior fellow at the American Enterprise Institute and author of "Surrender Is Not an Option: Defending America at the United Nations and Abroad" (Simon & Schuster, 2007).*

## For Syria, Words Won't Be Enough

By Paul Wolfowitz

Among the many unintentionally profound comments attributed to Yankee great Yogi Berra, one of the best known is, "When you come to a fork in the road, take it."

President Trump may have initially believed that he could avoid the fork in the road presented by the Assad regime's use of chemical weapons in Syria by simply blaming the crime on Barack Obama's failure to enforce his "red line" four years ago. Fortunately it seems he has reconsidered.

Mr. Trump initially responded on Tuesday by condemning the attacks as "heinous" and "reprehensible." He added correctly that little children in Syria wouldn't be dying such gruesome and painful deaths, gasping for breath, if Mr. Obama had followed through on his warnings against the use of chemical weapons in that civil war.

## Trump says attacking civilians crosses 'many lines.' Will he back it up?

That made it briefly appear as though the president might use Mr. Obama's failure as an excuse to avoid action. In a joint press conference Wednesday with Jordan's King Abdullah, however, Mr. Trump said the attacks on Syrian civilians, "innocent little babies" in particular, crosses "many, many lines for me." He continued, "I now have responsibility," and will "carry it very proudly."

Mr. Obama's temporizing has admittedly taken some options away from Mr. Trump. What former U.S. Secretary of State John Kerry once described as an "unbelievably small, limited kind" of military strike probably was never sufficient to fulfill its stated purpose: to "hold Bashar Assad accountable." Certainly something more substantial is needed now. And Russia's presence in Syria makes the situation much more problematic. Escaping this crisis through yet another agreement to eliminate Syria's horrific weapons peacefully is no longer feasible.

Let us hope Mr. Trump will reassess the impact of recent statements by members of his administration indicating that the U.S. is prepared to live with the Assad regime. The Syrians—and their Russian and Iranian backers—might well have interpreted this as a signal that they could continue terrorizing the population. Ominously, doctors and activists in the Idlib area, where Tuesday's attacks took place, say there has been an upswing in the use of chemical weapons since the end of 2016.

The large numbers of Syrians who see Mr. Assad as no better than Islamic State probably believe that the Trump administration has given him a green light. Their seeming acceptance of Mr. Assad must have come as a dash of cold water for America's many allies and potential allies who thought the new U.S. president was a strong, bold leader who would stand up to Iran in a way his predecessor did not.

Mr. Trump now needs to back up Wednesday's strong words with leadership. As president, his statements carry weight that they didn't previously. World leaders make life-or-death decisions based on what they believe the American president's words signify about U.S. intentions. If his actions don't match his rhetoric, critical allies will conclude that Mr. Trump is weak, like his predecessor, which will have a damaging ripple effect for U.S. interests throughout the region and the world.

As with most such situations, the facts of the case aren't yet completely clear. The Russians are claiming that Syrian warplanes targeted rebels who were producing toxic projectiles—an unconvincing story, but the facts do need to be investigated.

While the investigation is under way, the Trump administration shouldn't spend the time hoping that the problem will go away. Instead, it should use this moment to prepare a bold course of action to end these barbaric attacks and restore peace to Syria. That is no small task.

The Trump administration foreign policy is facing its first serious fork in the road. The president seems ready to take on the burden. All Americans should hope that he doesn't fail.

*Mr. Wolfowitz, an American Enterprise Institute scholar, has served as deputy defense secretary and ambassador to Indonesia.*

## How a \$15 Drug Can Cost \$400 in America

By Mark L. Baum

The theory is that generic drugs should be less expensive than the original. By the time a generic hits the market, the drug's patent has expired, allowing competition from companies that didn't spend millions of dollars to develop it. As more options become available, prices are supposed to drop. But because of quirks in America's regulatory system, it doesn't always work out this way.

In 2009, the U.S. Food and Drug Administration approved a new version of colchicine, which treats symptoms of gout. Prices rose to \$6 from 25 cents a pill. Two years later, the agency approved a new hydroxyprogesterone, which helps prevent premature births. It went to \$400 from \$15 an injection. In 2014, the FDA approved a generic of the man-made hormone vasopressin. Prices jumped to \$138 from \$11 for an injection.

What explains the counterintuitive price increases? All these prescription drugs fall under a category known as DESI drugs, named for their inclusion in an FDA program called Drug Efficacy Study Implementation. These drugs came to market before 1962, when getting FDA approval for a drug required proving its safety but not its efficacy. Such drugs, manufactured under expired patents, are used by millions of Americans today.

But once the FDA approves a new drug application for a DESI drug, the existing drug can be pulled from the market. The "new" drug is treated as a material advance because it underwent testing for safety and efficacy—even though the DESI version was proved safe and effective over decades of actual use. The developer

of the new drug may also get a new period of market exclusivity that lasts three years.

This makes little sense. Market exclusivity should let pharmaceutical companies recoup their often enormous investments in genuinely new drugs. Giving monopoly protection for what is essentially a generic version of a DESI drug merely enriches sharp-dealing companies while injuring patients.

Another reason generics often face no competition was described last year by Scott Gottlieb, President Trump's nominee for FDA commissioner. He noted that a generic-drug application can cost as much as \$15 million. This high upfront cost is part of why would-be manufacturers of generics often pass on the opportunity to compete against branded drugs with smaller markets. This has allowed many pharmaceutical companies to raise prices with impunity.

Overhauling the drug-approval process will take time. But there are already tools to help ensure reasonable prices for the estimated 17% of U.S. drugs that lack competition.

The Drug Quality and Security Act of 2013 was designed to ensure that companies can quickly respond to a drug shortage by allowing a new type of drug maker, called an "outsourcing facility," to enter the market.

### For many older medicines, government forces the original, name-brand version off the market.

It copies an FDA-approved product, regardless of exclusivity, provided that it manufactures the drug in an FDA-registered and -inspected facility using FDA-approved ingredients. U.S. companies, including mine, have invested in such facilities.

Yet the potential of this legislation remains untapped. The FDA should clearly define "drug shortage" to include a lack of access due to abnormally high prices. With this simple change, FDA-registered outsourcing facilities could quickly bring sky-high prices for monopoly

generics with expired patents back to earth.

At the same time, the Trump administration should authorize Medicare and Medicaid to pay for compounded drugs made in outsourcing facilities, which currently aren't covered. Right now government policy forces Medicare to pay Turing Pharmaceuticals, the brainchild of the notorious "pharma bro" Martin Shkreli, \$750 for a single Daraprim pill. Instead, Medicare should be able to choose my company's Daraprim alternative, priced at 99 cents a pill, which has been safely dispensed to thousands of patients nationwide.

Reforming the drug-approval process is critical. Meanwhile, these steps would ensure that demonstrably safe drugs made in America can be offered at a reasonable price to patients who need them. If drugs must carry a high price tag, it should be to recoup investment in innovation—not to enrich a monopolist for an off-patent, inexpensive medicine it did not develop in the first place.

*Mr. Baum is the CEO of Imprimis Pharmaceuticals, Inc.*

## The Arab on the Israeli Tennis Team

By Fahoum Fahoum

Tennis changed my life. Growing up as a Palestinian citizen of Israel, I struggled with an identity crisis, feeling caught between two worlds. But when I was 8, I started playing tennis in Haifa. Eventually I became the first Arab Muslim on the Israeli junior national team, representing the country in European and world championships.

This was a personal success. More important, though, it gave me a platform for building bonds with Jewish youth. The tennis court was an island where everyone felt like they belonged. My teammates and I embraced the same identity. I built trust with my doubles partner and the people on the other side of the net, too.

Once my parents realized the sport's potential to bring people together, they established the Co-existence Program at the Israel Tennis Center in Haifa. It introduced young Arabs and Jews to the game, while transforming on-court partnerships into off-court friendships. The program, which began in 2001 with around 10 children, now operates nationwide with hundreds of participants.

When I was growing up, Israeli high schools and colleges didn't have organized sports. But Americans know well the power of sports, as I learned when I came to Quinnipiac University in Connecticut on a tennis scholarship. Even though my teammates and I came from different corners of the world, we were all Bobcats. Social psychologists have a name for this phenomenon. They call it a "superordinate identity."

Playing sports can help reframe a conflict. It builds the groundwork for cooperation by putting teammates in the same boat. To paraphrase the late Morton Deutsch, a professor at Columbia University, this creates a

positive interdependence: If you swim, I swim, and if you sink, I sink. It galvanizes people to do what is best for the team. If another player is in a better position to score than you are, you will pass the ball.

### Sports can change the world by helping us see each other differently.

Sports recognizes no language barriers. Drop a soccer ball into a group of kids in Israel, South Africa or Ireland and watch what happens. There will be no need for an introduction, let alone an explanation of the rules. Instead players communicate using their bodies within an established system of rules that makes them "speak" soccer fluently. Just as sports altered my path, it has the power to change the world.

Athletics can provide entertainment and exercise, yes, but also so much more. It can be used as a tool for tackling social issues—fighting obesity, empowering women, integrating refugees or promoting peace. Sports are more than mere games. They're essential to the healthy transformation of society.

*Mr. Fahoum is a graduate of Columbia University's master's program in negotiation and conflict resolution.*

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## LIFE & ARTS

FILM REVIEW | Joe Morgenstern

# 'Their Finest': Storytelling Victorious

This scintillating British comedy turns on the making of a dubiously inspirational propaganda film during the Blitz

**'THEIR FINEST'** is one of the smartest, funniest and most surprising movies I've seen in years. The slightly opaque title refers to "their finest hour," the culminating phrase of an inspirational speech Winston Churchill gave in 1940, during the darkest days of World War II. But it's also taken from the title of the movie's source, a superb comic novel by Lissa Evans—"Their Finest Hour and a Half." That's a cheeky reference to a movie within the movie, a woefully unpromising propaganda melodrama that Britain's Ministry of Information is developing, in 1940, to provide some inspiration for the home front during the Blitz. If this, too, sounds slightly opaque, the movie is anything but, and Gemma Arterton is sublime as Catrin Cole, a Welshwoman who applies for what she thinks is a secretarial job but gets hired to write the film's "slops"—a pungent term of the period for women's dialogue.

There's a strong feminist thrust to Gaby Chiappe's screenplay, stronger than in the book but no less deft. It's thrilling to see Catrin grow from a sidekick who's asked to tidy up the office to a virtuoso storyteller and the brains of the operation—or, rather, the co-brain, since her clever, cynical partner in cinematic crime, Tom Buckley, is supposed to be the melodrama's head writer. He's played by Sam Claflin with such verve that the two performers, and their characters, duel and riff like jazz musicians who are fully worthy of one another. (A romance between Catrin and Tom deepens as their dueling intensifies.)

The director, Lone Scherfig, has done such distinctive comedies as "Italian for Beginners," and the international hit "An Education," for which Nick Hornby wrote an exemplary screenplay. She has never worked with such a scintillating script, though, or such a marvelous cast, which includes includes the definitively droll Bill Nighy as Ambrose Hilliard, an actor whose mo-



Sam Claflin as Tom Buckley and Gemma Arterton as Catrin Cole

ment has long passed; Eddie Marsan as Sammy Smith, Ambrose's grubby émigré agent; Helen McCrory as Sammy's no-nonsense sister, Sophie; Jack Huston as Ellis Cole, an English perpetrator of depressing propaganda paintings whom Catrin has loved foolishly and all too faithfully; Jeremy Irons as Britain's unnamed secretary of war, who decides the movie needs an American hero in its cast to help inspire the U.S. to join the war; and Jake Lacy as Carl Lundbeck, handsomely American but hopeless in front of the camera.

One result of all this talent is a bountiful supply of bon mots. ("Lose half," Tom says of a scene Catrin has just written. "Which half?" she asks. "The half you don't need.") Another is a succession of

lapidary sequences, scenes, moments or, in the case of Ambrose's final exit, tiny delights. (No, he doesn't die, he just walks out the door as only Mr. Nighy can.) Still another result is a textbook illustration of the director's craft. What a director does is like the weather; you may not be able to see it but you can feel it. Here, in a production of flowing rhythms and sharply tuned performances, the direction is close to perfection; it would have been closer if the clunky Yank hero hadn't been played quite so broadly. (The cinematographer was Sebastian Blenkov. Rachel Portman composed the score. The film was edited by Lucia Zucchietti.)

Some of the fun flows from the evolution of the propaganda film, one of those based-on-a-true-story

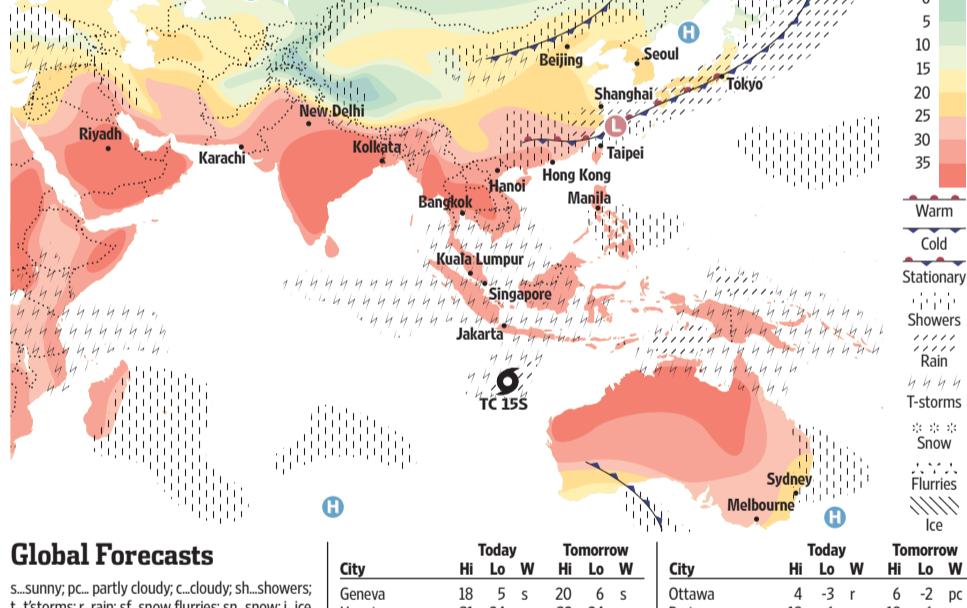
projects about twin sisters who borrow their father's fragile little boat to cross the Channel and help evacuate British troops from Dunkirk. ("Authenticity and optimism" is what the Ministry of Information keeps insisting it wants.) The newspaper account of their exploits turns out to be almost completely untrue, but that doesn't faze Catrin or Tom. Instead, it gives them the freedom to fabricate their own verities, and gives the film outside the film a good game to play with us. Little by little, the thickly varnished truths of the sisters' saga grow less absurd—though they remain stylized and pretty silly—until we begin to think, yes, in that desperate time and beleaguered place, the snippets of silly scenes we see on the screen might well stir moviegoers' souls.

Along the way, "Their Finest" plays a related game of what's real and what isn't. It's not as tricky, or dazzling, as "The Stunt Man" or "F/X," two classics of visual sleight-of-hand, but the reality of war keeps intruding on both layers of make-believe. The first time that happens is when Catrin, making her way through the rubble of a bombed-out neighborhood, comes upon body parts that turn out to be pieces of a shop-window mannequin (though there's more to the scene than that). Much later, in an event of surpassing randomness, another kind of reality crashes in to shattering effect.

The power of storytelling is the movie's main subject, manipulation is its main game. The book that spawned it was a comedy of manners, and Ms. Scherfig runs her show with brisk precision, though she still allows her characters to reveal themselves at their own pace. (At one of many revelatory moments, the hitherto ridiculous Hungarian producer of the propaganda film gives us a glimpse of his soul with a comment on the outwardly foolish American war hero who is brightening his life: "He is a brave boy.") In one of the most affecting passages, Catrin and Tom quarrel passionately beneath what he calls "a bomber's moon."

So how does it feel to be on the receiving end of all this manipulativeness? Absolutely fine for me from start to finish—fine to have my perceptions turned upside down, to be spun around into taking comic characters seriously; to find myself hoping fervently that Catrin and Tom realize how right they are for one another. There's a scene toward the end in which Catrin watches the movie she has written in a theater with a regular audience, sees how it moves those around her and understands the significance of what she's done. I was moved by her and her creation, by the whole unlikely panoply of joking and loving and striving in a nested pair of movies. That's the power of two stories artfully told.

## Weather



## Global Forecasts

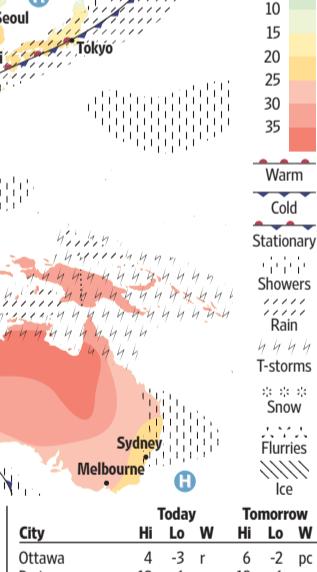
s...sunny; pc...partly cloudy; c...cloudy; sh...showers;

t...storms; r...rain; sf...snow flurries; sn...snow; l...ice

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	12	6	c	13	5	pc
Anchorage	8	-2	s	8	-3	s
Athens	20	11	pc	19	11	pc
Atlanta	16	5	s	21	8	s
Bahrain	31	15	s	29	16	s
Baltimore	11	2	c	16	3	s
Bangkok	33	25	t	34	27	t
Beijing	21	13	pc	18	5	c
Berlin	12	8	sh	13	6	c
Bogota	21	10	pc	20	11	r
Boise	18	6	r	11	1	r
Boston	11	4	c	10	2	c
Brussels	13	4	c	14	5	pc
Buenos Aires	26	18	pc	24	17	t
Cairo	26	16	s	29	18	pc
Calgary	12	-1	pc	11	-2	c
Caracas	31	25	pc	31	25	pc
Charlotte	15	2	pc	19	5	s
Chicago	13	3	s	20	13	s
Dallas	26	15	pc	30	18	s
Denver	23	8	pc	24	4	pc
Detroit	10	0	c	15	8	s
Dubai	32	23	s	35	25	s
Dublin	13	3	pc	16	6	s
Edinburgh	12	4	c	16	6	pc
Frankfurt	14	7	c	17	7	pc

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Show are today's noon positions of weather systems and precipitation. Temperature bands are highs for the day.



City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Ottawa	4	-3	r	6	-2	pc
Paris	18	6	s	18	6	s
Philadelphia	10	3	c	15	3	s
Phoenix	33	17	c	30	14	pc
Pittsburgh	4	0	sn	13	4	s
Port-au-Prince	32	21	sh	32	21	sh
Portland, Ore.	13	6	sh	11	3	sh
Rio de Janeiro	31	24	r	31	24	sh
Riyadh	36	24	s	36	22	s
Rome	19	8	pc	20	8	pc
Salt Lake City	20	9	pc	13	3	r
San Diego	21	15	pc	19	12	sh
San Francisco	18	10	t	14	8	r
San Juan	30	23	s	30	23	pc
Santiago	19	6	sh	20	6	s
Santo Domingo	31	22	pc	31	21	sh
Sao Paulo	24	19	r	25	19	pc
Seattle	13	6	sh	11	4	sh
Seoul	22	9	pc	20	10	pc
Shanghai	18	13	r	23	12	c
Singapore	32	26	c	32	25	t
Stockholm	10	1	pc	9	3	pc
Sydney	23	16	pc	24	17	pc
Taipei	28	21	sh	29	22	pc
Tehran	21	11	pc	22	11	pc
Tel Aviv	21	12	pc	23	14	s
Tokyo	19	16	r	19	16	r
Toronto	4	-2	c	12	2	pc
Vancouver	13	6	sh	11	5	r
Washington, D.C.	12	3	c	17	5	s
Zurich	16	3	s	18	4	s

## The WSJ Daily Crossword | Edited by Mike Shenk



### TAKEN IN | By Marie Kelly

The answer to this week's contest crossword is a four-letter word.	20 Wedding registry category	39 1964 hit for Andy Williams
Across	21 As it happens	41 Raid target
1 "Get Yer ___ Out!" (Rolling Stones album)	42 Violet's cousin	43 To be safe
25 Catering container	46 "Il ___ tesoro" ("Don Giovanni" aria)	50 Held in contempt
27 Like some noisy cats	49 Showy accessory	51 Hurting
6 Artful	52 Public outburst	53 Wooden joint projection
9 Packs away	54 Rework	55 Any of eight on a brilliant-cut diamond
14 Mission that's a World Heritage Site	35 ___ noche (tonight, to Toledoans)	56 Take in
30 Chart model	16 Roman's attire	22 Human, notably
31 Hopeless undertaking	17 Clarify	23 Ouzo flavoring
35 ___ noche (tonight, to Toledoans)	19 Fan's destination	24 Letter before iota
36 ___ ___	37 First odd prime	25 Neptune's domain
38 Spur	38 Driller	26 Semicircular space
39 1964 hit for Andy Williams	39 Home of minor league baseball's Drillers	27 Antlered animal
41 Raid target	40 Natural home	28 Shimmery stones
42 Violet's cousin	43 Wooden joint projection	29 Afternoon refresher
43 To be safe	44 Skim	30 Municipal
46 "Il ___ tesoro" ("Don Giovanni" aria)	45 Iron target	31 Tibet's capital
50 Held in contempt	46 Sporty Mazda	32 Lush
51 Hurting	47 Pakistan divider	33 Wooden joint projection
53 Wooden joint projection	48 Shimmy stones	34 Beat, but barely
54 Rework	49 Neptune's domain	35 Matisse contemporary
55 Any of eight on a brilliant-cut diamond	50 Hiccup cure, perhaps	36 Dorothy's mom on "The Golden Girls"
56 Take in	51 Neptunian	37 Wooden joint projection
22 Human, notably	52 Skim	38 Dryer stuff
23 Ouzo flavoring	53 Semicircular space	39 Fit to be tied
24 Letter before iota	54 Antlered animal	40 Natural home
25 Neptune's		

# BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Friday - Sunday, April 7 - 9, 2017 | B1

Yen vs. Dollar 110.9500 ▲ 0.22%

Hang Seng 24273.72 ▼ 0.52%

Gold 1249.90 ▲ 0.36%

WTI crude 51.68 ▲ 1.04%

10-Year JGB yield 0.061%

10-Year Treasury yield 2.358%

## Seven & i Widens U.S. Footprint



Sunoco is selling U.S. stores and gas stations to 7-Eleven's owner.

By KOSAKU NARIOKA

TOKYO—Japanese retail-store operator **Seven & i Holdings** Co. said it would acquire more than 1,100 U.S. convenience stores and gasoline stations from **Sunoco** LP for \$3.3 billion.

Seven & i, which owns the 7-Eleven chain, said Thursday it would boost earnings through the acquisition of Sunoco stores in Texas and the eastern U.S.

Sunoco said the sale of a majority of its convenience stores is the first step in its strategic shift to focus on its fuel-supply business. It said it

expects to use the proceeds to repay debt and for other general purposes. Sunoco currently operates 1,345 convenience stores and retail fuel sites, the company said.

The purchase of 1,108 Sunoco gas stations and convenience stores is part of Seven & i's plan for its U.S. unit to establish 10,000 stores by 2019. As of the end of February, it had 8,707 stores in North America.

Seven & i has identified the convenience-store business as a core growth area, shifting its focus away from big-box, general-merchandise and department-store businesses.

The company said growth potential exists in the U.S., where the retail market is far more fragmented than in Japan. In Seven & i's home market, three convenience-store operators now dominate after years of consolidation.

Seven & i has been making smaller purchases in the U.S. In August 2015, it acquired about 180 Tedeschi Food Shops in New England.

Sunoco said as part of the transaction, it will enter into a 15-year take-or-pay fuel-supply agreement with a 7-Eleven subsidiary under which it will supply about 2.2 billion gallons of fuel annually.

## Ford To Build Electrics In China

By TREFOR MOSS

SHANGHAI—Ford Motor Co. said Thursday that it would start building electric cars in China to tap into a state-sponsored boom in green-energy vehicles.

In doing so, the Detroit-based company signaled that it had swallowed industry concerns about bringing proprietary electric-car technology to China, despite misgivings among foreign auto makers about intellectual-property protection in the world's largest auto market.

"It's manifest destiny" for foreign car makers to get past those fears and start building electric cars in China, said Bill Russo, managing director of Gao Feng Advisory, a Shanghai consulting firm.

Mass uptake of electric vehicles is set to happen in China first, he said, "and none of those companies can afford not to be relevant to the future of their industry."

Ford's local joint venture, Changan Ford Automobile Co., will start building the Mondeo Energi plug-in hybrid vehicle in China next year, with a new all-electric sport-utility vehicle set to follow within five years, the company said in a statement.

Electric powertrains will be manufactured locally by 2020, and by 2025 all of Changan Ford's vehicles will come in electrified versions, it said.

"The time is right for Ford to expand our EV lineup and investments in China," said Chief Executive Mark Fields.

China is already the world's largest market for electric vehicles, with over half a million electric or hybrid cars sold there last year, according to the China Association of Automobile Manufacturers.

The government is encouraging their uptake by heavily subsidizing electric cars through payments to manufacturers, which are then able to sell EVs more cheaply. It is also far easier to obtain a license plate for an EV than for a traditional gasoline car in congested cities like Beijing and Shanghai.

Local authorities have also set ambitious targets for electrifying bus and taxi fleets over the next few years, and for the rollout of EV charging facilities.

There could be as many as 32 million new-energy vehicles in China by 2025, according to Gao Feng Advisory—a total that is likely to be a substantial share of the global fleet, with uptake of EVs in the U.S. and Europe happening more slowly.

Yet while most gasoline cars sold in China are built by foreign auto makers operating through local joint ventures, almost all of the electric cars sold in China last year were made by Chinese companies operating without foreign input.

Please see FORD page B2

## Inside a Quant 'Alpha Factory'

Igor Tulchinsky's company is part of a renaissance in quantitative investing



MICHAEL BUCHER/THE WALL STREET JOURNAL

WorldQuant founder and CEO Igor Tulchinsky has his people searching for patterns in torrents of data in a connected world.

By BRADLEY HOPE

As a 20-something computer engineer looking for a job in the 1990s, Igor Tulchinsky hit on an idea: Mail thousands of flattering letters to CEOs of companies in the belief one of them would land on the right desk. The tactic paid off when he scored a job as a trading strategist that set him on track to a successful career on Wall Street.

At **WorldQuant** LLC, a quantitative investment firm Mr. Tulchinsky founded in 2007, the same formula is at the core of the firm's DNA. In searching for patterns in torrents of data coming out of an increasingly connected world, WorldQuant aims to get the maximum number of minds

working on problems at any moment. The firm is part of the forefront of a quantitative renaissance in investing, where the ability to make sense of billions of bits of data in real time is more sought after than old-school financial analysis.

"Brilliance is very equally distributed across the world, but opportunity is not," said Mr. Tulchinsky, a 50-year-old Belarusian. "We provide the opportunity."

To do this, WorldQuant developed a model where it employs hundreds of scientists, including 125 Ph.D.s, around the world and hundreds more part-time workers to scour the noise of the economy and markets for hidden patterns.

This is the heart of the firm.

Mr. Tulchinsky calls it the "Alpha Factory."

That is why his Old Greenwich, Conn., firm built a web of international offices unlike any other investment firm. Apart from five offices in the U.S., WorldQuant has 15 foreign outposts in places such as Moscow, Sofia, Bangkok, Beijing, Mumbai, Hanoi, Seoul, and Ramat Gan in Israel where researchers develop code to trade the markets.

It manages more than \$5 billion and has more than 500 employees. By comparison, its competitor Two Sigma Investments LLC manages more than \$45 billion and has more than 1100 employees.

Quantitative hedge funds have been around for decades but they are becoming domi-

nant players in the markets for their ability to parse massive data sets and trade rapidly.

Amid huge outflows, traditional hedge funds are bringing aboard chief data scientists and trying to mimic quant techniques to keep up, fund executives say.

Some critics of quants believe their strategies are over-hyped and are highly susceptible to finding false patterns in the noise of data.

David Leinweber, a data scientist,

famously found that the data set with the highest correlation with the S&P 500 over a 10-year period in the 1990s was butter production in Bangladesh.

WorldQuant has stayed below the radar, because it has

Please see ALPHA page B2

## Comcast Enters Wireless Phone Competition

By SHALINI RAMACHANDRAN  
AND RYAN KNUTSON



JEFF FUSCO/ASSOCIATED PRESS FOR COMCAST

U.S. cable-TV giant Comcast, which already provides Wi-Fi hotspots, will begin offering wireless phone service nationwide.

means some customers who don't use a lot of data can opt for a plan that is much cheaper than what major carriers offer.

Comcast's \$65-per-line option is \$15 less than what Verizon charges for a single unlimited line and undercuts AT&T by \$25. Customers can get the \$45 option only if they have one of Comcast's high-end internet and cable bundles.

which start at \$150 a month.

Comcast hopes that by offering a "quad play"—cable TV, home internet, home phone and wireless service—customers will be more likely to stick with Comcast and less likely to cut the cord. While AT&T and Verizon have the ability to bundle all four services in some markets, neither company has done so aggressively.

Wireless carriers are con-

tending with slowed growth and a cutthroat price war for mobile customers, while cable companies like Comcast are navigating a saturated pay-TV business under assault from cord-cutting and inexpensive online video options. For both groups, the other's turf looks ripe for disruption.

"The view is completely different if you're an incumbent versus if you're a challenger," said MoffettNathanson analyst Craig Moffett. "For a challenger, all you can see is green grass and wide open spaces."

AT&T, which bought DirecTV in 2015, has been aggressive in going after cable. In November, it started selling a streaming-video service called DirecTV Now. AT&T lets its wireless customers stream unlimited amounts of video from the service without counting against data caps.

Verizon is also laying the groundwork for a similar streaming-video service that could compete with cable TV

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## FORD

Continued from the prior page

Silicon Valley electric-car maker Tesla Inc. was the one notable exception: Without disclosing how many cars it had sold, the company said in a March 1 filing that its 2016 revenue topped \$1 billion in China for the first time last year, leading auto-industry analysts to estimate China sales of around 11,000 imported vehicles. Chinese tech company Tencent Holdings Ltd. last week revealed it had taken a 5% stake in Tesla.

A Ford joint venture will start building the plug-in hybrid vehicle in China next year.

But Tesla, like most other foreign auto makers, has so far held back from building EVs in China. Beijing had sought to spur EV manufacturing by telling auto makers that a certain proportion of the cars they build in China would have to be electric in the near future, although officials have re-

cently signaled that those moves may be delayed amid complaints from the industry and from foreign governments.

Imported cars incur a 25% tariff, making them less competitive, and so auto makers naturally want to build in China, said Michael Dunne of Hong Kong-based Dunne Automotive. But they have been holding out for some relaxation of China's strict joint-venture rules before committing to large-scale EV manufacturing in China, he said.

Foreign car makers and the Chinese authorities have been "sitting around the poker table," said Mr. Dunne.

It is the foreign car makers who appear to have blinked.

In March, Buick, a unit of General Motors Co., announced plans to start building plug-in hybrid and electric vehicles in China. Last year, GM said it wanted to have 10 new energy vehicles in China by 2020, though it has yet to reveal any plans to start manufacturing its highest-profile EV, the Chevrolet Bolt, in the country.

Last year, Volkswagen AG said it was in talks with local car maker China Anhui Jianghuai Automobile Co. about setting up a joint venture to build EVs.

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THE WALL STREET JOURNAL

## BUSINESS & FINANCE

# Amazon to Add Workers

Online retailer to  
nearly double its part-  
time workforce in U.S.  
as business expands

BY LAURA STEVENS

**A**mazon.com Inc. said it would create 30,000 part-time positions in the U.S. over the next year, nearly doubling the total as its customer base and sprawling warehouse network expand.

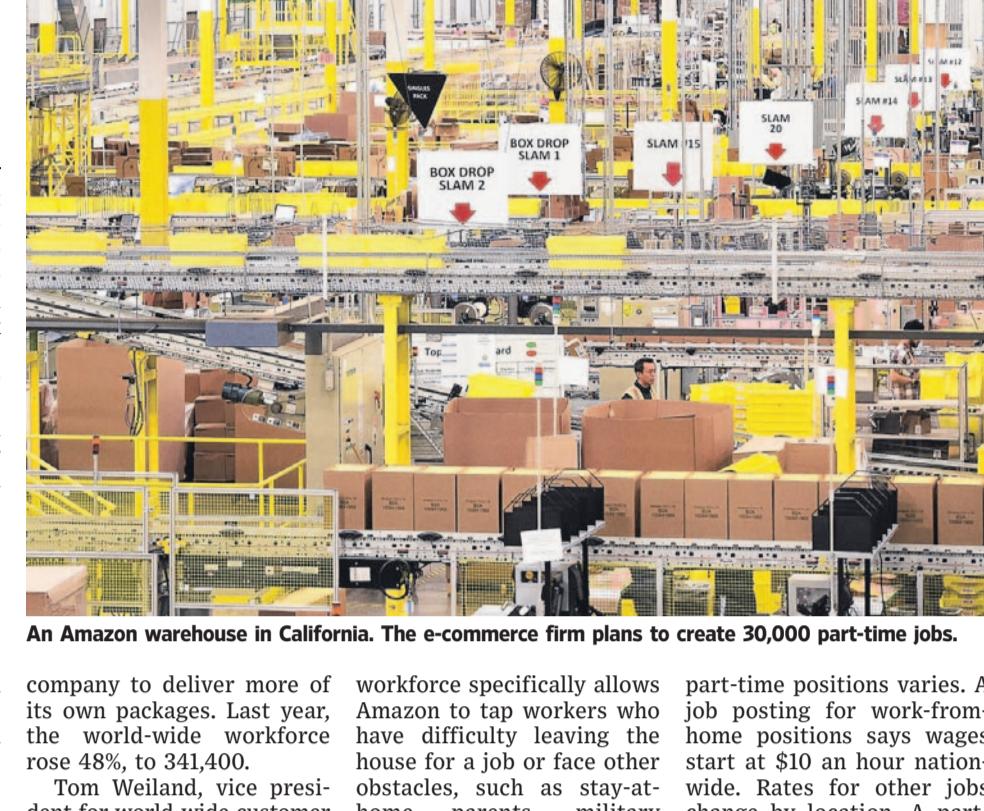
Of the jobs, 25,000 will be warehouse positions and the remaining 5,000 home-based positions answering customer calls, emails and chats in what the online retailer calls its virtual customer-service department.

Companies from **Ford Motor Co.** to **Charter Communications Inc.** have been touting plans to expand their U.S. workforces since the election of President Donald Trump, who emphasized job creation during the campaign and has chastised companies for sending jobs abroad.

Amazon itself said in January that it would create 100,000 full-time positions over 18 months.

Many were already in the works, and analysts at the time said the announcement was part of an effort to patch up the company's contentious relationship with Mr. Trump.

Amazon's workforce has been expanding rapidly in recent years as it builds dozens of warehouses to be closer to customers, which reduces shipping costs and allows the



An Amazon warehouse in California. The e-commerce firm plans to create 30,000 part-time jobs.

company to deliver more of its own packages. Last year, the world-wide workforce rose 48%, to 341,400.

Tom Weiland, vice president for world-wide customer service, said a rapidly increasing customer base is the reason for more than doubling the size of the U.S. virtual customer-service program.

"Our work-from-home program, just like our customer-service program generally, continues to grow because the Amazon business continues to grow so fast," he said. "We just need to keep up with the pace."

Mr. Weiland said expanding the virtual customer-service

workforce specifically allows Amazon to tap workers who have difficulty leaving the house for a job or face other obstacles, such as stay-at-home parents, military spouses and veterans. More than 70% of such virtual employees at Amazon receive benefits, he said.

Amazon has nearly 40,000 part-time U.S. employees, and those working more than 20 hours a week receive benefits, including dental and vision insurance and cash to purchase medical insurance or pay medical costs.

Amazon hasn't previously disclosed its part-time hiring plans.

Amazon said pay for its

part-time positions varies. A job posting for work-from-home positions says wages start at \$10 an hour nationwide. Rates for other jobs change by location. A part-time warehouse job in Kentucky is posted at \$12.75 an hour, for example, while a similar job in Georgia is listed at \$11 an hour.

Amazon and its chief executive, Jeff Bezos, have had notably contentious interactions with Mr. Trump, who during the campaign accused Mr. Bezos of buying the Washington Post to influence politics. Weeks before the election, Mr. Bezos said the candidate's behavior "erodes democracy around the edges."

## Bezos Plans to Put Tourists in Space in 2018

BY ANDY PASZTOR

**C**OLORADO SPRINGS—Looking to start space-tourism flights in 2018 that he predicts will open the floodgates for a new breed of entrepreneurs, **Amazon.com Inc.** CEO Jeff Bezos said in some years he has personally invested up to \$1 billion to further those goals.

Flanked by a New Shepard rocket featuring the telltale scorch marks of multiple flights, Mr. Bezos appeared before a gaggle of reporters during a conference here Wednesday to lay out his vision for **Blue Origin LLC**, the company

he founded more than a decade ago to lower launch costs and make reusable rockets a reality.

He said he was "hopeful" that Blue Origin will begin offering trips for paying customers next year, adding that "I'm super optimistic" there will be a large market for such 11-minute thrill rides in a fully automated capsule offering views of the earth from the edge of space. Blue Origin hasn't yet set a price or begun marketing efforts.

But in his remarks, the often secretive Amazon chairman also laid out a much broader, longer-term vision of

how Blue Origin's accomplishments so far and its plans for the future are poised to usher in a "golden age of space exploration."

Wearing dark glasses, casually dressed and sometimes cracking jokes, an upbeat Mr. Bezos reiterated his argument that lowering launch costs promises a revolution in entrepreneurship and could provide a major boost for an array of startup companies worldwide. He said reaching the goal of affordable space access depends on three variables: talented people, money and patience. "And we have all

three," he said.

Mr. Bezos has pumped big chunks of his fortune into Blue Origin. Until Wednesday, however, he kept the amount confidential.

In another disclosure about ongoing development of a future reusable, heavy-lift rocket called New Glenn—named for late astronaut John Glenn—Mr. Bezos estimated that project alone could cost as much as \$2.5 billion.

With few exceptions, Mr. Bezos has avoided federal funds and sought to finance his space dreams out of his own pocket.

## ALPHA

**C**ontinued from the prior page always exclusively managed money for one client, Israel Englander's \$34.6 billion hedge fund Millennium Management LLC. It has never published performance numbers, but people briefed on the matter say the firm has never had a down year.

The firm began as a handful of traders within Millennium that Mr. Tulchinsky spun out in 2007. It is exploring handling money from other investors but hasn't finalized any products, he said.

Global outposts are just one part of the operation.

WorldQuant also draws in amateur quantitative traders through a platform called WebSim, which gives people access to data and a system to test out ideas. From there, it found more than 450 paid consultants to WorldQuant whose algorithms are added into the company's central database and often used in trading. That approach lets engineers, computer scientists and mathematicians working in any field work on quantitative investing on the side.

The "Alpha Factory" breaks up the process of investing into a quantitative trading assembly line. The inputs are data acquired by a special group that scours the globe for interesting and new data sets, including everything from detailed market pricing data to shipping statistics to footfall in stores captured by apps on smartphones.

Researchers around the world attack the data with computing power and mathematical techniques to find patterns. They write algorithms that purport to predict similar patterns in the future, test them extensively and then add them into a central repository.

Mr. Tulchinsky said the company has four million "al-

phas" to date and is aiming for 100 million. Each alpha at WorldQuant is an algorithm that seeks to profit by predicting some future change in the price of a stock, futures contract or other asset.

Other groups combine alphas into strategies and strategies into bigger portfolios. The "Uber" team then works on perhaps the most crucial system of allocating funds between them and balancing the whole company's trading to weigh risk and avoid strategies cannibalizing each other. WorldQuant largely focuses on stocks.

"It comes down to turning data into ideas into investments," Mr. Tulch

## BUSINESS NEWS

# Investors Back Power Lines



GE lightbulbs on display at a store in Wilmington, Mass.

## GE Weighs Sale Of Lighting Unit

BY DANA MATTIOLI  
AND THOMAS GRYTA

The company that pioneered lightbulbs now wants to turn off the switch.

**General Electric** Co. is weighing a sale of its consumer-lighting business, which for decades defined the company following its co-founding 125 years ago by Thomas Edison, the inventor of the first viable incandescent lamp.

The Boston-based industrial giant has been interviewing investment banks to sell the unit, which could fetch around \$500 million, according to people familiar with the matter. There is no guarantee of a deal.

Once associated with refrigerators, microwaves and lightbulbs that it sold to consumers, GE is now focused on power turbines, aircraft engines, health-care equipment and locomotives, along with lucrative service contracts for those machines.

"I became CEO in 2001. We did pet insurance, media, industrial, plastics. We were a conglomerate," Chief Executive Jeff Immelt said in a recent interview, noting that putting together disparate business like media, plastics and insurance doesn't really work.

"We've managed to exit things like media. Our job now is to get deeper, not broader," he said.

During Mr. Immelt's tenure, the company has wound down its massive lending arm, which once had more than \$600 billion in assets, and sold off several business units, including its ownership of NBCUniversal. GE also has left its headquarters in Fairfield, Conn., for new offices it is building in downtown Boston.

The lighting unit GE is considering selling is now a small and shrinking business that consists of residential LED lighting and connected-home technology in North America. GE would hold on to a separate business, called Current, that provides commercial LED lighting, the people said.

The company's lighting business, including the commercial portion, had about \$2.2 billion in revenue last year, or less than 2% of GE's total. The consumer unit has been based at a manufacturing complex called Nela Park in East Cleveland, Ohio, for more than a century.

While the potential proceeds are a drop in the bucket for GE, which has a market value of more than \$250 billion, the consumer businesses were once core to the company.

Less than a year after he took the helm, Mr. Immelt walled

off the lighting and appliances business into a new unit, then called GE Consumer Products, that put most of the consumer business under one roof. Even then, in 2002, the shift away from the products that defined the company in the early 20th century was clear: The unit only made up 6% to 7% of GE's revenue.

For decades, GE's home appliances and lightbulbs formed a link between American consumers and one of the country's oldest and largest industrial companies. In 1935, the first Major League Baseball night game was played under GE lights. A GE engineer invented the LED light in 1962.

The company's popular TV ad campaigns promised to "Bring good things to life," but the growth and profitability of the consumer businesses waned.

Last year, GE sold its appliances business to China's Haier Group for \$5.4 billion. GE gave the Chinese buyer the right to continue to use its brand on stoves, fridges and other appliances for several decades as part of the deal. Thousands of workers and a sprawling factory complex in Louisville, Ky., were transferred in the deal.

GE sold its plastics division for \$11.6 billion in 2007. In 2013, it handed over its remaining 49% stake in its NBCUniversal joint venture for \$16.7 billion to Comcast Corp.

Several headwinds have hit GE hard in recent years, including the global financial crisis that highlighted the vulnerability of the company's lending business. Since lending money to consumers in its early days to help them buy appliances, GE Capital had swelled under former CEO Jack Welch and continued to grow with Mr. Immelt to become what was effectively the country's seventh-largest bank.

GE Capital's assets had ballooned to \$661 billion when credit markets seized up in late 2008, stopping issuance of the commercial paper that was the lifeblood of the lending unit.

GE isn't the only lightbulb company looking to get out of the business, and many of the potential buyers have been Chinese. Royal Philips NV signed a \$2.8 billion deal to sell most of its lighting components and automotive-lighting unit to a Chinese investor, but last year U.S. regulators blocked the deal. The company eventually decided on a stock-market listing instead.

Last year, Germany's Osram Licht AG agreed to sell its lightbulb and LED-lamp business to China's MLS Co. and two co-investors for around \$440 million.

Across the U.S., billionaires want to transmit renewable power to big cities

BY RUSSELL GOLD

What if the wind sweeping down the plains of Wyoming could be harnessed to generate enough electricity to power the city of Los Angeles?

It soon could, thanks to a \$9 billion wind farm and electricity superhighway backed by billionaire Philip Anschutz—one of a series of transmission-line projects that private investors are bankrolling to bring renewable energy from America's hinterlands to its urban centers.

Near Rawlins, in rural Wyoming, crews are prepping land near the state line with Colorado so they can build a 3,000-megawatt wind farm, which could be the largest ever constructed in the U.S.

Crucial for moving all that renewable power to market: Mr. Anschutz's proposed 1,180-kilometer transmission line—a giant extension cord of sorts that will deliver the electricity to a point near Las Vegas.

From there, the power can easily flow into southern California's grid. Mr. Anschutz isn't the only wealthy investor pumping money into powerline projects in an effort to bring green energy to big cities. The Ziff family, whose fortune harks back to the glory days of magazine publishing, also is partly funding a green-power project between Oklahoma and Tennessee.

Altogether, these and other merchant-transmission projects could cost upward of \$17 billion, plus at least a further \$20 billion in wind, solar and hydro projects to fill these lines.

Despite deep pockets and state mandates for more renewable energy, fortifying the grid to move green power from the middle of the country where it is reliable and cheap to produce to metroplexes where it is needed has proved



Bill Miller in 2013 at Anschutz's Wyoming wind project, which would deliver electricity to cities.

problematic, said Bill Miller, who is spearheading the **Anschutz Corp.** project.

Other investors and financial partners may later help finance the transmission line.

"Being somewhat naive at the time, I thought that even a project as complex as this could have been done in five years," he said. Eight-and-a-half years and counting, the project is still being developed. The multistate transmission line finally received a key federal permit in December. Mr. Miller now expects Wyoming wind power to flow into Southern California by 2021.

Backers of the power grid, which is close to breaking ground, hope their efforts will be propelled along by President Donald Trump's support for large-scale infrastructure.

Several renewable-energy lobbying groups, including the American Wind Energy Association, asked Congress in March to make sure transmission upgrades were included in any proposed infrastructure bill. Transmission lines have some of the same issues as pipelines—they move long distances, across many jurisdictions and require rights of way

that can spur contentious land disputes. The projects have encountered some local opposition, mainly from local groups that oppose overhead power lines. Environmental groups generally support the renewable-energy focus of these projects.

Unlike big transmission projects of the past, these lines aren't proposed or paid for by utilities that can pass along the cost to customers and take a guaranteed profit. New power plans are privately financed, similar to oil and gas pipelines. The projects are driven by "competitive energy markets and demand for clean energy," said Will Hazelip, vice president of U.S. business development for **National Grid PLC**.

The company is developing two transmission lines, in Maine and Vermont, to bring more wind and hydro power to New England.

National Grid also is backing a giant transmission line proposed between western Oklahoma and Memphis, Tenn. Preliminary work has started on a 4,000-megawatt wind farm to feed power into it, which would eclipse the Wyoming wind farm.

Houston-based **Clean Line Energy Partners** is developing the project, with additional backing from **Bluescape Energy Partners**, a fund that invests university and endowment money, and the private investment vehicle of the Ziff Family. Together, that wind farm and line are expected to cost \$9.5 billion. Transmission investors are hoping to position themselves as suppliers of jobs and buyers of materials that will boost economic growth in the U.S.

Michael Skelly, president of Clean Line, said the wind turbines and its Oklahoma-to-Tennessee power line will use 500,000 tons of steel, enough to build four aircraft carriers.

The trouble with transmission projects is they can get bogged down in lengthy government reviews.

The SunZia Southwest Transmission Project—an 800-kilometer power line that will span New Mexico and Arizona—was proposed 10 years ago but "regulatory hurdles, plus the threat of lawsuits" stymied it, said Ian Calkins, a spokesman for the project. He said he hopes the line will be operational by 2020.

## Theranos Founder Owes Firm \$25 Million

BY CHRISTOPHER WEAVER

**Theranos Inc.** founder Elizabeth Holmes, whose once-\$5 billion stake in her blood-testing firm has shriveled amid regulatory and legal challenges, also owes her company about \$25 million, people familiar with the matter said.

The disclosure of the debt was included in a deal document Theranos circulated to a select group of current investors with whom the firm seeks to trade shares from Ms. Holmes's personal stake in exchange for a promise not to sue the company or its executives, the people said.

A Theranos spokeswoman declined to comment on the debt or to make Ms. Holmes available to comment.

The \$25 million Ms. Holmes owes Theranos comes from an agreement between her and the company that allowed her to exercise options to buy more stock without having to pay upfront. Instead, she agreed to pay the company for the shares later, one of the people said.

Ms. Holmes didn't get any company cash from the arrangement, the person said. It isn't clear when the pact was struck. The company has the ability to release Ms. Holmes



Elizabeth Holmes founded Theranos, which is battling legal issues.

from the debt or cancel the shares, the person said.

"It subverts the entire premise of an option grant," said Nell Minow, vice chair of ValueEdge Advisors, a corporate governance consulting firm, who said such grants are traditionally meant to encourage executives to produce results for their shareholders.

The deal between Theranos and Ms. Holmes means "any downside is someone else's risk," Ms. Minow said.

Closely held companies like Theranos often make loans and other agreements to top executives, said Charles Elson, a management professor at the University of Delaware. Publicly traded companies are

generally barred from financing executives' exercise of stock options by the Sarbanes-Oxley law, he said.

Ms. Holmes has never sold any of her shares, including those associated with the debt, people familiar with the matter said.

Investors who agree not to sue Theranos would receive a significant portion of Ms. Holmes's holdings, which currently amount to over 50% of the company, people familiar with the pending offer said.

Investors who agree not to sue Theranos would receive a significant portion of Ms. Holmes's holdings, which currently amount to over 50% of the company, people familiar with the pending offer said.

Theranos also is fighting suits that allege it overstated its technology and capabilities by plaintiffs including its former retail partner Walgreens, a unit of **Walgreens Boots Alliance Inc.**; a hedge fund that invested nearly \$100 million in the firm; and limited partners in funds that bought Theranos shares, which seeks class-action status.

## BUSINESS WATCH

### ELECTRIC VEHICLES

#### Ex-GM Chief Returns To Car Business

Former **General Motors** Co. Chief Executive Rick Wagoner is back in the car business, taking a seat on the board of a company that makes electric-vehicle charging stations.

Mr. Wagoner has been appointed a director at **ChargePoint Inc.**, a Silicon Valley company that is closely held. He has been advising startup companies since his high-profile exit from GM in 2009, including an electric-vehicle startup that has been working under the radar for nearly a decade.

"The time for electric mobility has finally arrived," Mr. Wagoner

said in a written statement. ChargePoint's recharging stations are an essential ingredient to the battery-powered vehicle market's growth, according to the statement.

Mr. Wagoner, 64 years old, declined to be interviewed. He serves on several corporate boards, including Atlanta money manager **Invesco Ltd.** and Graham Holdings Co., the former Washington Post newspaper owner. Mr. Wagoner's decade-long tenure at GM ended during the financial crisis.

ChargePoint said it has installed about 34,000 charging spots, including hundreds of so-called fast-charging stations. The company has also sold millions of individual chargers.

—John D. Stoll



Former GM chief Rick Wagoner has joined ChargePoint's board.

### PELOTON

#### Software Firm Raises \$60 Million

Software company **Peloton Technology Inc.** has raised \$60 million in a second round of funding for its work automating commercial truck fleets.

Peloton's system allows two trucks traveling front-to-back to be controlled by a driver in the front vehicle. Trailing the lead vehicle by as little as 9 meters, the second truck uses about 10% less fuel because of reduced wind resistance from the lead truck, Peloton says.

Peloton and its competitors in the race to automate driving are facing skeptical regulators and trucking-fleet owners who

worry how safe and reliable the technology will be. Chief Executive Josh Switkes said Wednesday that Peloton's system will make fewer mistakes than a human truck driver.

Still, Peloton initially envisioned platoons of three or four trucks, with one person operating the front truck while those behind it were entirely driverless. That proved more complicated than planned. Peloton is focused instead on a two-truck system for highway travel in which each truck would be staffed by a driver who can take over when weather or traffic dictate.

Peloton, based in Mountain View, Calif., wants to introduce the system by 2018. **Omnitracs LLC** led the new funding round.

—Bob Tita

ELISE AMENDOLA/ASSOCIATED PRESS

# Twitter Pushes To Grow In India

By NEWLEY PURNELL

NEW DELHI—Twitter Inc. launched a new version of its service in India tailored for users with slow and unreliable internet connections, hoping to encourage expansion in the South Asian market as growth stalls at home.

The new service, launched Thursday and dubbed Twitter Lite, enables people to use the social-media service on their smartphones' mobile web browsers more quickly than through its app. Many people in the country of over 1.2 billion are getting online for the first time through inexpensive smartphones, but connectivity is often patchy, especially outside the biggest cities.

Many Indians "have never tried Twitter or had a poor experience using our service because of slow mobile connections," Arvinder Gujral, Twitter's senior director for business development in Asia-Pacific, said in a post on the company's blog.

Twitter also announced a partnership with Vodafone Group PLC's India unit to enable the telecommunications company's subscribers to receive live updates during the popular Indian Premier League cricket season, which started Wednesday.

Twitter, which in February said it has 319 million monthly users, doesn't release user numbers by country. Research firm eMarketer estimated last year that fewer than 30 million people use the service in India, though that still makes it one of Twitter's biggest markets.

The unprofitable San Francisco company said in February that in the fourth quarter revenue rose 1% to \$717 million, marking its 10th-straight quarter of slowing revenue growth. Advertising, which makes up nearly 90% of the company's revenue, was flat globally and fell in the U.S. during the quarter.

Some 79% of Twitter's users are outside the U.S., but the company derives just 40% of its advertising abroad. Better tapping fast-growing emerging markets such as India, Indonesia and Brazil could help boost growth.

In its first acquisition in Asia, Twitter in 2015 paid an undisclosed sum for India-based mobile-marketing startup ZipDial, which specialized in reaching consumers who aren't linked to the web.

Twitter isn't the only top U.S. tech company setting its sights on India: Amazon.com Inc. is pouring \$5 billion into its India operations, while Uber Technologies Inc. is investing more than \$1 billion there. India is Facebook Inc.'s second-biggest market in terms of users, after the U.S.

Meanwhile, Alphabet Inc.'s Google launched on Tuesday in India a new version of its YouTube app, YouTube Go, designed to work on slow internet connections.

## YUAN

Continued from page B1  
where are also using alternative data such as mobile usage and online-shopping records to assess credit risk.

But China's scale—695 million smartphone users and huge amounts of online lending—allows AI programs to get better faster, say people in both the internet and finance industries.

Affirm, the San Francisco-based online lender led by PayPal co-founder Max Levchin, last fall projected its 2016 loan volume would hit \$300 million. Yongqianbao, by comparison, approved 1.2 million loans worth 1.8 billion yuan (\$270 million) in loans in February alone.

Yongqianbao, whose name means "use-money pal," mostly issues short-term "payday" loans of 500 yuan to 5,000 yuan (\$72.50 to \$725). About 80% of its borrowers are younger than 30. Loans past the 60-day due

# The Internet's Grade-Inflation Problem

You know what I'd award zero stars? Most of the star ratings you see online.

I ran a little experiment tallying all the duct tape sold on Amazon. Of the 250 types and sizes, the average rating was 4.2 stars. On Yelp, I looked up gelato joints in San Francisco: More than half get either 4.5 or 5 stars. And I can't recall ever seeing an Uber driver with a rating lower than 4.3 stars.

But wait, there's less:

Online product ratings average about 4.3 stars all together, says PowerReviews, which runs ratings for more than 1,000 online shops.

No doubt, online ratings can help weed out bad products, put sketchy restaurants out of business and keep dangerous drivers off the road. But I refuse to accept that everything on the internet is above average.

On Wednesday, Netflix officially put its five-star system out to pasture. After extensive testing, it's replacing it with a simple thumbs up and thumbs down. "You get more ratings when you have fewer decision points," says Todd Yellin, Netflix's vice president of product innovation. More data, plus actual viewing behavior, allows Netflix to make personalized suggestions, represented as a percent match. It's like a dating site for movies.

Star ratings were borrowed from professional critics and now are often misused to harvest the wisdom of the crowd. But people need help interpreting



Netflix is going with a simple thumbs-up or thumbs-down ratings system for reviews of its movies and other content.

the results. "Is three stars good or bad? I can't think of a platform that has nailed it," says Michael Luca, an assistant professor at Harvard Business School who studies information design.

### Blame Yourself

It's partly our fault: We're far too nice. Evidence shows we're much more likely to give positive ratings than bad ones. Yelp says 46% of the reviews we give local businesses are five stars. That may just be human nature: You chose this restaurant, so how could it be anything less than a five-star decision?

It gets worse when apps use ratings to evaluate workers. Uber drivers can get the boot for relatively minor ratings dips, though the company won't specify the cut-off. It feels socially awkward to give less than five stars. Uber's stars aren't for finding good drivers, they're for flagging bad ones.

Yelp is using star ratings

to surface the best local businesses. But when every gelato shop has an above-par rating, we need other factors to pick a winner. That's one reason Yelp requires participants to leave written reviews. The downside: We have to trust the taste of people who have time to write Yelp reviews.

And then there's cheating. Apps inflate ratings by asking if users are happy before prodding them to write a review. (Not happy? Here's customer service.) I've seen Uber drivers offer to end the ride early, shaving a bit off the price, in exchange for a five-star rating. And that's not counting reviews by paid shills or internet trolls.

### Better Ways

Amazon brought lawsuits against over 1,000 defendants for abuses such as purchasing fake reviews; last year, it changed its star system to give more weight to the most helpful reviews and those from verified purchasers.

Airbnb discovered it got more accurate reviews when it made them double-blind in 2014: Hosts and guests don't see each others' reviews before posting.

There's tension between simplifying ratings to get more people involved, and asking for more details to make ratings more useful. When Netflix tested thumbs, it found participation rates doubled to 40%. Despite the loss of star-specific granularity, Netflix says people are also more honest with thumbs, which allows its software to make suggestions that actually stick.

Uber also tested thumbs, along with smiley-face emojis, but says the alternatives made riders even more overly positive—and resulted in lost feedback for drivers. Uber did add menus to its five-star system for rider compliments and specific criticisms.

To make star ratings less inscrutable, TripAdvisor presents both averages and rankings. San Francisco's Maritime Museum has 4.5 stars, for example—but is actually only the city's 152nd best attraction.

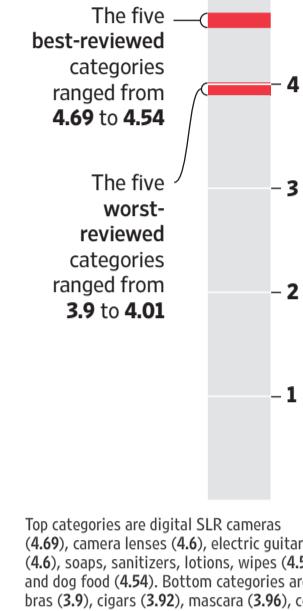
Yelp's search results are ordered not just by average rating, but also by number of reviews, how recent they are and your distance from the business. Its top-listed SF taco joint, El Farolito, has just four stars... but more than 4,000 reviews.

Replacing star systems won't be easy, because we have become accustomed to them.

"All kinds of companies have attempted to create other scales, and most of them end up reverting back to five-star ratings," says Matt Moog, chief executive of PowerReviews.

### Everything Is Awesome

The average ratings of the most positively and negatively reviewed products are not far apart, says PowerReviews, which runs ratings systems for over 1,000 retailers.



Top categories are digital SLR cameras (4.69), camera lenses (4.6), electric guitars (4.6), soaps, sanitizers, lotions, wipes (4.54) and dog food (4.54). Bottom categories are bras (3.9), cigars (3.92), mascara (3.96), cell phones (3.96) and swimwear (4.01).

Source: PowerReviews

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What we really want is for these companies to get us. Alas, ratings get better when companies track more about what you are doing—whether you actually bought the product or ate at the restaurant. Netflix's insights are brilliant because the company knows what you stopped watching after 10 minutes.

A personalized recommendation is better than a four-point-whatever star rating any day of the week, but you only get it when you're really plugged in.

## Apple Faces Australia Lawsuit

By MIKE CHERNEY

An Australian regulator is suing Apple Inc. over software that disabled iPhones and iPads that had been serviced outside Apple stores after users downloaded updates.

The Australian Competition and Consumer Commission alleges Apple violated Australia's consumer law by shutting down or "bricking" the devices, and then telling customers the company wouldn't fix the problem at no cost because their devices had been previously serviced by third-party providers.

The Australian Competition and Consumer Commission alleges Apple violated Australia's consumer law by shutting down or "bricking" the devices, and then telling customers the company wouldn't fix the problem at no cost because their devices had been previously serviced by third-party providers.

customers to seek repairs from third-party shops.

Apple didn't immediately respond to a request for comment.

The Australian Consumer Law provides that when a customer buys a product, there is a guarantee the product will be "reasonably fit" for its intended purpose. Error 53 rendered the iPhones and iPads unusable, and customers should be entitled to a remedy from Apple under the law, the ACCC argues.

The guarantee is "not extinguished because a consumer has goods repaired by a third-party repairer," Mr. Sims said. "We want manufacturers to know that and we want consumers to know that."

The suit isn't Apple's first brush with the Australian regulator. In 2012, the Federal Court ordered Apple to pay A\$2.25 million in civil penalties for misleading advertising for its iPad with WiFi + 4G promotion. The devices couldn't connect to any networks promoted as 4G in Australia, the regulator alleged.

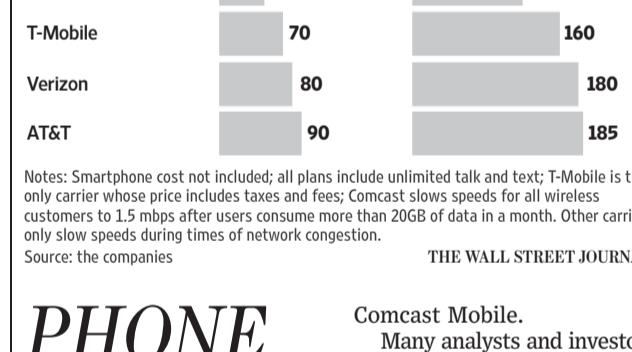
Apple is coming off a strong December quarter, with the new iPhone 7 boosting iPhone shipments by 5%. Total revenue rose 3% to a record \$78.4 billion.

Rod Sims, chairman of the ACCC, said that the lawsuit seeks to go beyond the Error 53 issue. The lawsuit challenges Apple's overall policy of requiring customers to pay for repairs to defective components if their device was previously serviced by a third-party provider.

"It's fair to say we haven't observed similar behavior by other manufacturers," Mr. Sims said in an interview, adding that it is often cheaper for

### Is Comcast Wireless a Good Deal?

Comcast's new cellphone plans, which run over Verizon's network, are only available to customers who also buy one of its other services, such as home internet or cable TV.



Notes: Smartphone cost not included; all plans include unlimited talk and text; T-Mobile is the only carrier whose price includes taxes and fees; Comcast slows speeds for all wireless customers to 1.5 mbps after users consume more than 20GB of data in a month. Other carriers only slow speeds during times of network congestion.

Source: the companies

THE WALL STREET JOURNAL.

## PHONE

Continued from page B1

bundles, people familiar with the matter said. It has also touted plans to build ultra-high-speed wireless connections, known as 5G, that could one day compete with home broadband services.

Comcast views wireless phone service as an opportunity to create a business that will help it retain customers and sell more of its other products into homes. Charter Communications Inc., the second-largest cable company, has said it will follow suit with a mobile offering in 2018.

Comcast's wireless service will have nationwide coverage but would be offered only to customers in its cable footprint who buy at least its internet service. Its least expensive home service is a \$40 monthly broadband plan. The company's cable network passes about 50 million homes.

Comcast will deliver the service using Verizon's cellular network, under a reseller agreement that the companies struck more than five years ago. Comcast will also rely on millions of Wi-Fi hot spots it has built to help manage data traffic.

The company will use its hundreds of remodeled retail stores to sell the wireless service. Seeking to counter the negative stereotypes about cable companies' customer service, Comcast plans to mail new customers personalized phones already signed in to access Comcast's TV streaming apps and Wi-Fi hot spots.

"This is about changing perceptions around our brand," said Greg Butz, president of

Comcast Mobile.

Many analysts and investors are skeptical such a partnership can work long term, since Verizon can potentially raise costs if Comcast is successful in winning cellular customers. Similar offers from other cable operators in the past have failed.

Comcast executives have played down such concerns, saying their Verizon agreement is "perpetual" and gives them access to all future technologies and upgrades Verizon makes to its network.

"The economics really work," Comcast Chief Executive Brian Roberts said in January. "The goal of the business is to have better bundling with some of our customers who want to save some of their bill and get a world-class product."

Similar to telecom carriers' policies, Comcast will slow download speeds for unlimited customers after they use 20 gigabytes in a month. It says about 3% of customers go over that limit.

Cable investors have concerns over Comcast's wireless plans longer term, said Morgan Stanley analyst Ben Swinburne, given that the wireless industry has become increasingly competitive due to the move toward unlimited data offerings from the likes of Verizon and AT&T.

But New Street Research analyst Jonathan Chaplin said investors are missing the potential opportunity for cable. The wireless industry generates \$82 billion of earnings before interest, taxes, depreciation and amortization, while cable generates \$35 billion, he estimates. Cable companies have the potential opportunity "to attack that profit pool using the same infrastructure that they have today."



People who keep phones charged are viewed as safer credit risks.

date stood at 2.8% in February, according to Mr. Jiao, a former project manager for search engine Baidu. A competing platform, Dumiad, averages 30,000 personal-loan applications a day. It makes cash loans of 1,000 yuan to 50,000 yuan, mostly to people under 35. As of January, 1.4% of loans were 30 to 89 days past due.

Among the two startups' findings from running hundreds of millions of loan applications: iPhone users tend to have lower late-payment rates than Android phone users, and people who don't answer calls or whose outgoing calls go unanswered represent a higher default and fraud risk. Other red flags: making many changes when filling in the application, letting batteries run down and changing phones frequently.

These startups, which aim to become the credit bureaus of digital finance, differ on how much decision-making power to entrust to their fast-learning machines.

Dumiad, whose executives

hail from traditional financial institutions, approves only 5% to 8% of first-time cash-loan applicants because they're "overkilling" for safety purposes, says Ren Ran, who left Capital One Financial last year to join Dumiad's parent, Pintec Group, and leads Dumiad's data-science unit.

Yongqianbao, whose approval rate for first-time applicants is 20% to 30%, is

run by engineers.

"We don't hire any risk-control people from traditional financial institutions like the other fintech companies do," Mr. Jiao says.

"We don't need human beings to tell us who's a good customer and who's bad. Technology is our risk control."

Follow Li Yuan on Twitter @LiYuan6 or write to li.yuan@wsj.com.

## FINANCE & MARKETS

# Fed Feels a Refinancing Slowdown

Officials look to shed bonds but some argue monetary policy is already tightening

BY BEN EISEN  
AND MIN ZENG

The Federal Reserve has been buying up fewer mortgage bonds in recent months thanks to a flameout of the American refinancing boom, one factor that economists say is likely to help shape Fed officials' thinking as they consider shrinking their giant bond portfolio.

The Fed expects to buy \$18 billion of agency mortgage-backed securities—those issued by government-sponsored enterprises such as Fannie Mae or Freddie Mac—in the month ending Wednesday. That is less than half the amount it bought in the month ended right after the presidential election, according to data from the Federal Reserve Bank of New York, and the smallest purchase since mid-2014.

Because the Fed is buying up less of the mortgage bonds currently in the market, in many ways monetary policy is already tightening on its own, some traders and analysts say. They add that the Fed could view it as a step toward shrinking its \$4.5 trillion balance sheet, as it considers whether to begin selling some securities later in 2017 after years of stimulative bond buying.

At their policy meeting in March, Fed officials agreed that they would probably start shrinking their portfolio later in the year, but didn't decide on key details of how to do it, minutes released Wednesday show.

The Wall Street Journal reported last week that the Fed is formulating a strategy to start winding down its portfolio by slowing or stopping reinvestments of maturing debt, perhaps after raising short-term interest rates two more times this year.

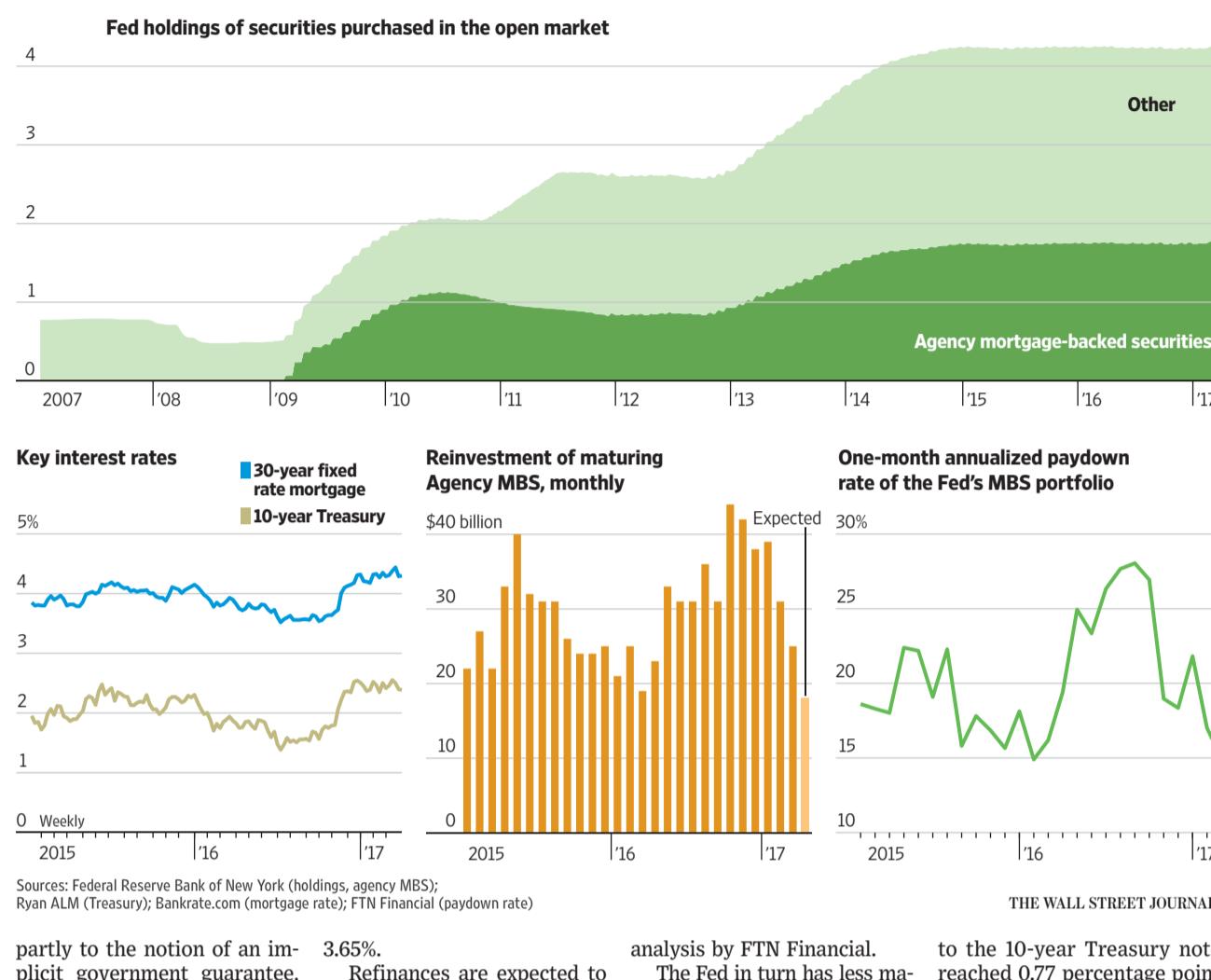
"From my perspective at least, it is sensible to begin thinking now about balance-sheet moves," Federal Reserve Governor Daniel Tarullo said in a CNBC interview on Wednesday, his last day at the central bank.

The Fed's holdings of agency mortgage-backed securities are likely to be a key area of consideration, given that the Fed holds nearly \$1.8 trillion of the debt, or more than 40% of its holdings of securities scooped up through its open-market purchase program, New York Fed data show.

Such securities are made up of pools of mortgages and are backed by payments on those home loans. They are seen by many investors as high-grade fixed-income instruments due

### Long Unwinding Road

Federal Reserve officials are discussing what to do with trillions of dollars in mortgage and Treasury securities acquired in stimulus programs. The bank's practice of reinvesting sums received when bonds mature is being slowed by rising interest rates, which have halted a U.S. refinancing boom that boosted bond prepayments. Lower reinvestment spending means less support for the economy, many analysts contend.



Sources: Federal Reserve Bank of New York (holdings, agency MBS); Ryan ALM (Treasury); Bankrate.com (mortgage rate); FTN Financial (paydown rate)

partly to the notion of an implicit government guarantee, which reduces the risk.

Now, the pace at which those bonds are maturing is being slowed down by the drop-off in refinancing.

Last summer, around the time benchmark interest rates hit record lows, J. Edgar Mihelic, a 35-year-old accountant at a nonprofit, considered refinancing the 30-year mortgage on his Cape Cod-style brick home in Brookfield, Ill.

But he didn't move fast enough. Following the U.S. presidential election, mortgage rates jumped as investors bet on faster economic growth and higher inflation once Donald Trump took office. An average fixed-rate 30-year mortgage came with an annual interest rate of about 4.3% this week, versus 3.5% about a month before the election, according to Bankrate.com.

"I waited around too long," Mr. Mihelic said. Though he had thought about getting a new 15-year mortgage to replace his current one, he stuck with his current mortgage, taken out in the spring of 2013 with an annual interest rate of

3.65%.

Refinances are expected to have made up 41% of total mortgage originations in the first three months of the year, down from 51% in the fourth quarter of 2016, according to the Mortgage Bankers Association. That share is forecast to drop to 28% in the second quarter and 26% in the third.

**Many analysts agree that the purchases play an important role in how markets react.**

When refinancing slows down, so does the rate at which mortgage bonds mature, because less mortgage principal is flowing directly back to bondholders in the form of prepayments. That is already hitting the Fed's portfolio of mortgage bonds, in which the one-month annualized rate of pay down on the portfolio slowed to 15% at the end of February, down from 28% at the end of July, according to an

analysis by FTN Financial.

The Fed in turn has less maturing bonds to reinvest. Many economists and investors say the Fed's purchase of bonds is what eases financing conditions, and slowing those purchases can signal to markets that it intends to tighten policy.

"They have already started tapering because of the nature of the reinvestments," said Walter Schmidt, a strategist at FTN Financial who focuses on the mortgage market.

To be sure, some argue that the act of holding debt on its balance sheet is a stronger easing measure, and slowing reinvestments doesn't necessarily affect the size of the balance sheet.

But many analysts agree the purchases play an important role in how markets react. Bond yields shot up, for example, when the Fed signaled in 2013 that it could slow the pace of its bond-buying program.

The slowing pace of purchases is already affecting the market, traders say. One measure showed the yield premium on a benchmark mortgage-backed security relative

to the 10-year Treasury note reached 0.77 percentage point last week, up from 0.66 percentage point at the end of 2016, according to Michael Lorizio, senior trader at Manulife Asset Management. Some add there could be more pressure on the market.

"It is likely that we will see some spread widening in MBS bonds if we continue to see strong MBS issuance and slow prepayment speeds from the Fed's MBS portfolio," said Andrew Pace, a vice president at Performance Trust Capital Partners LLC, a fixed-income trading firm, in an email.

Still, bond traders say a big selloff is likely to attract fresh buyers, which in turn could keep a lid on how wide the yield premiums rise. And the current impact of slowing prepayments could mean there is less of an impact later on when reinvestments stop.

"The last thing the Fed wants to do is to disrupt the mortgage market," and create a negative feedback loop into the broader economy, said James Sarni, managing principal at Payden & Rygel Investment Management.

## FINANCE WATCH

### LIBOR SCANDAL

#### Ex-Bank Employees Acquitted in Retrial

Two former Barclays PLC employees were acquitted of conspiracy to defraud in connection with the manipulation of the London interbank offered rate after a retrial in London.

Ryan Michael Reich was acquitted Wednesday and Stylianos Contogoulias was acquitted on Thursday a spokeswoman for the U.K.'s Serious Fraud Office confirmed.

The acquittals conclude the agency's final outstanding trial over Libor manipulation but its investigation continues, it said.

—Philip Georgiadis

### CURRENCIES

#### Czechs Abandon Koruna-Euro Peg

The Czech central bank dropped its target for the koruna's exchange rate against the euro, a fresh sign that Europe has put the threat of deflation behind it and is looking forward to a more-normal monetary policy.

The Czech National Bank on Thursday became the second non-euro central bank to abandon a euro peg in a little over two years. But unlike the Swiss National Bank's decision in January 2015 to drop a franc ceiling without warning—which caused the euro to collapse as much as 30% intraday against the franc and the Swiss stock market to



MARTIN DIVISEK/BLOOMBERG NEWS

plunge nearly 9% the day it occurred—the Czech move had been telegraphed for months.

The Czech currency rose just slightly after the announcement and Czech stocks hardly moved.

The central bank adopted the target of around 27 koruna to the euro in November 2013 as a way of boosting inflation by ensuring the koruna didn't strengthen against the euro, which would have lowered the prices of imported goods and services.

Paul Hannon

### NATURAL GAS

#### Stockpile Increase Is Short of Estimate

The U.S. Energy Information Administration said natural-gas stockpiles rose by 2 billion cubic feet in the week ended Friday, compared with the 7.8 billion cu-

bic feet expected by forecasters surveyed by The Wall Street Journal.

The report is a widely watched measure of supply and demand. A smaller-than-expected addition to storage likely indicates smaller supply or greater-than-expected demand.

Storage levels are now just 15% above the five-year average, compared with 21% above in early March. They are 17% below levels from a year earlier, the EIA said.

New export facilities and surging demand from Mexico have caused big increases in demand at a time when last year's spending cuts have kept production lower than expected. It is down 2.7 billion cubic feet a day from a year ago, according to UBS Group AG, or about 2% to 3%, according to Platts Analytics.

—Timothy Puko

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FUND NAME GF AT LB DATE CR NAV YTD %RETURN—

Chartered Asset Management Pte Ltd - Tel No: 65-6835-8866 Fax No: 65-6835-8865, Website: [www.cam.com.sg](http://www.cam.com.sg), Email: [cam@cam.com.sg](mailto:cam@cam.com.sg)

CAM-CF Limited OT OT MUS 03/31 USD 3.0 7.6 -2.4

FUND NAME GF AT LB DATE CR NAV YTD %RETURN—

AS EQ HKG 04/05 USD 129.45 13.0 22.9 -0.8

AS EQ HKG 04/05 USD 16.34 13.1 23.0 -0.8

AS EQ HKG 04/05 AUD 13.47 12.8 22.9 -0.2

AS EQ HKG 04/05 CAD 13.06 12.8 23.4 -1.1

AS EQ HKG 04/05 HKD 11.10 12.7 22.0 NS

AS EQ HKG 04/05 NZD 13.53 12.2 22.9 0.5

AS EQ HKG 04/05 CNY 11.49 10.3 28.7 NS

VP Multi-Asset Fund RMB H AS EQ HKG 04/05 CNY 10.99 14.4 25.3 NS

VP Multi-Asset Fund C A HKD OT OT HKG 04/05 HKD 10.14 5.4 NS NS

VP Multi-Asset Fund C A USD OT OT HKG 04/05 USD 10.28 5.2 7.8 NS

VP Taiwan Fund AS EQ CYM 04/05 USD 18.75 11.9 24.6 7.3

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China A-Share Fund Cls A AUD H OT HKG 04/05 AUD 12.74 8.1 12.8 -1.2

China A-Share Fund Cls A EUR H OT HKG 04/05 CAD 11.41 4.4 9.0 -2.5

China A-Share Fund Cls A EUR H OT HKG 04/05 EUR 12.35 7.7 11.0 -1.9

China A-Share Fund Cls A GBP H OT HKG 04/05 GBP 12.51 6.5 14.6 NS

China A-Share Fund Cls A GBP H OT HKG 04/05 HKD 12.37 7.4 13.8 -0.4

China A-Share Fund Cls A HKD H OT HKG 04/05 HKD 12.37 7.7 23.3 -8.5

China A-Share Fund Cls A NZD H OT HKG 04/05 NZD 12.47 7.7 11.5 -0.7

China A-Share Fund Cls A NZD H OT HKG 04/05 USD 12.47 11.8 -8.2 0.7

China A-Share Fund Cls A NZD H OT HKG 04/05 USD 12.55 8.2 13.2 -0.6

China A-Share Fund Cls A NZD H OT HKG 04/05 USD 11.07 11.1 6.1 NS

China A-Share Fund Cls A USD H OT HKG 04/05 USD 13.72 9.4 15.2 1.0

China A-Share Fund Cls A USD H OT HKG 04/05 USD 12.42 11.6 9.1 -2.7

China A-Share Fund Cls A USD H OT HKG 04/05 USD 12.53 7.8 11.9 -1.9

China Greenchip-A Units AS EQ CYM 04/05 HKD 12.71 13.6 22.0 -5.8

China Greenchip-A Units AUD H AS EQ CYM 04/05 AUD 9.77 13.7 22.7 -6.3

China Greenchip-A Units CAD H AS EQ CYM 04/05 CAD 9.49 13.5 21.2 -7.3

China Greenchip-A Units NZD H AS EQ CYM 04/05 NZD 10.04 13.8 23.5 -5.5

China Greenchip-A Units USD AS EQ CYM 04/05 USD 9.55 13.4 21.8 -6.7

China Greenchip-A2 QDIs Units AS EQ CYM 04/05 HKD 10.49 13.7 22.0 -5.8

GC HI Yield Inc-Cls A MDLS GBP H OT CYM 04/05 GBP 9.88 6.0 19.4 NS

GC HI Yield Inc-Cls A MDLS CAD H OT CYM 04/05 CAD 9.51 6.3 20.1 12.6

GC HI Yield Inc-Cls A MDLS NZD H OT CYM 04/05 NZD 11.29 13.1 22.1 1.5

GC HI Yield Inc-Cls P MDLS USD Sh OT CYM 04/05 USD 15.04 6.7 20.8 12.8

GC HI Yield Inc-Cls P MDLS SGD H OT CYM 04/05 SGD 9.41 6.6 20.8 12.8

GC HI Yield Inc-Cls P USD Acc Sh OT CYM 04/05 USD 10.23 6.3 20.4 1.3

GC HI Yield Inc-Cls P USD Dis Sh OT CYM 04/05 USD 15.13 6.5 20.6 12.7

GC HI Yield Inc-Cls P USD H OT CYM 04/05 USD 9.46 6.6 20.7 12.8

GC HI Yield Inc-Cls P USD H OT CYM 04/05 EUR 10.33 5.9 18.5 11.5</p

## MARKETS DIGEST

### Nikkei 225 Index

**18597.06** ▼ 264.21, or 1.40%

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



Bars measure the point change from session's open

### STOXX 600 Index

**380.77** ▲ 0.68, or 0.18%

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



### S&P 500 Index

**2360.40** ▲ 7.45, or 0.32%

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



Data as of 12 p.m. New York time

Last Year ago

Trailing P/E ratio \* 24.75 23.82

P/E estimate ° 18.28 17.49

Dividend yield 1.97 2.20

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

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

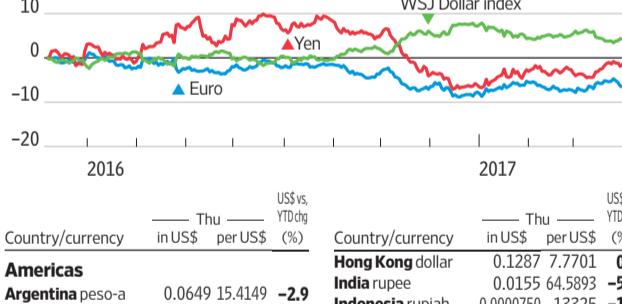
### International Stock Indexes

Region/Country	Index	Data as of 12 p.m. New York time					
		Close	NetChg	% chg	52-Week Range	YTD High	% chg
<b>World</b>	<b>The Global Dow</b>	2683.56	-0.91	<b>-0.03</b>	2193.75	2704.47	6.1
	<b>MSCI EAFE</b>	1778.80	-6.78	<b>-0.38</b>	1471.88	1956.39	3.6
	<b>MSCI EM USD</b>	964.89	-4.33	<b>-0.45</b>	691.21	1044.05	21.5
<b>Americas</b>	<b>DJ Americas</b>	569.26	1.99	<b> 0.35</b>	480.90	577.65	5.3
Brazil	<b>Sao Paulo Bovespa</b>	64715.79	-58.97	<b>-0.09</b>	48066.67	69487.58	7.5
Canada	<b>S&amp;P/TSX Comp</b>	15699.07	56.08	<b> 0.36</b>	13217.17	15943.09	2.7
Mexico	<b>IPC All-Share</b>	48962.43	-245.18	<b>-0.50</b>	43902.25	49560.90	7.3
Chile	<b>Santiago IPSA</b>	3765.65	4.30	<b> 0.11</b>	2998.64	3768.54	16.8
<b>U.S.</b>	<b>DJIA</b>	20709.68	61.53	<b> 0.30</b>	17063.08	21169.11	4.8
	<b>Nasdaq Composite</b>	5883.40	18.92	<b> 0.32</b>	4574.25	5936.39	9.3
	<b>S&amp;P 500</b>	2360.40	7.45	<b> 0.32</b>	1991.68	2400.98	5.4
	<b>CBOE Volatility</b>	11.96	-0.93	<b>-7.21</b>	9.97	26.72	-14.8
<b>EMEA</b>	<b>Stoxx Europe 600</b>	380.77	0.68	<b> 0.18</b>	308.75	381.14	5.4
	<b>Stoxx Europe 50</b>	3158.96	2.73	<b> 0.09</b>	2626.52	3174.79	4.9
France	<b>CAC 40</b>	5121.44	29.59	<b> 0.58</b>	3955.98	5132.93	5.3
Germany	<b>DAX</b>	12230.89	13.35	<b> 0.11</b>	9214.10	12375.58	6.5
Israel	<b>Tel Aviv</b>	1400.30	-9.60	<b>-0.68</b>	1372.23	1504.42	-4.8
Italy	<b>FTSE MIB</b>	20296.97	43.60	<b> 0.22</b>	15017.42	20540.39	5.5
Netherlands	<b>AEX</b>	516.30	1.41	<b> 0.27</b>	409.23	518.88	6.9
Russia	<b>RTS Index</b>	1148.75	-3.74	<b>-0.32</b>	852.98	1196.99	-0.3
Spain	<b>IBEX 35</b>	10518.90	116.20	<b> 1.12</b>	7579.80	10534.50	12.5
Switzerland	<b>Swiss Market</b>	8638.37	-2.14	<b>-0.02</b>	7475.54	8710.26	5.1
South Africa	<b>Johannesburg All Share</b>	52918.42	-71.66	<b>-0.14</b>	48935.90	54704.22	4.5
Turkey	<b>BIST 100</b>	88679.04	-358.41	<b>-0.40</b>	70426.16	91497.00	13.5
U.K.	<b>FTSE 100</b>	7303.20	-28.48	<b>-0.39</b>	5788.74	7447.00	2.2
<b>Asia-Pacific</b>	<b>DJ Asia-Pacific TSM</b>	1538.82	-13.05	<b>-0.84</b>	1308.52	1570.38	8.2
Australia	<b>S&amp;P/ASX 200</b>	5856.30	-19.90	<b>-0.34</b>	4931.50	5896.20	3.4
China	<b>Shanghai Composite</b>	3281.00	10.70	<b> 0.33</b>	2806.91	3282.92	5.7
Hong Kong	<b>Hang Seng</b>	24273.72	-127.08	<b>-0.52</b>	19694.33	24593.12	10.3
India	<b>S&amp;P BSE Sensex</b>	29927.34	-46.90	<b>-0.16</b>	24673.84	29974.24	12.4
Indonesia	<b>Jakarta Composite</b>	5680.24	3.26	<b> 0.06</b>	4704.22	5680.24	7.2
Japan	<b>Nikkei Stock Avg</b>	18597.06	-264.21	<b>-1.40</b>	14952.02	19633.75	-2.7
Malaysia	<b>Kuala Lumpur Composite</b>	1739.56	-5.11	<b>-0.29</b>	1614.90	1754.67	6.0
New Zealand	<b>S&amp;P/NZX 50</b>	7289.52	24.47	<b> 0.34</b>	6664.21	7571.11	5.9
Pakistan	<b>KSE 100</b>	47356.60	-220.71	<b>-0.46</b>	33566.22	50192.36	-0.9
Philippines	<b>PSEI</b>	7565.32	-18.89	<b>-0.25</b>	6563.67	8102.30	10.6
Singapore	<b>Straits Times</b>	3175.59	-0.96	<b>-0.03</b>	2729.85	3187.51	10.2
South Korea	<b>Kospi</b>	2152.75	-8.10	<b>-0.37</b>	1925.24	2178.38	6.2
Taiwan	<b>Weighted</b>	9897.80	-51.68	<b>-0.52</b>	8053.69	9972.49	7.0
Thailand	<b>SET</b>	1582.12	9.99	<b>-0.1</b>	1356.69	1591.00	2.5

Source: SIX Financial Information/WSJ Market Data Group

### Currencies

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



London close on April 6



### Key Rates

Latest 52 wks ago

Liber	1 month	3 month	6 month	1 year	52 wks ago
<b>Argentina peso-a</b>	0.0649	15.4149	-2.9		
<b>Brazil real</b>	0.3214	3.1118	-4.4		
<b>Canada dollar</b>	0.7460	1.3406	-0.3		
<b>Chile peso</b>	0.001524	656.20	-2.0		
<b>Peru so</b>	0.3079	3.2477	-3.1		
<b>Uruguay peso-e</b>	0.0350	28.540	-2.8		
<b>Venezuela bolivar</b>	0.100100	9.99	-0.1		
<b>America</b>	<b>Argentina peso-a</b>	0.0649	15.4149	-2.9	
<b>Brazil</b>	<b>real</b>	0.3214	3.1118	-4.4	
<b>Canada</b>	<b>dollar</b>	0.7460	1.3406	-0.3	
<b>Chile</b>	<b>peso</b>	0.001524	656.20	-2.0	
<b>Peru</b>	<b>so</b>	0.3079	3.2477	-3.1	
<b>Uruguay</b>	<b>peso-e</b>	0.0350	28.540	-2.8	
<b>Venezuela</b>	<b>bolivar</b>	0.100100	9.99	-0.1	

Latest 52 wks ago

### Top Stock Listings

Cur Stock	Sym	Last	% Chg	YTD% Chg
<b>Asia Titans</b>				
HK\$ ALAGroup	I299	49.65	-0.10	13.49
HK\$ AstellasPharma	4503	1491.50	-0.10	-5.55
HK\$ BHP				

## FINANCE & MARKETS

# Fintech Firm Trov Raises New Funds

California startup insures personal items with policies that can be turned on and off at will

BY PETER RUDGEAIR

Trov Inc., a financial-technology startup aiming to bring on-demand services to property-casualty insurance, said it raised \$45 million to expand to markets such as the U.S. and Japan.

New entrants targeting the insurance sector are in vogue among technology investors. Global venture-capital investment into these lucrative but sometimes lumbering firms totaled \$1.19 billion last year, roughly double what it was in 2015, according to accounting firm KPMG.

Trov, which began offering its service in the U.K. and Australia last year, provides a novel type of coverage for individual items of personal property that can be turned on and off with the swipe of a smartphone. The Danville, Calif.-based company offers products that, unlike traditional homeowners' or renters' policies that provide blanket coverage, tailor premiums to the single items being insured.

"From binding a policy to making a claim, the consumer doesn't have to speak to anybody," said Chief Executive Scott Walchek, formerly an executive at software-maker Macromedia Inc. and an early investor in Chinese internet company Baidu Inc. He likened Trov's vision of unbundling insurance to the way Apple Inc. unbundled music albums with iTunes.

Founded in 2012, Trov insures only consumer electronics and photography equipment but expects to eventually cover jewelry, sporting goods and other property that can be priced reliably, Mr. Walchek said.

Munich Re AG is leading the latest fundraising round, which is expected to be an-



Scott Walchek in Trov's office in Danville, Calif. The company is preparing to expand into the U.S. and Japanese markets.

nounced through its HSB Ventures unit. The German reinsurer will empower Trov to use its licenses and capital to roll out its services in the U.S. later this year, said Andy Rear, head of digital partnerships at Munich Re.

Japanese insurer Sompo Holdings Inc. joined the latest investment round and will provide a similar function to bring Trov to Japan. Trov's 2016 launch in the U.K. and Australia used partnerships with French insurer AXA SA and Australian insurer Suncorp Group Ltd., respectively.

While startups such as Uber Technologies Inc.

popularized the idea of delivering services to consumers on demand and adjusting prices frequently based

**CEO Walchek says he unbundles coverage in much the way Apple unbundled music.**

on market dynamics, bringing similar concepts to insurance is a high hurdle because the business is closely regulated.

For instance, ride-hailing

companies can enact surge pricing on the fly, but in insurance, adjustments to premiums typically need to be approved by regulators, which in the U.S. differ from state to state.

Trov has the technology to determine the replacement value of the goods it helps to insure by tapping into databases that track pricing changes on thousands of items, but it still needs permission before using that information to change premiums.

Tim Moroney, who serves as Trov's top lawyer and previously represented clients such as Lyft Inc. on insurance

issues, declined to give specifics on how Trov will structure its policies in the U.S. because it is still going through the filing process with state regulators. In other markets, it offers monthly policies that are priced as if a consumer kept the coverage running the whole time and issues refunds later for the days the policy was turned off.

With the new investment, Trov has raised more than \$85 million in equity. Other investors in the company include venture-capital firms Oak HC/FT, Anthemis Group SA and Pivot Investment Partners.

## Cisco Chief To Join BlackRock Board

BY JOANN S. LUBLIN  
AND SARAH KROUSE

BlackRock Inc. has nominated Cisco Systems Inc. leader Chuck Robbins as a director, making him the first technology chief executive on the board of the world's largest money manager.

The expected election of Mr. Robbins at BlackRock's May 25 annual meeting comes as the firm expands reliance on highly sophisticated technology. In one example, BlackRock has long commercialized an internal risk-management system known as Aladdin but is increasingly seeking new ways for its own investors and customers to use it.

The risk-management and technology platform has more than 180 customers and nearly \$20 trillion in assets, BlackRock President Rob Kapito said at an investor conference this February.

The \$5.1 trillion money manager announced the recruitment of Mr. Robbins Wednesday. Two older board members are also expected to depart this spring, according to a person familiar with the matter. Leaving the board at that time will be Thomas H. O'Brien, a retired CEO of PNC Financial Services Group Inc., and David H. Komansky, a retired CEO of Merrill Lynch & Co.

The 51-year-old Mr. Robbins has run Cisco, a Silicon Valley network-equipment maker, since 2015 and currently doesn't have any outside corporate board seats.

For BlackRock's Aladdin system specifically, firm leaders are pitching the technology for risk assessment in the wealth-management industry, improved Wall Street plumbing through custodians and digitizing money management for retail investors.

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## MARKETS

# Deutsche Poised to Firm Finances

German lender nears completion of \$8.5 billion share sale, draws more U.S. investors

By JENNY STRASBURG

**Deutsche Bank AG** closed in on a successful \$8.5 billion share sale Thursday, the final day for investors to opt in to a capital-raising long seen as necessary to put the German lender on firm financial footing, according to people familiar with the matter.

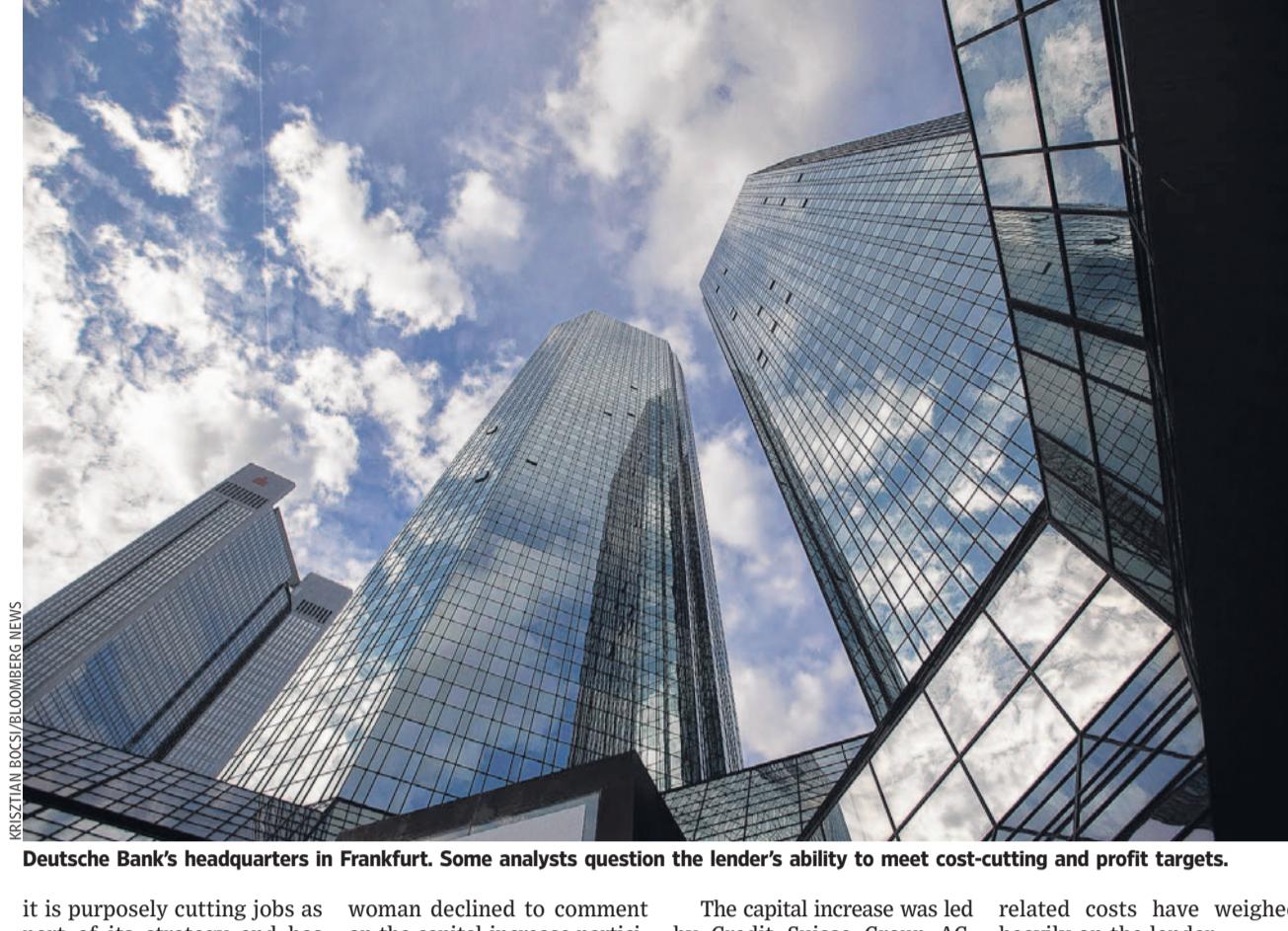
The bank and its advisers were prepared to receive pledges for close to 100% of the shares available in the rights offer, in a preliminary tally that will be finalized Friday, the people said.

In at least one way, the capital-raising has diversified elements of Deutsche Bank's shareholder base. Overall, U.S. investors have participated in the share sale in greater proportion than they were represented as shareholders in the past, some of the people said.

Many of the bank's European investors have been burned by two other Deutsche Bank share sales since early 2013 and were more cautious about buying in this time around, according to people familiar with feedback the bank and its advisers received in recent weeks.

Investors and analysts were generally positive about the capital increase when it was announced March 5. However, some say they still have questions about Deutsche Bank's ability to meet cost-cutting and profit targets while managing a second investment-bank restructuring in just 18 months.

Executives are also contending with challenges related to employee morale and banker departures following steep bonus cuts, according to people inside and outside the bank. Deutsche Bank has said



Deutsche Bank's headquarters in Frankfurt. Some analysts question the lender's ability to meet cost-cutting and profit targets.

it is purposely cutting jobs as part of its strategy and has played down other employee exits, saying voluntary staff departures have happened at near the usual pace and that the lender is still attracting strong talent.

Top shareholders—including members of the Qatari royal family and Chinese conglomerate **HNA Group**—participated in the capital increase, people close to the matter said. HNA increased its stake to about 4.8%, up from 3% in mid-February, according to March regulatory disclosures, and has discussed boosting that amount a bit further, according to people briefed on discussions about the investor. The Qataris own a stake just under 10% through two investment vehicles.

A Deutsche Bank spokes-

woman declined to comment on the capital-increase participation or individual shareholders. Representatives of the shareholders couldn't be reached or declined to comment.

*Many of the bank's European investors have been burned by previous share sales.*

Deutsche Bank's shares rose 0.2%, to €15.68 (\$16.72), Thursday, and during the share sale have traded well above the steeply discounted €11.65 subscription price for the 687.5 million new shares issued.

The capital increase was led by Credit Suisse Group AG, along with Barclays PLC and Goldman Sachs Group Inc., initially with a total of eight underwriting banks. That number was later expanded to 30 banks, Deutsche Bank said March 19.

Deutsche Bank executives including Chief Executive John Cryan sought to avoid a share sale for much of last year but were forced to consider the option in part because they gave up plans to sell the lender's Postbank retail-banking business in Germany.

The bank suffered from persistent skepticism about its ability to handle potential losses and other financial shocks and still meet key interest payments and other obligations and hold on to clients. Legal settlements and

related costs have weighed heavily on the lender.

In considering the timing and advantages of a capital raise, Mr. Cryan wanted to resume paying shareholders a dividend this year and put the capital question to rest, people close to the bank say. Also, by late January, Deutsche Bank's shares were trading above €19, compared with multiyear lows near €10 in the fall.

Along with the capital increase, Deutsche Bank last month promoted two senior executives, retail-banking chief Christian Sewing and finance chief Marcus Schenck, to new roles as deputy CEOs. Deutsche Bank plans soon to name a new CFO and move Mr. Schenck over to co-head the recombined investment bank and trading business with markets chief Garth Ritchie.

## Stocks Rise In the U.S. But Drop In Asia

By AKANE OTANI AND GEORGI KANTCHEV

U.S. stock indexes climbed Thursday as shares of energy companies rose with oil prices.

The Dow Jones Industrial Average was up 48 points, or 0.2%, to 20695.83 at early afternoon in New York. The S&P 500 and the Nasdaq Composite were also up 0.2%.

In Asia, most stocks closed broadly lower Thursday, weighed down by bearish sentiment toward risk assets following concerns about future U.S. policy. Japan led the declines, under pressure from a firmer yen, with the Nikkei closing at its lowest level of the year, down 1.4% at 18597.06. Australia's S&P/ASX 200 fell 0.3%, Korea's Kospi shed 0.4% and the Hang Seng Index fell 0.5%.

U.S. stocks have wavered in recent sessions as investors weighed the possibility that hoped-for policies like tax cuts won't be implemented as soon as they had thought against reports pointing to the strength of the U.S. economy.

Data released Thursday showed the number of Americans applying for new unemployment benefits fell sharply last week, according to the Labor Department. Also, corporate earnings have picked up, with analysts expecting S&P 500 firms to post their best quarterly results since 2011.

Energy stocks led gains in the S&P 500, rising 0.8%. Chesapeake Energy was up 3% at early afternoon and Newfield Exploration added 1.3%. U.S. crude oil gained 1.1% to \$51.71 a barrel after U.S. data released Wednesday gave some traders hope that the country's growing crude inventories might begin falling.

## HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

Email: [heard@wsj.com](mailto:heard@wsj.com)

### Ford Takes A Chance On China

When demand for cars starts fading elsewhere, auto makers turn to the world's largest car market for growth. That reflexive move is unlikely to work so well for **Ford Motor**.

On Thursday, it announced its China-focused electric-car strategy, including new vehicles. Ford Chief Executive Mark Fields said the "time is right" for his company to beef up in China. It is playing catch-up, though.

Meanwhile, Ford is having trouble at home, where its vehicle sales fell 7% in March. But in China, its retail-car sales fell more than 30% in the first two months of this year and total vehicle sales were down more than 20%. To entice customers, Ford's credit arm has become more aggressive. But at its joint venture in China, still-healthy margins are shrinking as pricing pressures rise. With no new launches on the radar this year, navigating the bloated Chinese market will prove challenging.

So Ford is betting on an "ambitious electrification strategy" in the world's largest electric-vehicle market and has committed to bringing cutting-edge technology to its Chinese joint venture, a sharp reversal from foreign car makers' wariness around sharing intellectual property with their local partners. It is also capitulating to Beijing's electric-vehicle production targets to draw in foreign car makers.

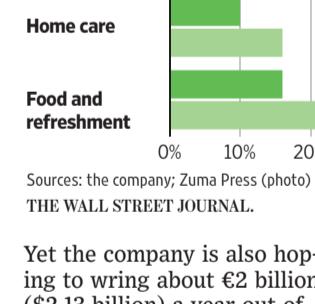
The trouble is, all this comes as electric-vehicle sales in China have slowed and Beijing withdraws subsidies. An aggressive strategy in China, timed incorrectly, could be a bumpy ride.

—Anjani Trivedi

### Is Unilever Preparing for Deals?

#### Margarine Is Toast

Operating margin before restructuring and one-off costs by Unilever division



Sources: the company; Zuma Press (photo)



jewel in its portfolio. Management is willing to grasp this political hot potato because the dual listing is a major barrier both to demergers and to major acquisitions. If it can't get a good price now for the margarine business, management could float it off and sell down gradually. But this is complicated by the dual listing. More speculatively, if it wanted to acquire U.S. company Colgate-Palmolive, as financiers have long dreamed, it would like to have a single class of Unilever shares to offer Colgate's shareholders.

Long considered boring but reliable investments, consumer-goods multinationals are being disrupted, not just by activist-style cost-cutters like Kraft Heinz, but also by local competition.

Unilever has shown greater understanding of the new landscape than some of its peers. Merging its shareholder registers is a logical preparation for rockier times.

—Stephen Wilmot

### OVERHEARD

Sometimes, extracting the meaning from central-bank communications can be like breaking a code. The clear preference is for measured, steady, even dry language.

So when a message isn't in code, it comes as a shock. The most famous example is former Federal Reserve Chairman **Alan Greenspan's** warning of "irrational exuberance."

Now **Luz Awazu Pereira da Silva** and **Elod Takats**, deputy general manager and senior economist, respectively, at the Bank for International Settlements, are having their shot at plain speaking. "Complacency and self-delusion," they warned in an article released Thursday, are the most significant risk for financial markets.

Of course, Mr. Greenspan's call went unheeded: Stocks went on rallying. The BIS officials' warning may face a similar fate. But the use of strong words is noteworthy in and of itself.

\* \* \*

Perhaps it shouldn't come as a surprise that **Amazon.com** got together with **Plug Power**. Shares of the beleaguered alternative energy company surged Wednesday after Amazon inked a supply agreement with it valued at up to \$600 million.

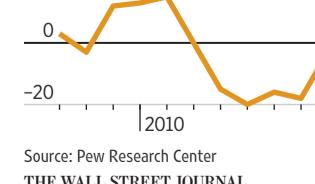
Yet, while Plug Power may have been the day's hottest stock, it is among the worst in recent history. On Tuesday, the stock fetched less than 1% of its split-adjusted peak at the beginning of the century even as Amazon appreciated more than 100-fold from its 2001 post-tech-boom nadir to a record.

Amazon even looks like the winner in the short run. Its deal would give Amazon 55 million Plug Power stock warrants that were nearly worthless when the deal was signed and were valued at up to \$66 million after Plug Power's share price popped.

### Happier U.S. Workers Could Shift Trade Focus

#### Popularity Contest

American perceptions of China (percent favorable minus percent unfavorable)



Source: Pew Research Center

favorability rating up 15 percentage points in early 2017 compared with a year ago, the biggest positive swing in eight years.

The two measures aren't exactly correlated. But over the past decade, it's true that when U.S. income growth has been healthy, Americans have tended to be more positive toward China.

That pattern could have policy and market implications. An improving domestic labor market could limit the severity of any trade remedies against China the Trump administration is considering. China-exposed U.S. stocks already appear to be predicting the president's bark will prove worse than his bite.

Faster wage growth could affect the broader U.S. calculus on trade. A 35% to 45% tariff on Chinese and Mexican goods, floated by Mr.

Trump during the campaign, would cause a sharp boost in inflation and job losses, according to the Peterson Institute of International Economics. With the labor market at last recovering, the Trump administration may be less inclined to take action that might erode the recent gains.

Rising wages aren't generally welcomed by corporate America. But in the new era of Trump-led U.S. populism, happier workers might mean happier stocks as well.

—Nathaniel Taplin

With specialty  
beer clubs, it's  
all in the  
delivery  
**W6**



# OFF DUTY



Dan Neil drives  
the Bugatti  
Chiron, the  
priciest road car  
ever built  
**W8**

EATING | DRINKING | STYLE | FASHION | DESIGN | DECORATING | ADVENTURE | TRAVEL | GEAR | GADGETS

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THE WALL STREET JOURNAL.

Friday - Sunday, April 7 - 9, 2017 | W1



## A Legacy In Recipes

Holiday meals come with the weight of expectations, but do they have to be totally predictable? Here's a Passover menu that recognizes tradition and current tastes

BY CHARLOTTE DRUCKMAN

**W**HAT DOES nostalgia taste like? For you, Great Aunt Mildred's matzo ball soup may evoke her enveloping hugs, rose-scented perfume and uncanny mimicry skills, but take that soup to someone else's Passover seder and it's the disappointing substitute for the venerated bowlful from the local deli.

I bring up Passover because it's next week, and I find it one of the more fraught examples of the challenge of reconciling heritage foods with contemporary tastes. As Joan Nathan notes in her new cookbook, "King Solomon's Table: A Culinary Exploration of Jewish Cooking Around the World" (Knopf), "These traditions have held Jews together for more than two thousand years as they have journeyed throughout the world."

The narrative of Passover is one of exile. To escape the bonds of slavery, Egyptian Jews were forced to flee and wander the desert as

Please see page W2

## OFF DUTY

# PASSOVER RECIPES MADE OVER (AND OVER)



**FEAST REFRESHED** Orange-glazed Passover chicken with matzo stuffing, a side dish of carrot tsimis and servings of matzo "egg-drop" soup.

Continued from page W1

refugees for 40 years. When we observe the holiday we are commanded not just to repeat that story, but to experience it as though it had happened to us. You can see how the pressure to serve the "correct" food could get to you.

My own childhood Passovers tasted like bland catered food mixed with dread. My father's mother—and my namesake, Charlotte—died the year before I was born. His father remarried and thereafter seders were presided over by my step-grandmother; her family was given pride of place at the table while the rest of us were crammed at the end. I watched my dad, respectfully quiet, missing his mother, her relatives and their food. After my grandfather died, my parents began hosting. My mom cooks the meal herself but has little interest in anyone's traditional seder fare.

This year, things will be different. A few months ago, a large envelope showed up on my doorstep. It contained photocopies of the recipe archive the elder Charlotte had collected from her family members. They'd been under my mother's custodianship until recently, when my father, thinking I might appreciate them, put that packet together for me. Charlotte hosted lots of dinners, including seders, and made sure preferences were accounted for. There they were: not just the dishes my father had described, but the names of characters I'd been hearing about for years. It might be the

If ever there were a moment to bring these dishes back, this was it.

closest I've felt to them.

If ever there were a moment to bring these dishes back to our family's Passover table, this was it, and clearly I'd have to be the one to do it. I started with some of the Passover options written by my great-grandmother, whom we called Bergie. The thing is, these recipes didn't look so enticing. But I saw glimmers of deliciousness in the details and potential for improvement. Her "matzo egg-drop" soup—chicken stock into which she dropped a combination of beaten eggs and matzo meal by the spoonful—particularly intrigued me. After spooning in the matzo slurry, you put a lid on the pot; in a couple of minutes, the cooked batter rises to the surface in clumps. It's like cheat matzo balls, and it's genius. To the base I added garlic, herbs, umami-rich porcini powder, sliced asparagus and, at the very end of cooking, arugula leaves, to wilt slightly in the soup and add a swirl of dark green.

Next I took on tsimis, the stew of sweet potatoes or carrots in honey—a classic side dish I don't remember eating at my mother's seders. When I asked her why, she said, "Oh no. I get nauseous think-

### Springtime Matzo 'Egg-Drop' Soup

TOTAL TIME: 1 hour

SERVES: 4

1 quart chicken stock

1 bay leaf

2 fresh sage leaves

1/4 teaspoon finely

chopped fresh

tarragon

12 cloves garlic,

smashed

2 tablespoons porcini

mushroom powder

3/4 teaspoon kosher

salt, plus more to

taste

1/2 pound trimmed

asparagus, cut on

the bias into 1-inch

lengths

2 large eggs, beaten

2 tablespoons toasted

matzo meal

1/2 teaspoon freshly

ground black pepper

2 handfuls arugula

1. Combine stock, bay

leaf, sage, tarragon, gar-

lic, porcini powder and 3/4

teaspoon salt in a lidded

medium saucepan. Bring

to a gentle boil over me-

dium-high heat, then de-

crease heat to medium-

low. Simmer to

concentrate flavor, 40

minutes. Use a slotted

spoon to remove garlic,

bay leaf and sage from

soup, and discard. Sea-

son to taste with salt.

Add asparagus and sim-

mer until vegetable is

bright green, 3 minutes.

2. Meanwhile, in a small

bowl, use a fork to whisk

together eggs with matzo

meal, pepper and a gen-

erous pinch of salt.

3. Carefully drop batter

into soup, a spoonful at

a time. Cover pan and cook

until batter rises to sur-

face of soup, about 3

minutes. Use a spoon to

break batter up. Off heat,

add two generous hand-

fuls arugula to pan and

stir into soup until wilted.

ing about it." Tsimis is fragrant and typically quite treacly. Bergie prepared hers with carrots, brown sugar and a bit of matzo meal as a thickening agent. I tried roasting the vegetables to render them more complex, using schmaltz as a roasting medium for extra flavor. And I made a sauce much like Bergie's with brown sugar, matzo meal and the expected spices. In place of powdered ginger, however, I opted to roast fresh ginger and purée it. Please do this. A spoonful or two—with a soft smokiness and gut-warming heat—improves all sorts of dishes.

Then I tackled my great-grandmother's orange-glazed Passover

For the chicken:

1 (3 1/2-pound) chicken,

giblets removed

2 1/4 teaspoons kosher

salt

3/4 teaspoon freshly

ground black

pepper

2 medium onions, cut

into 1/2-inch wedges

2 parsnips, cut into

1/2-inch pieces

1 medium fennel bulb,

cut into 1/2-inch

wedges

3 tablespoons olive oil

2 tablespoons

chopped flat-leaf

parsley

1 tablespoon chopped

fresh oregano

For the stuffing:

1/2 cup duck fat

1 medium onion,

minced

1 leek, white and light

green parts, finely

chopped

1 stalk celery, finely

chopped

1/4 medium fennel

bulb, finely

chopped, plus

fronds

1/2 cup toasted slivered

almonds

1/2 cup chopped dates

2 1/2 cups broken

matzo or matzoh

farfel

3 large eggs

1 cup chicken stock,

plus more to taste

3 dashes Worcester-

shire sauce

1 teaspoon grated

orange zest

1 teaspoon kosher salt

1/2 teaspoon freshly

ground black

pepper

2 tablespoons

chopped fresh dill

2 tablespoons

chopped fresh flat

leaf parsley

For the glaze:

1/4 cup honey

1/4 cup duck fat

1/4 cup chicken fat

1 cup fresh orange

juice

1 tablespoon grated

orange zest

### Orange-Glazed Passover Chicken With Matzo Stuffing

ACTIVE TIME: 2 hours TOTAL TIME: 2 days (includes brining) SERVES: 4

1. Dry-brine chicken: Up to 2

days before roasting, combine

2 teaspoons salt and 1/2 tea-

spoon pepper in a small bowl.

Pat chicken dry and set in a

shallow baking dish. Rub sea-

soring mixture all over chicken,

interior and exterior. Cover and

place in refrigerator.

2. 2 1/2 hours before cooking

chicken, pat dry and place on a

rack set over a plate or tray.

Refrigerate, uncovered, 2 hours.

3. Make stuffing: In a large

skillet, heat chicken fat over

medium heat. Sauté onions,

leeks, celery and fennel until

softened, about 8 minutes. Off

heat, stir in almond and dates.

Add matzo, stirring to incorpo-

rate. Transfer to a broiler pan or

baking sheet.

4. Set broiler on high.

Place matzo mixture un-

der broiler and cook until the

top has begun to brown, about

2 minutes, taking care not to

burn.

5. In a large bowl, whisk to-

gether eggs, stock, orange zest,

Worcestershire, salt and pepper.

Stir in toasted matzo mixture.

Stir in parsley, dill and 1 table-

spoon reserved fennel fronds.

Set aside.

6. Make glaze: Combine all in-

gredients in a bowl. Set aside.

7. 30 minutes before roasting

## OFF DUTY

Necklace, \$670,  
[aureliebidermann.com](http://aureliebidermann.com)



Dress, \$750,  
[marcjacobs.com](http://marcjacobs.com)



"On the bank of the  
Seine, Bennecourt" by  
Claude Monet, 1868



Cucumber Trug by The  
Cuckmere Trug Company,  
\$109, [thenewcraftsmen.com](http://thenewcraftsmen.com)



EMILIA  
WICKSTEAD



Skirt, \$395,  
[rebeccataylor.com](http://rebeccataylor.com)

Robert Clergerie  
Slides, \$450,  
[saksfifthavenue.com](http://saksfifthavenue.com)



Dress, \$1,390,  
[loewe.com](http://loewe.com)



DEREK LAM

The Row Bag, \$990,  
[bergdorfgoodman.com](http://bergdorfgoodman.com)

## Pastoral Report

In fashion and design, the French countryside is abloom this spring

BY REBECCA MALINSKY

**EVERY MAY 1**, French teenagers line the Paris streets selling freshly picked blooms of Lily of the Valley. The flower, France's national symbol of spring and Labor Day (both celebrated that day) is shared among friends and relations as a token of luck. "My mother has been planting lily of the valley for 40 years," said Parisian jewelry designer Aurélie Bidermann of the garden at her family's country house. "I grew up with this tradition." Her recent lily of the valley-themed collection was cre-

Jonathan Anderson displayed a fondness for old-fashioned fabrics in both collections he works on. At Loewe, he showed burlap-like linens woven to appear worn-in and a plethora of faded French blue stripes, while at J.W. Anderson, his namesake line, he favored flowing, linen peasant dresses, some with pastoral tablecloth prints.

Nine time zones away, San Francisco's Legion of Honor museum is celebrating spring with an exhibition of early paintings by Claude Monet, the impressionist who created his canvases en plein-air and shaped many Americans' ideas of what French landscapes look like. "One of the hallmarks of [the impressionists'] approach to painting was this idea that you would go to nature and you would stay there and paint," said Melissa Buron, associate curator of European Painting at the Fine Arts Museums of San Francisco. Of course, if you have the cash and a sufficiently humane work schedule, you can hop a plane and go to those fields yourself.

Home-goods designer John Derian may have said it best when it comes to our current cultural yearning for a piece of très chic country life: "People retire and fantasize about being in the country," he said. "Why wait? Why not have it around you now?"

'People fantasize about being in the country. Why wait?'

ated while she was pregnant with her daughter, as a way to connect the three generations of women in her family.

Many of the French-country-inspired looks that walked the spring runways similarly romanticized the simple life, if not as sentimentally. Up-and-coming Paris designer Simon Porte Jacquemus's collection took its cues from santons, tiny clay figurines popularized in 18th-century Provence. His models wore lace-trimmed cotton blouses accessorized with huge straw sunhats. London-based designer

John Derian  
and Astier de  
Villatte Pitcher,  
\$385,  
[johnderian.com](http://johnderian.com)

JACQUEMUS

Blouse, \$135, [shopdoen.com](http://shopdoen.com)



Josef Frank Flora  
Cabinet by Svenskt  
Tenn, \$48,000,  
[1stdibs.com](http://1stdibs.com)

Ballerina Flats, \$695,  
[tabithasimmons.com](http://tabithasimmons.com)



## FASHION'S NEW SILHOUETTE: VOLUMES!

New York label Proenza Schouler's latest collection is a group of elegantly eccentric art and photography books



BY NICK REMSEN

**PERHAPS SURPRISINGLY**, fashion designers are often very bookish sorts. Many spend hours in libraries researching their collections, poring over hefty art and photography tomes. Many also cultivate their own libraries, with walls of books lining studios and homes. And as such, the odds are high that you can trust a book recommendation from a designer you love.

That's the thinking behind Proenza Schouler's latest display in its Soho store in Manhattan: a small but interesting selection of books that are for sale alongside their plissé spring dresses and artfully printed clutch bags. The brand's designers, Jack McCollough and Lazaro Hernandez, worked with Dashwood Books, the influential downtown New York vendor renowned for photography and art editions, to curate the offerings.

This isn't the first time designers have asked Dashwood owner David Strettell if they could stock his books but, he said, Messrs. McCollough and Hernandez's choices were more eccentric than usual. There are seven volumes total, which range from "Homo Americanus," a retrospective of work by Los Angeles artist Raymond Pettibon, whose show at the New Museum in downtown Manhattan ends this weekend, to New York photographer Martien Mulder's portfolio of shots of Le Corbusier's experimental city in Chandigarh, India. For true fans, the selection, which will change each season, is a window into the designers' minds. Said Mr. Hernandez, "It's really just what we're interested in right now."

## OFF DUTY



**WESTERN WALLS**  
Santa Elena Canyon,  
in Big Bend  
National Park.

# Lone Star Attraction

The tiny Texas town of Marfa is known for its ties to Donald Judd's art, but its real drawing power comes from nature

BY KATHRYN O'SHEA-EVANS

**IF YOU CALLED** Marfa "Nowheresville," you'd be right, to a degree. The town of fewer than 2,000 people in far west Texas has one stop-light, erratic cell service, and shop and restaurant hours that are even spottier. But for every sense in which Marfa falls short, it triumphs in another: cinematic landscapes that stretch unbroken to the horizon; cowboys presiding over art galleries; and sunsets that, at the smog-free altitude of nearly 5,000 feet, were the prettiest I'd ever seen.

People who know Marfa know it as an art hub, thanks largely to the late minimalist artist Donald Judd, who fled New York in the 1970s to set up creative camp in the Chihuahuan high-desert. It's now

home to his Chinati Foundation, a contemporary art compound where we saw a roadrunner darting around Judd's aluminum sculptures in a former artillery shed. Judd kicked off a movement: Today, 23 art galleries operate in downtown Marfa, so many that one beleaguered bungalow had a sign that read "This is NOT an art gallery, THANKS." A Prada store, an elaborate art installation designed by Berlin-based artists Elmgreen & Dragset (and Instagrammed by Beyoncé in 2014, then legions of her followers), sits about 30 minutes outside of town, surrounded by idling jack rabbits.

But my husband, James, and I weren't looking to take in the art scene when we made the trek from New York in June; we've got plenty of art in our backyard. No, we went with three goals: to see

Big Bend National Park, to attend a star viewing at the McDonald Observatory—so remote it sits below some of the darkest night skies in the country—and to soak up old Hollywood history at Hotel Paisano, where Elizabeth Taylor, James Dean and Rock Hudson stayed during the filming of 1956's "Giant."

When we pulled up to the Paisano our first night in town, rain broke out in whipping sheets, then biblical hail. That night at sunset, as James stretched out from driving, I walked outside and watched lightning jackknife across the wide sky, and could see why location scouts are drawn here. "No Country for Old Men" filmed scenes in Marfa, "There Will Be Blood," too. In the Paisano, large-scale photos of the "Giant" stars roughhousing on set fill the open-beam lobby; you can book the cast's exact rooms (Liz stayed in No. 212, James in 223, Rock in 211).

The next day, we ignored the cars making a beeline for Judd's installations and walked a few blocks north of the hotel to Mimms Unit, an 11,000-acre rangeland with trailside signs that explain the desert ecosystem. We went on the suggestion of photographer Douglas Friedman, who divides his time between New York, Los Angeles and Marfa. For over an hour, walking through rolling grasslands, we didn't see another soul. "I

came to Marfa for the first time three years ago to see the art, but I ended up seduced by the sky and the landscape," Mr. Friedman later told me.

"When you're there, you're content to just kind of be."

And yet there is plenty to do beyond just exist. Mr. Friedman's favorite things: diving into the cool pools at Chinati Hot Springs—once owned by Judd—and soaring some 2,000 feet above the landscape in a two-seat sailplane with Marfa Gliders. Nearby resorts, including Cibolo Creek Ranch, where Justice Antonin Scalia died last year, offer horseback riding and birding excursions.

The next morning we left at daybreak to drive about two hours to Big Bend National Park, which shares 118 miles of border with Mexico and was, as the front desk clerk at the Paisano told me, "hot as a firecracker." Big Bend sits on the Rio Grande

and accommodates the most diverse population of birds and butterflies found in any of our national parks, plus mountain lions and javelinas. People are relatively scarce. The annual visitor count for the 1,252-square-mile park maxed out at 388,290 in 2016, less than half of Yellowstone's head count in July alone.

Our temperature gauge hit 105 as we turned in to the parking lot at Santa Elena Canyon, where the Rio Grande cuts through 1,500-foot-high limestone cliffs—taller than the Empire State Building—with Mexico on one side and the U.S. on the other. We wandered in but I turned back early, melting. When I couldn't work the car's air-conditioning, I ran to the river to call to my husband.

"James! James!" I hollered into the canyon's mouth. "James! James!" it echoed back. When he got back to the car, he said he hadn't



### THE LOWDOWN // TOUCHING DOWN IN MARFA, TEXAS

**Getting There** Marfa's closest major airport is 190 miles away in El Paso, or you can drive seven hours from Austin. You can also arrange a private plane charter to the Marfa Municipal Airport.

**Staying There** Built in 1930 in Spanish Baroque style, Hotel Paisano has 41 rooms, many with private patios and fireplaces; in the lobby, taxidermied longhorn and copies of Livestock Weekly sit out unironically (*from \$119 a night, hotelpaisano.com*). Hip and modern Hotel Saint George opened last spring (*from \$195 a night, marfasaintgeorge.com*). The Cibolo Creek Ranch, secluded on 30,000 acres a 40-minute drive from Marfa, offers 35 antique-filled guest rooms, five of them housed in renovated 19th-century adobe-walled forts (*from \$465 a night, cibolocreekranch.com*).

**Eating There** Marfa Burrito is an authentic Mexican hole-in-the-wall in the middle of Marfa (but only an hour from Mexico); you want the bean and cheese burrito, wrapped in a house-made flour tortilla (*325-514-8675, 515 S. Highland Ave.*). For a high-end dinner, the Capri is the place; you can sip a note-perfect pisco sour in a hammock until your dry-aged, fire-grilled rib-eye is done (*601 W. San Antonio St., thunderbirdmarfa.com*).



**ADOBE ABODE** A few rooms at Cibolo Creek Ranch are housed within old adobe forts.

heard me; the chasm had swallowed my voice whole.

Our last night in Marfa, we drove up the switchback roads of the Davis Mountains to the McDonald Observatory for one of its thrice-weekly "star parties," where dozens of people collectively gape at the expanding universe. James Dean died at 24,

shortly after he wrapped "Giant," and never saw it released. He did, I was told, make it to the observatory on a Sunday off during filming, but it was closed. After the caretaker told Dean to come back during business hours, the caretaker's wife was horrified and made him give

Dean a private tour.

Call me crazy but I could feel a nonconformist's spirit up there, in the blackest sky, and in all of Marfa's oxymorons: its mountains and flatlands, the parched desert and the Rio Grande. Nothing, and everything.

MAX BURKHARD FOR THE WALL STREET JOURNAL; MAP BY JASON LEE



**CHUCKWAGON UPDATE** Texas charcuterie at the Capri.

## THE SOUVENIR

### FLY THE MINIATURE SKIES

Some travelers collect refrigerator magnets, others scaled-down versions of jumbo jets. Here's how to think shrink

**UNITED AIRLINES** may be retiring its aging Boeing 747s, but the iconic jet is not entirely obsolete. The carrier will sell you a sleek new die-cast model of the jumbo jet for \$55 at one of its airport stores in Newark, N.J., or Houston.

Model planes have grown with the industry they celebrate and promote, starting with the first pull toys made to (bumpily) honor Lindbergh's 1927 solo flight to Paris. New Jersey-based Daron Worldwide Trading Inc., a leading purveyor of aircraft collectibles, stocks some 8,000 models (representing about 100 airlines), from the workaday American Airlines 737 to the less-predictable Uzbekistan Airways Tupolev Tu-154. Made

of metal, hard plastic or resin, the geeky gewgaws conform to precise scale measurements, with paint jobs that mirror the real thing. "The road warriors tend to buy what they fly," said Eugene McKeown, Daron's vice president of sales, who noted that most collectors either work in the industry or are frequent fliers. The hottest sellers? Widebody jetliners like the Dreamliner (Boeing's 787) and Airbus's superjumbo, A380, whose mini versions can cost up to \$400, more than the price of some airline tickets. Thriftier aviation buffs can find a fleet of options for under \$60 on Daron's airplane-shop.com, which leaves plenty of cash for an actual flight. —Barbara Peterson



**JET SET** Clockwise from left: Emirates A380-800, \$58; JetBlue Embraer 190, \$54; United 787-9, \$44; Pan American DC-8-33, \$44; British Airways A380, \$11. [airplaneshop.com](http://airplaneshop.com)



He's a fan.



## OFF DUTY

# Love a Rare Beer? Join the Club

Curated compilations and members-only subscriptions bring the boldest and smallest-batch brews to a select few

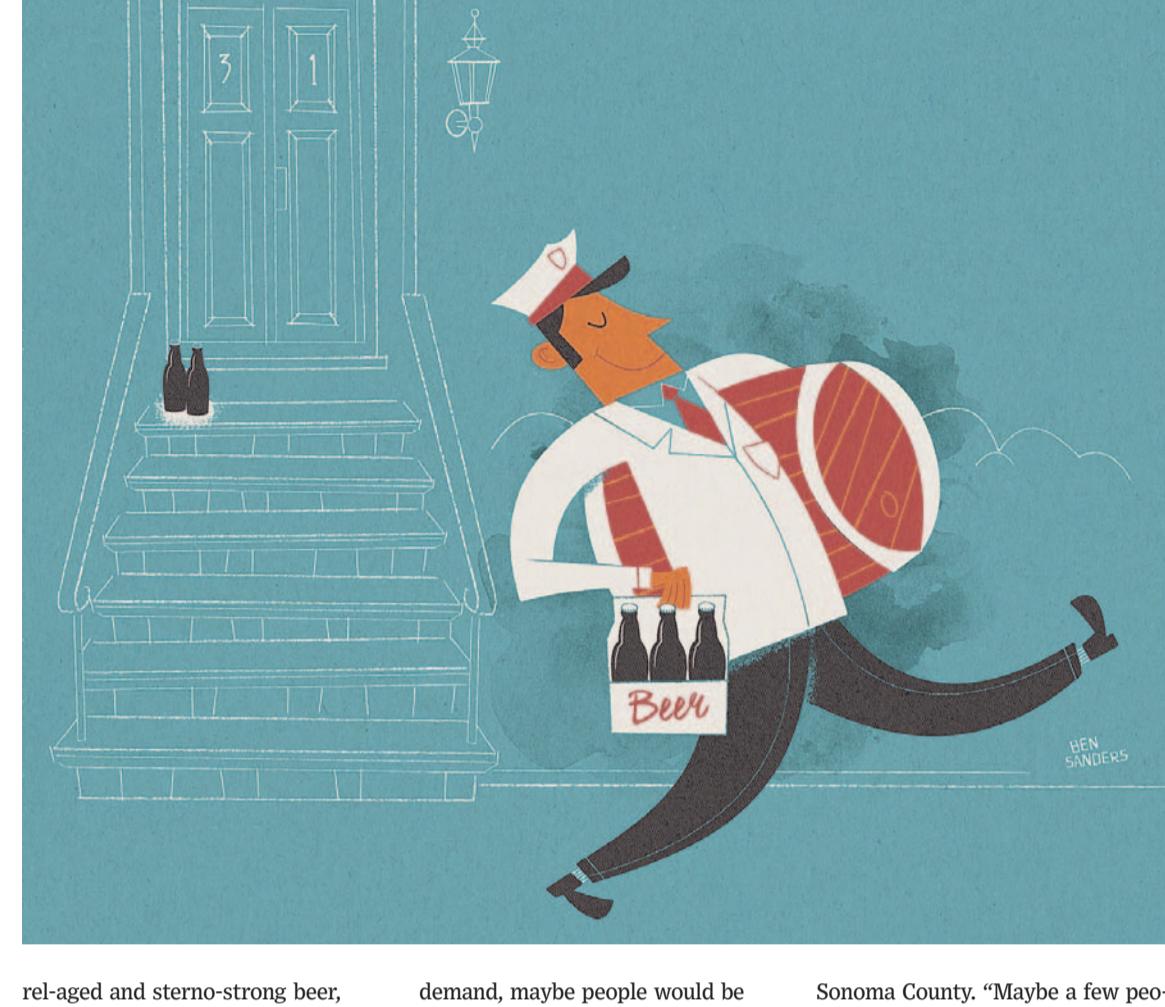
BY WILLIAM BOSTWICK

**I**N THE WORLD of beer, two roads diverge: a well-trod path of mass-made lager, global brands and game-day ads; and the twists and turns of the craft-brew route, marked by striking stylistic detours and disorienting trends. The latter way can lead to adventure, yet disaster lurks around those turns, too.

Fortunately, there are reliable guides to satisfaction, or at least a safer journey: beer clubs. From curated best-of compilations to deep dives into breweries' secret reserves, today's members-only subscriptions offer rewards for every kind of explorer and low-risk experimentation for breweries.

Thing-of-the-month clubs are nothing new—the venerable Book of the Month goes back over 90 years. Beer clubs have been around since the late 1990s, when beer critic Michael Jackson's Rare Beer Club offered many drinkers their first tastes of the wild world of craft brewing—harder to access back then. Nowadays your corner bottle shop likely stocks Mr. Jackson's favorite Belgians alongside Bud and might devote entire shelves to single styles. Yet some of the most sought-after beers remain white whales, super-rare catches available only to the lucky and obsessed.

The Bruery's multi-tiered membership was one of the first clubs of its kind when it debuted in 2008. The craft-beer world was smaller then, and the Orange County, Calif., brewery was focusing on especially exotic Belgian-style brews. So they were floored when their imperial stout—a British style created for export to Russia in the 18th century—sold out in minutes upon release. With barely any promotion, the bar-



BEN SANDERS

rel-aged and sterno-strong beer, called Black Tuesday, drew a line of would-be tasters that stretched out the door. Faced with similar crowd scenes as craft beer grew in popularity, breweries around the country began selling release-day tickets ahead of time, or keeping the big reveal of a new brew a secret, so that fans came by a taste entirely via luck. The Bruery had another plan.

"We borrowed the idea from wine societies," said the Bruery's marketing manager, Joel Kennedy. "We thought, if there's this much

demand, maybe people would be willing to subscribe for access." The Bruery's Preservation Society guarantees its members rare bottles they might otherwise have to out-wait and outwit the masses to try—or never taste at all.

A beer club lets a brewery sell directly to the die-hards, sharing the wealth with those who will appreciate it most. "When we sell our really unique beers on draft or in the store, they're just shotgunning out into the wind," said Peter Kruger, master brewer of Bear Republic in

Sonoma County. "Maybe a few people get to try them, but they might not get the full backstory. They might not understand what they're drinking. We've had sours sit on the shelves because people didn't know they're supposed to be that way."

Without the risk of unsold bottles, breweries like Bear Republic can take creative risks. Of Bear Republic's Wild Club members, Mr. Kruger said, "They allow us to flex our artistic muscle, swing for the fences."

When the Bruery wanted to make a beer featuring the same exotic

herbs as Coca-Cola, they knew their members would be game (even if the beer was "a try-it-once kind of thing," said Mr. Kennedy). When Bear Republic brewed a series of sours from wild yeast captured around Sonoma County, they could share it—and explain its unique story—to a few devoted souls. (The production was very limited.)

Pricing structures vary widely: A \$48 monthly fee might sound high until you find it gets you 12 quality beers each month; \$59 a year sounds like a steal until you realize no beer is included in that membership fee. Indeed it's a dedicated drinker who will pay for such an adventure. "In other clubs, people can choose what they want out of a portfolio. With [our club] they don't know what they're going to get," Mr. Kruger said. "And we have gotten feedback that it's too expensive." Wild Club is free to join but offers only access—members have to buy the beer, and bottle prices can be steep. "But if we're only making 75 bottles of a special beer, available only to the club, 30 bucks or so [per bottle] doesn't begin to cover our true cost." Dedicated drinkers see the value. The Bruery's upper-tier societies, called Reserve and Hoarders, have waiting lists. Hardywood's first 100 memberships to its new Family Tree club sold out in half a minute, at a cost of \$295 a year.

That might be because these clubs offer members an added benefit: friends. Though people anywhere in the country can join, most members are local and gather to share releases and private tastings.

"It's like a family," Hardywood co-founder Eric McKay said. "A group that can get together and celebrate with special events, or collaborate on beers." While catching that super-rare beer is satisfying, even the obsessed prefer not to drink alone.

### EXCLUSIVE BREWS // BEER CLUBS FOR EVERY TYPE OF INTREPID TIPPLER



**For the Trophy Hunter** *The Bruery Preservation Society* Known for Belgian-style brews with outlandish twists, the Bruery offers three club levels with increasing access and exclusivity. Entry-level Preservation Society members get three rare beers a quarter at a discount plus invitations to tastings, cellar sales and a jump ahead in line for higher-level memberships. \$59/year + cost of beer and shipping, [thebruery.com](http://thebruery.com)

**For the Hop Snob** *Beer of the Month Hop-Heads Beer Club* Members get their monthly dose of 12 of the boldest IPAs, chosen from this club's vast network of participating breweries by an expert panel of brewers and beer sellers. But should you doubt their picks, you can customize your crate with your own choices, or add favorite bottles from previous shipments. \$48/month, [beermonthclub.com](http://beermonthclub.com)

**For the Armchair Adventurer** *Tavour* Pack your own crate from a super-selective list of the trendiest beers, to be shipped out every month. Tavour leans toward the hopped and hoppy. Sours, IPAs and imperial stouts abound, and the small but well-chosen inventory is constantly changing. Members get daily updates and choose their brews through a handy app. Price varies per beer, [tavour.com](http://tavour.com)

**For the Sour Seeker** *Bear Republic Wild Club* This brewery's new club sends quarterly shipments of beers made with funky fermentation methods, often aged in barrels with fruit, spice and other surprises. Fan favorites include the tongue-numbing Berlinerweisse Tartare, and super-small-batch offerings like peach-and-ginger-infused VIP, available only to members. Price varies per beer, [bearpublic.com](http://bearpublic.com)

**For the Social Drinker** *Hardywood Family Tree* Members of this Virginia brewery's tight-knit social circle get a mixed three-pack four times a year, including crowd-pleasers like warming Gingerbread Stout and beers brewed just for the club. Locals can take advantage of raucous members-only parties and brew sessions on the brewery's new small-batch pilot system. \$295/year, [hardywood.com](http://hardywood.com)

### SLOW FOOD FAST SATISFYING AND SEASONAL FOOD IN ABOUT 30 MINUTES

## Spring Quiche With Mushrooms and Asparagus



**The Chef**  
Eduardo Jordan

**His Restaurant**  
Salare, in Seattle,  
Wash.

**What He's Known For**  
Big-hearted Italian  
cooking, classical  
French rigor and  
Southern hospitality

**GROWING UP IN** St. Petersburg, Fla., Eduardo Jordan developed a deep affection for quiche. "My mom put dinner on the table every night," he said. "Quiche was a go-to in our house. She'd make it with broccoli, sausage and cheese. If she was feeling fancy, she'd throw in some cooked shrimp." This springtime riff, the chef's second Slow Food Fast recipe, delivers asparagus, cheddar and seared mushrooms in a custardy base. Slices are served up with a light green salad and garlic toasts.

To guard againstogginess, Mr. Jordan sautés the mushrooms to extract moisture

before stirring them into the base. And he recommends using the freshest, best eggs possible: "If they haven't been sitting around for weeks they have a richer taste. And if the chickens' feed was good, the yolks are a beautiful bright orange."

At Salare in Seattle, Mr. Jordan rolls out his own pastry dough, but at home, he said, quiche should be easy. Go ahead and use a store-bought crust and rotate ingredients as you see fit. "My mom worked," Mr. Jordan said. "She wasn't making pie dough. And she'd toss in leftovers, utilizing everything." —Kitty Greenwald

TOTAL TIME: 35 Minutes SERVES: 4

3 tablespoons olive oil	½ cup chopped asparagus	shell
1 cup morels or any spring mushrooms, and cut into bite-size pieces	¾ cup shredded sharp cheddar	¼ baguette, sliced into rounds
Salt and freshly ground black pepper	½ cup cream	½ clove garlic
¼ cup sliced yellow onions	½ cup milk	6 cups salad greens, washed and dried
	3 eggs	½ tablespoon lemon juice
	1 (9-inch) prebaked pie	

over cheese and top with egg mixture and remaining cheese. Bake quiche until base sets and browns slightly at edges, about 20 minutes. Before slicing, let quiche cool 5 minutes.

3. While quiche bakes, arrange bread on a baking sheet and toast in oven until browned on both sides, about 5 minutes. Rub toasts with cut side of halved garlic clove.

4. In a large bowl toss salad greens with a pinch of salt, 1 tablespoon oil and lemon juice. Serve salad and toasts alongside quiche.



**BOLD MOVE** A nice sharp cheddar perks up the rich, custardy base of this quiche.

## OFF DUTY



### ◀ Studied History

Carefully constructed period details like decorative moldings and herringbone floors imply period architecture, but this gentleman's library is actually a newly built addition to the home. The room was designed to accommodate the 18th-century French tapestry from which springs its disciplined color scheme of beige, green-blue and brown. The walls—in Benjamin Moore's dusky green Pacific Rim—nod to the influence of Parish-Hadley, the groundbreaking midcentury American firm where Mr. Istomin trained early in his career and which was known for its dark, glossy walls. The color not only reinforces the country setting of trees in leaf but allies with the blues and greens of the pillows and custom bookshelves to make the library's eclecticism seem more unified. A contemporizing trick: "The contrast between the dark walls and white ceiling, white doors and light upholstery and rug makes the room more modern," said the designer.

### Violet It Be ▼

According to Mr. Istomin, one piece can set a room in motion. In this bedroom, a bold 20th-century metal chandelier featuring a riot of glass grapes and pears inspired the space's color scheme and playful, feminine character. A pair of petite, clean-lined turquoise bedside tables help keep the room looking more fresh than fusty. Mr. Istomin echoes the chandelier's violet danglers with a Ukrainian cotton rug and delicate lilac wall paint (Benjamin Moore's Easter Ribbon). Showing uncharacteristic restraint, he limited wall décor to two diminutive religious icons, a small selection from the family's vast collection, whose placement reinforces the symmetry that calms down the room's fairly busy décor.



### Unfrenzied Frippery ▶

A confection of pink and lace, this formal sitting room skillfully walks the line between chaos and chic. According to Mr. Istomin, the starting point for the décor was the hand-blocked Brunschwig & Fils wall covering called Roses Pompon, a reproduction of a 19th-century pattern. "The [room's] roses and the lace could be very old ladyish, but I was determined to put a new spin on it," he explained. One piece of the solution: framing the seating with a pair of symmetrical stepped bookcases, whose 1930s-inspired lines help balance curves and frills elsewhere. "If I had put a Louis XV piece there, it would have dated the entire space," Mr. Istomin said. A narrow range of hues also helps keep intricacy from overloading the eye.



### HOUSE TOUR

# Czar Quality

In a 1990s country house outside Moscow, a designer conjures a venerable dacha that might have been there since Nicholas I

BY SARAH KARNASIEWICZ

**G**LOBE-TROTTING RUSSIAN designer Kirill Istomin has made his name with interiors that embrace old-world opulence without ignoring the needs of non-old-world occupants. Whether working in Paris or Kazakhstan, Mr. Istomin creates spaces that evoke romantic, 19th-century epics: rooms slicked with gilt, decked in china, festooned in lace and imbued with longing. In a country house outside Moscow, for a couple who work in the pharmaceuticals industry and their 20-year-old daughter, he was challenged to create that palpable sense of history in a home built only two decades ago. "I wanted it to look grand," explained the designer, who maintains offices in New York and Moscow. "Not in terms of being flamboyant or important or exquisite, but like something that had been cared for by generations."

To create a sense that the furnishings had accrued through inheritance, Mr. Istomin had to be both an aesthetic magpie and a meticulous editor—or risk veering into hoarder territory. Formulas such as keeping color palettes tight to avoid the look of clutter helped him convey a house with a past that's eminently livable today.



### Checkered Past ▲

The Chinese, English and French porcelain on the dining room's walls suggest the accumulated finds of several decades of owners. The "inherited" concept could look disorderly, Mr. Istomin explained, but he and his team arranged the china on the floor before hanging the schemes on the wall: "The symmetry of the plates, the patterns and swags create a sort of decorative architecture in the room and a very deliberate structure." A counterpoint to the fanciness: the understated, rustic gingham chair-back covers. "It's a pattern we repeat in different colors in various spaces as a way of bringing the look down to earth," Mr. Istomin said. "That way, even special pieces don't scream 'Look at me!'"



### Bath Mastery ▲

Mr. Istomin takes a contrary approach to the bathroom, usually a utilitarian affair, creating an atmosphere of old-fashioned luxury with drapes and upholstery of hand-blocked Hazelton House fabrics. Note, though, that he trimmed the drapes in gingham, undercutting the fabric's floridity. His other high-drama move: layers of reflection. On the mirror above the room's vanity, he installed large, mirror-mounted three-branch sconces, an unconventional choice. "Usually you wouldn't put mirrored sconces on top of a mirror—it's a small room, and the scale feels off," he said.

## GEAR & GADGETS

**IMMODESTLY SUPERLATIVE**  
The \$3 million Bugatti Chiron is the most expensive—and fastest—production road car ever produced by a global auto maker.



BIGATTI

RUMBLE SEAT DAN NEIL



# Bugatti Chiron: An Almost Indecent Proposal

**IF STORYTELLING** is theater of the mind, what follows is adult cinema for motorheads. You have joined me in Lisbon, Portugal, for the global press launch of Bugatti's Chiron, successor to the all-conquering Veyron 16.4 supercar. On this March evening the air is soft and the restaurants are noisy. Couples amble along the waterfront past the 16th-century Belém Tower, a frosted cake of turrets and crenelations.

The bleak, beetle-backed monster parked in the courtyard of the hotel lays claim to being the new fastest, most powerful, most expensive road car ever produced by a proper global auto maker. Those numbers, should you want to forward them to your accountant in Macau: about 285 mph; 1,500 horsepower; \$3 million.

It's so evil-looking birds won't land on it. The back half seems to be devouring the front. The full-width taillight glows like a stinging slash from a Jedi's saber. From its aero-

space-standard carbon-fiber safety cell to its titanium tailpipes, the Chiron plays out a drama of precision fabrication that will make you weak at the knees. Gawd, what an object.

And yet, we've been here before. When Ferdinand Piech, grandson of Ferdinand Porsche and then-chairman of VW's supervisory board, re-established the legendary marque in its historic home in Molsheim, France, in the 2000s, it was to build a single, matchless car. The Veyron 16.4 was conceived to deliver world-historical performance in every category—including acceleration, braking, cornering and top speed—with uncompromised refinement, safety and drivability, even at maximum speed.

Which it did. In 2005, the 16-cylinder, 1,000-hp Veyron 16.4 laid down a production-car world record of 253 mph at parent-company VW's test track in Germany. In 2010, a Veyron 16.4 Super Sport set the current record of 268 mph, ahead of a

1,200-hp pillar of fire.

Thanks to two-stage quad turbochargers that are about 50% larger, and a host of improvements to engine breathing and cooling that came with the exterior redesign, the Chiron's 8.0-liter W16 nets 25% more horsepower—now a galactic 1,500 hp at 6,750 rpm, about equal to three Corvettes—and all the torque, ever: 1,600 Newton-meters from just 2,000 rpm all the way to 6,000 rpm.

Top speed? TBD. But judging by the arch in company president Wolfgang Dürheimer's eyebrow as he says, "significantly higher than the Veyron, I think people will be surprised how much," I'm picking 285 mph in the office pool.

Give or take, in the winged zoomorphia of the extremely fast, Bugatti will fly higher than any other car maker has ever dared. Again.

So it's another useless road catapult for ultrarich idiots? Let's not quibble. You may also think it awkward, at least, that this crown jewel of consumption should come from Bugatti, of the VW Group, which has executives under indictment and billions in liabilities for cheating clean-air rules.

But I suggest the Chiron's moral status is more nuanced. As fate would have it, profits from the Chiron will go a long way toward paying the debts to society incurred in the Dieselgate scandal. Meanwhile, the average Bugatti is driven less than 800 miles annually, so these profits' actual carbon footprint is quite small. On that score it may be the greenest car VW Group has ever built.

And suddenly there I am, hands wrapped around the leather-molded grips, eyes gazing over the curved carbon-fiber horizon down a long and empty road in Portugal. My co-pilot, Le Mans-winner and Bugatti test pilot Andy Wallace, has cleared us for takeoff. I've turned the drive-mode selector on the steering wheel to Handling mode and left the gearbox in Automatic. I'm not even bothering with Launch Mode. I stamp the

throttle.

It's hard to put words to the sensation of a 2-ton luxury automobile's accelerating from repose to 186 mph (300 km/h) in 13.6 seconds—about as long it takes most people to read this sentence aloud. It's like getting hit by a freight train, if Hermès made freight trains.

This is the adult entertainment that Bugatti panders to the jaded. 1%: scarcely believable, barely endurable blasts of acceleration, clutching spasms of delta-v that are both pleasure and pain, traumatic and orgasmic.

And at the moment when the jeweled clock-face speedometer passes 300 km/h—a moment of tunnel vision, mild vertigo and panicky laughter—the car is still traveling two-thirds of its maximum speed.

"Nothing I ever drove at Le Mans was nearly this fast," Mr. Wallace says.

You don't like the way it looks? You're quaint. I applaud this car's Gallic contempt for the sterility of supercar styling. This decorative insolence is best seen in the car's swirls of brightwork looping around the cabin—C for Louis Chiron, Bugatti's works driver from the 1930s. This flourish is so on-the-nose, only the French would have dared it.

An acutely Parisian taste inhabits the couture leather-bound cabin, where the C motif is restated in a thin, elegant light bar descending from the roof to the center console. Ahead, a vertical spar of carbon-fiber and aluminum transects the forward bulkhead, hosting the four, ice-blue rotary dials, commanding first-level functions of climate, audio and navigation. The animated displays for these functions appear in the instrument cluster. But the speedometer, with increments up to 500 km/h, is analogue, so admirers can see it through the window. Peasants.

Towering over other considerations are the demands of extreme speed. Because aero resistance rises as a square of velocity, the faster you go, the steeper the hill. Thus the Chiron's 1,500 horsepower, thus the prodigious engine water pump, cir-

culating 211 gallons of coolant every minute. That's enough coolant to fill four bathtubs, not that I'd recommend it.

The energies involved are daunting. So I was reminded when a kicked-up stone ricocheted off the Chiron's rakish windshield at three-digit speed, fracturing the unspeakably expensive glass in front of Mr. Wallace's face.

The big number is Vmax, top speed. This is where angels fear to tread. Like the Veyron, the Chiron must first assume attack posture, accessed with the Top Speed key. The adaptive air suspension lowers the car to a mere 3 inches off the tarmac. This key also moves the Chiron's rear wing into low-drag position, which is also, alas, the low-downforce position.

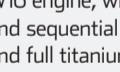
I'm not worried about the clients. Seriously. Not worried. But one day soon a test driver will strap on one of these cars and gallantly go for the record, and management will gallantly let him. No matter the precautions taken, every sortie to Vmax is a gamble, a life-or-death wager on human ingenuity.

It's like getting hit by a freight train, if Hermès made freight trains.

It's goddamn glorious. It's like the early decades of the automobile, when engineers and drivers would take life in hand to demonstrate the strength of their machines to an exclusive clientele—Duesenberg's hero of the salt flats, Ab Jenkins, for instance.

The world of luxury goods is full of inflated brand narratives. I join you in your sneering and cynicism. Bugatti plays that game, too. But as its serial rewriting of the record books proves, these machines are very real. For Bugatti, velocity equals ontology. Physics and metaphysics are the same.

THE FIXER MICHAEL HSU



# A Trick to Make Cheap Earbuds Sound Stellar

**Q** I like my earbuds, but my boyfriend insists I need to spend \$200 on headphones to get good sound. I can't see how that could possibly be true. Who's right?

**A** In my experience, expensive headphones do generally sound better than cheap earbuds—but only in quiet environments. Out in the real world, with cars whizzing past or air-conditioning units humming, both solutions sound pretty much the same: tinny and thin. (This assumes you're not cranking up the volume to unsafe levels.)

There's a reason for this: The bass that headphones work so hard to pump out is easily obliterated by the noise around you, sapping music of its satisfying punch.

Fortunately, blocking that bass-obliterating noise doesn't require expensive technology. You can vastly improve your earbuds' sound quality when you're out and about by using hearing-protection earmuffs, the kind you find at the hardware store. Here's how:

1. Start with a pair of good-enough earbuds. The kind that fit inside your ear canal work best, but any type will work.

2. Loop the cords of the earbuds up and over the

top of your ears, as shown in the illustration at right. This helps keep the cords in place. (If you find this cumbersome, just skip.)

3. Insert earbuds, then don a pair of noise-protection earmuffs over them. You might find it more comfortable to run the cords out the back of each earmuff, so the cable is pressed against your skull rather than your neck.

Look for an earmuff that has a noise-reduction rating of around 24 dB (models with a higher rating tend to be bulkier). The Peltor Sport Shotgunner II (\$26) works especially well for this. It is lightweight, folds for portability, features very comfortable padding and has a sleek color scheme that doesn't look too industrial: black and gray with a thin strip of fluorescent green.

Also consider the Howard Leight QM24+ (\$9), which comes in a bold red. It doesn't fold, but its headband can be worn either over the top of your head, like a traditional pair of headphones, or behind your neck should you want to preserve your carefully coiffed 'do.

Have a lifestyle problem that a gadget might solve? Email us: [the\\_fixer@wsj.com](mailto:the_fixer@wsj.com)



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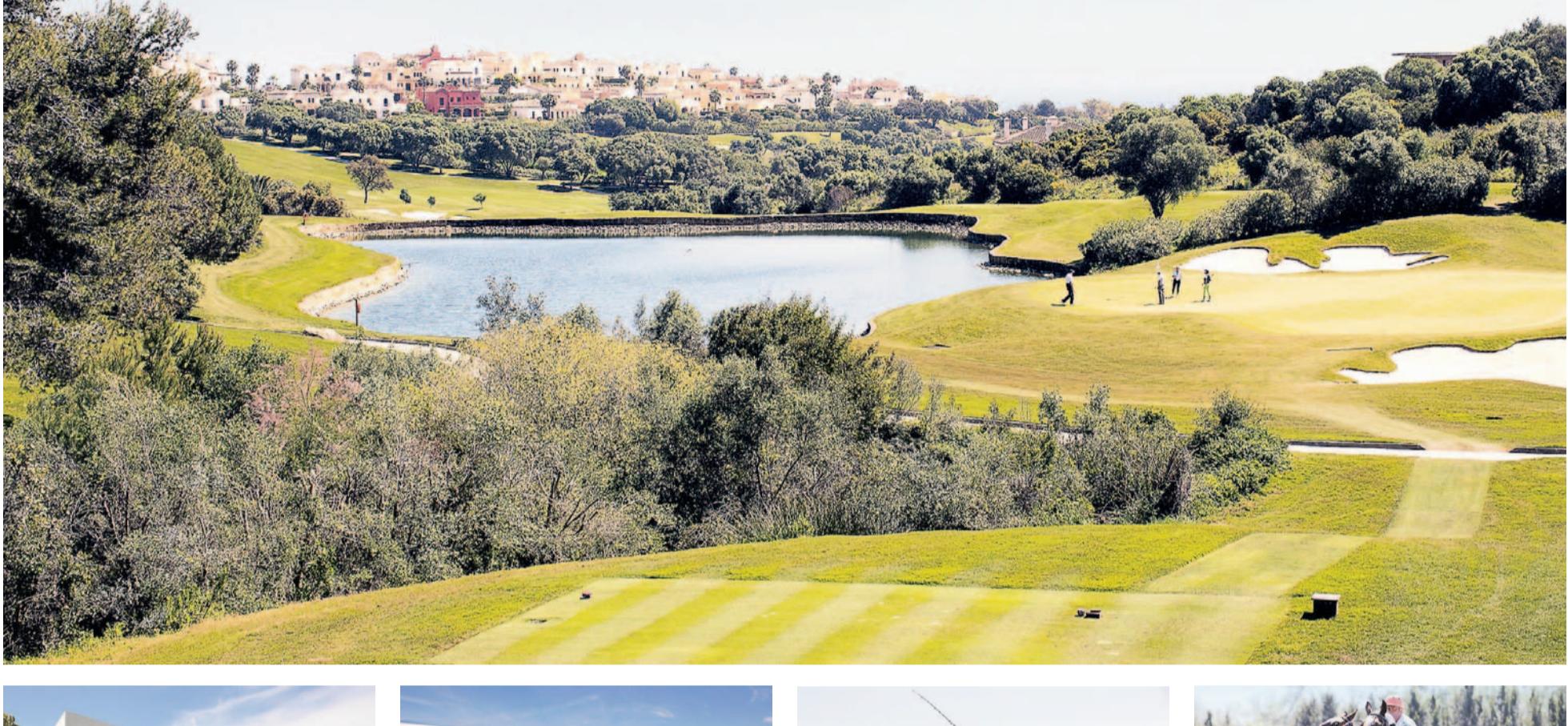
Friday - Sunday, April 7 - 9, 2017 | W9

QUENTIN MONGE

Golf & Getaways

## Southern Spain's Sweet Spot

The luxury resort community of Sotogrande is attracting a new wave of international buyers—including some who come for the sun, not the golf.



DYLAN THOMAS FOR THE WALL STREET JOURNAL (5)



**SWING STATE** Players tee off on the 17th hole of La Reserva golf course, top, in the Sotogrande resort community. From left, the 8,000-square-foot, \$3.3 million vacation villa near the golf course built by Jacques Mosseri-Marlio; the home's saltwater pool; a fisherman on a nearby beach, with the Rock of Gibraltar in the background; a game of polo at the Santa María polo club.

BY J.S. MARCUS

**FROM THE EDGE OF HIS INFINITY POOL** in Sotogrande in southern Spain, Jacques Mosseri-Marlio has great views of some of continental Europe's finest golf courses, not to mention the Rock of Gibraltar and the North African coast.

Sotogrande, a privately owned resort community, takes up 7.7 square miles between Marbella and Gibraltar. First developed in the mid-1960s, it soon became a golf destination and a getaway for Madrid's professional elite. Now, amid a

surge in investment, the area is experiencing a new wave of international buyers seeking a steady supply of sunshine—including some who aren't that interested in golf.

Between 2008 and 2013, Mr. Mosseri-Marlio, a retired investment banker based in the U.K., bought several prime lots totaling nearly 3 acres in Sotogrande's La Reserva area, at a cost of about \$2.5 million. He built his own 8,000-square-foot, three-level villa on half an acre, spending about \$3.3 million on the home, which he shares with his wife and their combined family of five grown children.

Mr. Mosseri-Marlio, a French national who first spent summers in Sotogrande as a child, says the community is a refreshing change from "the glitz of Marbella," a half-hour drive away. The children, between the ages of 19 and 29, "are either keen golfers or they just chill by the pool."

Sotogrande land prices reached a low-point in 2014, during the fallout from Spain's economic crisis. Since then, prices have rebounded, thanks in part to a sizable infusion of cash. In 2014, Cerberus Capital Management, an American private-equity firm, and Orion Capital Man-

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## A CLIFFHANGER IN CANNES

The French city best known for its glitzy film festival is attempting a comeback in luxury real-estate. Some house hunters like the potential for rental income, but will the country's hefty taxes drive them away?

HOUSE OF THE DAY  
[wsj.com/houseoftheday](http://wsj.com/houseoftheday)



Scotland  
A sprawling apartment in a converted mansion



Australia  
A striking modern house in Melbourne



United States  
A new Pennsylvania home with historic style

GEORGY MATHEU FOR THE WALL STREET JOURNAL

CANNES CLOSE-UP The streets of Cannes, seen from the old town, Le Suquet. Prices of luxury properties are below their 2007 peak but are creeping upward.

BY RUTH BLOOMFIELD

**ON THE FRENCH RIVIERA,** Cannes is most famous for the glamorous film festival held every May. Its real-estate market, meanwhile, has been in the grips of another kind of drama.

After a decade of recess-

sion, the eurozone debt crisis and French austerity policies, the sale price of prime properties stands 30% below the peak levels of 2007, estimates Fred Lilloe, managing director of Knight Frank in Cannes. The fact that prices fell around 1% last year is being treated as good news—or better news, at least, than

the annual 5% drops that Mr. Lilloe has grown accustomed to. "The curve is flattening out," he said.

There is certainly evi-

dence of some big deals being struck. In August, Mr. Lilloe says an Indian-American family paid \$39.4 million for an apartment in the upscale Californie neighbor-

hood. And earlier this year, he sold a modern eight-bedroom villa on the city's fringes to a Norwegian family for \$30.3 million.

Olivier Maugery-Pons,

head of Savills's real-estate office in Cannes, agrees that

demand is returning to balmy Cannes with its

beaches, bars, restaurants,

high-end shops and sophisticated nightlife. But the market is still a long way from the heady days of 2007.

"Then, people said, 'I love it,' and bought it," he says.

"Now a deal that would have

taken two months takes six

months. They go home, they

think about it, they research

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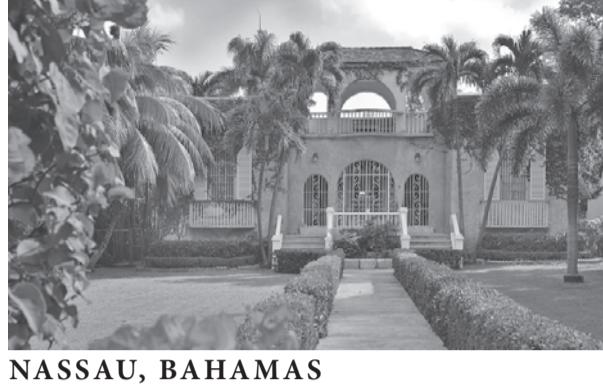
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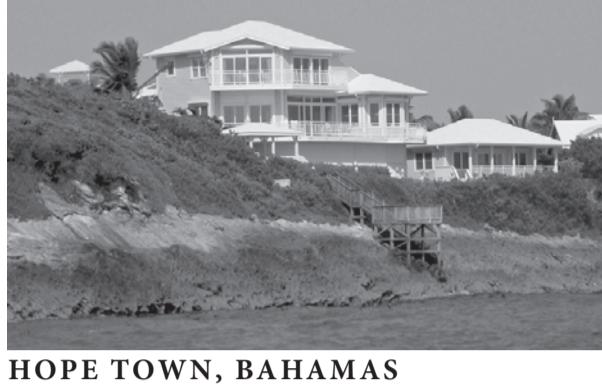
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### NASSAU, BAHAMAS

Built by a New York hotelier, this 3 BR, 2 bath home combines old world architecture and modern amenities. Near town in a tranquil, residential community. WEB: 28579. Price upon request. Samira.Coleby@SIR.com

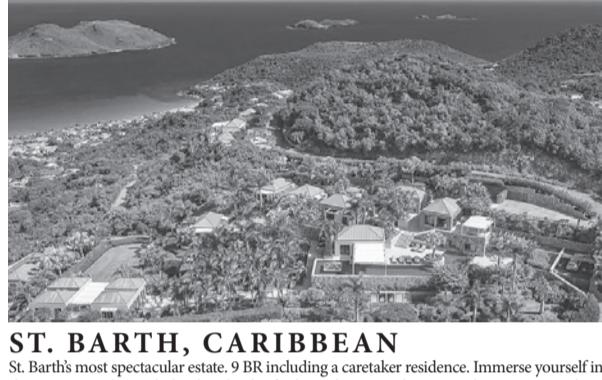
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### HOPE TOWN, BAHAMAS

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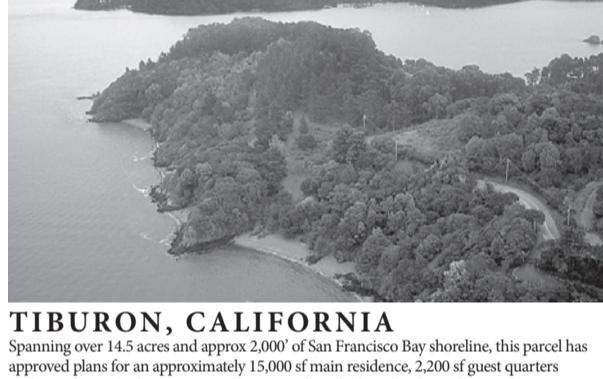
HÔM Sotheby's International Realty  
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### LOS ALTOS HILLS, CALIFORNIA

This Provencal estate on over 1/2 acre lot is a place of inspiration. Old warm charm and stunning gardens. Open floor plan with 3 BR, 2 bath main house and artist studio, guest house and wine cottage. Palo Alto schools. \$3,998,000. Michael Dreyfus.

Golden Gate Sotheby's International Realty  
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### TIBURON, CALIFORNIA

Spanning over 14.5 acres and approx 2,000' of San Francisco Bay shoreline, this parcel has approved plans for an approximately 15,000 sf main residence, 2,200 sf guest quarters and 700 sf caretaker's cottage. \$47,000,000. Bill Bullock and Lydia Sarkessian.

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+1 415.517.7720 | [globalestates.com](http://globalestates.com)



### SAN DIEGO, CALIFORNIA

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### SAN DIEGO, CALIFORNIA

Remarkable 560 acre self-sustainable private ranch. A true utopia with the most temperate climates, mountain and ocean views, endless riding trails, helicopter pads, and multi-million dollar living structures. \$16,000,000. Eric Iantorno and Brett Dickinson.

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### SAN DIEGO, CALIFORNIA

Completed in 2016, this new construction Tuscan villa offers extraordinary finishes and oceanfront views. Frameless glass doors open to the expansive patio overlooking the Pacific Ocean, bringing the outside in. \$12,900,000. Clinton Selfridge and Eric Iantorno.

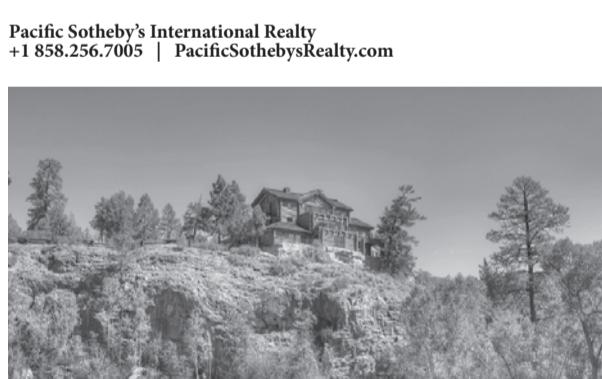
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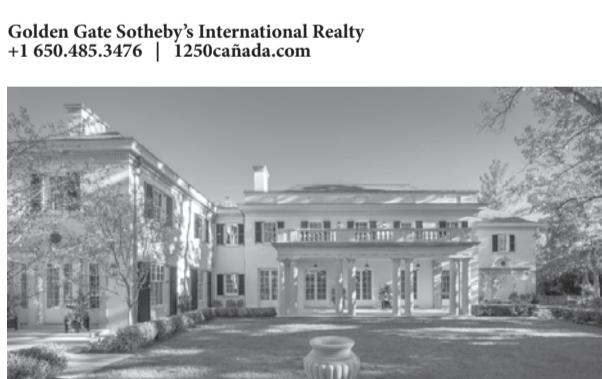
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This very private and secure 35 acre property features a private lake, waterfall and pond, year-round creek and expansive views. It has a remarkable 8,000 sf Hacienda style home and is surrounded by the National Forest. \$3,295,000. Zach Morse. Zach@lpwsir.com

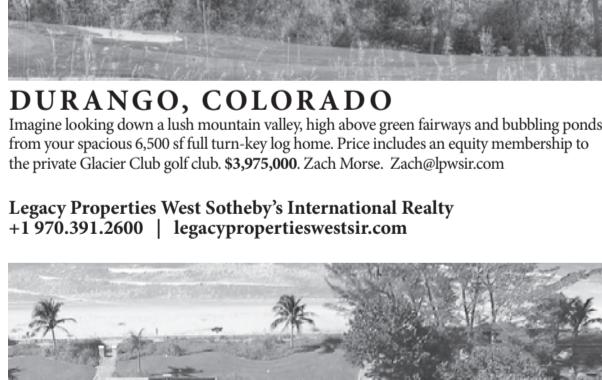
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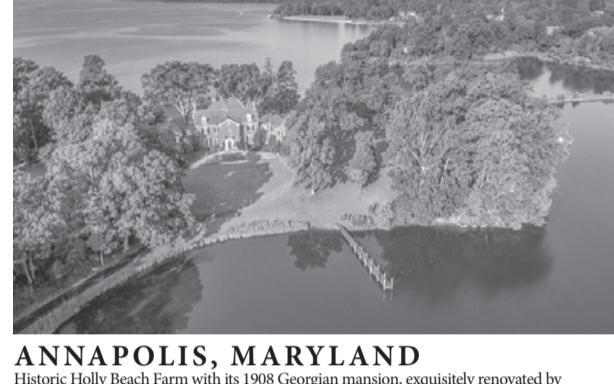


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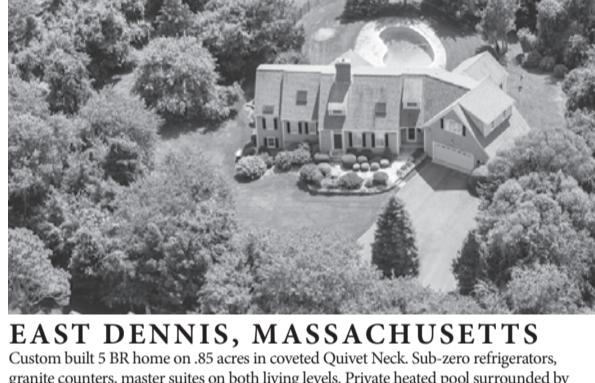
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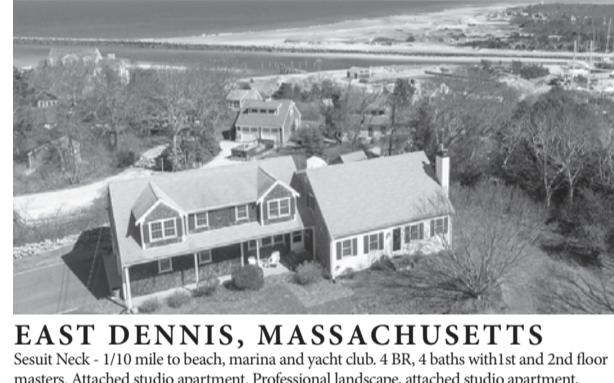
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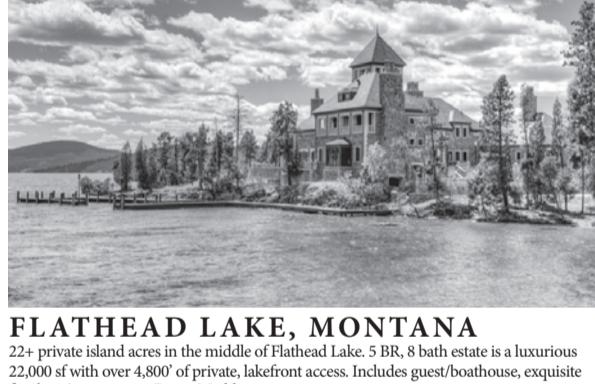
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#### NEW YORK, NEW YORK

Home of celebrated furniture designer, Vladimir Kagan, this exquisite pre-war home sprawls across approximately 3,825 sf. \$7,995,000. Vanessa A. Kaufman. [vannessa.kaufman@sothebyhomes.com](mailto:vannessa.kaufman@sothebyhomes.com)

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After undergoing a meticulous 2 year renovation, this sun-flooded 3 BR, 3 bath home defines the term "turn-key" boasting only the highest quality fixtures, hardware, finishes and appliances. \$4,995,000. Jeremy V. Stein.

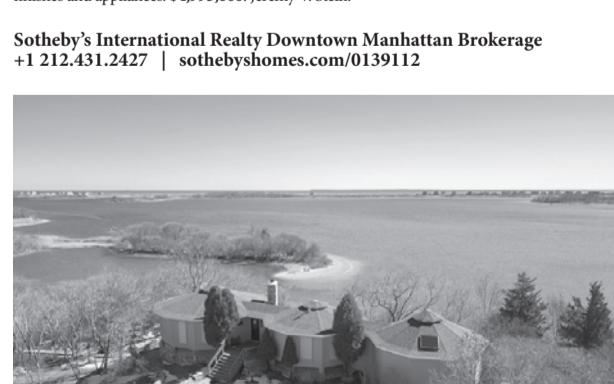
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## GOLF & GETAWAYS

# SOUTHERN SPAIN'S SWEET SPOT



**LOS ALTOS DE VALDERRAMA** The exterior, living room and pool of the villa owned by Hans Dieter Neumann, 75, in Los Altos de Valderrama, a gated residential area within the Sotogrande resort. He is selling his 10,800-square-foot home, completed in 1999, for \$4.3 million.



**SUN AND SHADE** The sixth hole of the Real Sotogrande golf course, above. Below, the dining room and exterior of the Fosbury family's 8,826-square-foot Valderrama villa, on the market for \$3 million.

*Continued from page W9*  
agers, based in London, purchased Sotogrande's development company, including undeveloped property, hotels, the local water concession and golf courses, for \$237 million. The new management team is planning infrastructure and amenities investments of about \$54 million, says Marc Topiol, CEO of the real-estate company, Sotogrande SA, the original developer.

Sotogrande—with a summer population of about 40,000 and about 8,000 year-round residents—is anchored by two acclaimed golf courses, both planned by Robert Trent Jones Sr., the prominent American golf architect.

Real Club de Golf Sotogrande, opened in 1964, is known for its wide fairways. It has a lively atmosphere, with frequent competitions for its nearly 2,000 members.

The club spills into the

development's so-called Kings and Queens residential neighborhood, where the streets, named after Spanish monarchs, are lined with traditional Andalusian-style mansions and some newer contemporary homes.

A seven-bedroom, eight-bathroom villa at Real, with views of the course's 18th hole, has an asking price of \$5.7 million.

Royal Valderrama Club, which opened in 1974, has an initiation fee of about \$129,000—nearly twice that of Real Sotogrande. Valderrama's narrow fairways lined with cork trees have hosted a number of major tournaments, including the 1997 Ryder Cup. The club has about one-quarter the membership of Real.

Stanley Fosbury, 81, founder of a design and wholesale-clothing company in the U.K., is overseeing the sale of his family's 8,826-square-foot villa at Valder-



rama, listed for \$3 million. The five-bedroom, five-bathroom house is on a lot of just under an acre. The property includes a richly landscaped garden and is largely hidden from view, like other homes on the course.

Mr. Fosbury bought the Valderrama property in 2006 at the peak of the market. He sees the family breaking even with a sale at the asking price, due to the recent fall of the pound. He said he and his wife, Anne, plan to spend more time in their U.K. home, and the family no longer needs such a large property. They live in Henley-on-Thames, west of London, and

also have a vacation home near Cannes, France.

Like many of the vacation-home owners who golf, Mr. Fosbury and his wife belong to both Real Sotogrande and Valderrama, as well as La Reserva, a newer private club not far from Mr. Mossery-Marlio's villa, known for its sea views.

The couple typically spends the fall in Sotogrande, which, along with spring, is prime golfing season.

Professional golfer Nick Faldo calls Sotogrande autumn's "perfect golfing weather." He played on the winning European team in the Ryder Cup at Valderrama in September 1997.

But increasingly, Sotogrande is attracting buyers with little interest in golf. They are part of a wider trend of nongolfers seeking the "security and protected views" of a golf-course setting, says Mark Harvey, head of European sales at Knight Frank.

"The biggest news there," Mr. Harvey says, is "the wall of money that has been coming in."

Sotogrande SA is planning to add new luxury villas in the resort's La Reserva area. A European buyer recently paid \$9.7 million for a planned 20,230-square-foot villa in La Reserva on just under 1½ acres of land.

Other companies are investing as well. Last year, the owners of La Zagaleta, a luxury gated community in the mountains above Marbella, invested \$43 million in the area, including land containing the Valderrama course and 544 acres just outside of Sotogrande proper, where they plan to build a new course and develop a gated community of high-end homes.

And a 15-minute drive up the coast from Sotogrande, exclusive golf villas are going up at the Finca Cortesin resort, containing the area's most prestigious hotel.

A 13,665-square-foot villa, bordering the resort's new golf course, recently sold for \$7.7 million. Currently under construction, the eight-bedroom villa has 1½ bathrooms and 1,722 square feet of terraces.

Los Altos de Valderrama, a gated area with 24-hour security, vies with the Kings and Queens area for Sotogrande's highest prices per square foot.

Retired German business consultant Hans Dieter Neumann is selling his

10,800-square-foot villa high above the Valderrama course for \$4.3 million. He says he is selling because he spends more time at home in Berlin, where his children and grandchildren live, while his family has less time to visit.

Mr. Neumann, 75, says he has invested about \$3.2 million in his property, including building the home and upgrading his lot, bought in 1996 and later expanded.

"I built before the boom started," he says.

## Sotogrande Homes for Sale



**\$16 million**

Los Altos de Valderrama

10 bedrooms, 10 bathrooms

Located in the gated community and near the fifth hole of the Royal Valderrama course, the owners have turned their garden into a private park of more than 5½ acres. The property has a 19,547-square-foot mansion and a 1,991-square-foot pool pavilion. Agent: James Stewart, James Stewart/Savills



**\$4.8 million**

Kings and Queens

Six bedrooms, 6½ bathrooms

The 1.2-acre lot of this contemporary mansion includes an Asian-style pond and a modern swimming pool. The interior features marble floors and cream-colored Spanish stone walls. Ceilings are double-height. The home has electronic safety shutters. Agent: Susana Fontechia, Kassa Sotogrande

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## GOLF & GETAWAYS



**SUNNY SIDE** In Californie, Villa L'Abri is listed for \$21.3 million. The 11-bedroom, eight-bathroom home measures around 8,000 square feet.



FROM TOP: SAVILLS (2); GÉRÉOFRY MATHIEU FOR THE WALL STREET JOURNAL; KNIGHT FRANK (2)

# A REAL-ESTATE CLIFFHANGER IN CANNES

Continued from page W9

the market because they don't want to pay too much, they consider where else they might buy, and then they buy it."

Mr. Maugery-Pons's clients are more concerned about buying costs and taxes than in the past. These costs include estate agent fees of around 7%, and payments to the notary who draws up the deeds of sale add a further 7%. In all, a buyer of a €1 million, or \$1.07 million, resale property can expect to pay around \$150,000 in taxes and fees.

On the up side, buyers are often relieved to learn that French home sellers often deliberately overprice their properties in listings—20% is typical—to give them some wiggle room to negotiate.

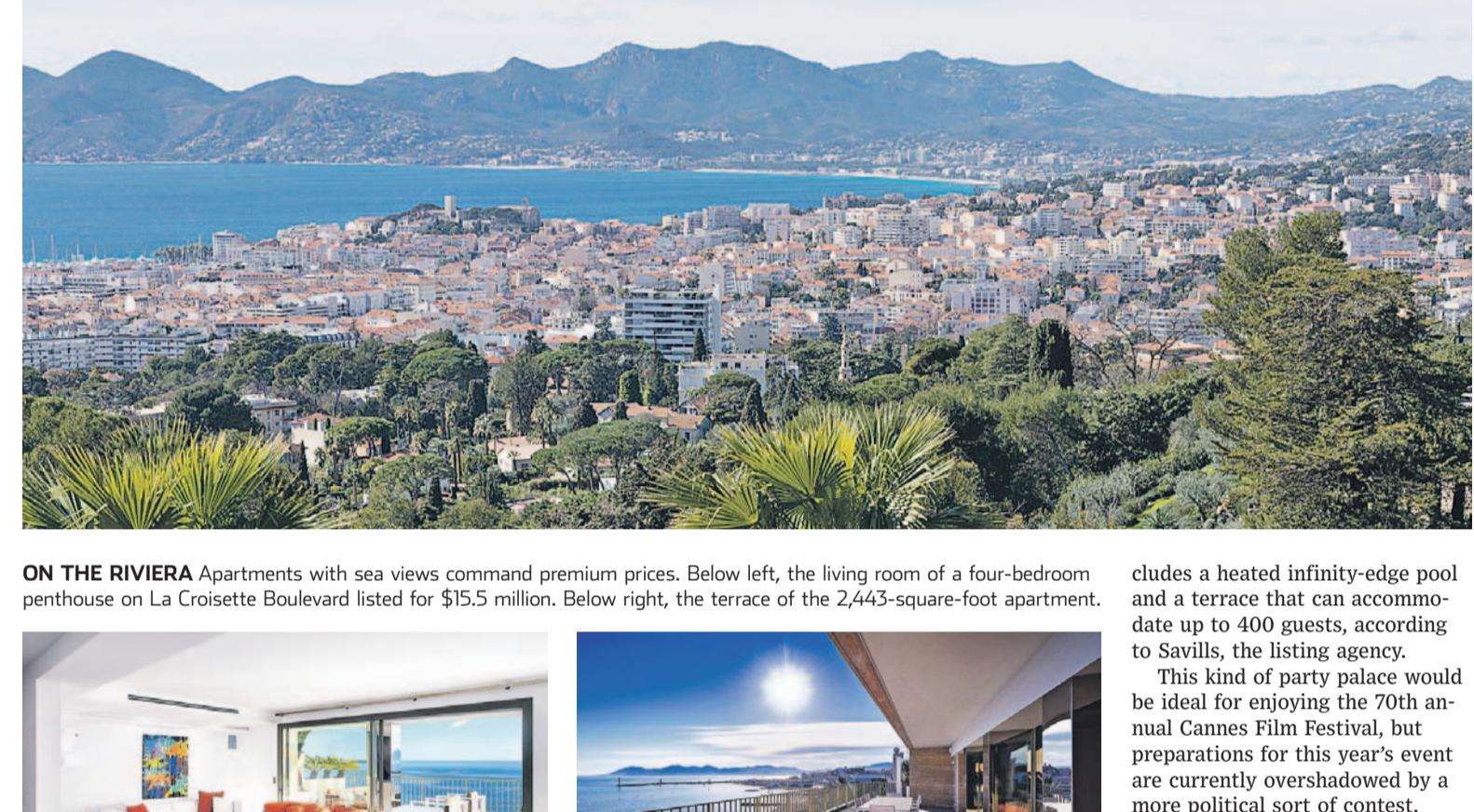
The homes that sell best are turnkey, and many buyers plan to earn a little income by renting them out from time to time, Mr. Lilloe says. By his estimates, someone with a two-bedroom apartment with a sea view on La Croisette, Cannes' most expensive street, would earn at least \$10,000 during the 11-day film festival. "The most you could get? Up to €25,000 [\$26,600] for a good apartment."

Earning an income from a Cannes home is useful because property owners are liable to ongoing taxes. These include land and habitation taxes to the local council, costing around \$2,000 to \$6,400 each year.

There is also wealth tax paid by those whose assets in France total more than \$1.4 million, at rates starting at 0.5%. When it comes time to sell, overseas owners pay capital-gains taxes up to a maximum 19%. Confusion surrounds a second selling tax, the 15% "social tax" liable on properties owned for less than 30 years, because the European Union is currently challenging its legality.

Throw in the specter of inheritance taxes, and Mr. Maugery-Pons suspects some buyers simply decide French property is too much trouble. "Even the people at the tax office don't understand how it is all calculated," he says.

Buyers willing to get their heads around France's unique tax system tend to have two Cannes addresses in mind. The first is La



**ON THE RIVIERA** Apartments with sea views command premium prices. Below left, the living room of a four-bedroom penthouse on La Croisette Boulevard listed for \$15.5 million. Below right, the terrace of the 2,443-square-foot apartment.



Croisette, the location of the Palais des Festivals et des Congrès convention center, the main venue of the Cannes Film Festival.

Apartments in the somewhat drab 1970s buildings that line this seafront boulevard are the most expensive in town, said William Bouzat, sales negotiator with Engel & Völkers real-estate agents. "You have got the fantastic sea views, and all the facilities like restaurants and shops," he explained. "Everything is in walking distance."

Prices along La Croisette range from around \$2,500 to \$5,000 per square foot, with homes in the stretch between two of its fanciest hotels—Le Majestic and the Martinez—commanding higher prices. Prices rise on higher floors because most buyers want water views.

Knight Frank is listing a four-bedroom, four-bathroom pent-

house apartment for \$15.5 million in a postwar building on La Croisette. The 2,443-square-foot contemporary property comes with parking and a self-contained studio apartment for staff.

Buyers who prefer a more suburban vibe look to the steep, winding, palm-tree-lined streets of Californie, which is a five-minute drive inland.

The buildings here are also mostly of postwar vintage, but are set within meticulously landscaped grounds. Californie's best buildings have security staff and concierge services, swimming pools and tennis courts. Even with these amenities, prices in Californie are considerably lower than on La Croisette. Typical apartments range from \$800 to \$1,400 per square foot, Mr. Bouzat estimates. Villas with sea views start at around \$5.3 million.



Mr. Bouzat says that around a quarter of Californie's buyers are French; the rest are mainly European. While high-profile Russian and Middle Eastern buyers prefer La Croisette, buyers from Belgium, Switzerland and Luxembourg, as well as Scandinavian nations like low-key Californie.

Currently on the market for \$4.2 million is a Provencal-style villa perched on the Californie hillside. The 3,229-square-foot property has four bedrooms and four bathrooms. A large backyard has terraces overlooking the sea, a swimming pool, and a pétanque court for games of the boules-like sport, according to Knight Frank.

Also on the market is Villa L'Abri, built circa 1910. Listed for \$21.3 million, this 11-bedroom, eight-bathroom home measures around 8,000 square feet and in-

cludes a heated infinity-edge pool and a terrace that can accommodate up to 400 guests, according to Savills, the listing agency.

This kind of party palace would be ideal for enjoying the 70th annual Cannes Film Festival, but preparations for this year's event are currently overshadowed by a more political sort of contest.

French voters go to the polls on April 23 for the nation's presidential elections, with a runoff on May 7 just days before the festival opens. With a campaign already riven by allegations of fraud and financial impropriety it is hard to call who will succeed President François Hollande.

Mr. Lilloe believes, however, that the magic of Cannes has the power to transcend mere presidents.

"People don't buy a property in the South of France to make money," says Mr. Lilloe. "Beyond the beach and the restaurants and the museums and the culture, you have the golf and the tennis and the polo and the hiking in the back country. You can be at a ski resort in 1½ hours in winter, and you have Provence with all its vineyards close by, or you can go to Monaco for the day."

"The expat community is very strong in Cannes, so people who buy here make friends. You don't need to learn the language—English is fine. You would have to look hard to find anywhere else in the world like Cannes."

## RELATIVE VALUES

# FROM THE FRONT DOOR TO THE FAIRWAY

These high-end homes in Santa Fe, Pebble Beach and Milton, Ga., are geared toward golf lovers



**\$5.49 million**

Milton, Ga.

10 bedrooms, 10 bathrooms

Atlanta Braves pitcher John Smoltz designed this 19-acre estate, which includes an 18,265-square-foot home alongside a putting green, two synthetic golf greens and nine tee boxes. Other outdoor amenities include a baseball diamond and basketball court. Agent: Alex McGraw, Harry Norman Realtors



**\$4.4 Million**

Santa Fe, N.M.

Seven bedrooms, six bathrooms, one half-bath

This 13,758-square-foot home overlooks the first fairway of the Sunrise Golf Course, part of the Club at Las Campanas private resort community. The course is visible from its outdoor spaces. Agents: Ray Rush and Tim Van Camp, Sotheby's International Realty



**\$6.8 Million**

Pebble Beach, Calif.

Five bedrooms, 8 bathrooms

Located in the estates area of Pebble Beach, this 7,734-square-foot home is off the fourth fairway of the Cypress Point Club. A homeowner can putt and chip from a personal tee box. Agent: Kim DiBenedetto, Coldwell Banker-Del Monte Realty

—Emily Nonko