

THE WALL STREET JOURNAL.

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DJIA 20454.66 ▼ 0.33% NIKKEI 18432.20 ▲ 0.07% STOXX 600 377.24 ▲ 0.24% BRENT 53.92 ▼ 1.77% GOLD 1279.50 ▼ 0.94% EURO 1.0714 ▼ 0.15% DLR \$108.88 ▲ 0.42%

What's News

Business & Finance

Exxon Mobil applied for a waiver from U.S. sanctions on Russia in hopes of resuming its joint venture with PAO Rosneft in the Black Sea. **A1**

◆ Convexity has lost \$1 billion of its clients' money in recent years as once reliable options trades backfired. **A1**

◆ Emirates is cutting flights to five U.S. cities after actions by the Trump administration slowed bookings from Middle Eastern countries. **B1**

◆ Akzo Nobel boosted dividend payouts to shareholders and set a timeline for the separation of its paints and coatings operation. **B1**

◆ Baidu will share software technology it is developing for self-driving cars in an effort to catch up with competitors. **B3**

◆ Facebook will make its augmented-reality tools available to third parties to create masks, filters and other effects. **B4**

◆ Goldman Sachs became the latest Wall Street bank to abandon its outlook on the dollar. **B8**

◆ Kleinfeld's abrupt departure as Arconic's CEO gives next month's board election added urgency. **B3**

◆ BlackRock posted increases in revenue, profit and assets as investors continue to favor index-tracking funds. **B5**

◆ The IMF warns that U.S. corporate debt has ballooned to levels exceeding those before the 2008 financial crisis. **B5**

World-Wide

◆ Criticism arose in some parts of Asia after the U.S. Navy revealed that it hadn't sent the USS Carl Vinson directly to North Korea after all. **A1**

◆ May received approval for an election on June 8, a move that can give her government more flexibility in Brexit negotiations. **A3**

◆ Pence praised investment by Toyota and other Japanese companies in the U.S. while avoiding criticism of Tokyo's trade practices. **A4**

◆ Trump raised over \$106 million for his inauguration festivities, with about half the funds coming from three dozen wealthy donors and corporations. **A7**

◆ Nicola Sturgeon wants Scots to vote again in 2018 over whether to leave the U.K., a sign of the impact of June's Brexit vote. **A3**

◆ Democrats fell short in a special election Tuesday for a U.S. House seat from Georgia, forcing a runoff in a contest widely seen as a referendum on Trump. **A6**

◆ Voters in Jakarta ousted a minority Christian confidant of the president in gubernatorial elections. **A4**

◆ U.S. jet fighters scrambled to intercept Russian bombers off the coast of Alaska, the Pentagon said Tuesday, a day after the event happened. **A4**

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WORLD NEWS

CAPITAL ACCOUNT | By Greg Ip

Is Trump Turning Globalist? Not So Fast



In Western capitals and Washington's punditocracy there was shock mixed with approval as President Donald Trump intervened in Syria's war, reaffirmed the importance of the North Atlantic Treaty Organization, and decided not to label China a currency manipulator.

But before anyone concludes Mr. Trump has gone globalist, a reality check is in order. Recent events show that his approach to the world has bifurcated, turning traditionally internationalist on foreign policy while remaining nationalist on economics.

Indeed, as Mr. Trump launched cruise missiles at Syria and rattled sabers at North Korea, he also ordered an examination of abusive foreign actions that contribute to U.S. trade deficits, expanded the categories of illegal immigrants prioritized for deportation, tightened "buy American" requirements for federal spending and clamped down on foreign worker visas.

This bifurcation tracks Mr. Trump's own philosophical priorities and the evolution of the party he leads. Republicans have long favored a

muscular approach to national security founded on military alliances. As a candidate Mr. Trump defied that consensus with his praise of Russian President Vladimir Putin, suggestions that South Korea and Japan develop nuclear weapons, and his dismissal of NATO as obsolete.

"We've defended other nations' borders while refusing to defend our own," he said in an inaugural address largely written by his most nationalist advisers, Stephen Miller and Steve Bannon.

But Mr. Trump's mistrust of foreign entanglements is rooted less in principle than resentment at paying for them. That has left him open to persuasion by traditional foreign policy hawks such as Vice President Mike Pence and Defense Secretary Jim Mattis. Mr. Bannon has been removed from the National Security Council, now headed by committed internationalist H.R. McMaster.

Economic issues, by contrast, are the foundation of Mr. Trump's worldview and his movement. Since the 1980s the New York businessman has believed other countries use free trade to rip off Americans. His strident attacks on illegal immigrants separated him from his rivals during the Republican pri-

mary campaign. His appointments, in part, reflect those views: Jeff Sessions, the attorney general, has spearheaded the crackdown on illegal immigration, while Commerce Secretary Wilbur

Two-Track Nationalism

Republican voters have soured on free trade but still favor an activist foreign policy.

Impact of free trade on the U.S.*

ALL ADULTS



REPUBLICANS



Which of the following statements comes closer to what you think? ...

ALL ADULTS



*Question asked in November 2010, February 2017. †Question asked in December 2015. Source: WSJ/NBC News telephone polls, most recent of 1,000 adults conducted Feb. 18-22; full-sample margin of error: +/-3.1 pct. pts.

THE WALL STREET JOURNAL.

Ross is studying how to use existing trade tools more aggressively against imports. Messrs. Miller and Bannon accompanied Mr. Trump on a trip to Wisconsin on Tuesday, where the president railed

against Nafta and Canada's protected milk industry and called the World Trade Organization a "disaster" while signing an executive order stiffening "buy American" rules and conditions for H-1B visas.

On immigration and trade, the Republican working-class base is closer to Mr. Trump than its other leaders. That base prevented Republican leaders in Congress from striking deal legalizing undocumented immigrants. The base now also sees free trade as bad, which has sapped support for it in Congress.

To be sure, Mr. Trump hasn't been the wrecking ball that many feared. The Mexican peso, which plunged after his election, has recouped those losses as Mr. Trump signaled he would seek relatively modest changes to the North American Free Trade Agreement. He has yet to hit any country or company with a punitive import tariff. He didn't name China a currency manipulator.

Yet trade wars and shredded treaties were never the likeliest outcome. The point of Mr. Trump's threats was to extract concessions. On Nafta, he wants the right to hit Mexico and Canada with tariffs if imports from either surge. In declining to name China a currency manipulator

Mr. Trump, besides acknowledging reality, concluded like previous presidents that withholding the designation could encourage Chinese cooperation on North Korea. Whether that calculus is wise remains to be seen.

Mr. Trump has ample tools for punishing foreign competitors including China without tearing up any existing trade agreement. His nominees as U.S. Trade Representative and commerce undersecretary, Robert Lighthizer and Gilbert Kaplan, are masters of trade law minutiae and how to deploy it against foreign companies and governments. The administration has already signaled a greater readiness to act outside the confines of the WTO.

More unilateral action on trade by itself doesn't spell the end of the global trading system; the world has survived bouts of protectionism before, for example under President Ronald Reagan in the 1980s. But Mr. Reagan was at heart a free trader; Mr. Trump isn't. At a time when protectionism and nationalism are on the rise everywhere, the world economy can't count on the U.S. as a counterweight just because its president is willing to drop bombs on Syria and Afghanistan.

Exxon opposed how the Obama administration applied sanctions on a number of its projects, according to people familiar with the matter, in part because the European Union granted waivers to its competitors to continue operating, including Norway's Statoil ASA, which has a waiver for arctic drilling in the Barents Sea, and Italy's Eni SpA for arctic drilling in the Barents and Black seas.

"Exxon is worried it could get boxed out of the Black Sea by the Italians," said a person briefed on the company's waiver application. Eni has been aggressively exploring the region in cooperation with Russia in recent years.

Exxon is seeking a waiver akin to those that have been granted by the EU to its rivals, according to people familiar with the matter.

Exxon needs an oil discovery in the Black Sea by the end of this year to obtain a Russian government license to drill under the terms of the deal Rosneft.

EXXON

Continued from Page One

part spokesman said.

It isn't clear whether the request with the Treasury Department's Office of Foreign Assets Control was made before Mr. Tillerson joined the Trump administration. A spokesman for the Treasury Department said it doesn't comment on waiver applications. An Exxon spokesman said the company wouldn't discuss government deliberations on sanctions.

The sanctions target operations with Rosneft involving the transfer of technology, banning U.S. companies from deals in the Arctic, Siberia and the Black Sea, areas that would require the sharing of cutting-edge drilling techniques. The sanctions, instituted after the Kremlin's annexation of the Crimea region of Ukraine in 2014, also bar dealings with Rosneft's chief executive, Igor Sechin, saying he "has shown

utter loyalty to Vladimir Putin—a key component to his current standing."

Since the fall of the Soviet Union, Russia's oil resources have been among the most sought-after prizes by U.S. and European oil companies, and multiple U.S. presidential administrations in both parties have worked to help them enter the country. As much as 100 billion barrels of oil remains untapped in the country, although many Western companies have been stymied in their attempts to reach those reserves, often by geopolitical risks.

The 2014 sanctions effectively sidelined a landmark exploration deal Exxon, under Mr. Tillerson's leadership, had signed with Rosneft in 2012. The deal granted Exxon access to explore in Russia's arctic waters, the right to drill with new technology in Siberia and the chance to explore in the deep waters of Russia's portion of the Black Sea.

Mr. Putinsaid Exxon and Rosneft might invest as much

as \$500 billion over the life of the partnership. In 2013, the Russian leader bestowed upon Mr. Tillerson the country's Order of Friendship in part for his role in developing the joint venture.

Exxon has reported it is exposed to losses from the Rosneft ventures of up to \$1 billion before taxes, although the company has yet to recognize them on its books given its position that sanctions could be lifted.

Exxon received a waiver in September 2014 when the sanctions were first implemented. The company had yet to complete a well in the Russian Arctic; Mr. Tillerson and other Exxon executives asked the Treasury Department and senior Obama administration officials to allow the company to complete the well, saying it wouldn't be safe to leave before it was finished, according to people familiar with the matter. Treasury granted an extension and the company completed drilling in October and eventually withdrew its

employees from the project. Exxon has been seeking U.S. permission to drill in areas affected by sanctions since late 2015, according to a person familiar with the matter.

In 2015 and 2016, Exxon received a license from the Treas-

The Black Sea has become a major area of interest for big oil companies.

sury Department allowing the company to undertake "limited administrative actions" in its partnership with Rosneft, according to company documents. Such permission would put Exxon in a position to move more quickly if it gets the green light to drill, according to the person familiar with the matter.

The proposal to drill in the Black Sea has been circulated in various federal departments

in recent months, several people said. Exxon is arguing that it deserves a waiver there because its exploration rights in the Black Sea will expire if it doesn't act by this year, under its deal with Rosneft, and because some of its top foreign competitors aren't similarly restricted.

American companies often seek waivers from sanctions, citing humanitarian, trade or operational issues, according to former U.S. officials. Companies operating in countries that are heavily sanctioned may seek waivers to conduct specific banking transactions or equipment purchases, for example.

The Obama administration granted sanctions waivers to high-tech companies operating in both Iran and Syria, arguing that facilitating the flow of information could help open up the repressive regimes in Damascus and Tehran.

It is unusual for a company to seek a waiver based purely on future business prospects, the officials said.

Exxon opposed how the Obama administration applied sanctions on a number of its projects, according to people familiar with the matter, in part because the European Union granted waivers to its competitors to continue operating, including Norway's Statoil ASA, which has a waiver for arctic drilling in the Barents Sea, and Italy's Eni SpA for arctic drilling in the Barents and Black seas.

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FUND

Continued from Page One

partners have discussed periodically whether to close the firm, according to people familiar with the matter. Mr. Meyer said none of the conversations has gained traction because Convexity's partners still believe the fund adds value over the long term.

He acknowledged the decision might not be entirely theirs.

"It is possible that three months from now we could say, 'Whoa, this is getting worse, not better, and our assets are dropping faster than we thought they would,'" he said.

"We would have to do it [then]," Mr. Meyer said of closing Convexity. He said in a subsequent interview Convexity has no plans to close in three months' time.

The firm now manages about \$4 billion, down from almost \$15 billion in 2013.

Across the hedge-fund industry, many of the biggest names are struggling after years in which stock and bond markets have largely moved in one direction. Many of these managers blame central banks, saying their bond-buying programs have distorted markets and limited volatility.

Managers also say there are simply too many traders and returns will improve when the crowd thins.

So far, the sales pitch has netted uneven results. Investor redemptions helped drive the highest number of hedge-fund closures last year since the financial crisis, according to research firm HFR, even as the industry reached a peak of \$3 trillion in assets under management.

Not long ago, endowments

and foundations lined up to invest with Convexity, drawn by Mr. Meyer's run at Harvard. Harvard Management Co. grew from \$4.8 billion when he joined as chief executive in 1990 to more than \$25 billion by the time he left in 2005. That success transformed the one-time psychology major at Ohio's Denison University into one of the most powerful investors off Wall Street. It also turned Harvard into a model for endowment investing and its potential, a rarefied berth also occupied by Yale University.

The giant hedge fund Mr. Meyer managed inside Harvard's endowment contributed to Harvard Management's annualized returns of more than 14%. "There were \$20 bills all over the sidewalk. We picked them up, and we picked them up on a very consistent basis," Mr. Meyer said. "I sort of look at that as the glory days."

He and a team of traders left Harvard following sustained criticism over their pay; some were among the highest paid university employees in the 2000s. They started trading at Convexity in 2006 with \$6.3 billion, still one of the industry's biggest launches.

Like other hot hedge funds then, clients accepted some stringent terms to get into the firm. One, since relaxed, meant clients couldn't get all their money back until more than five years had passed.

But unlike many hedge funds, Convexity collects performance fees not off its absolute returns but on its results against benchmarks clients choose, such as the S&P 500. That means Convexity's investors may not be charged fees even if the firm makes money but lags behind its benchmarks.

Similarly, Convexity compiles its returns with those

benchmarks, and could make money for clients when it says it is down and vice versa.

Convexity's strategy is to look for mispricings in bonds, largely in options and options-related markets. It has thrived in environments with rising rates and volatile markets. It notched a string of benchmark-beating returns from 2007 to 2011, including 19.9 percentage points over its benchmarks in 2009.

Performance reversed starting in 2012. A low point came at the end of March 2016, when each of its eight strategies was down, according to people familiar with the matter.

Harvard and Stanford University's endowments are among clients that have asked to redeem in recent years, according to people familiar with the matter. Spokeswomen for the endowments declined to comment.

Now a grandfather, Mr. Meyer stays active by playing golf and squash and doing CrossFit. He said exercising helps him manage stress.

He has been upbeat in social settings. At a rare reunion for

old Harvard endowment hands at the end of March, he seemed not to be weighed down by business pressures and reminisced instead about the strong performance of the internal trading team, said people at the dinner.

Mr. Meyer has blamed Convexity's sustained drubbing on central banks' bond-buying programs. He now says the firm was "slow to recognize how persistent and enthusias-

tic" central banks' efforts to dampen volatility would be.

Convexity's struggles have sparked some philosophical disagreements.

One top trader, Edward DeNoble, for years pushed for more of a "macro" approach

that would take views on the direction of rates instead of one

that was agnostic about their future path, people familiar with the matter said.

Mr. Meyer and his co-founders, former Harvard bond traders David Mittelman and Maurice Samuels, ultimately decided they were uncomfortable making such trades, where they felt Convexity had little competitive advantage.

Mr. DeNoble left Convexity and in 2015 started a macro hedge-fund firm, Frontlight Capital LP. A spokesman for Mr. DeNoble declined to comment.

Some clients are standing firm. Convexity is "a coiled spring" that could outperform when other parts of investors' portfolios fare poorly, said David Salem, chief investment officer of Boston-based Windhorse Capital Management and a longtime friend of Mr. Meyer's.

Convexity has told investors

that factors such as expected rate increases by the Federal Reserve mean bond markets won't stay calm forever. The fourth quarter of 2016, when markets moved around Donald Trump's surprise election, was Convexity's strongest showing in years.

The fund for 2016 still lagged behind its benchmarks by 2.9 percentage points. Its annualized return since inception compared with its benchmarks is 2.7 percentage points.

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WORLD NEWS

Lawmakers Approve U.K. Early Election

Prime minister called June 8 vote seeking to bolster support for Brexit negotiations

By JENNY GROSS

LONDON—Prime Minister Theresa May received formal approval from the House of Commons to hold an early election, a move she expects will give her more flexibility in coming Brexit negotiations with the European Union.

Mrs. May announced the June 8 election on Tuesday, saying that in recent days she had shifted from her previous opposition to an early ballot out of concern that a divided Parliament could hinder the government's efforts to get a good deal in the negotiations.

The prime minister, who took office in July after her predecessor David Cameron resigned following the U.K. vote to leave the EU, easily won Wednesday afternoon's vote 522 to 13. She needed the support of two-thirds of lawmakers, and Jeremy Corbyn, the leader of the opposition Labour Party, had pledged his support.

Mrs. May enjoys a wide lead in her approval ratings over Mr. Corbyn, whose party is deeply divided over its direction. British newspapers portrayed the decision as a move designed to neutralize the opposition. The headline of the Daily Mail tabloid on Wednesday was "Crush the Saboteurs."

Opinion polls indicate Mrs. May is likely to win the elec-



JUSTIN TALLIS/AGENCE FRANCE PRESSE/GTY IMAGES

Prime Minister Theresa May, needing the support of two-thirds of lawmakers, won Wednesday's vote 522 to 13.

tion by a wide margin.

A YouGov poll conducted last week showed her Conservative Party with 44% approval among Britons, compared with the main opposition Labour Party's 23%. The pro-EU Liberal Democrats received 12%, and the rest went to other parties.

Analysts and pollsters said that with her high approval ratings, Mrs. May could strengthen her majority in Parliament to more than 100

from the current 17.

With more Conservative support in Parliament, Mrs. May will be less beholden to anti-EU lawmakers in her party who favor a quick, definitive break from the EU, regardless of whether the U.K. secures an agreement to protect its trading relationship with member countries.

A stronger majority in Parliament also will narrow the chances of Britain failing to reach a deal with the EU, a

scenario that economists see as the most disruptive to the British economy.

Mrs. May told the British Broadcasting Corp. on Wednesday that opposition parties were "frustrating the Brexit process" and that an election would give the country certainty and stability.

The June 8 ballot means that the U.K. won't face another national election as it comes to the most crucial part of Brexit negotiations

with the EU, which are scheduled to end in March 2019. The U.K. was to have had a national election in 2020, but now it won't occur until 2022.

In Brussels, a spokesman for Jean-Claude Juncker, president of the European Commission, said Mr. Juncker thinks "the real political negotiations" on Brexit will start after the June balloting.

For the Labour Party, the election in June will be as much a test of its decline as

of Mrs. May's Brexit approach.

Political allegiances in the U.K. have fractured amid the movement to leave the EU, and the Labour Party, which supported staying in the EU, has lost some of its traditional working-class base, many of whom voted for Brexit.

Mr. Corbyn took office in 2015 after the Labour Party suffered its worst electoral defeat in 30 years. His support came mainly from leftist grass-roots party members who wanted a radical alternative to the Conservative Party's center-right policies.

Many senior Labour Party figures, including former Prime Minister Tony Blair, say Mr. Corbyn's policies are too leftist to appeal to centrist voters.

The Brexit vote has split opinion in both main parties, but has proved especially difficult for Labour.

Alan Johnson, a pro-EU Labour lawmaker for the northern constituency of Kingston Upon Hull West and Hessle, said Tuesday he would resign ahead of the next election after thinking about what was best for the constituency and the party. His constituency voted to leave the EU.

Another Labour lawmaker, John Woodcock, said that he would be seeking re-election in his northwest England seat but that wouldn't endorse Mr. Corbyn because he didn't see him as fit for the job. A spokesman for Mr. Corbyn didn't respond to a request to comment.

—Laurence Norman
in Brussels
contributed to this article.

Britain Gears Up for One-Issue Vote

By STEPHEN FIDLER

LONDON—June's general election in Britain will be dominated by one issue: Brexit. The subject has been just about all that has mattered in British politics since the June 2016 referendum decision to leave the European Union.

The complication is that attitudes to Brexit aren't divided along conventional political party lines. The two main political parties and their voters are split over Brexit—and the big question is to what extent will people change their traditional voting behavior according to their views on the EU.

Not since 1974 has an election been called on a single issue. Prime Minister Ted Heath called a snap election to strengthen his mandate in a fight with trade unions that was depicted as a battle over who governed the country.

Mr. Heath lost his majority.

But 43 years on, few pundits expect Prime Minister Theresa May to lose hers, now a narrow 17 seats, and she expects to increase it substantially.

Opinion polls suggest that popular support for the main opposition Labour Party under leader Jeremy Corbyn has melted down. If that performance continues into the election, the party will post its weakest electoral showing in decades, with its share of the 650-seat Parliament falling perhaps as low as 150-200 seats.

John Curtice, professor of politics at the University of Strathclyde, said Mrs. May's strategy depended on her preserving support among Conservative Party voters. "She has to keep together the coalition of those who voted to leave and those who voted remain," he said.

If she succeeds, she would

have more freedom within her party to negotiate the sort of deal she wants with the EU without having to worry about

the wing of her party that wants a sharp and decisive break from the bloc.

It also would give her more clout in the negotiations in Brussels by giving her opposite numbers the confidence that she can deliver at home on her pledges to them that

Brexit crowds out all other concerns as the prime minister seeks to boost her strength.

would be unpopular among her party's right-wingers—for example, on immigration from the EU and on making some kind of post-Brexit financial contributions to the EU.

If so, that would seem likely to reduce the prospect of the U.K. tumbling out of the EU without a deal and to increase the chances of temporary arrangements to soften the eco-

nomic disruption of Brexit. Certainly, Tuesday suggested that some in the financial markets believe a hard post-Brexit landing is now less likely.

But Mrs. May is also taking a risk. She has performed an explicit about-face over an early election, which she previously depicted as a threat to stability, with the possibility that she could be accused of political opportunism.

She is gambling that attitudes to Brexit won't lead to tactical voting that will erode support for her party's MPs.

Anti-Brexit Conservatives may switch allegiances in some places to the third-party Liberal Democrats, which will campaign for Britain to remain in the EU.

So far, the Liberal Democrats have succeeded in attracting Labour Party opponents of Brexit, mainly in the south of the country, Mr. Curtice said. So far, few Conservatives appear to have switched allegiance. Mrs. May will be hoping it stays that way.



SNP leader Nicola Sturgeon leaves a press briefing in London.

New Poll Emboldens Scottish Secessionists

By JASON DOUGLAS

LONDON—A national election in June will give British voters the chance to deliver their verdict on Prime Minister Theresa May's handling of Brexit. In Scotland, it will also be a test of voters' appetite for a second referendum on leaving the U.K.

Scottish leader Nicola Sturgeon says she wants Scots to vote again in 2018 on the issue of independence, a sign of how June's Brexit vote is straining the constitutional bonds that hold the U.K. together.

Ms. Sturgeon has already secured the backing of the Scottish Parliament in Edinburgh to hold another vote, but the referendum requires the support of Mrs. May's government to give the result legal weight and so far, the British prime minister has resisted offering that support. She says the independence question was settled in 2014 and shouldn't be revisited before Britain leaves the EU, expected in early 2019.

Britain's Parliament on Wednesday voted in favor of Mrs. May's call for a nationwide election on June 8. That election—together with local elections in Scotland on May 4—will test the enthusiasm of Scots for a second referendum on independence. Opinion polls suggest voters are wary of a rerun after the closely-fought campaign in 2014, which left battle scars on both sides that haven't fully healed.

Lawmakers in Ms. Sturgeon's Scottish National Party argue that another strong showing in June's election would strengthen their case for a fresh push for secession. But analysts say the party is unlikely to repeat its stunning success of 2015's election, when it swept 56 of 59 Scot-

tish seats at the U.K. Parliament at Westminster in London. They also say that any losses will be seized on by Mrs. May as evidence the nationalist surge that threatens Scotland's 300-year-old place in the U.K. is ebbing.

In September 2014, Scots voted against independence by 55% to 45% in a poll held at the time by former SNP leader Alex Salmond as a "once-in-a-generation" event.

But Ms. Sturgeon argues that June's Brexit vote means another vote is now necessary. Although the U.K. as a whole opted to leave the EU, Scots overwhelmingly chose to remain, by 62% to 38%. Ms. Sturgeon says that means Scottish voters should be given the choice between leaving the EU under whatever terms Mrs. May negotiates, or going it alone as an independent country.

Her party, which has in recent years come to dominate Scottish politics, sees the coming election as another chance to demonstrate the Scottish public supports another independence poll.

"I think if the SNP gets a clear majority of the Westminster seats, then that's a mandate for a second referendum," said George Kerevan, SNP member of Parliament for East Lothian, a district that borders Edinburgh.

On the question of independence itself, polls suggest support for independence among Scottish voters hasn't changed much since 2014. Of eight surveys gauging support for independence conducted since January, only one gave secessionists the lead, at 47% to 46%, with the remainder undecided, according to polls tracked by the U.K.'s NatCen Social Research, a nonpartisan social-research institute.

WORLD WATCH

TURKEY

Electoral Commission Rejects Challenges

Turkey's electoral commission rejected petitions submitted by three political parties to cancel Sunday's constitutional referendum, closing one of the last legal loopholes challenging the vote marred by allegations of widespread irregularities.

In a statement Wednesday, the Supreme Election Board said that 10 of its 11 members voted against the petitions, while one ruled in favor of an annulment.

The decision was expected, as the head of the electoral body had already validated the results of the poll in which voters were asked to approve a constitutional amendment to centralize governing powers in the office of President Recep Tayyip Erdogan and radically alter Turkey's democracy.

The unofficial tallies in the vote showed the pro-Erdogan "yes" campaign winning by 51% to 49%. Opposition parties believe as many as 2.5 million ballots were suspect.

—Margaret Coker

CANADA

Trump Takes Aim At Dairy Industry

President Donald Trump revived his tough talk on the North American Free Trade Agreement, warning Canada it



GETTING OUT: Syrians from regime-held towns arrive at a rebel-held transit point outside Aleppo.

must stop protecting its dairy farmers from U.S. competition.

Mr. Trump previously said he intended only to tweak parts of Nafta as they pertain to Canada. On Tuesday in Wisconsin, home to more than one million dairy cows, his comments about Canadian dairy suggested he might have something bigger in mind.

"In Canada, some very unfair things have happened to our dairy farmers, and others, and we are going to start working on that," Mr. Trump told the crowd in Kenosha in a speech to unveil his executive order that aims to put more teeth into de-

cades-old "Buy American" and "Hire American" campaigns.

—Paul Vieira

CHINA

Interpol Called On To Find Businessman

China said it sought Interpol assistance in its effort to arrest Chinese businessman Guo Wengui, who has alleged high-level corruption in the ruling Communist Party.

Mr. Guo, a real-estate tycoon, vanished from public view after leaving China about two years

ago. In Twitter posts and interviews with overseas Chinese media, Mr. Guo said he fled China after a business dispute with relatives of a retired top Communist Party official. He has also claimed to have knowledge about corruption by high-ranking party officials and their associates. He hasn't provided evidence for his allegations.

On Wednesday, Chinese Foreign Ministry spokesman Lu Kang confirmed a Hong Kong media report that Interpol has issued a "red notice" for Mr. Guo at China's request.

—Chun Han Wong

WORLD NEWS

Jakarta Voters Oust Christian Governor

BY BEN OTTO
AND ANITA RACHMAN

JAKARTA, Indonesia—Voters in the capital ousted a minority Christian confidant of the president in gubernatorial elections, replacing him with a candidate riding a wave of hard-line Islamist support that has upended politics in the world's largest Muslim-majority nation.

Wednesday's election casts into political exile Basuki Tjahaja Purnama, a brash-talking but visionary politician whose popularity eroded under months of increasingly rancoorous attacks from Muslim hard-liners.

Protests against Mr. Purnama, the most prominent politician among Indonesia's long-persecuted Chinese minority, drew crowds of hundreds of thousands of people and showed unexpected strength by elements that were once at the fringe of Indonesia's tolerant traditions of Islam.

Projections of partial vote counts conducted by polling firms showed Mr. Purnama, running under the party of President Joko Widodo, lost handily

to Anies Baswedan, a former university rector who won the backing of Islamist groups.

Pollsters said Mr. Baswedan won about 55%-58% of the vote, with Mr. Purnama taking about 42%-45%. Election officials cited by local media estimated voter turnout at about 80%. Official counts are expected in two weeks, but political analysts said the outcome, which will see a handover of power in October, is unlikely to change.

The loss injects uncertainty into Mr. Widodo's political position, handing a close ally and his party a defeat just as U.S. Vice President Mike Pence arrives in Jakarta for two days of talks with the president and others, including a group of religious leaders at the largest mosque in Southeast Asia.

Indonesia is a key U.S. counterterrorism partner and political anchor of nations bordering the busy trade lanes and fishing grounds of the South China Sea. Mr. Pence has halfway through a 10-day trip that included stops in South Korea and Japan and will include Australia.

Mr. Purnama's fall was swift. Just a year ago, he seemed a shoo-in to win election to the office that he stepped into as Mr. Widodo's deputy when his boss was elected president in 2014. Mr. Purnama earned high popularity ratings for a no-nonsense style and attempts to overhaul a sluggish bureaucracy and improve chronic traffic and flood problems that cut into the productivity of the nation's economic engine.

The rise of an ethnic Chinese Christian politician seemed to signal changing times and a demand for competent leadership, qualities also attributed to the rise of Mr. Widodo, the first president to hail from outside the elite or the military.

But late last year, Mr. Purnama made a lighthearted remark in reference to a Quran verse that some religious leaders interpret to mean Muslims shouldn't elect leaders of other faiths. Mr. Purnama has said he intended no offense and apologized, but political opponents reframed the comment as an insult to Islam.



Supporters of Islamist candidate Anies Baswedan celebrated his victory in Jakarta on Wednesday.

They accused Mr. Purnama of blasphemy and set in motion a criminal prosecution that could see him imprisoned for as long as five years. Court proceedings resume on Thursday.

"The lesson here will be that you don't want to offend radical groups, because they'll kill you in the polls," said Yohanes Sulaiman, a lecturer at the School of Government of Universitas Jenderal Ahmad Yani. "This is a setback to democracy. The entire race was framed by hard-liners."

Mr. Purnama conceded de-

feat several hours after polls closed in this city of 10 million people, congratulating his rivals and asking citizens to support them.

Mr. Baswedan struck a conciliatory tone, saying he would respect the capital's diversity. "For us, the journey is still long," he said. "The endeavor is not only to win the election. It is truly to bring back and bring about justice for the people of Jakarta."

The election was orderly, one sign of the maturity of Indonesia's voting system in the

two decades since the democratic era began with the ouster of the dictator Suharto in 1998 at the height of the Asian financial crisis.

But political analysts said the outcome struck a blow to secular democracy in the nation of 250 million people, coming after a campaign in which Mr. Baswedan courted radical Muslims and gave voice to fringe elements that had been relatively quiet since Mr. Widodo's 2014 rise.

—*I Made Sentana contributed to this article.*

U.S. Says Iran Obeys Agreement

BY JAY SOLOMON

WASHINGTON—The Trump administration notified Congress that Iran is compliant with the landmark nuclear agreement reached in 2015, but also cast doubt on the U.S.'s continued support for the deal.

Congress mandates U.S. administrations to report quarterly on whether Tehran is meeting the terms of the agreement, which required Iran to significantly scale back its nuclear capabilities in exchange for the lifting of most international sanctions.

Secretary of State Rex Tillerson certified to House Speaker Paul Ryan (R., Wis.) on Tuesday that Iran remained compliant with the deal as of April 18.

The administration cast doubt on continued support for the nuclear deal.

But he also said President Donald Trump was reviewing whether his administration would continue to roll back sanctions on Iran as required by the deal, given Tehran's support for groups Washington designates as terrorist organizations.

"Iran remains a leading state sponsor of terror through many platforms and methods," Mr. Tillerson wrote. "President Donald J. Trump has directed a National Security Council-led interagency review...that will evaluate whether suspension of sanctions related to Iran pursuant to the [nuclear deal] is vital to the national security interests of the United States."

Mr. Trump harshly criticized the Obama administration's deal with Iran, describing it as one of the worst U.S. diplomatic agreements in history.

But Mr. Trump has toned down his criticism of the agreement since taking office. Some of his top aides, including Secretary of Defense Jim Mattis, have indicated they thought the U.S. should continue to support the deal.

The Trump administration has sought to push back Iran's growing influence in the Middle East and constrain its military programs.

The U.S. has imposed sanctions on Iranian entities for missile development and alleged human-rights abuses in recent weeks.

The Trump administration has also increased military support for a Saudi-led coalition fighting an Iranian-backed militia in Yemen.

Pence Depicts Ties With Japan as Healthy

BY PETER LANDERS

TOKYO—Vice President Mike Pence praised investment by Toyota Motor Corp. and other Japanese companies in the U.S. while avoiding criticism of Tokyo's trade practices, drawing a relieved welcome from business leaders here.

"It went well," said Toyota President Akio Toyoda after meeting Mr. Pence in a small group and hearing the vice president's speech to businesspeople at a Tokyo hotel on Wednesday.

The election of President Donald Trump and some of his tweets thereafter led to concern in Tokyo about the possibility of fundamental change in economic policy in the U.S., which buys some \$130 billion in Japanese-made goods annually. "When did we beat Japan at anything?" Mr. Trump asked in the speech opening his campaign in June 2015, adding: "They beat us all the time."

Mr. Pence's first trip to Asia



Mike Pence chatted with Toyota Motor President Akio Toyoda, left, after a speech at a hotel in Tokyo to business leaders during the vice president's first trip to Asia.

as vice president has been dominated not by trade but by the North Korea threat, which he has mentioned at every public appearance in Tokyo. "Rising tensions with North Korea are causing the U.S. to prioritize its defense and security cooperation with Asian allies," said Eurasia Group analyst Scott Seaman in a report.

Mr. Pence and his hosts

didn't discuss a controversy over the aircraft carrier USS Carl Vinson, which top U.S. officials had suggested was on its way toward the Korean Peninsula when in fact it was thousands of miles away on exercises.

Mr. Pence said Wednesday that the U.S. "will continue to deploy our most advanced military assets in the region."

Japan's top government spokesman, Yoshihide Suga, who was asked whether Tokyo could trust Mr. Trump's statements, said the two countries "are communicating with each other very well."

In a business speech in Tokyo, Mr. Pence depicted the U.S.-Japan economic relationship as a healthy one that could be improved further through changes advocated by Mr. Trump such as lower corporate taxes and fewer environmental regulations, which would encourage Japanese investment. He praised Toyota by name for its pledge to invest \$10 billion over five years in the U.S., although much of that figure incorporates previous plans to refurbish factories under a global production strategy.

Critics of Japan's trade practices point to the large U.S. trade deficit with Japan—\$69 billion in 2016—as well as Tokyo's tariffs on beef and pork and the low market share of American-made cars in Japan.

President Trump also recently commended Toyota for its U.S. investment and has refrained from criticizing the company's plans for a Mexico plant.

"President Trump's agenda in America will renew our country's reputation as the premier investment destination in the world," said Mr. Pence, who recalled his experience as governor of Indiana urging Japanese companies to build factories in his state.

At a private meeting with Japanese business leaders, Mr. Pence called for more Japanese investment in the U.S. and didn't discuss the possibility of a two-way trade deal between the U.S. and Japan that might compel Tokyo to lower agricultural tariffs and other barriers, said an attendee, Sadayuki Sakakibara, who heads the Japan Business Federation.

After stops in Seoul and Tokyo, Mr. Pence was headed for Jakarta, where he will meet Indonesia's president. His final stops are in Australia and Hawaii.

U.S. Jets Intercept Russian Bombers Off Alaska

BY BEN KESLING

WASHINGTON—U.S. jet fighters scrambled to intercept Russian bombers off the coast of Alaska, the Pentagon said, a day after the event happened.

A pair of Air Force jet fighters intercepted two Russian long-range bombers in international airspace, near the Aleutian Islands. The Russian planes didn't enter U.S. territory. It was the first interception.

tion of Russian aircraft by the North American Aerospace Defense Command since 2015. "On April 17, two Russian TU-95 Bear bombers were intercepted in international airspace off the coast of Alaska by two Norad U.S. F-22 Raptor fighter aircraft," said Lt. Col. Michelle Baldanza, a Pentagon spokeswoman, on Tuesday. She characterized the interception as "safe and professional."

"Norad monitors the air approaches to North America and are ready to ensure air sovereignty and defend the airspace," she said. Interceptions are a core function for Norad and one for which the crews routinely train, said John Cornelio, a spokesman for the command.

"Although we use the term intercept, it's more of a visual identification of aircraft," he said. "When there's unidenti-

fied aircraft operating in that airspace, we're going to go up and take a look."

After the fall of the Soviet Union, Russian long-range military flights largely ceased, Mr. Cornelio said, but resumed in 2007. Since 2007, Norad has flown 60 intercept missions. This is the first interception since 2015, he said.

The F-22s and Bear bombers didn't communicate, and the interception occurred

without incident, he said.

"They fly extremely professionally and we do the same," Mr. Cornelio said.

Mr. Cornelio said other support aircraft might have accompanied the F-22s but that Norad only comments on the aircraft directly involved in the interception. He also declined to provide the exact location of the contact or how long it lasted, citing operational-security concerns.

VINSON

Continued from page A1
Korean leader Kim Jong Un—"will never return to dialogue."

Chinese news portal Guancha.cn declared: "Media around the entire world have been duped by Trump again!" The Global Times, a nationalistic tabloid, took that observation a step further, saying American, South Korean and Japanese media had committed a "major screw-up."

Ni Lexiong, a Shanghai-based commentator on military affairs, said Mr. Trump appeared to use claims of the Carl Vinson's deployment as a feint in trying to dissuade North Korea from conducting a nuclear test.

"Trump and the media jointly performed a modern-day 'Empty Fort Strategy,'" Mr. Ni wrote on his Weibo microblog, referring to a reverse-psychology ploy described in the ancient Chinese military treatise, "Thirty-Six Stratagems."

A Chinese Foreign Ministry spokesman declined to comment on the Carl Vinson, only saying that Beijing is in close

contact with the U.S. and that all sides should de-escalate tensions. "We don't want to see any conflict," he said.

In Japan, Prof. Narushige Michishita of the National Graduate Institute for Policy Studies said regardless of whether the U.S. intended to deceive or the narrative was a miscommunication, it looked bad for the White House.

"At a time of emergency, disinformation could be used as a tactic, but if the U.S. president spreads disinformation in peacetime like now, it would hurt the credibility of the U.S.," he said.

During a trip to Japan, U.S. Vice President Mike Pence on Wednesday visited the USS Ronald Reagan, the only American aircraft carrier permanently stationed abroad. Mr. Pence didn't refer to the Carl Vinson in a speech he made on the ship's deck to mainly U.S. military members.

But he thanked the Ronald Reagan's crew ahead of what he called their "imminent deployment."

The carrier, based at the Yokosuka port, just south of Tokyo, is currently undergoing maintenance and will likely head out of port in the next

few weeks, U.S. Navy officials said. They declined to discuss its planned movements.

Mr. Pence also repeated warnings to North Korea against challenging Mr. Trump, saying any use of military force would be met with an overwhelming response. He said the U.S. would continue to use economic and diplomatic pressure against Pyongyang.

The Carl Vinson incident was barely reported on by the Japanese media. Japan's Defense Ministry declined to comment. Chief cabinet Secretary Yoshihide Suga, the top Japanese government spokesman, declined to comment on the Vinson, but said "the Japanese government appreciates that the U.S. is taking the position that every single option is on the table" in respect to North Korea's threat.

The U.S. Pacific Command on Tuesday said the Vinson is now heading toward the Western Pacific as ordered after a shortened training exercise with the Australian Navy. The statement described the move as a "prudent measure."

—Cheiko Tsuneoka in Tokyo and Eva Dou in Beijing contributed to this article.

Maritime Mix-Up

The USS Carl Vinson aircraft carrier, which the Pentagon had said was headed to the Sea of Japan (East Sea) as a show of force to Pyongyang, was spotted in Indonesia on Saturday.

April 8

Carl Vinson departs Singapore for planned visit to Australia

April 9

U.S. Pacific Command says Carl Vinson heading to Western Pacific Ocean

April 15

A U.S. Navy photo shows the carrier in the Sunda Strait

INDONESIA



THE WALL STREET JOURNAL.

WORLD NEWS

Migrant Toll Rises as Quarrels Slow Rescues

BY DREW HINSHAW
AND PIETRO LOMBARDI

ROME—Emergency crews near the shores of Libya are confronting a grim paradox: There have never been so many rescue boats along the sea passage to Italy. Yet never before have so many people been dying there.

Three years into an all-out push to stop fatalities in the central Mediterranean Sea, it remains the world's deadliest migration route. Despite efforts by dozens of governments, navies, international organizations and aid agencies, smuggling practices have become more hazardous in Europe's southern waters. Some 4,500 people died there last year, a toll 2017 is on track to surpass.

Those lost lives are sparking recriminations over who is to blame, pitting aid groups that say there aren't enough rescuers on the sea against European officials who say there may be too many. Both sides agree the number of people crossing and dying in the central Mediterranean is set to break a record this year. Last year, about 180,000 crossed over. So far this year, arrivals are up almost 24% from the 2016 period.

Increasingly, rescued migrants are carried to Italy by aid agencies like Doctors Without Borders. Such NGOs rescued nearly 47,000 migrants last year and were involved in about a quarter of all operations. This year, they have been involved in about a third. International conventions require rescued migrants to be brought to a safe country.

Aid groups fault the European Union for deploying too few rescue boats, too far from Libyan waters. The NGOs say if they weren't there, even more people would die.

EU officials, however, have been pursuing an explicit policy of staying away from the coast to avoid encouraging more migrants to undertake



Aid workers sanitize the bodies of dead migrants aboard the former fishing trawler Golfo Azzurro.

the perilous passage. So many aid agencies are now sailing so close to Libya, the EU argues, that they may be acting as a pull factor for migrants and a boon for smugglers sending out rubber boats.

The recriminations show how divisions between Europe's humanitarians and its border patrols are enabling the traffic they all want to stop. For years, the two sides have debated where and how ships should respond. Meanwhile, thousands have died.

"If they keep arguing instead of working together, smugglers will be able to work almost unhindered," said Alfonso Giordano, professor of political geography at Rome's Luiss University.

The death rate is rising, all sides agree, in part because smugglers are using more treacherous boats. Smugglers are stripping engines from dinghies midjourney, authori-

ties say, stranding horrified migrants at sea. More crossings are taking place at night and in extreme weather. Boats are often so packed there wouldn't be room to wear life jackets even there were any.

This is happening, some officials argue, because smugglers know their boats need to make it only to the line of rescue ships sitting just offshore. EU border agency Frontex says smugglers sometimes give the migrants phones with the NGOs' numbers already programmed in. "We have never had so many vessels deployed to save lives and we have never had so many deaths," said Fabrice Leggeri, head of Frontex.

In contrast, the NGOs say smugglers are behaving more dangerously because an EU naval patrol has destroyed more than 400 of their boats.

That practice, they say, discourages cartels from investing in supplies they figure they are bound to lose at sea anyway. Life in Libya, they add, has become so horrible that many migrants are willing to board hopelessly treacherous boats to escape.

"Often, all of the women have been raped," said spokeswoman Laura Lanuza for rescue agency Proactiva Open Arms. "They don't mind if they die finally in the sea, honestly, because they can't stand to be in Libya anymore."

Two years ago, Frontex unveiled a program to stop the deadly passage. It planned for Italy's navy to end its roughly \$10-million-a-month rescue missions along Libya's shore. In their place, the EU dispatched patrol boats closer to the Italian coast, far from Libya.

The EU sought to make the

crossing more difficult so people would stop attempting it, bringing down deaths overall, according to an EU report on the patrols. It warned, however, that the void could risk higher fatalities, at least at first, it said.

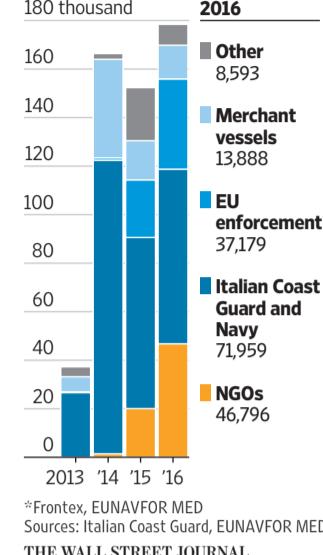
The plan didn't go as hoped, Frontex now says. Some 500,000 people have crossed since then, and 11,200 died trying. Italy's maritime emergency center has continued to get distress calls virtually every day from migrants on stranded dinghies.

It is a crime under international maritime law to ignore such alerts. So when no rescue ship is nearby, the emergency center is obliged to send the next nearest ship.

Often that has meant calling on container ships so enormous they often pose a danger to the boats they are trying to save. In April 2015, more than 800 people died

Saving Lives at Sea

Last year, NGOs rescued twice as many migrants in the central Mediterranean as in 2015, and about a quarter of the total.



*Frontex, EUNAVFOR MED
Sources: Italian Coast Guard, EUNAVFOR MED
THE WALL STREET JOURNAL.

when a dinghy drove into the cargo ship coming to rescue it. A similar incident killed 400 a week earlier.

The procedures have infuriated commercial shippers. "We feel very strongly that as long as Europe is in charge of the rescue organization, we're never going to see a resolution," said Peter Hinchliffe, Secretary-General of the London-based International Chamber of Shipping, which has asked the United Nations to send rescuers.

Cargo ships also lack medical staff and supplies, one reason why NGOs say they have stepped in. Nearly every dinghy has a medical emergency on board, they say: Refugees are arriving with chemical burns and fresh torture wounds from kidnapping gangs in Libya. Four times this year, a passenger gave birth at sea.

"We are the ones saving lives," said Stefano Argenziano, director of search operations for Doctors Without Borders. "They're blaming the firefighter for the fire."

Trump's Order Calls for Shifts in H-1B Visa Rules

BY ELI STOKOLS
AND LAURA MECKLER

President Donald Trump said he wants to change rules for distributing visas to high-skilled foreign workers, promising to direct more to the highest-paid applicants as he seeks to make good on his "America First" economic promises.

The result stands to benefit high-tech companies in Silicon Valley, with fewer H-1B visas going to outsourcing firms, many based in India, which critics say displace American workers. Under current rules, the visas are distributed at random by a lottery.

"It's America first—you better believe it," Mr. Trump said Tuesday during a speech at Snap-On Inc. in Kenosha, Wis., before signing an executive order that calls for a governmentwide review aimed at stricter enforcement of immigration and other laws governing the entry of workers into the U.S.

The order also initiates a 150-day review across all federal agencies aimed at detecting loopholes and waivers that undercut existing "Buy American" initiatives.

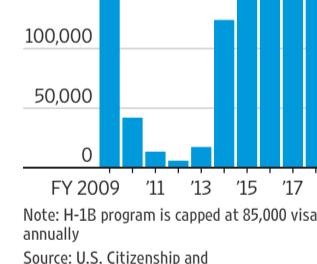
Mr. Trump said his "Buy American, Hire American" directive, coming as his administration nears the 100-day mark, fulfills a central campaign promise and "sends a powerful signal" to the world. "We are going to protect our workers, defend our jobs and finally put America first," he said.

Some congressional Democrats praised the executive order on the whole. Sen. Chris Murphy (D., Conn.) called it "a step in the right direction." Sen. Sherrod Brown (D., Ohio) urged Mr. Trump to go further. "Reviewing Buy America alone won't put construction workers back on the job," Mr. Brown said in a statement.

Mr. Trump called for a change in how the scarce H-1B visas are distributed, but the order isn't specific about policy changes. The order directs

Visa Petitions Down

Measured by activity in the first five days of the application period, petitions for H-1B visas this year fell 16%.



Note: H-1B program is capped at 85,000 visas annually

Source: U.S. Citizenship and Immigration Services

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several cabinet secretaries to suggest changes "as soon as practicable" that would ensure the visas are awarded to "the most skilled and the highest paid" applicants.

Mr. Trump cast the H-1B program, which brings 85,000 high-skilled foreign workers to the U.S. each year, as a victim of "widespread abuse" and promised it would stop.

He didn't say which companies he was talking about, but the firms that have come under the most scrutiny are outsourcing companies that handle technology work for U.S. companies. They rely heavily on foreign workers, who are often paid \$60,000 or slightly more. That is the minimum salary required by law to avoid burdensome regulations.

The president noted the visas are now awarded in a "total random lottery" and said instead, they should go to the "most skilled and highest-paid applicants." That would have the effect of helping high-tech firms such as Microsoft or Google, which seek many H-1B visas but pay higher wages.

Tech firms have long lobbied for an increase in the number of H-1B visas, noting the high demand for the visas far outstrips supply, while

others advocate a reduction. Either way, changes in the number awarded would need congressional approval.

Visas for next fiscal year were awarded this week after 199,000 applications for 85,000 spots were received in less than a week.

A professional society for U.S. engineers, IEEE-USA, has been lobbying to change the lottery since Mr. Trump took office and expressed frustration that another year's worth of visas were awarded under the existing rules.

Sam Adair, a partner at immigration law firm Graham Adair, who represents technology companies, including those in Silicon Valley, said the initiatives bode well for them. "For a lot of U.S. employers, simply discouraging the number that go to big outsourcing companies would be a good thing," Mr. Adair said.

Talk of changes in the H-1B visa program, though, is making some in Silicon Valley, nervous. "I welcome any changes that will crack down on H-1B abuses or loopholes," said San Jose, Calif., Mayor Sam Liccardo. "However, we must not adopt any policies or rules that would hamper the critical flow of cutting-edge ideas and talent into our country."

The Indian outsourcingers have been girding for changes in the program, and on Tuesday, their trade group, Nasscom, said critics of their business model are unfair. "We believe that the current campaign to discredit our sector is driven by persistent myths, such as the ideas that H-1B visa holders are 'cheap labor' and 'train their replacements,' neither of which is accurate."

Nasscom's president, Rentala Chandrashekhar, added, "Any new requirements aimed at protecting U.S. workers should be applied to all visa sponsors to ensure a level playing field."

—Rebecca Ballhaus
and Natalie Andrews
contributed to this article.



Members of the MS-13 gang, including 'El Diabolico,' right, in Quezaltepeque, El Salvador, in 2013.

White House Pushes Link Between Immigrants, Crime

BY BETH REINHARD
AND ARUNA VISWANATHA

The Trump administration pressed its case that illegal immigrants are helping fuel a crime wave, singling out a Central America-based international gang it said had flourished under the Obama administration.

In rapid succession, President Donald Trump, Attorney General Jeff Sessions and Homeland Security Secretary John Kelly all promoted a crackdown on illegal immigration they said would improve public safety.

Their approach divides the law-enforcement community, with some officers welcoming stricter immigration enforcement and others concerned a crackdown could deter undocumented residents from cooperating with police.

Early Tuesday, Mr. Trump said on Twitter: "The weak illegal immigration policies of the Obama Admin. allowed bad MS 13 gangs to form in cities across U.S. We are removing them fast!" MS-13 is an international gang, made up largely of immigrants from El Salvador or their descendants, that the Justice Department says has been operating since at least the 1980s.

Barack Obama's backers sharply dispute the notion that his policies were weak, illegal or contributed to crime, and some criminal-justice advocates say the Trump administration is exaggerating the threats to public safety. Crime rates remain near historic lows, despite surges in violence in a handful of large cities, and some studies show immigrants commit less crime than native-born Americans.

The debate over immigration and crime is heavily shaping the new administration as it approaches the closely watched 100-day marker. While Mr. Trump has backed away from some campaign promises, he has followed through on putting law and order at the forefront of his agenda.

Mr. Sessions on Tuesday echoed the president's tweet in remarks to federal law-enforcement officials, blaming "an open border and years of lax immigration enforcement" for recent growth of the Central American gang. Police suspect MS-13 members murdered four men last week in a park in Long Island, N.Y., in addition to killing two teenage girls last month in Los Angeles with machetes and baseball

bats, Mr. Sessions said.

Mr. Kelly used his first major speech to drive a similar message, saying there is "no better argument for secure borders than the transnational criminal organizations we face."

Wes McBride, executive director of the California Gang Investigators Association, a law enforcement group, agreed that tighter border security would curb gang activity, though he was hesitant to blame the Obama administration for growth of MS-13.

Under Mr. Obama, the Treasury Department imposed sanctions on MS-13 in 2012, and the Justice Department prosecuted dozens of members. Last year, 56 members in the Boston area were indicted on racketeering, murder and other charges, while eight were convicted in New Jersey and four were sentenced in Atlanta.

The latest FBI statistics show a complicated picture of crime in the U.S. Murder rates fell by nearly one-half in 2016 from the peak in 1991, though the nationwide rate rose an estimated 8% in the last year, according to an analysis released Tuesday by the Brennan Center for Justice at NYU School of Law.

U.S. NEWS

Special House Election Heads for Runoff

In Georgia, Democrats falter in their bid to flip a Republican seat, setting up a June race

BY CAMERON McWHIRTER
AND NATALIE ANDREWS

DUNWOODY, Ga.—Democrats fell short in their bid for a knockout victory in the race for a House seat from Georgia that was widely seen as a referendum on President Donald Trump.

Democrat Jon Ossoff was the top finisher Tuesday, but was shy of the 50% threshold that would have given him the House seat and avoided a runoff election.

Democrats had hoped that they could galvanize anti-Trump feelings to take, in a single election, a district that has been in Republican hands since 1979.

Mr. Ossoff took 48.1% of the vote, according to the Georgia secretary of state's office. He will face the second-place finisher, Republican Karen Handel, a former Georgia secretary of state, in a June 20 contest. Ms. Handel took 19.8% of the vote.

The race had energized Democrats across the nation, who poured more than \$8 million into Mr. Ossoff's campaign, a substantial total, in hopes of sending a message of disapproval to Mr. Trump. The president himself was drawn into the contest, recording automated phone calls and posting Twitter messages in the final days in a bid to blunt Mr. Ossoff's progress.

Mr. Trump declared success even before the final results were known, writing on Twitter shortly after midnight that Republicans had scored a win "despite major outside money" and media support for Mr. Ossoff. "Glad to be of help!" the president wrote.

And on Wednesday morning, he wrote: "Dems failed in Kansas and are now failing in



Democrat Jon Ossoff, left, and Republican Karen Handel, right, advance to a June runoff after Tuesday's election in Georgia.

Georgia. Great job Karen Handel! It is now Hollywood vs. Georgia on June 20th."

Tuesday's election came a week after a special election for a House seat in Kansas also offered mixed news for the two parties. Republicans avoided political disaster by winning the seat, though the party's margin was narrower than expected in what had been considered a safe, GOP district. The GOP's winning margin was 7 percentage points in a district that Mr. Trump carried by 27 points in November.

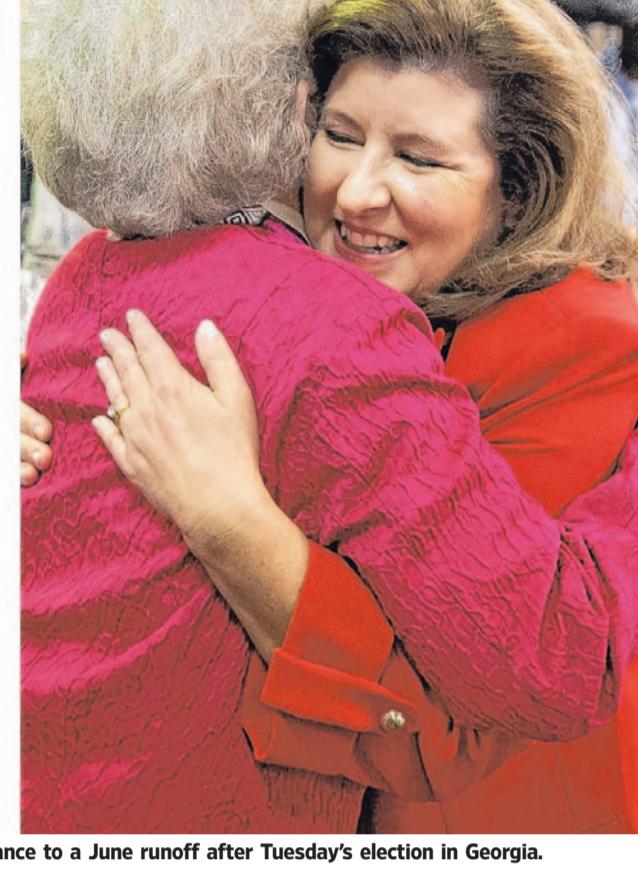
In putting their hopes on Mr. Ossoff, Democrats banked on a 30-year-old documentary filmmaker who had never held elected office. A former congressional staffer, Mr. Ossoff grew up in the House district but doesn't currently live there, meaning he couldn't vote for himself—a fact that Republicans sought to highlight.

"I know it has been a long evening and it looks like it may be a longer one," Mr. Ossoff told supporters at a victory party late Tuesday. "We may not know the outcome for some time."

No matter the result, he said, "We have defied the odds, we have shattered expectations."

Ms. Handel has faced runoffs before. She resigned as Georgia's secretary of state in 2010 to run for the GOP nomination for governor, which she lost in a runoff. Ms. Handel was also unsuccessful in a bid for the Senate in 2014.

She served as the senior vice president of public policy at the breast cancer charity Susan G. Komen for the Cure. She left after less than a year, in 2012, after successfully advocating that the Komen foundation cut ties with Planned Parenthood. Facing public out-



cry, Komen reversed its stance four days after the policy was announced, and Ms. Handel resigned.

In all, 18 Republican, Democratic and independent candidates appeared on a single ballot in what is commonly called a "jungle primary."

Mr. Ossoff may have the tougher challenge in June. Ms. Handel will likely consolidate her party's vote, which had been split on Tuesday among 11 candidates. The Democrat, who had less competition from others in his party, appears to face a difficult challenge in improving on his vote total.

Former House Speaker Newt Gingrich, who wrested the seat from Democratic control in 1978 and held it for two decades, predicted that Ms. Handel would carry the race by 8 points in June.

"The left is more desperate,

they are more impassioned," Mr. Gingrich said of the support for Mr. Ossoff. "The right is more passive because they currently control the government."

Still, Democrats said the engagement they are seeing among their party's voters in this year's special elections is a sign that they could pick up the 24 seats needed to take the House majority in the midterm elections next year.

"The mere fact that we're even talking about a competitive race in a congressional district Democrats haven't held in over 40 years...is a testament to the growing strength of a nationwide, grass-roots movement" opposing Mr. Trump, the liberal group Democracy for America said in a statement.

Kerwin Swint, a political-science professor at Kennesaw State University in Georgia, said the race focused more on Mr. Trump than on any candidate on the ballot.

"They didn't even find out who Jon Ossoff was until a few weeks ago," he said of voters in the district.



PAID ADVERTISEMENT

Full Steam Ahead

Singapore's reputation as an International Maritime Centre is second to none but, far from resting on its laurels, the city-state is upping the ante to ensure it stays ahead of the curve.

A strategic entrepot for centuries, Singapore's development into one of the world's leading ports over the past 30 years has been as impressive as it has been rapid. Connected to 600 ports in more than 120 countries, Singapore is today the busiest transshipment hub globally, accommodating in excess of 130,000 vessels annually, and it is also the world's number one bunkering hub, refueling ships to the tune of more than 40 million tonnes per year.

In recent years, the importance of being not only a world-class port but also an International Maritime Centre (IMC) has come to the fore, and Singapore has invested heavily in ensuring its elite status in this regard, too. Playing host to more than 140 international shipping groups and over 5,000 related enterprises, the city's maritime sector has grown to employ more than 170,000 people in a comprehensive range of complementary services that include finance, insurance, surveying, and law, creating an enviable ecosystem to attract and support a wide variety of maritime businesses.

"With our excellent infrastructure, connectivity and pro-business environment, Singapore can continue to be a key gateway to the region," says Andrew Tan, Chief Executive of the Maritime and Port Authority of Singapore (MPA). "To position ourselves more competitively for the future, we will focus on anchoring global mind and management as well as high-value business activities to be based in Singapore. We will strengthen our linkages with other related sectors such as commodity trading and logistics to capitalise on mutual synergies, grow a vibrant marketplace and reinforce our hub position."

Among the measures taken to drive the city's maritime competitiveness is the recent establishment of the IMC 2030 Advisory Committee. Headed by BW Group chairman Andreas Sohmen-Pao and comprising a variety of business leaders and experts from the maritime industry, the committee is focused on helping the city adapt to new industry paradigms and identifying cross-sector growth opportunities. The city also hosts the

can use for the co-development and experimentation of new ideas and innovative solutions in four areas: autonomous systems and robotics; smart and innovative infrastructure; data analytics and intelligent systems; and safety and security. The MPA is also setting up three centres of excellence to boost research and development.

"Singapore has been and continues to be at the forefront of innovation," says Annie Choy, Managing Director at IBM Singapore. The tech company is currently collaborating with the MPA on research to improve maritime and port operations using analytics-based technologies. "Innovation takes vision and investment. While it can be difficult to justify short-term investments at a time of economic downturn, it is precisely the innovation and technology that will help maritime players with a bold vision to increase their market share when the industry emerges from tough times," says Choy, adding that, "New businesses will be created and the maritime industry players who embrace shifts with bold



Singapore's Marine Port Authority is at the heart of regional trade, shown in front of Singapore's Central Business District.

But while Singapore continually ranks among the world's premier IMCs, there is an armada of competition following in its wake. Shanghai, Busan and Manila in Asia, the likes of Vancouver in North America and cities such as Hamburg and Dublin in Europe are all striving to enhance their credentials as IMCs through significant investment and development, and aiming to garner an ever-greater share of the global market. Singapore has no intention of letting its competitive advantage slip, however, and the city has introduced a raft of initiatives with a particular focus on education, research and innovation to strengthen its position as a world-leading IMC.

annual Singapore Maritime Week, this year taking place from April 22-28, bringing together the industry's key players from around the world for a series of events that aim to foster the exchange of ideas and insights.

MPA recognizes the untapped potential that embracing new technologies can provide for the industry, launching MPA Living Lab to create an enabling environment for innovation, including encouraging maritime start-ups and promoting greater digitalisation. The Living Lab will provide a playground, with real operating conditions, that maritime industry players and technology providers

vision and speed will win significant market share in the global trade economy."

An additional boon for Singapore, notes Tan, are regional initiatives such as the ASEAN Economic Community and China's One Belt, One Road, which he says have the potential to usher in a new era of cooperation within Asia and spur greater trade growth. Ultimately, it is the investments that Singapore is making in its IMC development now that will allow the city to take advantage of such favourable headwinds on the horizon.

U.S. NEWS

Big Donors Bankrolled Inauguration

By REBECCA BALLHAUS

After a campaign in which Donald Trump touted his success among small-dollar donors, his inauguration as president was bankrolled by dozens of billionaires and corporations, a new campaign-finance report shows.

Mr. Trump raised more than \$106 million for his inauguration festivities, doubling what former President Barack Obama raised for each of his two inaugurations—\$53 million in 2009 and \$44 million four years later.

Roughly half of the funds Mr. Trump raised came from about three dozen wealthy donors and corporations, which each gave \$1 million or more. They include billionaire casino owner Sheldon Adelson, who gave \$5 million; hedge-fund executive Robert Mercer, who gave \$1 million; Marlene Ricketts, a member of the family that owns the Chicago Cubs, who gave \$1 million; and Robert Kraft, owner of the New England Patriots, who gave \$1 million.

Hedge-fund billionaire Paul Singer gave \$1 million to the inauguration fund in December, after criticizing Mr. Trump frequently during the campaign. Mr. Singer, a Republican megadonor, had backed Florida Sen. Marco Rubio's presidential campaign and didn't support Mr. Trump after he won the nomination.



President Donald Trump raised more for his inauguration festivities than Barack Obama did for his two inaugurations combined.

Mr. Trump said at a news conference in February that Mr. Singer had visited him at the White House, saying, "He's given us his total support and it's all about unification."

Ken Griffin, another hedge-fund billionaire and Republican megadonor who resisted giving to Mr. Trump's campaign, gave \$100,000 to the inaugural fund in December.

The fund also took \$1 million from Alexander Shustorovich, a Russian-American businessman whose business dealings and relationships with top Russian officials and state-owned companies—dealings that prompted the U.S. to refuse to allow him to be part of a uranium deal two decades ago, on national-security grounds—led the Republican National Committee to return a \$250,000 check from him in 2000.

At least six owners of National Football League teams each gave \$1 million, including Houston Texans owner Bob McNair and Washington Redskins owner Dan Snyder.

Peter Thiel, the billionaire co-founder of PayPal Holdings Inc. who has advised Mr. Trump, gave \$100,000 in January.

Among the major corporations that donated to the committee were Pfizer Inc., Boeing Co., AT&T Inc. and Qualcomm Inc., which each gave \$1 million. Corporate donations have come under scrutiny as Mr. Trump has often singled out

companies for praise or criticism in recent months. Boeing's donation, for instance, came about a month after Mr. Trump took to Twitter in December to criticize Boeing's price tag for its new 747 Air Force One as "out of control."

A Boeing spokesman had previously said the donation was made before Mr. Trump's tweet. The spokesman on Wednesday said the company had committed to the donation before the tweet.

The concentration of donations of \$1 million or more threatens to undercut the message Mr. Trump delivered during the inauguration that he wasn't beholden to special interests or wealthy donors. Mr. Trump's inaugural committee elected not to ban cor-

porate funding, as Mr. Obama did in 2009.

In some instances, corporate donations came shortly after Mr. Trump tapped executives who worked at those companies to serve in his administration.

Exxon Mobil Corp. donated \$500,000 to the fund on Dec. 19, less than a week after Mr. Trump officially tapped then-Exxon Chief Executive Rex Tillerson to serve as secretary of state. In 2013, the company gave half that amount to Mr. Obama's inauguration fund.

Dow Chemical Co., which didn't donate to Mr. Obama in 2013, gave \$1 million to the inaugural fund about two weeks after Mr. Trump tapped the company's CEO, Andrew Liveris, to head a

manufacturing council.

The donations from major companies follow a campaign in which corporations were wary of linking themselves to the Republican candidate. At least four corporations that declined to support, or reduced their donations to, the Republican convention in July subsequently gave to Mr. Trump's inauguration.

Donors who gave \$500,000 or more to the inaugural fund were invited to a "candlelight dinner" during inauguration weekend with Mr. Trump and his wife, Melania, and Vice President Mike Pence and his wife, Karen. They could also attend a separate "intimate dinner" with the Pences and lunch alongside "select cabinet appointees."

Thomas Barrack, chairman of the inaugural committee and a longtime friend of Mr. Trump's, said in a statement that the haul offered Americans "a chance to experience the incredible moment in our democracy where we witness the peaceful transition of power."

The committee will now decide to which charities it will send the funds it has left over after the inauguration, and it will disclose that information "when the organization's books are fully closed," according to a statement. Inaugural committees aren't required to report their spending to the Federal Election Commission or to disclose how much money they have left over after the January event.

Fallen NFL Star Commits Suicide

By JENNIFER LEVITZ

Former pro-football star and convicted murderer Aaron Hernandez hanged himself early Wednesday in his prison cell in Massachusetts, authorities said.

Officers at the Souza Baranowski Correctional Center in Shirley, Mass., discovered Mr. Hernandez hanging from a bed sheet in his cell at around 3:05 a.m. Wednesday, according to a statement from Christopher Fallon, the assistant deputy commissioner of the Massachusetts Department of Correction.

Authorities attempted to save Mr. Hernandez's life and transported him to a hospital, where he was pronounced dead around 4 a.m., the statement said.

The suicide comes five days after a jury in Boston acquitted the onetime New England Patriots tight end of two additional murder charges.

It comes on the same day the New England Patriots, last season's Super Bowl champions, are set to be honored by President Donald Trump at the White House.



Aaron Hernandez in 2012 in the days before Super Bowl XLVI.

Patriots spokesman Stacey James weighed in briefly Wednesday morning about the former player's death. "We are aware of the reports, but I don't anticipate that we will be commenting today," he said in an email.

Mr. Hernandez, who was 27 years old, was already serving life without parole in state prison after a jury two years ago found him guilty in the slaying of a former friend in June 2013.

A onetime National Foot-

ball League standout who scored a touchdown in the Super Bowl in 2012, Mr. Hernandez had a stunning fall. He was cut from the Patriots after his arrest in 2013, a year after he signed a five-year contract extension worth up to \$40 million.

According to the Department of Correction, Mr. Hernandez was living in a single cell in the general population unit, and hanged himself by attaching a bed sheet to his cell window. "Mr. Hernandez

also attempted to block his door from the inside by jamming the door with various items," the statement from the agency said.

The Massachusetts State Police were on the scene Wednesday morning and an investigation was under way, authorities said.

In the recent-double murder trial, Mr. Hernandez had been accused of killing two Boston men as they sat in a car at a stoplight in Boston's South End in July 2012. Authorities said the slaying came after one of the men bumped into Mr. Hernandez at a local nightclub.

Mr. Hernandez's defense team cast doubt on a key prosecution witness who had been granted immunity by prosecutors.

In court Friday as the verdict acquitting him was read, Mr. Hernandez seemed emotional, nodding and wiping his eyes, and hugging his attorneys afterward.

Suffolk County District Attorney Dan Conley said after the verdict that relatives of the two slain men "have their hearts broken right now."

Mental-Health Post Tough to Fill

By MICHELLE HACKMAN

WASHINGTON—The Trump administration is struggling to fill a top mental-health post, a job created last year to coordinate the efforts of far-flung federal agencies.

The assistant secretary position in the Department of Health and Human Services was first offered to a Florida judge, but the offer was withdrawn due to his lack of a medical background, people familiar with the matter said. A second candidate had broad support but pulled out.

Now, a leading contender is Michael Welner, a forensic psychiatrist who has testified for the prosecution in numerous high-profile criminal cases, according to a half-dozen people familiar with the process, including Dr. Welner himself. He faces opposition for some controversial positions.

If nominated, Dr. Welner would have to be confirmed by the Senate.

He has made a career of testifying in court about the psychiatric state of people accused of crimes including murder and terrorism, often challenging other experts in arguing that defendants understood their actions.

Some advocates consider him a pioneer with a keen understanding of mental illness and violence. Dr. Welner's candidacy is supported by the American Psychiatric Association, which noted that he "has worked in the private sector for over 25 years."

But critics say his legal testimony often conflates mental illness with criminal intent.

"He is an embarrassment to our profession in that he spouts, as facts, opinions that are in no way based on scientific evidence," said Xavier

Amador, director of the Leap Institute, which trains mental-health and police professionals.

The mental-health position at HHS was created last year as part of a broader law called the 21st Century Cures Act. Rep. Tim Murphy (R., Pa.) pushed for it as a way to coordinate various agencies involved with mental health.

The position, along with other mental-health initiatives in the law, was in part a response to the 2012 shooting in Newtown, Conn., of 20 first-graders and six adults at an elementary school. Democrats called for more gun-control measures, while many Republicans focused on the shooter's mental-health problems.

Whoever gets the role will gain a prominent perch in the Trump administration at a time when government officials are increasingly focused on the nationwide opioid crisis.

HHS Secretary Tom Price first offered the job to Steven Leifman, a Florida judge who has gained attention for efforts to divert people with severe mental illnesses from jail. That offer has been pulled back, people familiar with the matter said, adding that Mr. Murphy objected to Judge Leifman's lack of medical experience.

Mr. Murphy's office and Judge Leifman declined to comment.

John Wernert, who headed mental-health policy in Indiana when Vice President Mike Pence was governor, was also considered a strong contender, but withdrew without giving a public reason. Elinore McCance-Katz, chief medical officer of Rhode Island's Department of Behavioral Health, is also being considered.

But Dr. Welner has the edge, according to the people, in part because Mr. Murphy backs him.

House Oversight Chairman Won't Run Again

By BYRON TAU

Rep. Jason Chaffetz, chairman of the powerful House Oversight and Government Reform Committee, said he won't run for re-election.

The Utah Republican, long seen as a rising star in both national and Utah GOP politics, wrote on Facebook that he had made "a personal decision to return to the private sector" when his term in the U.S. House of Representatives expires in January 2019.

"I have long advocated public service should be for a limited time and not a lifetime or full career. Many of you have

heard me advocate, 'Get in, serve, and get out.' After more than 1,500 nights away from my home, it is time," wrote Mr. Chaffetz, 50 years old.

"For those that would speculate otherwise, let me be clear that I have no ulterior motives. I am healthy. I am confident I would continue to be re-elected by large margins.

I have the full support of Speaker [Paul] Ryan to continue as chairman of the Oversight and Government Reform Committee," Mr. Chaffetz said.

As committee chairman and the House's watchdog, Mr. Chaffetz has primary responsibility over any waste, fraud,

abuse or mismanagement within President Donald Trump's administration and civil servants in the federal government. Many critics, including congressional Democrats, urged him to be more aggressive about investigating conflicts of interest around the president's businesses.

During the 2016 election, Mr. Chaffetz held hearings on Democratic presidential candidate Hillary Clinton's use of a private email server while serving as secretary of state,

drawing protests from Democrats who said he was using a congressional committee for partisan political purposes.

First elected to the House in 2008, Mr. Chaffetz has indicated he could be interested in a run for Utah governor in 2020. Gov. Gary Herbert has been in office since 2009, but isn't term-limited and could run again. In his statement announcing his decision not to seek re-election, Mr. Chaffetz acknowledged that he may run for office again "but not in 2018."

U.S. WATCH

CALIFORNIA

Racial Motive Seen In Killing Spree

A man suspected of shooting three people to death in downtown Fresno, Calif., had expressed his dislike of white people, police said, and authorities are investigating the matter as a hate crime, not a terrorist attack. The

suspected shooter, identified as Kori Ali Muhammad, 39 years old, is in custody. Police said he yelled "Allahu akbar," Arabic for "God is great," as he was being arrested.

After interrogating Mr. Muhammad Tuesday, police said terrorism wasn't likely a potential motive. All his victims were white men, Fresno Police Chief Jerry Dyer said. Mr. Muhammad, who is black, allegedly made

statements on Facebook and to police that he didn't like white people, the chief said.

—Alejandro Lazo

LITIGATION

Prince's Estate Sues Sound Engineer

Prince's estate is suing a sound engineer who worked

with the musician on five tracks in 2006 over his plan to release the unpublished material.

The estate and Paisley Park Enterprises say George Ian Boxill is trying to exploit at least one of the songs for personal gain. They say Mr. Boxill has no right to the recordings. Mr. Boxill's attorneys didn't immediately respond to a request for comment.

—Associated Press



Michael Welner, right, is a leading contender for a top mental-health post at the Department of Health and Human Services.

IN DEPTH

EUROPE

Continued from Page One

"Our fight for fraternity will be our fight for Europe," Mr. Macron told a February rally in Lyon organized across town from where Ms. Le Pen was declaring her candidacy. "Europe! Europe!" the crowd of thousands chanted.

Where Ms. Le Pen wants to reinforce France's national borders, Mr. Macron says the solution to its terrorism fears is to bolster the frontiers of the EU. She wants a more independent defense policy for France; he wants tighter military coordination across the bloc.

And where Ms. Le Pen sees the euro as the root of France's economic woes, Mr. Macron touts the EU's single market as the key to French prosperity. Supporters of Ms. Le Pen say Mr. Macron is playing into her hands by squaring off on the future of Europe. Ms. Le Pen has spent years spoiling for that fight.

"This is Marine Le Pen's issue. By attacking her on it, he's going to get slapped," said Raphael Ricci, a gendarme from the Champagne-region city of Reims. Mr. Macron's love of the EU isn't unconditional. He says serious changes are needed if the bloc is to mount an enduring electoral defense against euroskeptics.

One of his more controversial proposals is that the strongest of the 19 countries using the euro should help shoulder fiscal burdens of the weaker ones. That stance puts him at odds with Ms. Merkel and some other pro-EU leaders, especially in northern Europe.

The election in France will be the first major test of whether a political strategy of direct confrontation with anti-EU forces works.

A poll the EU conducted of its member countries in November shows the share of EU citizens with a positive image of the bloc has declined to 35% from about 50% 10 years ago, with one-quarter now viewing it negatively. The EU's image has recovered somewhat from a low point in 2011-13.

In the poll, 37% of Germans saw the EU positively—an 8-percentage-point jump from last spring—while in France 29% saw the EU positively, a 7-percentage-point decline.

In Dutch elections last month, two parties firmly supporting European integration more than doubled their share from a 2012 vote, and anti-Islam nationalist Geert Wilders lost his bid to become prime minister.

The latest polling for the

French election shows four contenders clustering near the top. Mr. Macron has vaulted ahead of candidates from France's traditional parties to pull even with Ms. Le Pen for the lead. It is difficult to pinpoint how much of his support is due to his European-unity stance and how much is primarily opposition to the far right and far left. If Mr. Macron and Ms. Le Pen make it to a decisive second round, the polls indicate he would come out ahead.

In Germany, which votes for chancellor in September, Martin Schulz, a staunchly pro-EU candidate, has energized centrist voters and knocked the wind out of the populist right. The anti-immigrant, anti-euro Alternative for Germany has fallen sharply in the polls since late January as Mr. Schulz has climbed, although the four-year-old AfD is still polling well above the 5% support it would need to enter the federal parliament for the first time.

Pro-EU candidates are increasingly looking across borders as they seek to energize their electorates. The goal is to create a groundswell of electoral support that might one day allow France and Germany to agree on steps to improve the bloc's functioning.

"Dear friends in France," Mr. Schulz said, suddenly switching to French at a recent gathering of center-left politicians. "We are sending you today, from Berlin, a sign of our unshakable solidarity. Together, we will defeat the enemies of tolerance and cooperation."

Mr. Macron has met with Mr. Schulz, the nominee of Germany's Social Democrats, as well as with Ms. Merkel, pushing the idea that the EU needs to deepen its integration so it can function more like a sovereign state.

Pro-EU forces are adopting a new approach: a full-throated defense of the economic bloc.



Emmanuel Macron, above in Paris on Monday, is seeking France's presidency by calling for greater European Union integration.

many economists regard as the Achilles' heel of the eurozone: its inability to deal with the debt burdens of weaker members such as Greece. German-imposed austerity has damaged fragile economies, many economists say, but loosening fiscal rules could put northern European taxpayers on the hook for what many of them see as the profligacy of the south.

Southern EU countries, for their part, blame the north both for imposing austerity on them and for leaving peripheral countries to fend for themselves in enforcing border controls to stem the migrant flood.

France, facing security and economic challenges, has re-

Mr. Macron, who was then the economy minister, began charting a different course. He declared his "philosophical unease" with taking away citizenship, a proposal that looked to critics like borrowing from Ms. Le Pen's National Front playbook. Unhappy, too, that his proposals to loosen labor rules were shelved by Mr. Hollande, Mr. Macron founded his own movement, called En Marche, or On the Move, and quit the government.

Like Mr. Hollande, Ms. Merkel came under pressure last year to move rightward, in her case to compete with the anti-immigrant AfD following two attacks by Islamist migrants. At the time, it looked as if fending off the AfD would be her biggest task in her 2017 bid for re-election.

The Social Democrats' surprise nomination of Mr. Schulz in January changed the equation. The Social Democrats this year have added more than 16,000 new members, or nearly 4% of the total, and more than the additions in all of last year. The main reason people give for joining is to defend the EU and fight the far right, a party spokesman said.

At Mr. Schulz's raucous rallies—by modern German standards—he has given those new members red meat, assailing the AfD as well as U.S. President Donald Trump. In a speech last month, Schulz called the AfD "a disgrace to Germany" and accused Mr. Trump of "laying an ax to the roots of democracy" through his treatment

treated from its traditional role as a bridge over the north-south divide. President François Hollande flouted eurozone budget-deficit rules and bucked the EU's call to deeply overhaul rigid French labor rules. His government has refused to accept large numbers of refugees.

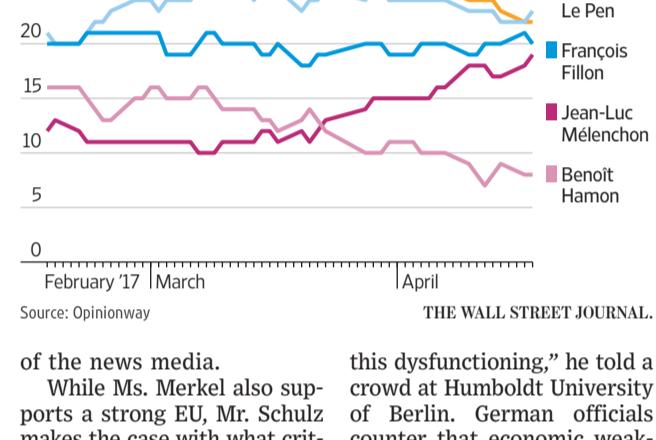
After Islamic State's attacks in Paris on Nov. 13, 2015, Mr. Hollande proposed amending the constitution so some French nationals convicted of terrorism could be stripped of citizenship. The proposal scrambled French politics, with parts of his majority joining the opposition to block it.

The pro-Europe forces have their own ideological divisions to bridge, a north-south split deepened by fallout from the 2008 financial crisis, terror attacks and waves of migrants from Africa and the Middle East.

The north and south are split over how to repair what

Tight Race

Leading up to France's presidential election, polls show nationalist Le Pen and pro-EU candidate Macron are close



Source: Opinionway

THE WALL STREET JOURNAL.

of the news media.

While Ms. Merkel also supports a strong EU, Mr. Schulz makes the case with what critics say the chancellor often lacks: emotion. His rise to close to her in the polling provides a further disincentive for the chancellor to move rightward in the coming campaign, because doing so would increase her risk of losing centrist voters.

In France, Mr. Macron's camp reached out to Ms. Merkel in February to request a meeting. The French politician, just 39 years old and never having won elective office, was under pressure to show he could go toe-to-toe with world leaders, and landing an audience with the German chancellor was a boon for him. In taking the meeting, Ms. Merkel departed from her decision in France's 2012 election to meet only with then-President Nicolas Sarkozy, who was seeking re-election, and not with Mr. Hollande.

Mr. Macron needed to navigate some policy differences with her, however. He had just delivered a speech complaining that the euro unduly benefits German trade and hurts some other EU countries' trade.

The idea, often heard in southern Europe, is that Germany's exports would suffer if it still used a strong deutsche mark. Instead, its exports have benefited from sharing a weaker currency with 18 other countries.

"The dysfunctioning of the euro is good news for Germany, I have to say. You benefit from

this dysfunctioning," he told a crowd at Humboldt University of Berlin. German officials counter that economic weakness in the eurozone, the country's biggest export market, is bad for Germany, too.

Mr. Macron called for a "new deal" in the eurozone, anchored by a common budget that would be able to issue bonds and step in when countries experience large economic shocks.

Such proposals cross what many in the Merkel government consider a red line: forcing German taxpayers to underwrite other countries' debt. Mr. Macron skirted this issue when he met Ms. Merkel on March 16.

A Macron aide said the conversation centered on the rise of nationalist movements and the need to deepen EU cooperation, but Mr. Macron also said the common currency needed a shake-up to address economic imbalances between Germany and its poorer neighbors. A Merkel aide said the meeting was confidential.

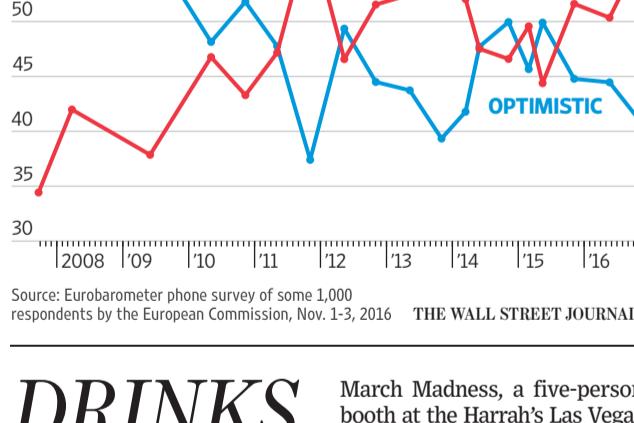
When Ms. Merkel asked how the French election was going, according to Mr. Macron's aide, he told her he was taking a risk in campaigning as such a staunchly pro-Europe candidate.

Leaving the chancellery, Mr. Macron told reporters he and Ms. Merkel were in a celebratory mood. A day earlier, Dutch voters had handed Mr. Wilders and his anti-immigrant party a resounding defeat.

"We congratulated each other," Mr. Macron said.

Worried

The French have been growing more pessimistic about the EU's future.



Source: Eurobarometer phone survey of some 1,000 respondents by the European Commission, Nov. 1-3, 2016 THE WALL STREET JOURNAL.

alan Feldman, executive vice president at MGM Resorts, said the goal was to free up bar staff from having to account for who was and wasn't playing. "Instead of trying to keep track of someone's play, you have a chance to say 'Where are you from?'" he said.

On a recent night at a bar inside the Paris Las Vegas casino, Jamie Balazs and her father were getting used to the new drink-monitoring system. They had just been instructed on how much they needed to put into the machine to allow booze to flow. A bartender told her to push the "max bet" button four times, she said.

She said she understood the desire to weed out freeloaders who aren't gambling but found the instructions off-putting.

"I said 'Don't you worry, honey, I'm going to get there,'" Ms. Balazs said. "As an honest gambler, you feel like 'Come on, trust me.'"

Her father, Jim Fletcher, was in town with a group to celebrate his 70th birthday. As a top-tier member in Caesars Entertainment Corp.'s rewards program, he felt the new sys-

tem was "insulting."

"That's why you come to Vegas, for the cheap deals," he said. He paused to sip his free vodka tonic and put another \$20 into the machine: "But I love coming here. That'll never change."

Richard Broome, executive vice president of public affairs at Caesars, which owns Paris Las Vegas and Bally's, said the system is intended to better reward players and distinguish them from those who aren't gambling. "The only one who doesn't like it," he said, "is the person who wants to milk the system, get free drinks and not spend any money."

So far the system applies only to machines at casino bars. Players at slot machines on the floor can still wave down cocktail servers for free drinks.

Bartender James Tanner said the system has made his job easier because he can avoid awkward debates with customers who were lingering at machines but not really

playing. "Our conscience is clear," he said.

Wesley Angell, a bartender at Sully's inside Bally's, grew up in Las Vegas. He said the light system aims to end the time-honored tradition known as "the Vegas hustle": Putting \$20 into a machine, soliciting a free drink, pretending to play and cashing out early.

The light system, rolled out by Caesars over the past year at bars at all nine of its Las Vegas resorts, monitors the money gambled and the duration of play.

Mr. Angell explained that a blue light indicates the player has put enough money—\$20 at the start of play—into the system. The green light signals the player has gambled the money.

If the player continues to put in money and gamble, the green light will remain on. The red light means the gambler has slowed down and signals time to serve the last free drink.

How "free" the drinks are depends on your point of view.

"I had a \$200 drink the other day," said Lily Paradise, who was visiting Las Vegas from Long Island, recalling a particularly unlucky streak.

Some gamblers say they have started playing at casinos off the Strip, in Downtown Las Vegas or the suburbs, which haven't instituted the same kind of systems.

"They wouldn't dare stiff you," said Armand Dods-worth, a New Jersey native who now lives in Henderson, Nev. "The bartenders know you enough that they don't have to hassle you."

For novices, the systems can be confusing. Paul Howard, part of the birthday crew, said he put \$20 into a machine at a Bally's bar, started playing and asked for a beer. The bartender told him he wasn't playing fast enough, that the green light wasn't yet illuminated.

Mr. Howard was just learning the game, but he tried to pick up the pace. "Am I catching up?" he said. The bartender told him it came on only sporadically.

She did serve him a beer, he said.

DRINKS

Continued from Page One

ing with all the nickel-and-diming," said Mr. Fletcher, of Winnipeg, Canada, who visits Las Vegas at least three times a year. "As a customer, it throws you way off."

As Las Vegas has transformed into one of the world's most-visited tourist destinations, casino operators are re-examining the perks that historically lured gamblers.

Over the past year, many casinos have started charging for parking at resorts on the Strip, eliciting criticism from locals and longtime visitors who view free casino parking as a sacred tradition.

Now operators have started scrutinizing complimentary drinks at bars that track how much someone has gambled—and rewards them accordingly with alcohol. It's a shift from decades of more-informal interplay between bartenders and gamblers.

Sports books have capitalized on big events, too. During

March Madness, a five-person booth at the Harrah's Las Vegas sports book cost \$375 per person, which included five Miller Lite or Coors Light beers a person. In the past, seating at most sports books was free and first-come, first-served, even during big events. Placing a small bet or two could get you free drinks.

The number-crunchers at the bean-counters have ruined Las Vegas," said Brad Johnson, who lives in North Carolina and has come to Las Vegas almost every year since the early 1970s. "There's no value to it; there's no benefit."

Casinos on the Strip now derive a smaller share of revenue from gambling. In 1996, more than half of annual casino revenue on the Strip came from gambling. Last year, the share was down to about a third, according to the University of Nevada-Las Vegas. More of the revenue comes from hotels, restaurants and bars.

MGM Resorts International is piloting a program at the MGM Grand on the Strip that prints a voucher when someone has spent enough at a video-poker machine at the bar.

Bourbon

Photo: FELIPE TRUEBA/EUROPEAN PRESSPHOTO AGENCY

LIFE & ARTS

THE MIDDLE SEAT

Your Guide to Wrinkle-Free Travel

Flying can be tough on suits and dresses, but savvy travelers know the tricks to staying sharp on the road

BY SCOTT MCCARTNEY AND
RAY A. SMITH

EXPERIENCED TRAVELERS have a million and one strategies for one of the most persistent hassles of travel: wrinkled clothes.

"People who travel a lot like me have to have a system," says David Lax, a Boston-based corporate negotiations adviser. He keeps suits at hotels in Frankfurt and London so he has un wrinkled clothes for client meetings.

The war on wrinkles is also a constant point of emphasis for luggage makers. Suitcases come with flat boards, pouches and straps to hold clothes in place and prevent creases, yet often create their own creases. One new brand called Vocier has a C-shaped interior construction so clothes are rolled rather than folded. Some travelers say it works by eliminating tight corners; others say it's hard to stuff in shoes and shirts with your wrinkle-free suits.

Clothing manufacturers market wrinkle-resistant travel with fabrics that are tightly woven, chemically treated or made with stretchy materials. Travelers report mixed results.

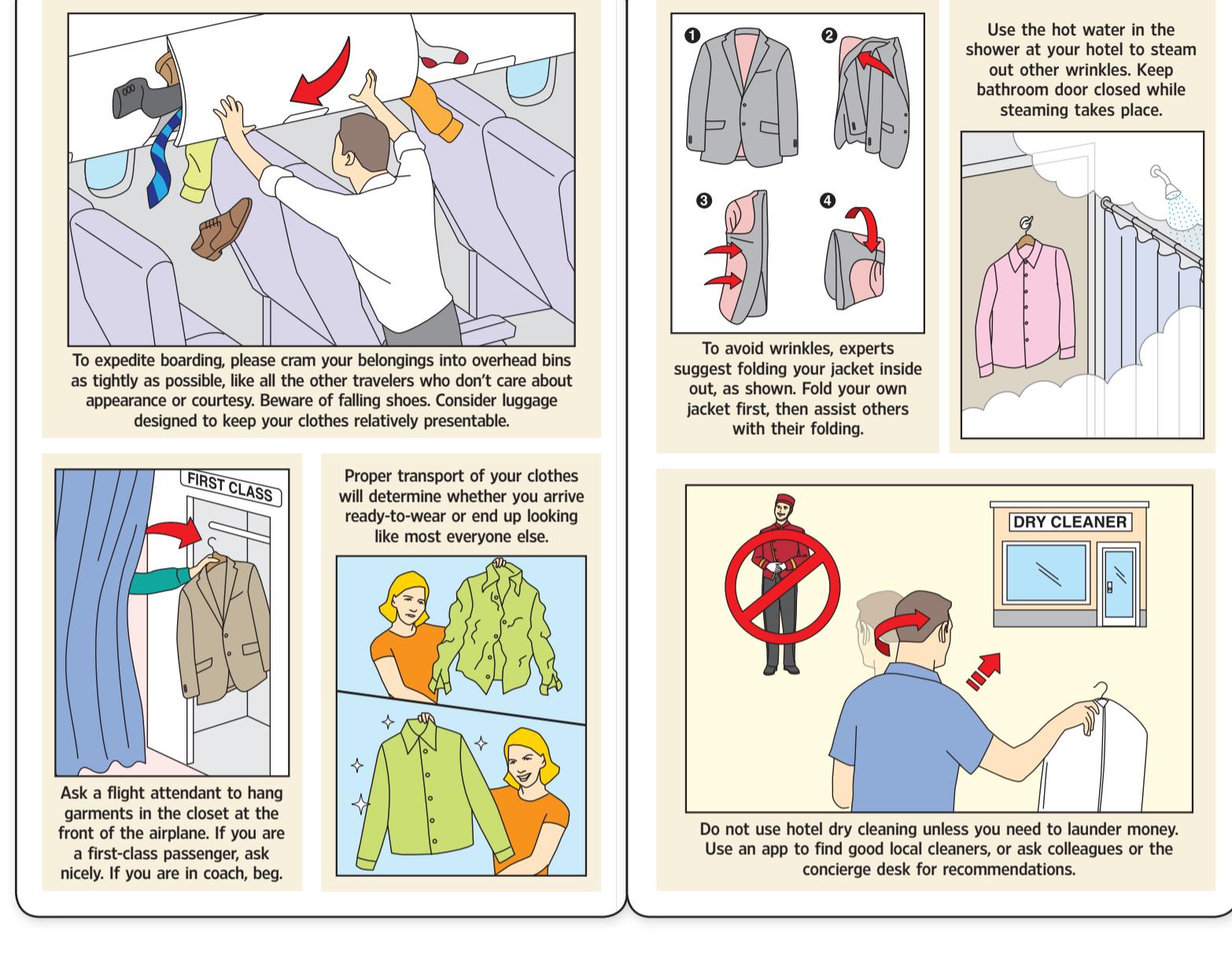
Airlines also sell wrinkle-busting—for their premium passengers. Some arrivals lounges offer pressing service while you shower.

But airlines are more part of the problem than the solution. Airline luggage restrictions and limited space on planes promote ripples and leave passengers steaming. Baggage size limits leave fewer cubic inches in carry-ons. Planes used to have more closets. In many parts of the world, seat backs have hooks for jackets. But those are rare in the U.S. And good luck keeping clothes crisp in crammed overhead bins.

Amy Carrier of New York, a university development officer, hates wrinkles so much she wears jeans on her commuter train and changes clothes when she gets to work. When traveling, she uses an Eagle Creek folding pouch—a hard, plastic piece with Velcro straps about the size of a Manila envelope. But her best crease-buster is her portable steamer.

"The only thing I've found that it doesn't work on is heavy cotton khaki," she says. "I've used it on everything from my wedding dress to suits."

Eugene Tong, a fashion consultant, fashion-show stylist and former style director at Details magazine, recommends suit jackets or sport coats and blazers that are unstructured, with little or no lining and soft shoulders. "They're easier to pack than a structured shoulder, and that kind of soft shoulder Italian suit is kind of



trendy now," he says.

He says turning an overcoat or suit jacket, sport coat or blazer inside out can help protect the exterior from getting wrinkled. And he suggests waiting until the last minute to put a folded jacket in an overhead bin.

Luggage makers say neatness counts—separate sections inside bags for suits and tailored jackets and pants prevent wrinkles, along with tie-down straps to keep clothes from moving around and bunching up.

High-end bag maker Tumi claims its removable garment guard keeps a suit or pair of pants fresh because of the way it is constructed. Its foam "prevents that hard crease from happening," says Victor Sanz, Tumi's creative director.

How tight your clothing's fabric is woven can determine whether it will wrinkle or not. And blending materials can help it stay crisp.

"If you want mostly cotton, then find something that has some spandex, rayon or polyester in it

also. They will help create some flexibility in the fabric," says Megan M. Evans, founder of the Well Coiffed Closet, a personal wardrobe styling company based in Nashville, Tenn.

High-end men's clothier Ermengildo Zegna sells suits and jackets

One frequent world traveler leaves suits at his favorite hotels in London and Frankfurt.

of superfine wool with high-twist yarns that it describes as high performance. The more times a yarn is twisted, the more it springs back in shape from any creasing. Zegna also sells a Trofeo dress shirt made of extra-long staple cotton fibers that are double-twisted.

With wrinkle-resistant clothing, just stand up and "shake it out a

little bit," says Mary Beth Blake, brand president of Jos. A. Bank, the men's clothing retailer which sells a wrinkle-resistant Traveler Collection.

Noniron shirts are usually treated with a resin that stiffens the fabric. The resin typically releases traces of formaldehyde, a carcinogenic chemical used in embalming fluids. The chemical can be found in a range of household products including sheets and shampoo.

Most consumers don't suffer any reactions to formaldehyde in limited doses, but a small group might experience skin issues such as itchiness after exposure, manufacturers say.

Mr. Lax has tried noniron dress shirts from Brooks Brothers and Jos. A. Bank and thinks they are marginally better than untreated shirts. His favorite no-iron traveler shirt is a \$20 Costco house brand.

Leaving suits at the Conrad London St. James and the Sheraton at the Frankfurt airport not only saves wrinkles but also light-

ens his carry-on and lets him avoid checking bags. There's a risk the hotels could lose his suits, but he thinks the risk of airlines losing his luggage is greater.

Mr. Lax doesn't iron: "I'm just not very good at it," he says. He'll sometimes employ the bathroom steam trick, which he finds useful but imperfect. One new problem: some hip hotels don't have real doors on the bathroom.

Zigmund Denbeck, a public health expert who travels frequently around the world, is a big believer in the power of steam. He'll hold his jacket on his lap in coach. As soon as he gets to his hotel, he hangs clothes in the bathroom and fires up the shower. "That's a miracle worker," he says.

Experts say rolling does work on some clothes. Ms. Evans, the personal wardrobe styler, says women should roll softer pieces like silks and jersey "as if you are using a rolling pin." She says to fold blazers and more structured pieces and wrap it all in dry cleaner plastic.

TELEVISION

FAILURE SUCCEEDS ON 'SILICON VALLEY'

BY JOHN JURGENSEN

ROUGHLY SIX MONTHS have passed in the fictional world of "Silicon Valley," the HBO comedy about brilliant programmers who stumble repeatedly in their efforts to launch a startup.

But three years have gone by in the real Silicon Valley since the premiere of the satire, which returns for a fourth season Sunday. That's a dog's age in tech time, during which Facebook's annual profit grew nearly tenfold, Google changed its corporate name to Alphabet, and Uber and Airbnb became part of the vernacular as verbs.

Silicon Valley and "Silicon Valley" merge in the show's 10-second title sequence, featuring corporate logos in a cartoon cityscape. The animation is tweaked every season to riff on tech's who's-up, who's-down economy. Season 1's opener had a shrinking MySpace headquarters and a crashing Napster hot air balloon. The new season 4 opener shows FBI trucks pulling up to a Theranos building, a reference to a scandal that shook the blood-testing tech company, as well as an Uber balloon getting jostled by a Lyft balloon (and spawning a smaller one labeled Didi, which took on Uber's operation in China).

"We don't change the title sequence within the season. At some point maybe we'll start doing that," says executive producer Alec Berg, referring to rapid shifts in the industry's competitive landscape. Mr. Berg, who runs "Silicon Valley" with "Office



Left to right, Kumail Nanjiani, Thomas Middleditch, Martin Starr and Zach Woods in 'Silicon Valley.'

Space" and "Idiocracy" director Mike Judge, notes that only companies located in the Valley are eligible for a title cameo, hence the absence of, say, Snapchat, whose Los Angeles-based parent company recently went public.

The show takes aim at the way greed and innovation can overlap in the tech sector. In a coming episode, a character played by comedian T.J. Miller namechecks Oculus, the virtual-reality company Facebook bought for \$2 billion in 2014 (around the time "Silicon Valley" premiered). Smoking a bong on the

eve of a pitch meeting with a venture-capital firm, he says, "any f---ing idiot can walk into a room and utter the letters 'V' and 'R' and VCs will hurl bricks of cash at him."

"Silicon Valley" has loyal followers in the industry it skewers, including coders who analyze the show's tech references for accuracy. "There's so much pressure on every frame of this show because you know there is a subset of the population that is going to freeze-frame and zoom in on everything," Mr. Berg says.

Consulting with engineers and Valley vet-

ers, the show's writers came up with a fictional invention for Pied Piper, the hapless startup in "Silicon Valley." It was an algorithm that radically compresses data, a concept that any viewer could grasp, including everyday web users. But it didn't help the writers solve a lingering story-telling problem: what would happen to the show if or when Pied Piper actually takes off?

"I would love for these guys to succeed, but the reality is that watching people win and get everything they want is not entertaining," Mr. Berg says. In the climax of season 1, Pied Piper (led by main brain programmer Richard Hendricks, played by Thomas Middleditch) won a big tech competition and turned into the hottest property in town. In season 2, the writers tried running with Pied Piper's status as the "belle of the ball," Mr. Berg recalls, but it was "boring," so they sent the startup into a downward spiral instead.

The halting progress continues in season 4 as Richard starts experimenting with a potentially disruptive new use for his algorithm, even as the writers "keep throwing tacks under their tires to make their journey requires ingenuity and hard work and strife," the producer says.

However, just as loyalties to real ventures in the Valley rise and fall, "Silicon Valley" producers worry that the audience might give up on the characters if they continue to blow it. "That's the perpetual challenge of the show," Mr. Berg says. "How do you keep them striving without giving them the brass ring?"

OPINION

REVIEW & OUTLOOK

An Islamist Upset in Jakarta

When Mike Pence stops in Jakarta on Thursday, the American Vice President will land following an election whose outcome threatens Indonesia's political stability along with the reform program of President Joko Widodo.

The election is for the governorship of Jakarta. The incumbent is Basuki Tjahaja Purnama, who is Christian, ethnically Chinese and known for being forthright, even abrasive. He is being challenged by Anies Baswedan, a Muslim backed by Islamist groups. With more than half the ballots counted in Wednesday's run-off, Mr. Baswedan leads by 14 percentage points, and Mr. Purnama has conceded defeat.

This is a surprise because Mr. Purnama had enjoyed high approval ratings for his program of fighting corruption and trying to improve city services. But he faces keen opposition from Indonesian Islamists, who organized a series of rallies that at times turned violent.

The trouble began in November after some Islamist groups doctored a video of Mr. Purnama in which he criticized some clerics' interpretation of the Quran to make it appear he attacked the Quran itself. Prosecutors have brought a dubious blasphemy case against him, but a sign of the political mood is that Mr. Widodo allowed the case to go forward.

The speed at which the Islamists were able to transform this governor's race is a reminder that Indonesia's democracy remains young and volatile. The consolation is that this is less about radical change in the beliefs of Indonesian voters than a reflection of the bitter battle between two groups of secular politicians—Mr. Widodo's reformers and more traditional

Muslim groups are proving they can be political kingmakers.

elites. Radical groups were able to exploit this clash for their own purposes.

Mr. Baswedan was previously known as a moderate Muslim and served as Mr. Widodo's education minister until he was replaced in a July 2016 reshuffle. His removal was largely driven by Mr. Widodo's need to consolidate Muslim support in advance of the 2019 elections. This helps explain why Mr. Baswedan was replaced by a member of the Muhammadiyah, the country's second-largest Muslim organization.

Mr. Baswedan was then recruited by the secular Gerindra Party, run by the son-in-law of the Indonesian dictator Suharto. Only after the Islamists began to attack Governor Purnama did Mr. Baswedan begin to advertise himself as a religious conservative. In January he gave a speech to the hardline Islamic Defenders Front and claimed the Quran prohibits voting for non-Muslims.

This opportunism could backfire on Mr. Baswedan, as his reformist views are unlikely to appeal to his new religious allies. Meanwhile the new governor will face pressure to help his backer General Prabowo gather support for the 2019 election, an agenda that is unlikely to be popular in Jakarta.

But Indonesians can't afford to be complacent because Jakarta often sets the direction for national politics. The Islamist groups that threaten minorities and burn Christian churches have now proved they can be political kingmakers. As the election for governor shows, the danger is that moderate politicians like Mr. Baswedan who seek to exploit communal tensions for short-term gain will end up setting back the country's development.

Highway From the Endangerment Zone

Scott Pruitt has emerged as a leading voice in the Trump Administration for U.S. withdrawal from the Paris global climate deal, so it's ironic that the Environmental Protection Agency chief is being assailed from the right for being soft on carbon. Too many conservatives these days are searching for betrayals where none exist.

As Attorney General of Oklahoma, Mr. Pruitt successfully sued to stop the enforcement of President Obama's regulations known as the Clean Power Plan, or CPP, and he's preparing to dismantle them for good as EPA administrator. The rap from the right is that he won't challenge the underlying determination for regulating CO₂ emissions known as an endangerment finding. In 2009 the EPA concluded in this finding that carbon dioxide and other greenhouse gases pose a threat to public health and the environment, and this document serves as the nominal legal basis for the CPP and other antarbon rules.

Mr. Pruitt's critics claim that withdrawing from the CPP without reversing endangerment will strengthen his opponents in the inevitable green lawsuits that are coming. Endangerment findings create a legal obligation for the EPA to regulate the relevant pollutants, even if carbon is far different from traditional hazards like SO_x and NO_x.

The endangerment finding was deeply misguided and flawed in its execution, and nobody fought it more than we did. But there's a practical reason that Mr. Pruitt is right about the risks of trying to revoke it now. The finding has been upheld by the courts, and creating a legally bulletproof nonendangerment

rule would consume a tremendous amount of EPA resources, especially at an agency with few political appointees and a career staff hostile to reform.

Technical determinations about the state of the science are supposed to be entitled to judicial deference, but the reality is that the D.C. Circuit Court of Appeals that would hear the case is packed with progressive judges. Climate change has become a theological conviction on the left, so Mr. Pruitt would almost certainly lose either with a three-judge panel or en banc.

The Supreme Court's appetite for such a case is also minimal, since it would run directly at the 2007 ruling in *Massachusetts v. EPA* that prepared the way for the endangerment finding. Justice Anthony Kennedy was in that 5-4 majority.

Mr. Pruitt is already taking on difficult and controversial challenges, so better for the Administration to use scarce political capital where it will make a difference instead of burning it on a doomed mission. The endangerment finding doesn't dictate any specific regulation, and Mr. Pruitt has the discretion to interpret the Clean Air Act to achieve his favored policy outcomes, including to repeal legally tenuous central planning like CPP.

A future Democratic President could use the endangerment finding to revive something like CPP, but then that same Administration could restore endangerment too. Mr. Pruitt is a natural target for the left, but when conservatives are impugning one of the leaders of President Trump's economic deregulation project as a sellout, maybe the problem is the critics, not Mr. Pruitt.

Offshore Drilling Blowout Preventer

President Trump is filling out his Administration, but too slowly, and an offshore-drilling proposal shows why having personnel to mind the store is so important. Barring a late reversal, Mr. Trump may abet his predecessor's goal of undermining American energy production.

Two days before President Obama left office—the encyclopedia definition of a midnight regulation—U.S. Customs and Border Protection (CBP) rolled out a new rule on the Jones Act. Under this 1920 law, all ships transporting goods between U.S. ports must be U.S.-flagged, constructed in the U.S., owned by U.S. citizens and crewed by U.S. citizens.

Most ships in the offshore oil-and-gas industry, such as crewboats or platform-supply vessels, already comply with the Jones Act in Alaska, the Gulf of Mexico and elsewhere. But Customs now wants to extend the mandate to certain specialized drilling, construction and engineering vessels. Currently, about 30 CBP regulatory precedents stretching back 40 years exempt these ships from the Jones Act.

The reason is that the drilling industry is global and mobile. Heavy-lift construction vessels, for example, are used to install moorings in deep water and perform other specific, limited tasks. There are 76 in the world—and none of them comply with the Jones Act. The international fleet of crane barges tops out at 173, only 17 of which qualify.

If the CBP reverses historic precedent, the damage will be immediate and disor-

A new rule would damage Trump's plans for more U.S. energy.

derly. Current development will be delayed or the rule could even become a de facto moratorium. Removing foreign-flagged vessels from the U.S. supply chain will make future projects riskier and more expensive. Proponents claim U.S. fleets can simply buy new equipment, but that takes time and in any case is a misallocation of resources to satisfy an arbitrary regulation.

The motives of Mr. Obama and career CBP staff are obvious: to reduce oil-and-gas investment. Less obvious is the support of some Republicans in Congress, especially the Louisiana delegation led by Majority Whip Steve Scalise. They're cheering because they think blocking foreign competition will benefit the local maritime trade.

Perhaps Mr. Trump even buys into this America-first logic. But deep-water operations in particular don't have the scale to support a purely domestic business. Any short-term boon to boat building or shipyards will be exceeded by the disruption to jobs and investment, and the larger economy will lose to the extent there is less oil-and-gas development.

Mr. Trump only recently nominated a permanent CBP commissioner, and in the meantime the bureaucracy seems to be riding herd. The new rule could be finalized as soon as this month. Mr. Trump is otherwise committed to domestic energy and economic deregulation, and he could serve both goals by ordering a top-to-bottom review of Mr. Obama's destructive parting gifts.

Behold America's Master Conspirators



BUSINESS WORLD
By Holman W. Jenkins, Jr.

It was the bombshell that bombed. The Washington Post reported last week that a Trump campaign adviser, in the middle of last year's election campaign, had indeed been singled out by the FBI for surveillance as a potential Russian agent.

Unfortunately for the conspiracy theorists, it was Carter Page, the Waller Mitty of Trump world.

Far be it from me to suggest the FBI was just looking for an easy way to fob off Obama-administration pressure to validate its Trump-Russia talking points. Mr. Page had been the target four years earlier of a sad little recruitment effort by Russian spies in New York, who eventually were prosecuted and whose monitored communications referred to Mr. Page as an "idiot."

He later gave an incoherent speech in Moscow in the middle of the campaign decrying U.S. sanctions. Most of all, he was singularly devoid of influence with either Donald Trump or the Russians, though perhaps not the least likely contender to say something foolish on a "wiretap."

Most media accounts take for granted his self-description as a player in Russian energy deals, but a lengthy Politico investigation as far back as September found that "nobody in Russia seems to have heard of him."

So this is the man the FBI selected as the most likely spy in the Trump midst. Which explains a lot—like the deafening silence last week of media organs that so recently had been wetting themselves over tenuous Trump-Russia theories.

Silent was the New York Times columnist who a couple weeks ago jabbed about a "smell of treason."

Silent was House Intelligence Committee ranking Democrat Adam Schiff, who not long earlier had noisily detected "circumstantial evidence" and "more than circumstantial evidence" of a Trump-Kremlin conspiracy.

But then a lot of pundits and others have lately demonstrated their inability to reason about evidence or even understand what is truly a "coincidence" in the sense of an unlikely confluence of events.

The only really interesting evidence has now been debunked by Byron York of the Washington Examiner, who shows that the claim that the Trump forces had weakened a GOP platform critique of Russian actions in Ukraine was simply misinformed.

Messrs. Schiff and Page are fitting sharers of the stage in this episode, with a certain indefinable insubstantiality in common.

Mr. Page attached himself to Candidate Trump, promoter of better relations with Russia, after apparently spending the past decade—since leaving

ing a junior job with Merrill Lynch in Moscow—seeking to insert himself in energy deals in Russia in hopes, as his would-be spy recruiter put it, of "making a lot of money." If he ever did make any money, it hasn't shown up in an obvious place—campaign donations. Mr. Page's one recorded contribution was to John McCain back when Mr. Page still had a job with Merrill.

As for Mr. Schiff, he got the third-time's-a-charm job back in 1990 of prosecuting a hapless FBI agent for his affair with a Russian spy after two previous attempts ended in a hung jury and a mistrial. Mr. Schiff clearly hopes today to raise his meager profile as one of 53 California congressmen by riding his party's Trump neurosis to a shot at a U.S. Senate seat.

Adam Schiff and Carter Page both have cluelessness and ambition in common.

Appearing recently on the same ABC News show as Mr. Schiff, Sen. Marco Rubio noted puckishly of the Senate's own investigation: "No one's out there trying to turn this into a way to get famous."

Uh huh. No one also doubted Mr. Rubio was accurately summarizing Washington's fast-hardening consensus on Mr. Schiff.

Few memes have died so sudden a death as the Trump-is-a-Russian-mole meme, with his Syria strike, with his administration publicly accusing Russia of "complicity" in the nerve-gassing of civilians.

The Trump presidency is coming into focus. Astonishing are the headlines pronouncing it "astonishing" that Mr. Trump, facing the pressures, constraints and opportunities that other presidents face, is acting more or less like other presidents. Isn't this where his admittedly steep learning curve was always likely to lead?

If the House Intelligence Committee wishes to continue its descent into circumspect, by all means accommodate Mr. Page—now styling himself a pro-Russia "dissident" whom the Obama administration sought to persecute—and his desire "eagerly" to testify. At least his offending Moscow speech took place after the Crimea grab, when it was no longer U.S. policy to promote business dealings with Russia, an important threshold that Democrats anachronistically refuse to acknowledge (and which never applied to Paul Manafort but does apply to the completely ignored Russia dealings of the Podesta brothers).

Then again, the committee might resume its original mission of investigating Russia's shambolic propaganda efforts in the U.S. election, rather than peddling conspiracy theories about minor members of the Trump entourage.

LETTERS TO THE EDITOR

Both Parties Have Room for Humility on Debt

Regarding your editorial "Obama's Debt Interest Bomb" (April 12): If President Obama left President Trump the bar tab, it is because he first paid the bill for President George W. Bush's eight-year binge, during which he squandered a \$236 billion budget surplus and initiated the descent into extreme deficits. Over his two terms, Mr. Bush cut taxes, started two unpaid for wars, created an expensive Medicare drug plan and left the economy in the worst recession since the Great Depression.

Mr. Obama's deficits resulted from a \$600 billion decline in tax receipts due mostly to the Bush recession, and the cost of initiatives to stop the economic free fall, including the TARP, the ARA and the ever-escalat-

Give Regulatory Cost Data The Attention They Deserve

Susan Dudley's "A Trump Nomination Shows He's Serious About Deregulation" (op-ed, April 11) contains this wholly unsubstantiated assertion: "By some estimates regulations cost Americans more than \$2 trillion a year." This ever-rising conjecture stems from Washington University Prof. Murray Weidenbaum after leaving a position with the Reagan administration in 1982. His first estimate of \$150 billion a year was arrived at, he told me, by taking the total annual budget of the federal regulatory agencies and multiplying by 10. When I asked how he came about this multiple, he replied that it was his best guess. When asked why he didn't balance his supposition with an estimate of the benefits of such regulations, such as safer motor vehicles, drinking water, medicines, cleaner air and water and less lead in humans' bodies, he congenitally offered that this was not his task, it was mine.

Law and order works on misbehaving or negligent corporations.

RALPH NADER
Washington

ing expenses of the Bush wars. Yes, these deficits have increased interest payments, but Mr. Obama's actions raised the economy from the abyss, reduced unemployment to less than 5%, revived economic growth and reversed the Bush trend of ever-increasing deficits. Mr. Trump has challenges to face, but he's starting with a far better hand than Mr. Bush dealt Mr. Obama.

ROBERT PERRY
Hull, Mass.

Your editorial brings to mind economist Judy Shelton's prescient pre-election op-ed six months ago that described U.K. support of Brexit and U.S. voter support of Mr. Trump as "A Trans-Atlantic Revolt Against Central Bankers" (Oct. 13, 2016). The Federal Reserve's eight-year policy of extraordinarily low interest rates failed to deliver a boost to economic growth, facilitated massive federal borrowing, hurt savers and fueled a run-up in financial-asset prices.

During Mr. Obama's two terms, the Fed pressed its monetary pedal to the metal and coaxed the White House and Congress to turbocharge fiscal policy. Then, days before Mr. Obama was about to hand the White House keys to Mr. Trump, Fed Chair Janet Yellen opined that, "at this point fiscal policy is not obviously needed to provide stimulus to help us get back to full employment."

With the Fed now tapping on the monetary brake—and suggesting that it will tap harder soon—and no longer calling for fiscal stimulus, one is forgiven for suspecting the politicization of the Fed.

TED PERKINS
Richmond, Va.

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OPINION

Gorsuch Lessons for Trump's Next Nominee

By Fred Barnes

US. Republicans have created a political machine for confirming conservative nominees to the Supreme Court. It functioned like a well-run presidential campaign after Donald Trump nominated Neil Gorsuch to succeed Antonin Scalia. And it needed to perform, despite Justice Gorsuch's impressive credentials.

The effort to confirm pulled off two surprises. As divided as Republicans are on health care, they were united behind Judge Gorsuch once a few wavering senators were won over. Even

If another Supreme Court vacancy opens, the fight to confirm the president's choice won't be pretty.

more unusual, Mr. Trump was all but silent on Judge Gorsuch—no tweets, no controversial comments to the press, no distractions.

The Gorsuch experience has strengthened Republicans, should Mr. Trump have a second Supreme Court vacancy to fill. Democrats won't be able to block the new nominee by filibuster, having foolishly forced Senate Majority Leader Mitch McConnell to confirm Justice Gorsuch by invoking the "nuclear option" to kill the filibuster of his confirmation.

That isn't to say that the next nominee will have smooth sailing. If Justice Anthony Kennedy, the swing vote,

or any of the four liberal justices retires, the court's ideological balance will be at stake. One issue in particular will rise to the top: abortion. Democrats will insist that a new conservative justice would be the fifth vote to overturn *Roe v. Wade*. Moderate GOP senators might agree. Republicans control the Senate with only a narrow margin, 52-48.

The struggle over Mr. Trump's second nominee would probably make the fight over Justice Gorsuch seem cordial. Democrats have vowed total resistance. The confirmation machine would have the benefit of its experience with Mr. Gorsuch and the ability to deploy its forces quickly.

In the 11 months between Justice Scalia's death and the Gorsuch nomination, a lot happened. Mr. McConnell's decision to keep the seat open for the next president to fill unseated even some Republican senators. When Sen. Jerry Moran of Kansas said President Obama's nominee, Merrick Garland, deserved hearings, he was pressured to change his mind, which he did.

Democrats targeted Chuck Grassley of Iowa, chairman of the Senate Judiciary Committee, who faced reelection in 2016. The media declared his seat in jeopardy if no Garland hearings were held. To bolster him, op-eds backing his refusal to schedule hearings began to appear in Iowa papers. At a town hall, a woman stood up and thanked the senator for standing strong. Mr. Grassley was reelected with 60% of the vote.

The confirmation machine began gearing up in March 2016, when Washington attorney Don McGahn introduced Mr. Trump to Leonard Leo,



EUROPEAN PRESSPHOTO AGENCY

Neil Gorsuch arriving at the Senate Judiciary Committee on March 20.

the executive vice president of the Federalist Society. Mr. Trump said he wanted a list of potential conservative nominees to the Supreme Court. Mr. Leo not only produced it, but added a second list that included Judge Gorsuch. The list of 21 names became critical once Mr. Trump declared that he would pick from it if he became president. Mr. McConnell believes this not only made the Supreme Court the "principal" issue in the campaign, but made Mr. Trump acceptable to wary Republican voters.

Everyone played his role perfectly. Upon being nominated, Judge Gorsuch's job was to be an appealing witness at his confirmation hearings. He was never argumentative. Mr. McConnell concentrated on keeping Republican senators from bailing out. Mr. McGahn, now the White House counsel, handled Mr. Trump. Mr. Leo, who had earlier helped in confirming Chief Justice John Roberts and Justice Samuel Alito, took leave from the Federalist Society to run the outside campaign.

Mr. Leo kept this last part quiet and orderly. When Judge Gorsuch was hit with a last-minute charge of plagiarism, the appropriate academics had already been lined up. They dismissed the charge as unwarranted. Mr. Leo insisted on no surprises. There were none.

The well-funded Judicial Crisis Network and its chief counsel, Carrie Severino, were a key part. Also arranged were television ads by the National Rifle Association, which urged four Democratic senators to vote for Judge Gorsuch. Two of them did. The last hurdle was locking up three holdout Republican senators, Susan Collins of Maine, Lisa Murkowski of Alaska and Bob Corker of Tennessee. If they had voted against eliminating the filibuster, Justice Gorsuch might not be

on the court today. Mr. Corker, who regarded the filibuster as a valuable Senate tradition, was flooded with pro-Gorsuch phone calls, and the possibility of a primary challenger was raised. He complained but voted to end the filibuster anyway.

With a second nominee, the confirmation machine faces a threshold question: Will President Trump choose from the list? He hasn't said so. Before picking Judge Gorsuch he interviewed three other candidates and was especially impressed with the runner-up, Judge Thomas Hardiman of the Second U.S. Circuit Court of Appeals. He is 51.

There's considerable risk for Mr. Trump if he chooses a nonconservative, says Ann Corkery, a Washington lawyer who worked to confirm Justice Gorsuch. "Along with David Souter, the lesson of Harriet Miers should not be forgotten," she says. Justice Souter, appointed by President George H.W. Bush, joined the court's liberal faction. Ms. Miers, the White House counsel whom President George W. Bush nominated to the high court, dropped out after conservatives opposed her. "Conservatives are not going to just roll over because it's a Trump nomination," Ms. Corkery says.

Mr. McConnell expresses confidence. If a second Supreme Court vacancy arises, he said in an interview shortly after Mr. Gorsuch's confirmation, "I think we are going to see a quality nominee." The list is brimming with them, conservatives all, with a political machine eager to get behind them.

Mr. Barnes is executive editor of the Weekly Standard and a Fox News commentator.

One Way to Prevent Peace Between Pakistan and India

By Husain Haqqani

Pakistan's announcement last week that it convicted a suspected Indian spy and sentenced him to death will further disrupt already shaky India-Pakistan relations. The decision will add to the sentiment in Pakistan, carefully nurtured over the years by its government, that India remains Pakistan's "eternal enemy" and will likely deter Prime Minister Nawaz Sharif from any new initiative to mend fences.

That India and Pakistan spy on each other isn't much of a secret, nor is the claim by both sides that the other supports insurgencies inside its territory. But the arrest and sentencing of a spy, backed by a Pakistani (and Indian) media frenzy, will keep the pot of neighborly enmity boiling even if it is largely ignored outside the subcontinent.

Pakistan's hypernationalist narrative already positions the country as the target of a global conspiracy and portrays its nuclear-armed military and intelligence agency as the only bulwarks against annihilation. Extremists in India, meanwhile, increasingly mirror Pakistan in advancing the idea of perennial

conflict, with Subramanian Swamy of the ruling Bharatiya Janata Party, among others, calling for Pakistan's disintegration.

Pakistan announced the arrest of Indian national Kulbhushan Jadhav in March 2016, accusing him of involvement in espionage and sabotage activities in Balochistan, Pakistan's restive southwestern province besieged by an armed ethnic insurgency.

Pakistan's military blames the Balochistan insurgency on "foreign governments and intelligence agencies." Mr. Jadhav's arrest confirmed Pakistani fears and was cited as proof by Pakistan's media of India's efforts to destabilize Pakistan.

Not much is known about the case except details officially provided by Pakistan. India has acknowledged that he is a former naval officer engaged in business since his retirement but denies he has any current involvement with its intelligence services. New Delhi asserts that he was abducted from Iranian Balochistan before being shown to the press by Pakistan.

The primary evidence against Mr. Jadhav seems to be a videotaped confession released last March by Inter-Services Public Relations, the

Pakistan military's official media wing, which also announced the conclusion of his secret trial. Pakistan's civilian leaders have generally been circumspect in their pronouncements on the matter.

Under pressure from the military, some of it rather public, the Pakistani Foreign Office announced in the fall

Putting an Indian on Pakistan's death row will easily scuttle momentum for a détente.

that it would compile evidence about Indian covert operations against the country, based on Mr. Jadhav's testimony, into a dossier that would be presented to the United Nations secretary-general. An adviser to the prime minister later informed the Pakistan Senate that the material collected by the military "was insufficient," but in January the dossier based on the already-released confession was presented to the U.N. anyway.

Pakistan has delivered similar dossiers before while acknowledging

that they don't contain "material evidence." Their intended audience isn't the U.N. or the international community but the Pakistani public. Unwilling to change its policy of supporting jihadist groups as an instrument of regional influence, Pakistan's military-intelligence combine wants to ensure the primacy of its worldview at least within Pakistan.

Pakistani military intelligence maintains a large "M" (media) wing that threatens mainstream journalists, tries to influence reporting on Pakistan by foreign media and ensures that civilian politicians, journalists and intellectuals who question its narrative of a permanently besieged Pakistani state are projected as agents of a Zionist-Hindu cabal. Islamabad was also an early adopter of fake news sites used to promote everything from the country's capital to building the image of its top army commander.

According to the Pakistani hypernationalists, civilians advocating normalization of relations with India, or advocating close ties with the U.S. or recognition of Israel, are all seeking to sell out Pakistan. It isn't unusual to find pictures on the internet of dissenting Pakistanis, including me, with

Stars of David, American flags or Hindu insignia painted across our foreheads. Similar abuse is targeted at scholars and journalists who promote views disfavored by the military-intelligence complex.

Mr. Jadhav's conviction for espionage would have been more convincing if it had resulted from an open trial. But as with much about Pakistan, the trial's short and secretive timeline may have more to do with internal dynamics than with the merits of the case itself. Mr. Sharif had recently renewed calls for improving relations with India. Putting an Indian on death row is an easy way to scuttle momentum for new talks.

At a time when India is also sliding into Hindu religious fervor, with vigilante violence threatening the country's minorities over protecting cows that are considered sacred, Pakistan's spy games can only make it tougher for the two South Asian neighbors to even explore peace, let alone find it.

Mr. Haqqani, director for South and Central Asia at the Hudson Institute in Washington, was Pakistan's ambassador to the U.S. from 2008 to 2011.

Saudis Know That U.S. Power Can Bring Lasting Peace

By Abdullah Al-Saud

President Trump's decision to order missile strikes in Syria earlier this month, along with his statement that the country's future cannot include Bashar Assad, shows that the U.S. will not give the Assad regime and its allies a free hand. These moves instead have encouraged America's allies, including my country, Saudi Arabia.

The U.S. has been working closely with us for a long time to combat terror groups and to deter Iran and Hezbollah, often in ways the public doesn't see. Our support has been critical, but there are certain definitive actions that only the U.S. can take, certain voids that only the U.S. can fill.

The Kingdom of Saudi Arabia stands by our American ally, as we invariably have. We appreciate the many sacrifices the American people

have made in our part of the world, and we understand their fatigue with combat. But the region is still very dangerous. Any perception that the U.S. lacks the resolve to act when necessary only encourages those who do not share America's noble values to step in.

This happened in Syria, where the Assad regime has waged unrelenting warfare on its people for six years. The Syrian government—supported by Russia, Iran and its terrorist proxies in Hezbollah—has killed hundreds of thousands of Syrians, created one of the worst refugee crises the world has ever witnessed and facilitated the growth of Islamic State.

Iran continues to destabilize the region, both by stoking sectarian tensions and by aiding extremist groups. It is supporting subversive and terrorist activities in the Middle East and beyond, and it has even given sanctuary to the top-ranking leaders of al Qaeda.

Iran's attempt to gain a foothold in the region and supported the forces of the elected government. We want

Saudi Arabia is sandwiched between Iraq and Yemen, both of which are fighting to determine their future despite Iranian meddling. Iraq is in a struggle against Islamic State while still trying to bridge the sectarian divide. Tehran has been exploiting and provoking since the 1979 Iranian revolution. Yemen has been a base for attacks against Saudi Arabia. Its civil war—provoked, fueled and sustained by Iran—has cost thousands of lives while generating political and economic chaos.

Saudi Arabia and the U.S. have a shared view of the situation in the Middle East, and the major elements of our policies largely coincide. This augurs well for the possibility of bringing stability and peace to the region, but we are in for a long slog.

In Syria, our policy is to ensure a diplomatic solution to the crisis through the implementation of the 2012 Geneva I Declaration, which calls for a "transitional government body" with full executive powers that would include members of the present Syrian government and the opposition.

Saudi Arabia believes that a political solution and a peaceful transition of

power cannot be obtained without the removal of Mr. Assad. The Syrian people cannot accept or believe in a peace with him in power.

Last year, we stated our willingness to commit ground forces to Syria should the U.S. decide to lead a

Any apparent lack of resolve only encourages those who do not share America's noble values.

ground campaign against Islamic State. Our objective would be to liberate territory from these terrorists and ensure that such areas do not fall under the control of Iranian-backed sectarian militias or the Assad regime. Saudi Royal Air Force jets operating out of the Incirlik air base in southern Turkey have conducted more than 340 strikes against Islamic State targets in Syria as of February.

In Yemen we have rolled back

Iran's attempt to gain a foothold in

the region and supported the forces

of the elected government. We want

the Houthis to commit to a political solution based on United Nations Security Council Resolution 2216. This resolution requires the Houthis to withdraw from areas they have seized, relinquish their arms and cease all activities that properly belong to the government of Yemen.

Saudi Arabia is in the midst of a period of rapid modernization, and the quality of life of our people is our foremost concern. But that quality of life is at risk if we cannot make our region more secure. We will gladly bring our resources to bear on efforts to bring that about, but we have seen that it is only in working closely with the U.S. that our contribution can be truly effective.

We value our alliance with the U.S., and we believe that American power—and the demonstrated willingness to use it judiciously—can change the dynamics in the Middle East for the better. In the end, it is American power, reinforcing and complementing the work of America's allies in the region, that will bring stability and lasting peace.

Mr. Al-Saud is Saudi Arabia's ambassador to the U.S.

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From "Bookselling in the 21st Century: Radical Wisdom at City Lights" by Ivy Anderson,

LIFE & ARTS

MUSIC REVIEW

Expanding New Orleans Jazz

BY LARRY BLUMENFELD

THE MUSICAL LEGACY of New Orleans leans on contradictory truths. Certain things that have happened—a snare-drum figure, a familiar call-and-response—will always happen. Yet nothing stays the same. The city's sonic signature is clear, but this identity can't be reduced to a single style.

Four new releases from New Orleans musicians, all recorded in the city, build upon celebrated traditions in both subtle ways and as springboards for new concepts.

"So It Is" (Legacy), out April 21, represents the second release of all-original music from the Preservation Hall Jazz Band, long known for playing classic repertoire in its historic French Quarter hall. Bassist Ben Jaffe, who plays tuba on one track here, and whose parents, Allan and Sandra Jaffe, established the hall, has experimented with this septet's possibilities for a decade. This album was inspired by the band's 2015 trip to Cuba, yet that influence is overt only through the rollicking beats and blaring horns of "Santiago," and on "One Hundred Fires," which infuses a dirge, the slow crawl of New Orleans jazz funerals, with a habanera rhythm. The Preservation Hall band didn't Cubanize its concept. Rather, the Cuban experience deepened the band's focus on rhythm, and its intensity. Thus, for instance, the deep groove from cowbell and hand percussion that begins "Convergence," which ultimately sounds like fiery soul-jazz.

Few traditions are as elemental to New Orleans life as Sunday second-line parades, during which brass bands lead finely attired Social Aid & Pleasure Club members and followers for hours at a stretch. "On the Spot" (Tru Thoughts) displays why, 20 years after the group's founding, the Hot 8 Brass Band remains heroic in those streets. Buoyed by the rippling authority of founder Bennie Pete's sousaphone, the band's rhythms are loose-limbed, hard-hitt-



GETTY IMAGES

'Parking Lot Symphony' (Blue Note), due April 28, is the new album by Troy Andrews, better known as Trombone Shorty.

ting and informed by modern funk and hip-hop. Like forebears such as the Dirty Dozen and Rebirth brass bands, the Hot 8 bridges past with present. The classic dirge "St. James Infirmary" features clarinetist Michael White, a New Orleans traditionalist with whom the band began collaborating a decade ago, in the wake of citywide devastation. Crowd-pleasing pop-song covers include a cleverly syncopated "Annie Mae," dedicated to the late singer Natalie Cole. Best are the originals, such as the title track, composed during a break during a recent parade. Here, rhythms shimmy like a savvy street dancer and the horns play tight harmonies that glow like strong sunshine.

Trombone Shorty earned his nickname as a boy in the Tremé neighborhood, mastering an in-

strument he could barely lift during parades. Back then, Troy Andrews (his real name) played sousaphone, too, as he does during "Tripped Out Slim," a brief but bracing track on his new album, "Parking Lot Symphony" (Blue Note), due April 28. If that sousaphone nods to second-line tradition, it also undergirds a sound Mr. Andrews created—gleaming, graceful, slightly gritty and distinctly modern. He is a seductive singer, but Mr. Andrews's most compelling voice still comes via brass instruments (he's equally skilled on trumpet and trombone). On this album, multi-tracked, he plays several instruments, including keyboard and guitar, tracing forms that get boldly colored in by his Orleans Avenue band. The Allen Toussaint song "Here Come

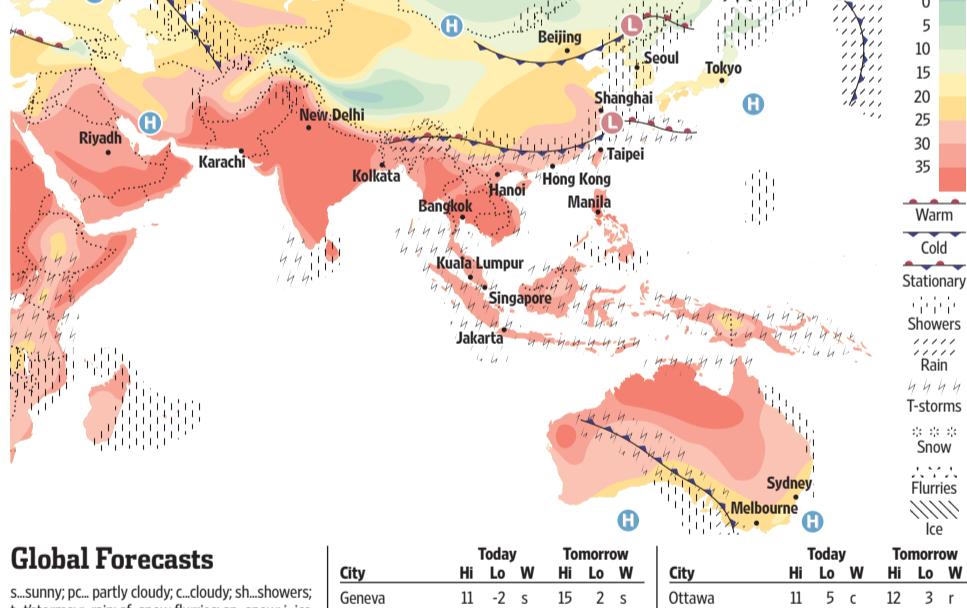
the Girls" and the Meters classic "It Ain't No Use," included here, reflect the formula to which Mr. Andrews most clearly aspires as a composer: memorable melodies and compelling hooks that suggest stories. He often hits that mark, even through dirges that begin and end the album. The intriguing layers and fleeting dissonances of the closer, "Laveau Dirge Finale," suggest further inventions to come.

On "Ruler Rebel" (Stretch Music/Ropeadope), trumpeter Christian Scott aTunde Adjuah begins one track, "New Orleanian Love Song," with a long tambourine rattle—the call to action of the Mardi Gras Indians, perhaps the most inscrutable of New Orleans indigenous cultural groups. This tradition, in which Mr. Adjuah was raised, reflects African influence.

So does the drum kit played by Joe Dyson Jr., which includes West African djembe and dundun drums in place of bass drum and toms. Another drummer, Corey Fornville, plays a kit augmented by electronic SPD-SX pads, de rigueur in hip-hop circles. Mr. Adjuah fuses a distant past, jazz's precursors, with an off-the-moment sonic feel. His music has reached a point of dazzling refinement—a dense, richly textured blend of acoustic and electronic elements in which foreground and background subtly shift focus. His trumpet playing, which often sounds majestic, never steals the spotlight. It commands from deep within.

Mr. Blumenfeld writes about jazz for the Journal. He also blogs at blogs.artinfo.com/blunotes.

Weather

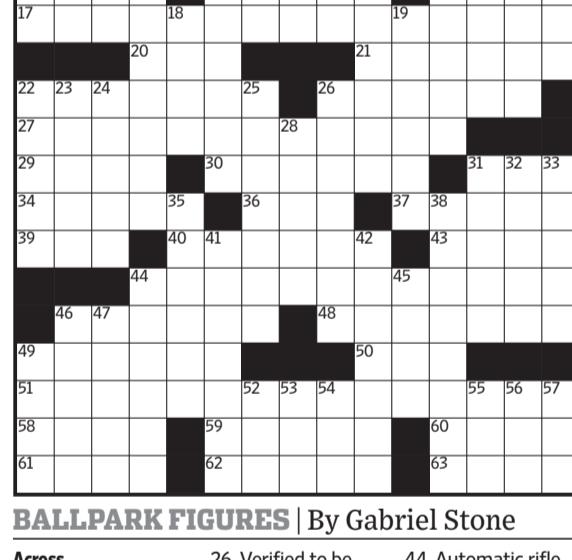


Global Forecasts

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

| City | Today | | | Tomorrow | | |
|--------------|-------|----|----|----------|----|----|
| | Hi | Lo | W | Hi | Lo | W |
| Amsterdam | 12 | 8 | pc | 14 | 7 | pc |
| Anchorage | 11 | 3 | s | 12 | 3 | s |
| Athens | 22 | 12 | pc | 18 | 10 | pc |
| Atlanta | 29 | 18 | s | 30 | 18 | pc |
| Bahrain | 31 | 17 | s | 33 | 18 | s |
| Baltimore | 28 | 16 | pc | 28 | 12 | pc |
| Bangkok | 37 | 27 | pc | 37 | 27 | pc |
| Beijing | 22 | 10 | c | 22 | 5 | s |
| Berlin | 8 | 2 | pc | 12 | 4 | pc |
| Bogota | 19 | 9 | r | 18 | 9 | r |
| Boise | 13 | 2 | c | 16 | 5 | s |
| Boston | 16 | 8 | c | 12 | 8 | r |
| Brussels | 11 | 4 | pc | 15 | 8 | pc |
| Buenos Aires | 23 | 13 | s | 21 | 7 | pc |
| Cairo | 32 | 20 | s | 36 | 19 | s |
| Calgary | 14 | 2 | c | 11 | 0 | c |
| Caracas | 31 | 25 | pc | 31 | 25 | pc |
| Charlotte | 28 | 17 | s | 31 | 18 | s |
| Chicago | 21 | 5 | c | 12 | 5 | pc |
| Dallas | 29 | 19 | c | 29 | 12 | c |
| Denver | 18 | 3 | sh | 10 | 1 | r |
| Detroit | 23 | 8 | t | 15 | 5 | pc |
| Dubai | 34 | 27 | pc | 33 | 26 | s |
| Dublin | 14 | 7 | sh | 15 | 6 | c |
| Edinburgh | 15 | 9 | c | 12 | 2 | sh |
| Frankfurt | 12 | 0 | pc | 15 | 8 | pc |

The WSJ Daily Crossword | Edited by Mike Shenk



BALLPARK FIGURES | By Gabriel Stone

| Across | | | |
|--|--|---|--|
| 1 What nociceptors sense | 26 Verified to be functional | 44 Automatic rifle that fires M&M's? | |
| 5 Exposes | 27 Parts of excellent wind farms? | 46 Portuguese island group | |
| 10 Litmus reddener | 29 Duty | 48 Gave the brushoff | |
| 14 Capitol figure | 30 Stiff drink | 49 Debut pop album of 1991 | |
| 15 Easy __ | 31 Org. with a zombie apocalypse preparedness web page | 50 Hermana de la madre o el padre | |
| 16 Commanded, quaintly | 32 Lessens a person's drink tab? | 51 Signs of an upcoming precipice? | |
| 17 | 34 Dozen for a darling | 52 Zebra's mother | |
| 20 Innsbruck interjection | 36 Leaf lifter | 58 Betelgeuse setting | |
| 21 Company that offers little training | 37 Hiccups stopper | 60 Largest island in the Tuscan Archipelago | |
| 22 "Did you start without me?" | 39 In advance of, archaically | | |
| | 40 Fits, e.g. | | |
| | 43 J.Lo's 2017 beau | | |

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Previous Puzzle's Solution

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| ABBY | ASTO | SMART |
| GREENSPAN | HOBOS | |
| HOTPOTATO | ARENA | |
| ANT SIR | AVATAR | |
| STOLENKISSES | | |
| TERA SCAT SLAM | | |
| ICH EURO ERA | | |
| POACHED FLOUNDER | | |
| ERR OLIO SRA | | |
| ZETA INGA ROBS | | |
| SQUASH RACKET | | |
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Thursday, April 20, 2017 | B1

Yen vs. Dollar 108.8830 ▲ 0.42%

Hang Seng 23825.88 ▼ 0.41%

Gold 1279.50 ▼ 0.94%

WTI crude 51.53 ▼ 1.68%

10-Year JGB yield 0.007%

10-Year Treasury yield 2.216%

Akzo Sets Course to Fend Off PPG

By CHRISTOPHER ALESSI

LONDON—Paint and chemicals giant **Akzo Nobel NV** on Wednesday boosted dividend payouts to shareholders and set a timeline for the separation of its specialty-chemicals division, the latest in the Dutch firm's efforts to fend off a \$24 billion takeover approach from U.S. rival **PPG Industries Inc.**

Akzo said the unit's separation from its paints and coatings operation would take place within the next 12 months. The company plans to pursue a dual-track process to have the option to either spin off the business as a separate listed entity or sell it outright.

"We believe this plan creates superior value" to the PPG offer, Akzo Chief Execu-

tive Ton Büchner said Wednesday. "It has significantly less uncertainty."

Akzo announced last month that it planned to separate the business, when it disclosed PPG's interest. Akzo has since rejected a second, sweetened offer by PPG of €88.72 (\$94.70) a share, up from an initial bid of €83 a share.

Mr. Büchner said the "vast majority" of net proceeds from the separation of the specialty chemicals business would be returned to shareholders. Pretax proceeds from the separation could amount to roughly €8 billion, according to analysts at Bernstein Bank.

The company said it is targeting increased shareholder returns and plans to issue a €1 billion special dividend to shareholders in November, as



Akzo CEO Ton Büchner

well as a 50% increase in the regular dividend, to €2.50 per share.

Details of the new strategy come as Akzo is warding off an effort by some of its largest

investors, including activist investor Elliott Management Corp., to push the Amsterdam-based company to engage in negotiations with PPG.

Elliott last week called for a special meeting of Akzo's shareholders to try to oust the chairman of the supervisory board. Akzo responded that it strongly supported Chairman Antony Burgmans and would reject an agenda item seeking to dismiss him.

The company hasn't yet said whether it will agree to hold the extraordinary meeting. At an investor event Wednesday, Mr. Büchner declined to answer questions from an Elliott representative about how Akzo could reject an agenda item before deciding on whether to hold the extraordinary general meeting.

"The supervisory board has

unanimously decided in favor of the approach we are taking," Mr. Büchner said.

He used the investor event to outline in detail the strategy for either spinning off the specialty chemicals unit or selling it.

Afterward, Mr. Büchner said there was an "initial positive reaction" from investors he spoke with about the plan.

Speaking with the Journal, the CEO said that unlike PPG's takeover proposal, his plan to separate the division and create value for shareholders offers a "certainty of execution."

Elliot later in the day released a statement rejecting the company's stand-alone strategy, questioning whether

Please see AKZO page B2

◆ Akzo's basic pitch against a deal hasn't changed..... B8

Emirates Reduces Flights To U.S.

Emirates Airline, the world's biggest carrier by international traffic, is cutting flights to five U.S. cities after actions by the Trump administration slowed bookings from Middle Eastern countries.

By Asa Fitch in Dubai
and Robert Wall
in London

The Dubai-based carrier's action is the clearest sign of the commercial impact of President Donald Trump's efforts to curtail immigration from several Muslim-majority countries and to limit the use of electronics on some U.S. bound flights.

"Over the past three months, we have seen a significant deterioration in the booking profiles on all our U.S. routes, across travel segments," the airline said. "Emirates has therefore responded as any profit-oriented enterprise would, and we will redeploy capacity to serve demand on other routes on our global network."

The reduction for nearly half of Emirates' U.S. destinations will start kicking in in May, the airline told its business partners Wednesday, according to a notice seen by The Wall Street Journal.

Citing terrorism threats, the U.S. banned passengers in March from carrying large electronic devices, including laptops and tablets, in cabins on direct flights from several Middle Eastern countries, including the United Arab Emirates. Even before the electronics ban, Emirates had to contend with executive orders from Mr. Trump that blocked the entry of nationals from several Muslim-majority countries. Those orders were blocked by U.S. courts.

"The recent actions taken by the U.S. government relating to the issuance of entry visas, heightened security vetting and restrictions on electronic devices in aircraft cabins have had a direct impact on consumer interest and demand for air travel into the U.S.," the airline said.

Emirates President Tim Clark said early last month that the travel ban almost instantaneously led to a 35% decline in the pace of bookings on the 12 U.S. routes the airline serves. Mr. Clark said at the time that while the pace had started to recover, it wasn't clear when things would return to normal. The electronics ban soon followed.

The restrictions aren't limited to any particular airlines but have hit Persian Gulf carriers the hardest. They link many of the countries affected by the visa ban to the U.S. via

Please see FLIGHTS page B2

Trump Adds Pain To Indian Outsource Firms

President Donald Trump's "Buy American, Hire American" executive order could rub salt into already wounded Indian outsource firms.

Indian technology subcontractors like **Infosys** and **Tata Consultancy Services** are big users of the so-called H-1B visas that

the order targets. The Trump administration specifically mentioned the two companies as among those it says have often used

the visas to bring in low-paid workers, instead of the highly skilled employees for which the visa is designed.

The new order is short on details. But potential changes could include raising the minimum salary requirement for visa recipients or placing caps on the number of employees with H-1B visas a company can have.

That means these out-sourcers may be forced to tap more into the local U.S. talent market, which could increase their costs. Infosys and Tata could be badly hit. Goldman Sachs estimates only one-third of their staff in the U.S. currently are local hires, much lower than their peers like **HCL Tech** or **Wipro**.

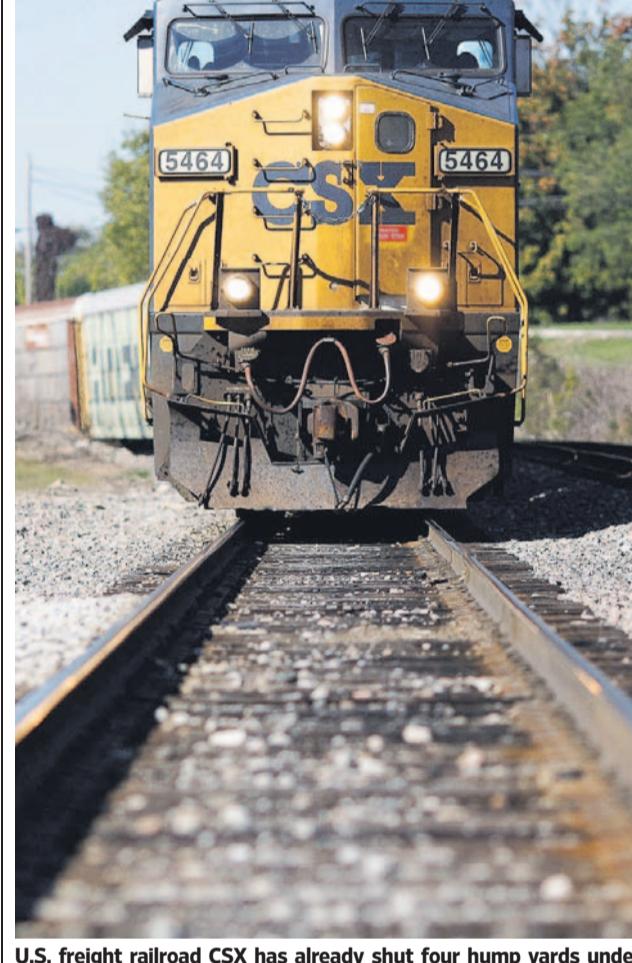
The problem is tricky to avoid: Both companies generate more than half their revenue from North America, meaning they have to maintain significant head count there.

Outsourcers are already facing a challenging environment as more of their clients come to rely on cloud-based services to run functions like payroll. That means they have less need for the likes of Infosys or Tata to develop and maintain customized in-house systems.

Both firms still derive around 60% of their sales from the traditional application services business.

Shares of Infosys and Tata have been moving sideways over the past couple of years, but are still significantly higher than five years ago.

Unless the two companies can offer fresh strategies for the Trump era, it may be time for investors to put these outsourcers out to pasture.



U.S. freight railroad CSX has already shut four hump yards under its new CEO, who considers the facilities to be inefficient.

Boxcar Shuffle

Freight-train cars are grouped at rail yards using different processes.

Hump yard

1. A locomotive pushes cars down a slope, usually one at a time to reduce speed.

Flat switching

Train cars are pushed by a locomotive — frequently in groups — to the assigned track.

This method can speed sorting of grouped cars because large groups of cars can be moved at once.

Speed is controlled by the locomotive

There is less equipment involved in flat switching, reducing maintenance.

Sources: Journal of Transport Literature, Analysis of rail yard and terminal performances, Marin Marinov; Leonardo Di Giovanni; Giulia Bellisai; Julian Clevermann; Anastasia Mastellou; Diogo Victoria; Laika Deleva; Norfolk Southern Corporation

THE WALL STREET JOURNAL.

Railway Chief Gets Over the Hump

CSX's Hunter Harrison starts tenure by changing way trains are reassembled for next trip

By PAUL ZIOBRO

Barely a month into his job leading **CSX Corp.**, Hunter Harrison is already executing some signature moves from his railroad-turnaround playbook.

First among them: doing away with hump yards, longtime rail fixtures where long trains are broken down into individual cars by pushing them over a hill, then letting gravity send them down different tracks. From there, they are reassembled and sent to their next destination.

Mr. Harrison joined CSX last month, and the Jacksonville,

Fla., company has already closed four humps, in Georgia, Kentucky, Ohio and North Carolina, according to a CSX spokesman. Mr. Harrison has said such facilities are inefficient because of the time-consuming way they work and the high costs of managing and maintaining them.

Mr. Harrison is instead implementing "flat switching" at those yards, where locomotives are used to break down and assemble trains. The process is aided with another feature of precision railroading that calls for sorting train cars into blocks, or preblocking, as they

are picked up from shippers.

The blocks are more organized than the jumble of cars that typically arrive at hump yards, which makes for faster swapping and assembly, cutting days off haul times, according to railroad experts.

"Hump yards are very complicated and expensive and work when you're bringing things in from lots of directions," said Anthony Hatch, an independent railroad analyst.

"The more you do preblocking, the more you don't need the complexity-solving machine that is a hump yard."

CSX, which was set to report first-quarter earnings late Wednesday, is bracing for more changes from Mr. Harrison. A railroad veteran who staged turnarounds at Canadian National Railway Co. and Canadian Pacific Railway Ltd., Mr. Harrison abruptly resigned as Canadian Pacific's chief executive in January, then became CEO at CSX on March 6 following an unusual boardroom battle.

He succeeded CEO Michael Ward, who was nearing retirement when activist hedge fund Mantle Ridge LP and Mr. Harrison

Please see CSX page B2

Morgan Stanley Net Soars on Trading Boost

By LIZ HOFFMAN

Morgan Stanley said its quarterly earnings rose 70%, riding big boosts in its debt-trading and underwriting businesses to become the last of the big Wall Street banks to post strong numbers.

Notably, the firm's results, especially in fixed-income trading, were far stronger than those of rival **Goldman Sachs Group Inc.**

The firm reported a profit of \$1.93 billion, or \$1 a share. That compares with \$1.13 billion, or 55 cents a share, in the first quarter of 2016, which was a dismal one for big banks. Revenue rose 25% to \$9.75 billion.

Morgan Stanley's shares were up 2.6% in early-afternoon trading on Wednesday as earnings and revenue beat Wall Street estimates.

The biggest surprise was \$1.7 billion in revenue from fixed-income trading, which includes corporate and government bonds, currencies and commodities. Long a trouble

spot for Morgan Stanley, the

unit is showing steady progress after a leadership change last year, and this quarter outperformed Goldman, which reported disappointing trading

figures Tuesday.

Morgan Stanley's return on equity, a closely watched measure of profitability, was 10.7% in the first quarter, finally clearing—at least on a quarterly basis—the 10% target laid out by Chief Executive James Gorman.

"In these types of markets, our business performs well," Chief Financial Officer Jonathan Pruzan said in an interview. "We clearly have to prove it the rest of the year."

Few firms on Wall Street benefit more from the combination of rising interest rates and a rising stock market than Morgan Stanley, whose wealth-management division manages trillions of dollars of clients' money across stocks, bonds and other assets.

Nearly every one of its businesses posted stronger

Please see MORGAN page B2



The bank's profit climbed 70% on a 25% increase in revenue.

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Fox Preparing to Drop O'Reilly

By JOE FLINT

Fox News is preparing to cut ties with star anchor Bill O'Reilly, people close to the situation said, after revelations that he and Fox parent **21st Century Fox** settled multiple sexual harassment complaints led to an exodus of advertisers from his show and mounting pressure on the network.

A final resolution on the fate of Mr. O'Reilly, host of the "The O'Reilly Factor," could come as early as the next several days, the people said.

21st Century Fox, which will hold a board meeting on Thursday, hasn't completed an exit agreement with Mr.

O'Reilly, the people close to the situation said.

Since an April 1 article in the New York Times detailing \$13 million in settlements paid to five women who worked on or appeared on Mr. O'Reilly's program, pressure has been growing on Fox News, both internally and from activists, to remove him.

Mr. O'Reilly has denied any wrongdoing, saying he paid settlements to "put to rest any controversies to spare my children."

On Tuesday, an attorney for Mr. O'Reilly said the host has "been subjected to a brutal campaign of character assassination that is unprecedented in post-McCarthyist

America" and added that he has "evidence that the smear campaign is being orchestrated by far-left organizations bent on destroying O'Reilly and Fox News for political and financial reasons."

Fox News parent 21st Century Fox and Wall Street Journal parent News Corp share common ownership.

Mr. O'Reilly's exit would be a stunning fall for a titan of cable news and would leave a prominent hole in the network's prime-time lineup of conservative commentators. Fox News already had to replace another star early this year, Megyn Kelly, when she departed for NBC News. Her successor, Tucker Carlson, has fared well.

But filling Mr. O'Reilly's shoes will be especially difficult: His show draws some 4 million viewers a night and is consistently among the highest rated programs across all of cable. Mr. O'Reilly, 67 years old, recently renewed his contract with Fox News at a salary of more than \$20 million annually, people familiar with the matter said.

MORGAN

Continued from the prior page numbers: a near-doubling of fixed-income trading revenue, a record profit margin in wealth management driven by loan growth and higher interest rates, and a 131% increase in underwriting fees.

Meanwhile, the firm kept a lid on costs, which ticked up \$100 million, excluding pay, while revenue gained \$1.4 billion. The compensation ratio in its core investment-banking and trading businesses was 36%, below the 37% ceiling Mr. Gorman laid out a year ago. In wealth management, in which brokers take home far more of what they bring into the firm, the figure was 57%, above the goal of 56%.

"Solid as a rock," Steven Chubak, an analyst with Instinet, wrote of Morgan Stanley's earnings.

The wealth-management business posted a 24% profit margin, the highest since Morgan Stanley bought Smith Barney after the financial crisis.

One factor was an 18% increase in interest income, the fruits of a push across the brokerage business to lend more.

Mr. Pruzan said loan growth was split roughly evenly across the bank's three main products: mortgages, loans backed by securities portfolios, and tailored loans secured by art, jewelry, hedge-fund stakes and other illiquid valuables.

The shift toward managing the portfolios of millions of Americans is part of Mr. Gorman's plan, now a few years under way, to move Morgan

Stanley away from volatile trading and into businesses whose fees don't swing around as much with the market.

Still, the past few months have been challenging in other Morgan Stanley core businesses.

Stock trading, in which it is Wall Street's leader, has grappled with lower commissions and more money moving to passive managers that trade less often. Revenue in that di-

sion dropped 1.9% to \$2.02 billion.

But a bright spot was debt trading, in which revenue nearly doubled to \$1.71 billion. The business has now posted four straight quarters of at least \$1 billion in revenue after Mr. Gorman reorganized the business and shifted two top equities traders to oversee it.

Mr. Pruzan said that corporate bonds, interest-rate products and commodities were busy, while foreign-exchange was slower.

Total sales and trading revenue was \$3.5 billion, up 30% from the first quarter of 2016, which was notably weak for Wall Street trading desks.

Investment-banking revenue, which includes advisory and underwriting fees, rose 43% to \$1.42 billion.

Triple-digit-percentage gains in underwriting more than offset a 16% decline in M&A fees, though Mr. Pruzan said the firm's merger pipeline is higher than it was this time in 2016, which ended up being a record for global deal making.

Morgan Stanley's shares are down 2.5% this year, having given up about half of their postelection gains.



Dubai-based Emirates Airline is reducing service to nearly half of its U.S. destinations due to a 'significant deterioration' in bookings.

FLIGHTS

Continued from the prior page their Middle Eastern hubs, service other carriers don't offer. Also, to avoid the electronics ban, transfer passengers from Asia headed to the U.S. on flights of 12 hours or more can opt to fly through hubs in continental Europe.

Emirates' flights from Dubai to Fort Lauderdale and Orlando are set to change from daily to five times a week in May. In early June, the airline plans to reduce flights to Seattle and Boston to once a day from twice a day, and it will make a similar reduction to flights to Los Angeles in July.

The company said it would

continue to serve its 12 destinations and hopes to reinstate and expand U.S. operations as soon as doing so is commercially viable.

Mr. Trump's restrictions and the ensuing slowdown have prompted speculation among some Middle Eastern officials and airline industry observers that the administration is trying to shield U.S. carriers from competition by putting obstacles in front of Middle Eastern counterparts' expansion in the U.S.

Some U.S. carriers have complained in recent years about the growth of a trio of airlines: Emirates, Abu Dhabi-based Etihad Airways and Qatar Airways. They accuse the state-owned Persian Gulf airlines of being unfairly subsi-

dized and have urged the Trump administration to step in. The Middle Eastern carriers deny that they are subsidized. The Trump administration hasn't publicly commented on the accusation.

The Mideast carriers themselves haven't accused the U.S. government of implementing the policies for protectionist reasons. The Trump administration has said its moves were motivated by security concerns.

These challenges add to financial woes at Emirates and other Mideast carriers. They have faced a slowdown in sales because of a slump in oil and gas prices that has depressed premium bookings.

In its latest set of financial results, which covered the six-month period from April

through September of last year, Emirates said its net profit fell 75% compared with the same period the previous year to \$214 million. It cited unfavorable currency moves, competition over fares and slowing demand.

The Trump administration's impact on Emirates and other competitors is being closely watched in the Middle East. For Dubai, a trade and tourism hub, the airline is a crucial economic lifeline.

A spokesman for Etihad Airways in nearby Abu Dhabi said the company had no plans to reduce flights to the U.S., noting that it planned to add capacity to one of its American routes this summer. Qatar Airways didn't respond to a request for comment about its plans.



CHRIS GOODNEY/BLOOMBERG NEWS

Hunter Harrison became CSX CEO after a boardroom battle.

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Dated this 20 April 2017.

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AUCTION

NOTICE OF PUBLIC SALE OF CERTAIN ASSETS OF SIGNORELLI, LLC

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

Location: Offices of Brian Testo Associates, LLC 21208 Costanzo St. #1, Woodland Hills, CA 91364

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

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

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BUSINESS NEWS

Baidu to Open Up Its Technology for Self-Driving Cars

BY LIZA LIN

SHANGHAI—Baidu Inc. will share software technology it is developing for self-driving cars in a bid to catch up with competitors including **General Motors** Co. and **Waymo**, the self-driving unit of Google parent **Alphabet** Inc.

Open-sourcing Baidu's capabilities in functions such as route planning, vehicle control and operating systems will help Baidu and the autonomous-vehicle industry develop more rapidly, Baidu group President Qi Lu said in an interview.

Mr. Lu said Beijing-based Baidu, best known for its Chinese search engine, is in talks to use its technology with several Chinese, U.S. and German auto makers but declined to identify them.

Baidu hopes the move will help the self-driving-vehicle sector develop more rapidly.

Baidu and other executives are in Shanghai this week for Auto Shanghai, China's biggest annual car show, where they will discuss Baidu's push into autonomous vehicles.

Mr. Lu, a former senior executive at Microsoft Corp., was hired in January as the No. 2 to Chief Executive Robin Li. In that role, he will also oversee Baidu's push into artificial intelligence, which includes self-driving cars.

In his first one-on-one interview since taking the job, the 55-year-old Mr. Lu acknowledged the company had recently lost some of its top talent, including chief scientist

Andrew Ng, who announced his resignation in March.

"We certainly wish some of the people you mentioned, especially Andrew, had not left," Mr. Lu said. "They had made tremendous contributions to Baidu," Mr. Lu said.

"At the same time, people do move. In our industry, it's somewhat the norm," he added.

Baidu is betting that the value from autonomous vehicles is centered on collecting and processing data from riders, said Michael Dunne, president of Hong Kong-based Dunne Automotive, an advisory firm that facilitates auto-tech investments between the U.S. and China.

"In five to 10 years, autonomous-driving functions will be standard in the industry, just like power steering. Then, the value will come from the data in the car: what people do, where do they go," Mr. Dunne said.

The open-platform concept was tested by **Tesla** Inc. founder Elon Musk almost three years ago, when Mr. Musk decided to offer open access to Tesla patents out of frustration that electric-vehicle sales remained a fraction of total car sales.

A San Francisco startup called Comma.ai began offering its self-driving software online free last year after facing safety questions from U.S. regulators about the company's aftermarket kit designed to give certain **Honda Motor** Co. vehicles semiautonomous features similar to Tesla's Autopilot system. The startup's founder, George Hotz, said his product was aimed at self-driving enthusiasts and researchers.

—Tim Higgins
in San Francisco
contributed to this article.

Arconic CEO Race Heats Up

Activist hedge fund is pushing its own pick ahead of the board election at supplier

BY BOB TITA AND DAVID BENOIT

The abrupt departure of Klaus Kleinfeld as **Arconic** Inc.'s chief executive officer this week opens a new chapter in the leadership battle at the aerospace and auto-parts supplier—and gives next month's board election added urgency.

David Hess, who was appointed as interim CEO on Monday, is a candidate for director but hasn't indicated whether he wants the top job.

But **Elliott Management** Corp., the activist hedge fund behind the months-long campaign to oust Mr. Kleinfeld, is already pushing its own choice: Larry Lawson, a one-time chief executive at aerospace supplier **Spirit AeroSystems Holdings** Inc. who also held senior roles at **Lockheed Martin** Corp. In addition, Elliott is seeking four board seats, in addition to the three directors it suggested last year.

The stakes are high as Arconic is a key part of the global aerospace supply chain, with Airbus SE and **Boeing** Co. forecasting demand over the next 20 years for more than 33,000 new jetliners valued at more than \$5 trillion.

With the CEO role unsettled, Arconic shareholders on May 16 will likely be selecting the board members in charge of picking the company's next leader. Five seats out of 13 are up for election.

Both slates of potential directors will likely argue they have the trust and experience to make that selection, and the result of the board election could shed light on who will win the CEO post.

"The momentum [in the proxy contest] is still with Elliott," said Josh Sullivan, an analyst for Seaport Global Securities. "But the board is in a



Larry Lawson, shown in 2012, is a former CEO of aerospace supplier Spirit AeroSystems Holdings.

better position now without Klaus. David Hess has the skill set and he's relatively new to the board, so it's not like the company's strategies are all his."

Mr. Hess, who was recruited by Mr. Kleinfeld, initially arrived at Arconic last month as the proxy fight with Elliott was intensifying. He has more than three decades of experience managing aerospace businesses, including **United Technologies** Corp.'s Pratt & Whitney jet engine unit, a major Arconic customer. Mr. Kleinfeld said in a recent interview before his ouster that he had wanted Mr. Hess to join the board for years because of his deep knowledge of the aerospace and metals industries, with a record of shepherding long, difficult projects.

In the short time left before the election, Mr. Hess, 61 years old, will likely stay the course set out by the departed chief, industry analysts say, by focusing on relationships with large customers and develop-

ing new products for Arconic, which became a stand-alone company after splitting from Alcoa Corp. late last year.

But Seaport's Mr. Sullivan predicted the board and Mr. Hess will also try to distinguish themselves to shareholders. "He's going to have to make some noise about his capabilities," he said.

Arconic declined to comment, and Mr. Hess wasn't available for an interview.

Mr. Lawson, age 58, has 37 years' experience in the aviation industry, and is currently a consultant for Elliott. The hedge fund's prescriptions for advancing shareholder interests are focused on boosting margins, both through cost cuts and supplying more complex and profitable parts.

Mr. Lawson is credited with turning around Spirit, which builds fuselages and other parts for Boeing and Airbus.

But Mr. Lawson's practice of repeatedly raising prices at Spirit attracted complaints from major customers. He renegotiated several contracts

that had left Spirit nursing big losses on some programs to make parts for business jets. Industry analysts say his style alienated some colleagues and customers, even though the strategies helped expand margins in the short run. Arconic has said deploying similar tactics with Arconic customers would undermine its long-term supply agreements.

Spirit declined to comment about Mr. Lawson's time with the company or his pricing strategies, releasing a statement that said it "has no interest in or involvement with Elliott Management and its dealings with Arconic."

Elliott didn't have any immediate comment and declined to make Mr. Lawson available. Although the selection of a CEO would ultimately be up to the company's board, Elliott has stressed that Arconic's chief executive should share what it says is Mr. Lawson's devotion to creating shareholder value.

—Doug Cameron contributed to this article.

GM Works to Get Chevrolet Back Up to Speed in China

BY MIKE COLIAS

SHANGHAI—Chevrolet, **General Motors** Co.'s biggest brand, is counting on a spate of vehicle rollouts in coming years to end a sales skid in China.

GM's other brands have been on a tear in the world's largest car market, including Buick, which topped 1 million vehicle sales in China last year to rise to second place behind Volkswagen AG's namesake brand.

However, Chevy's sales have declined for two consecutive years, a slump executives blame on a vehicle lineup thin on sport-utility vehicles, whose popularity is surging in China.

Until recently, GM had been using older, "legacy" vehicles to fill out much of Chevy's lineup, said Alan Batey, head of the brand globally, referring to a common tactic among auto makers for sustaining profit margins in emerging markets. He said Chevy was gradually replacing those with the same vehicles it sells in the U.S., which are more refined and have better technology.

"Over the next two or three years, we've got a whole arsenal of products," Mr. Batey

said in an interview on the sidelines of the Shanghai auto show Wednesday. "We're really just getting started now."

The largest U.S. auto maker by sales plans to introduce 20 new or revamped models in China by 2020, including the Equinox, a compact SUV that GM is rolling out in the country for the first time. It has long been one of the auto maker's top sellers in the U.S.

GM's China business generated about \$2 billion in equity income from its joint-venture partnerships last year, about 16% of its total pretax profit.

In addition to Buick, brands sold under GM's joint ventures in China have performed strongly, including Baojun.

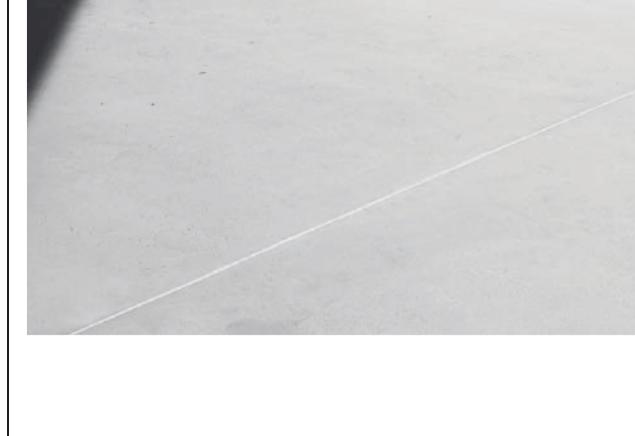
The lower-priced marque, which GM owns along with Shanghai's SAIC Motor Corp., has sold well in smaller cities and rural areas.

Chevy's rough patch comes as local Chinese brands churn out increasingly refined and competitively priced vehicles, in some cases challenging mainstream foreign brands including Hyundai, Ford and Chevy.

A few years ago, GM executives frequently emphasized



Chevrolet SUV model at the Shanghai auto show. GM plans to roll out more Chevy models in China.



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TECHNOLOGY

WSJ.com/Tech

'Add-Ons' Push Up Game Revenue

BY SARAH E. NEEDLEMAN

Forget "game over." Videogames are generating billions of dollars a year in revenue by creating additional characters and stories that players can buy long after a title's launch—the equivalent of selling new chapters to an already completed book.

"Add-ons" are a bonanza for major game publishers: Last year, world-wide spending on add-ons for PC and console games was \$4.78 billion, nearly double 2012's haul, according to SuperData Research, which projects \$5.21 billion in 2017 spending.

"It's the most important trend we've seen over the past five years," said Tim O'Shea, an analyst at Jefferies. "These are incremental dollars that weren't being captured before."

Analysts say add-ons' popularity is a major reason stock prices have more than tripled in the past five years at game giants Activision Blizzard Inc., Electronic Arts Inc., Take-Two Interactive Software Inc. and Ubisoft Entertainment SA.

There is a downside, though: With players adding on to their favorite titles and playing them for longer stretches, executives say, it becomes more difficult to produce new blockbusters that stand out.

Here's how add-ons work: A person buys a game such as EA's "Battlefield 1," typically spending \$60. The customer then spends more for extras,



A digital car garage is an add-on that is offered for the videogame 'Grand Theft Auto Online.'

which can range from a 99-cent upgrade such as a special weapon to an "expansion pack" with new stories costing between roughly \$10 and \$40.

Videogame publishers dole out the add-ons at intervals, typically over a year, but may also sell them as part of a package called a "season pass."

Electronic Arts, publisher of popular sports franchises such as FIFA soccer and Madden football, last year generated \$1.2 billion in revenue from add-ons, including about \$800 million from Ultimate Team, a mode launched in 2009 that players use to create and compete with fantasy-sports teams. Previously, "people would typically buy one of our sports games and play it for two or three months and then probably put it away," Blake J. Jorgensen, EA's finance chief,

said at an investor conference in February. "Today, people engage in Ultimate Team for a full year."

In some cases, the payoff from games with longer lifespans can provide cover for new titles that flopped, said Strauss Zelnick, chief executive at Take-Two.

Take-Two's "Battleborn" game didn't meet the company's expectations when it launched in May last year. Even so, revenue that quarter rose 13% despite no other major releases. The company credited sales of digital add-ons for its Grand Theft Auto games, which were released in 2013 and 2014.

Mr. Zelnick declined to say when a new Grand Theft Auto game might launch. "There is a limited amount of mind share," he said.

Add-ons are part of a shift

in the industry toward "games as a service"—a play on the idea of "software as a service," where companies such as Salesforce.com Inc. sell subscriptions to software rather than boxed or downloaded programs that customers pay for once.

Games as a service began more than a decade ago, when broadband made it possible for ambitious games to offer persistently updated worlds, such as Activision Blizzard's "World of Warcraft," a subscription-based game that remains popular today.

More recently, the model has evolved to include services, typically free, such as matching competitors by skill level and contest hosting.

The more time players spend in a game, the more likely they will be to spend on add-ons, analysts say.

Facebook Shifts Its Sights to New Reality

BY DEEPA SEETHARAMAN

To Mark Zuckerberg, "Pokémon Go" wasn't just a fad from last summer. It was a sign that augmented-reality technology was coming more quickly than he expected.

The mobile game was among the trends that helped the Facebook Inc. chief executive realize that augmented reality might catch on sooner than rival virtual reality technology, in which Mr. Zuckerberg had placed his biggest bet. On Tuesday, Mr. Zuckerberg shifted his view toward augmented reality, which mixes the physical and digital worlds, when he said at Facebook's annual F8 developer conference that Facebook would make its augmented-reality tools available to third parties to create custom masks, filters and other effects. Early partners include Nike Inc., Electronic Arts Inc. and Warner Bros.

"I think people look at this stuff and think: OK, that's kind of fun, kind of primitive, this is just what kids like doing today," Mr. Zuckerberg said in an interview last week at Facebook's headquarters in Menlo Park, Calif. "But we look at that and we see the beginning of a platform."

Facebook's focus on augmented reality at F8, being held in San Jose, Calif., is a major new salvo in Facebook's competition with Snap Inc.'s Snapchat. Facebook's smaller rival popularized sim-

ple augmented reality tools, such as Snapchat filters, which overlay masks or dog noses on users' faces.

Also on Tuesday, Snapchat introduced a new feature to capture backgrounds.

For now, augmented-reality technology remains nascent, Mr. Zuckerberg said. But he predicts that eventually it will open the door to a broader set of services and perhaps one day replace household objects like a television set with \$1 apps.

In Mr. Zuckerberg's view, Facebook's nearly two billion users favor more immersive mediums like photos and videos, and will increasingly use their cameras to interact with the world. But the embrace of more visual forms of communication comes with challenges. Facebook is already struggling to moderate objectionable videos posted on its site. The broadcasting on Facebook of a murder in Cleveland on Sunday became a national issue that Mr. Zuckerberg addressed onstage at F8.

"We have a lot of work and we'll do all we can to prevent tragedies like this from happening," Mr. Zuckerberg said.

Steve Stephens, the alleged killer who posted the videos, shot and killed himself.

Facebook's other apps, including its two chat apps, Messenger and WhatsApp, and photo-sharing app Instagram, are going through a similar shift toward more visual communication.

BUSINESS WATCH

ADIDAS

Marathon Remark Leads to Apology

Adidas AG apologized for sending an email to finishers of this week's Boston Marathon that congratulated them for "surviving" the race, a remark some viewed as insensitive after

the 2013 bombings at the event.

The sportswear maker issued an apology Tuesday. "Clearly, there was no thought given to the insensitive email subject line we sent Tuesday. We deeply apologize for our mistake," the Adidas statement said.

The company has been an official race sponsor and outfitter for decades. In 2013, the broth-

ers Dzhokhar and Tamerlan Tsarnaev deployed twin bombs at the race's finish line, which killed three and injured hundreds of others, many of whom lost limbs. Tamerlan was killed in a subsequent shootout with police, while Dzhokhar was convicted of charges related to the bombing and sentenced to death in 2015.

—Sara Germano

HEINEKEN

Brewer's Net Profit Increases by 11%

Heineken NV, the world's second-largest brewer by sales, reported on Wednesday an increase in its first-quarter profit as it beat expectations for sales on a stronger-than-forecast per-

formance in Europe.

The company booked a net profit of €293 million (\$314 million), up 11% on the comparable period in 2016. Beer sales edged up 0.6% on an organic basis, helped by Europe and Asia-Pacific. Analysts had expected sales to decrease by 0.5%.

"Performance in the first quarter was in line with expec-

tations, delivering volume growth against strong comparatives last year," Heineken Chief Executive Jean-Francois van Boxmeer said.

The company, which gets about two-thirds of its profit from emerging markets, said its full-year expectations remained unchanged.

—Nick Kostov

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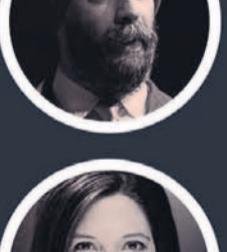
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Arianna Huffington

New Management

Founder of The Huffington Post, Founder and CEO of Thrive Global



Mohanbir Sawhney

Innovation

Professor at the Kellogg School of Management



Daniel Goleman

Emotional Intelligence

Renowned psychologist and leading authority on emotional intelligence



Randi Zuckerberg

Digital Transformation

Former Director of Marketing at Facebook



Jimmy Wales

Disruption

Founder of Wikipedia



Ken Segall

Marketing

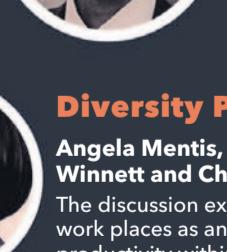
Former Ad Agency Creative Director at Apple



Rosabeth Moss Kanter

Strategy

Harvard Business School professor and leading expert on strategy, innovation and leadership



Ian Williamson

Leadership

Helen Macpherson Smith Chair of Leadership for Social Impact at the Melbourne Business School



Diversity Panel

Angela Mantis, Jody Evans, Ashley Winnett and Christine Corbett

The discussion examines women and diverse work places as an enabler for increased productivity within organisations.

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Lenders Rack Up Advisory Fees

U.S. retirement rule is in limbo, but firms still shift away from commission model

BY MICHAEL WURSTHORN

An Obama-era retirement-savings rule is in limbo, but investors already are pouring their retirement savings into brokerages' promise of conflict-free financial advice in exchange for a fee.

Bank of America Corp.'s global wealth unit, which includes the "thundering herd" brokerage force of **Merrill Lynch**, gained a record \$29.2 billion in new fee-based assets in the first quarter, the bank said Tuesday.

J.P. Morgan Chase & Co. said last week that \$8 billion of new assets flowed into long-term products, including those that charge a recurring fee.

Also on Tuesday, private-equity firms **Stone Point Capital** LLC and **KKR & Co.** agreed to acquire a majority stake in **Focus Financial Partners**, a New York-based investment firm that backs independent financial advisers who charge fees and pledge to minimize conflicts, in a \$2 billion deal.

The developments are the latest sign that advice for a re-



Higher revenue tied to fee-based assets helped push Merrill Lynch's first-quarter revenue up 3%

curing fee is Wall Street's go-to compensation model for the future, as firms like Merrill and J.P. Morgan use the fiduciary rule as a way to phase out commissions as a payment option in retirement accounts. The industry shift is coming even as the Trump administration seeks to eliminate or revise the rule.

"They were already in this mode" of shifting toward fees, said Denise Valentine, a senior analyst on wealth management at Aite Group. "The rule just allowed them to put this into the marketplace and make a commitment."

Even before the fiduciary rule, brokerages had been trying to abandon their sales-driven cultures to position their broker forces more like independent financial advisers who create financial plans and offer advice.

Besides positioning themselves to better compete with the rise of smaller, independent rivals and investors' growing preference for passive investments, brokerage executives found that fees for advice and services could be more lucrative over the longer term compared with commissions.

Researcher Morningstar

Inc. says fee-based accounts can yield as much as 50% more revenue than commission accounts.

The shift to fees from commissions has picked up as firms sought to comply with the Labor Department's fiduciary rule. Besides the wider margin on such accounts, fees also minimize potential conflicts tied to the sale of specific investment products and cut down on some of the litigation risk brought on by the rule, observers said. However, such accounts can also lead to higher fees for investors who trade little.

Bank of America has been at the fore of the change. It set a course that sought to mostly do away with commissions in retirement accounts in favor of recurring fees and has been heavily advertising its shift. Merrill, for its part, decided that clients who wanted retirement advice from one of its brokers would have to pay a fee to avoid the rule's more onerous requirements and heightened legal risk. It also says fee-based accounts are better suited to minimize risks.

That shift to fees is already boosting its bottom line. Higher revenue tied to fee-

based assets helped push Merrill's revenue up 3% from last year to \$3.8 billion in the first quarter and offset declines in traditional commission revenue, the bank said.

Of Bank of America's \$2.6 trillion in total wealth assets, about \$946.8 billion are in longer-term investment strategies, including those that charge a fee.

Still, those banks have continued to report gains in fee-based assets in recent years.

"These solid results were produced in a period of change for the industry as firms and clients anticipate new fiduciary standards and other market dynamics, such as the shift between active and passive investing," Bank of America's finance chief, Paul Donofrio, said on a conference call Tuesday.

Even after the Labor Department said earlier this month that it would delay the rule's April 10 implementation by 60 days to conduct a review of its economic impact, Merrill executives told brokers to push forward.

J.P. Morgan said it would continue with its plan to steer its commission-paying clients to accounts that charge a fee or a self-directed option but would push back its deadlines for clients to convert to coincide with the rule's new timeline.

Rivals such as Morgan Stanley and Wells Fargo & Co. have said they would continue to allow retirement savers to pay commissions in retirement accounts, although they would likely face some sales restrictions.

Still, those banks have continued to report gains in fee-based assets in recent years.

Managed Assets at BlackRock Increase

BY AUSTEN HUFFORD

BlackRock Inc., the world's largest money manager, posted increases in revenue, profit and assets under management as investors continue to favor lower-cost index-tracking funds.

The company's latest results comes weeks after it announced an overhaul of its actively managed equities business that includes job reductions, pricing changes and a greater emphasis on computer models that inform investments.

BlackRock's assets under management rose 14% to \$5.42 trillion from a year ago, boosted by \$64.6 billion in net inflows of money.

The strongest drivers of that new money were institutional index investors and its iShares exchange-traded fund unit.

During the first three months of the year, investors pulled \$1.84 billion from BlackRock's actively managed products while investing \$82.19 billion into its iShares and indexed funds.

BlackRock's flows reinforce the continuing shift in investor taste toward lower-cost passive funds that track the performance of indexes.

Still, the company said it had retail long-term net outflows of \$400 million from the U.S., which was offset by retail long-term net inflows of \$5.0 billion internationally.

In all, BlackRock reported a profit of \$862 million, or \$5.23 a share, in its first quarter, up from \$657 million, or 3.92 a share, a year prior. Excluding certain items, BlackRock earned an adjusted \$5.25 a share, up from \$4.25 a year prior.

Revenue increased 7.6% to \$2.82 billion.

FINANCE WATCH

COMPLIANCE

Deutsche Bank Tries Artificial Intelligence

Deutsche Bank AG, facing a vast body of financial regulations, is turning to artificial intelligence as it sorts through volumes of voice and video recordings to make sure its professionals are complying with the rules.

The move is designed in part to help reduce costs related to regulatory compliance as well as to improve accuracy, when analyzing, say, employees' interactions with clients, said Elly Hardwick, head of innovation at the bank.

—Kim S. Nash

U.S. BANCORP

Profits, Lending Rise

U.S. Bancorp said profit and revenue rose in the first quarter as the company reported an increase in loans.

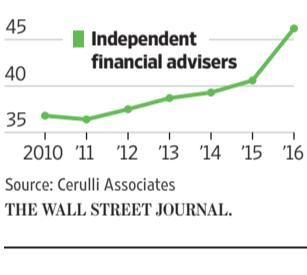
The Minneapolis-based bank, the seventh-largest in the U.S. by assets and the largest regional bank, posted net income of \$1.47 billion, up 6.3% from \$1.39 billion a year ago. On a per-share basis, earnings rose to 82 cents from 76 cents.

Revenue, a combination of net interest income and fee-based income, climbed 5.7% to \$5.32 billion.

—Joshua Jamerson

Shifting Landscape

Investors have been moving more of their assets to independent advisers from traditional Wall Street brokerages in recent years.



Source: Cerulli Associates
THE WALL STREET JOURNAL.

Warning on U.S. Firms' Debt

BY HARRIET TORY
AND SAM GOLDFARB

U.S. corporate debt has ballooned to levels exceeding those just before the 2008 crisis, a potential threat to financial stability, the International Monetary Fund warned in its latest review of threats to markets and banks.

High corporate leverage could become problematic as the Federal Reserve raises short-term interest rates, the IMF warned, since higher costs could hinder the ability

of firms to service debts.

While borrowing costs remain low, debt servicing as a proportion of income has risen to its highest level since 2010, raising questions over firms' ability to service their debts, according to the IMF's study of nearly 4,000 U.S. firms accounting for about half of the economywide corporate sector balance sheet.

Companies have added \$7.8 trillion of debt and other liabilities since 2010, while issuing \$3 trillion of equity, net of buybacks, according to the

IMF.

The message stands in contrast to the one being sent by the corporate bond market, which has been rallying.

In early March, the average spread between junk-rated corporate bond yields and U.S. Treasury yields reached 3.44 percentage points, its lowest point since July 2014, according to Bloomberg Barclays data. It was recently at 3.92 percentage points, still low by historical standards, indicating investors don't see the debt as very risky.

That shift to fees is already boosting its bottom line. Higher revenue tied to fee-

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FUND NAME NAV GF AT LB DATE CR NAV YTD 12-MO 2-YR

Chartered Asset Management Pte Ltd - Tel No: 65-6835-8866

Fax No: 65-6835-8865, Website: www.cam.com.sg, Email: cam@cam.com.sg

CAM-GTF Limited OT 01 MUS 04/13 USD 3.8 8.7 -3.5

—RETURN—

GF AT LB DATE CR NAV YTD 12-MO 2-YR

VP Class-C Units AS EQ HKG 04/18 USD 12.68 7.5 12.5 -4.9

VP Class-C Units AS EQ HKG 04/18 USD 11.62 6.3 11.0 -4.8

VP Class-C Units CAD H AS EQ HKG 04/18 CAD 11.71 7.2 11.0 -5.2

VP Class-C Units EUR H AS OT HKG 04/18 EUR 12.27 6.8 9.7 -6.2

VP Class-C Units EUR H AS OT HKG 04/18 EUR 12.49 8.3 14.3 -4.3

VP Class-C Units GBP H AS OT HKG 04/18 GBP 12.21 6.9 13.6 -4.3

VP Class-C Units GBP H AS OT HKG 04/18 GBP 14.25 7.1 11.3 -5.6

VP Class-C Units HKD H AS OT HKG 04/18 HKD 12.50 7.1 11.3 -5.6

VP Class-C Units NZD H AS OT HKG 04/18 NZD 12.41 11.3 8.1 -6.6

VP Class-C Units SGD H AS OT HKG 04/18 SGD 12.50 7.8 12.9 -3.3

VP Multi-Asset Fund C USD AS OT HKG 04/18 USD 10.96 10.0 7.7 NS

VP Multi-Asset Fund C USD AS OT HKG 04/18 USD 13.67 9.0 15.0 -2.9

VP Multi-Asset Fund C USD AS OT HKG 04/18 USD 12.36 11.1 9.0 -6.5

VP Multi-Asset Fund C USD AS OT HKG 04/18 USD 12.46 7.2 11.1 -5.8

China A-Share Fund C A HKD H AS EQ CYM 04/18 HKD 57.56 13.2 18.8 -9.8

China A-Share Fund C A HKD H AS EQ CYM 04/18 AUD 9.73 13.3 18.7 -10.3

China A-Share Fund C A HKD H AS EQ CYM 04/18 CAD 9.45 13.0 17.4 -11.1

China A-Share Fund C A HKD H AS EQ CYM 04/18 NZD 10.00 13.4 19.5 -9.4

China A-Share Fund C A HKD H AS EQ CYM 04/18 USD 9.50 12.8 17.7 -10.8

China Greenchip-AQDds Units AS EQ CYM 04/18 HKD 10.44 13.1 18.1 -9.9

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GC HI Yield Inc.-C1s MDLs CAD H OT CYM 04/18 CAD 9.56 6.8 19.8 11.5

GC HI Yield Inc.-C1s MDLs CAD H OT CYM 04/18 CAD 9.28 7.3 21.5 13.9

GC HI Yield Inc.-C1s MDLs HKD H OT CYM 04/18 HKD 13.12 7.2 20.6 11.8

GC HI Yield Inc.-C1s MDLs SGD H OT CYM 04/18 SGD 10.37 6.7 20.0 11.8

GC HI Yield Inc.-C1s MDLs SGD H OT CYM 04/18 SGD 10.20 7.0 20.3 11.7

GC HI Yield Inc.-C1s USD Acc H OT CYM 04/18 USD 15.20 7.0 20.2 11.6

GC HI Yield Inc.-C1s USD Acc H OT CYM 04/18 USD 9.50 7.0 20.2 11.6

GC HI Yield Inc.-C1s USD Acc H OT CYM 04/18 USD 10.37 6.3 18.1 10.4

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GC HI Div Stk Cls A RMH H Acc OT HKG 04/18 NH 9.46 12.7 16.1 -0.5

GC HI Div Stk Cls A RMH H Acc OT HKG 04/18 NH 13.37 9.1 19.1 2.1

GC HI Div Stk Cls A RMH H Acc OT HKG 04/18 USD 79.59 11.0 13.5 -2.6

GC HI Div Stk Cls A RMH H Acc OT HKG 04/18 USD 9.52 10.8 13.4 -2.4

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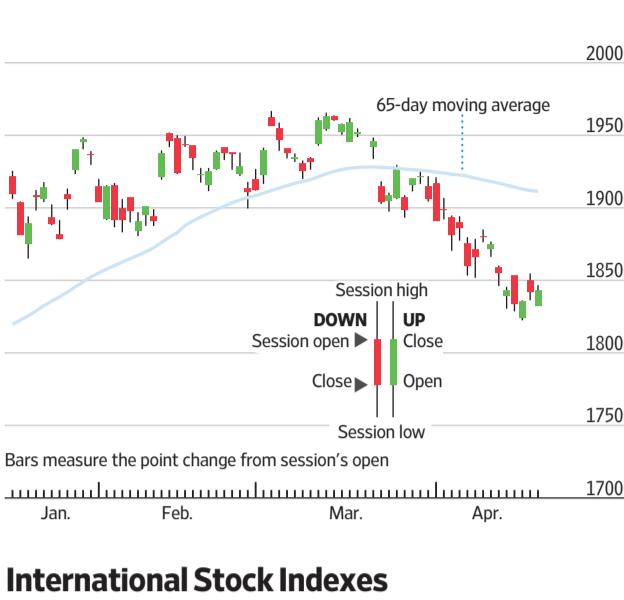
GC HI Div St

MARKETS DIGEST

Nikkei 225 Index

18432.20 ▲ 13.61, or 0.07%

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

377.24 ▲ 0.89, or 0.24%

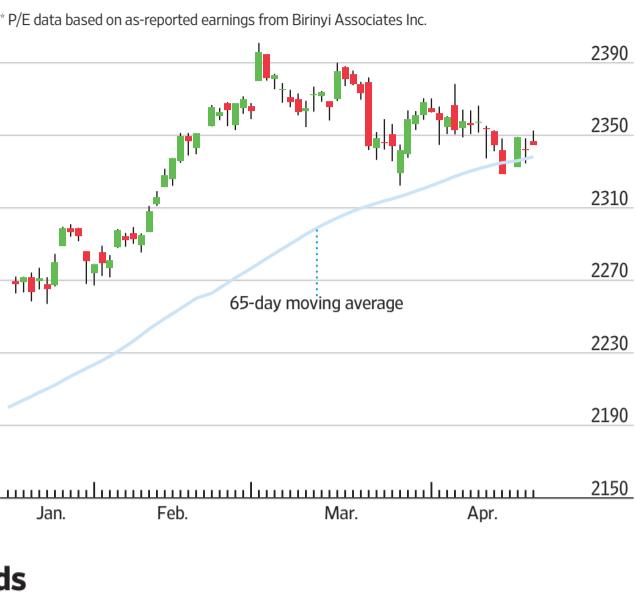
High, low, open and close for each trading day of the past three months.



S&P 500 Index

2344.95 ▲ 2.76, or 0.12%

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 * 24.45 24.15

P/E estimate * 18.25 18.50

Dividend yield 1.98 2.19

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

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

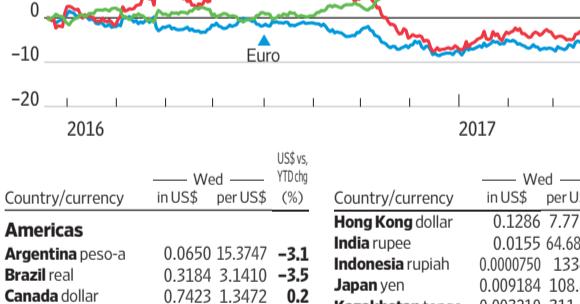
International Stock Indexes

| Region/Country | Index | Data as of 12 p.m. New York time | | | | | |
|---------------------|-------------------------------|----------------------------------|---------|---|---------------|----------|-------|
| | | Close | NetChg | % chg | 52-Week Range | YTD High | % chg |
| World | The Global Dow | 2649.49 | 0.37 | ▲ 0.01 | 2193.75 | 2720.47 | 4.8 |
| | MSCI EAFE | 1773.74 | -0.73 | -0.04 | 1471.88 | 1956.39 | 3.3 |
| | MSCI EM USD | 952.63 | -5.07 | -0.53 | 691.21 | 1044.05 | 19.9 |
| Americas | DJ Americas | 565.77 | 0.19 | ▲ 0.03 | 480.90 | 577.65 | 4.7 |
| Brazil | Sao Paulo Bovespa | 63981.55 | -177.29 | -0.28 | 48066.67 | 69487.58 | 6.2 |
| Canada | S&P/TSX Comp | 15604.65 | -17.92 | -0.11 | 13535.54 | 15943.09 | 2.1 |
| Mexico | IPC All-Share | 48812.38 | 49.85 | ▲ 0.10 | 43902.25 | 49753.57 | 6.9 |
| Chile | Santiago IPSA | 3734.37 | ... | Closed | 2998.64 | 3786.05 | 15.9 |
| U.S. | DJIA | 20454.66 | -68.62 | -0.33 | 17063.08 | 21169.11 | 3.5 |
| | Nasdaq Composite | 5882.97 | 33.50 | ▲ 0.57 | 4574.25 | 5936.39 | 9.3 |
| | S&P 500 | 2344.95 | 2.76 | ▲ 0.12 | 1991.68 | 2400.98 | 4.7 |
| | CBOE Volatility | 13.58 | -0.84 | -5.83 | 9.97 | 26.72 | -3.3 |
| EMEA | Stoxx Europe 600 | 377.24 | 0.89 | ▲ 0.24 | 308.75 | 381.90 | 4.4 |
| | Stoxx Europe 50 | 3105.46 | -1.63 | -0.05 | 2626.52 | 3182.84 | 3.2 |
| France | CAC 40 | 5003.73 | 13.48 | ▲ 0.27 | 3955.98 | 5142.81 | 2.9 |
| Germany | DAX | 12016.45 | 16.01 | ▲ 0.13 | 9214.10 | 12375.58 | 4.7 |
| Israel | Tel Aviv | 1389.29 | 9.05 | ▲ 0.66 | 1372.23 | 1504.42 | -5.5 |
| Italy | FTSE MIB | 19824.61 | 381.90 | ▲ 1.96 | 15017.42 | 20540.39 | 3.1 |
| Netherlands | AEX | 511.28 | 1.55 | ▲ 0.30 | 409.23 | 521.48 | 5.8 |
| Russia | RTS Index | 1068.55 | -8.66 | -0.80 | 873.58 | 1196.99 | -7.3 |
| Spain | IBEX 35 | 10370.30 | 105.80 | ▲ 1.03 | 7579.80 | 10534.50 | 10.9 |
| Switzerland | Swiss Market | 8532.27 | 2.99 | ▲ 0.04 | 7475.54 | 8710.26 | 3.8 |
| South Africa | Johannesburg All Share | 52545.12 | -127.63 | -0.24 | 48935.90 | 54704.22 | 3.7 |
| Turkey | BIST 100 | 90804.13 | -569.65 | -0.62 | 70426.16 | 91982.28 | 16.2 |
| U.K. | FTSE 100 | 7114.36 | -33.14 | -0.46 | 5788.74 | 7447.00 | -0.4 |
| Asia-Pacific | DJ Asia-Pacific TSM | 1533.77 | -6.26 | -0.41 | 1308.52 | 1570.38 | 7.8 |
| Australia | S&P/ASX 200 | 5804.00 | -32.70 | -0.56 | 5103.30 | 5934.00 | 2.4 |
| China | Shanghai Composite | 3170.69 | -26.03 | -0.81 | 2806.91 | 3288.97 | 2.2 |
| Hong Kong | Hang Seng | 23825.88 | -98.66 | -0.41 | 19694.33 | 24593.12 | 8.3 |
| India | S&P BSE Sensex | 29336.57 | 17.47 | ▲ 0.06 | 25101.73 | 29974.24 | 10.2 |
| Indonesia | Jakarta Composite | 5606.52 | ... | Closed | 4704.22 | 5680.24 | 5.8 |
| Japan | Nikkei Stock Avg | 18432.20 | 13.61 | ▲ 0.07 | 14952.02 | 19633.75 | -3.6 |
| Malaysia | Kuala Lumpur Composite | 1738.95 | -1.65 | -0.09 | 1614.90 | 1754.67 | 5.9 |
| New Zealand | S&P/NZX 50 | 7218.51 | -15.10 | -0.21 | 6664.21 | 7571.11 | 4.9 |
| Pakistan | KSE 100 | 47603.48 | 729.11 | ▲ 1.56 | 33572.13 | 50192.36 | -0.4 |
| Philippines | PSEI | 7522.98 | -66.00 | -0.87 | 6563.67 | 8102.30 | 10.0 |
| Singapore | Straits Times | 3126.28 | -11.26 | -0.36 | 2729.85 | 3187.51 | 8.5 |
| South Korea | Kospi | 2138.40 | -10.06 | -0.47 | 1925.24 | 2178.38 | 5.5 |
| Taiwan | Weighted | 9639.94 | -106.62 | -1.09 | 8053.69 | 9972.49 | 4.2 |
| Thailand | SET | 1567.19 | -7.23 | -0.46 | 1381.69 | 1591.00 | 1.6 |

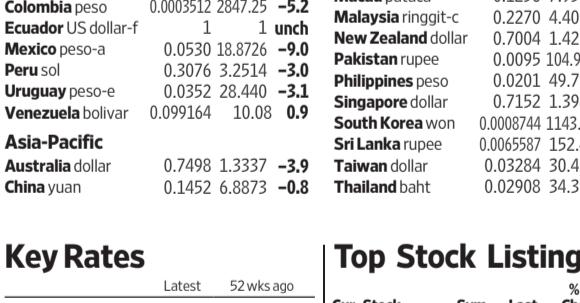
Source: SIX Financial Information/WSJ Market Data Group

Currencies

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



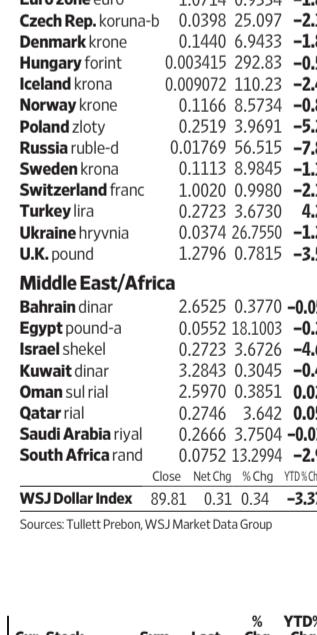
US\$ vs. in US\$ per US\$ (%)



US\$ vs. per US\$ (%)

London close on April 19

US\$ vs. per US\$ (%)



Source: Tullett Prebon, WSJ Market Data Group

Global government bonds

Latest, month-ago and year-ago yields and spreads over or under U.S. Treasuries on benchmark two-year and 10-year government bonds around the world. Data as of 12 p.m. ET

| Country/ | Coupon | Maturity, in years | Yield | Spread Over Treasury, in basis points | | | |
| --- | --- | --- | --- | --- | --- | --- | --- |
| Latest | Previous | Month Ago | Year ago |

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FINANCE & MARKETS

Poll Results Worsen Fear of French Vote

By MIKE BIRD
AND CHRISTOPHER WHITTALL

With the start of the French election just days away, investors are contemplating their nightmare scenario: a choice between far-left and far-right candidates.

In recent days, a surge in opinion polls has placed Jean-Luc Mélenchon, a left-wing firebrand who promises higher wages and fewer working hours, as a potential candidate

to move past this Sunday's first round of voting. That could set up a second-round vote on May 7 with Marine Le Pen, who wants to pull France out of the euro.

Most analysts expect a mainstream candidate to make it to the second round and clinch the presidency. But Mr. Mélenchon's sudden rise has spooked investors.

A runoff between Ms. Le Pen and Mr. Mélenchon "would be a disaster for

France...[and] a disaster for Europe," said Patrick Zweifel, chief economist at Pictet Asset Management.

Under that scenario, investors would dump the debt of France and of weaker European economies and send the euro lower, analysts say.

Investors recently have been selling French stocks and bonds, and the cost of insurance against a sharp fall in the euro, as measured by so-called one-month risk reversals, hit levels seen at the height of the Continent's sovereign-debt crisis in 2011.

On Tuesday, the spread between French and German 10-year government-bond yields, the most popular measure of election risk, widened to 0.73 percentage point, though it narrowed to 0.69 percentage point on Wednesday. In mid-March, French debt was yielding 0.57 percentage point more than German debt. As recently as last September, yields were just 0.22 percentage point apart.

For months, investors prepared for a runoff that pitted Ms. Le Pen against a candidate from the political mainstream, either François Fillon, a center-right former prime minister,



Jean-Luc Mélenchon and Marine Le Pen are shown on television during a debate in March

ter, or Emmanuel Macron, a former economy minister.

Analysts believe that either would beat Ms. Le Pen in a second round, as voters coalesced around a candidate that wasn't the National Front leader.

But the rise of Mr. Mélenchon has scrambled those calculations. He moved into third place in several polls, passing Mr. Fillon.

"The problem is we have a four-horse race where statistically it is a bit too close to call," said Mark Dowding, co-head of investment-grade debt at Blue-Bay Asset Management. "We're just sitting on our hands waiting, because we aren't able to discount a low-probability but high-impact event."

The prospect of a victory for Ms. Le Pen, however distant, has long spooked markets. Ms. Le Pen's desire to pull France out of the eurozone has raised concerns that the bloc could unravel. These worries have hit the debt of Portugal, Italy and other so-called peripheral economies.

Mr. Mélenchon doesn't favor exiting the euro, but some policies he advocates would affect the currency bloc. He wants to scrap the Stability and Growth Pact, which limits deficits in the eurozone.

In a runoff between Mr. Mélenchon and Ms. Le Pen, the sort of trading that hit markets during the eurozone's sovereign-debt crisis, includ-

ing extreme volatility in the euro and a selloff in the bonds of weaker members, would re-emerge, some analysts predict.

To be sure, most analysts believe that despite the polls, a Mélenchon-Le Pen runoff won't happen. Even if one does win, their ambitions could be capped by parliament.

"It's all very well having a mandate in the presidential election, but you need support in the national assembly too," said Philip Shaw, an economist at Investec. Elections to the assembly will be held in June.

But a runoff between Mr. Mélenchon and Ms. Le Pen is "still the one scenario that markets will worry about most," he added.

Getting Risky

A measure of how much investors must pay to protect against a plunge in the euro has hit the most extreme levels on record.

One-month euro-dollar risk reversal skew



Note: The more negative the reading, the more investors pay to hedge against a weaker euro.

SOURCE: THOMSON REUTERS

THE WALL STREET JOURNAL

Brexit Bounce Could Be Over for U.K. Multinationals

BY SAABIRA CHAUDHURI

LONDON—For nine months, some of the biggest U.K. multinationals have enjoyed a big Brexit bump—benefiting from a sharply lower pound that made their exports more competitive and their overseas sales more valuable once converted back into sterling.

That has sent shares soaring. The FTSE 100 blue-chip index, heavily weighted toward exporters, was up more

than 12% since the June 23 British referendum vote to leave the European Union as of late Wednesday in London.

But that tailwind is reaching its limits, as shown by Tuesday's sharp sterling rally after Prime Minister Theresa May's surprise call for a snap election. Discounting Tuesday's surge of more than 2%, the pound has largely stabilized after its sharp drop since June—trading roughly 15% lower against the dollar.

If that holds, some of the currency benefit many companies have enjoyed, compared with their year-earlier performance, goes away later this year. For some companies, the extraordinary share-price boost provided by the currency move has also helped to obscure deeper problems.

Take **Burberry Group PLC**: The British luxury house's shares were down 7.7% in late Wednesday trading in London amid disappointing fourth-

quarter results and fears that the currency-induced rally could be coming to an end. The shares had been up 53% from the Brexit vote through Tuesday.

Burberry's 2% rise in fourth-quarter same-store sales came in below the 5% expected by analysts. The company also warned that it expects currency headwinds in its fiscal 2018, which ends in March, as it loses foreign-exchange hedges locked in last

year when the pound was weaker.

FTSE 100 commodity giants such as **Royal Dutch Shell PLC**, **BP PLC** and **Glencore PLC** also have received a boost from sterling's decline as well as the rally in commodity prices.

Foreign-exchange moves also complicate matters for global retailers because savvy shoppers change their buying patterns to exploit currency differences. A strong dollar

was partly responsible for Burberry's woes in the Americas, which makes up about 25% of Burberry's total sales. On Wednesday, the company reported Americas sales declined by a mid-single-digit percentage as demand from Americans and tourists in the region dropped.

Chief Financial Officer Julie Brown said Americans have upped their shopping abroad, helping Burberry report strong growth in the U.K.

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