

# THE WALL STREET JOURNAL.

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As of 12 p.m. ET DJIA 20826.71 ▲ 0.66% NIKKEI 18861.27 ▲ 0.27% STOXX 600 380.09 ▲ 0.02% BRENT 54.47 ▲ 0.55% GOLD 1246.70 ▼ 0.66% EURO 1.0660 ▼ 0.14% DLR \$111.21 ▲ 0.42%

## What's News

### Business & Finance

China National Chemical won EU approval for its roughly \$43 billion takeover of Syngenta on condition that it divests itself of large parts of its European businesses. **B1**

◆ Apple Pay's growth has fallen short of its expectations amid consumer wariness and retailers that don't accept it, analysts say. **A1**

◆ Private-equity firm MBK will begin a global roadshow for an IPO of ING Life Korea after Chinese bidders got cold feet. **B1**

◆ Australian tax authorities have obtained as many as 1,000 bank accounts—some still active—as part of a tax-fraud investigation. **B5**

◆ U.S. companies are set to report their best quarterly profits since 2011, a sign the stock rally could continue. **B8**

◆ PPG Industries' CEO said the paint company isn't ruling out a sweetened offer—or a hostile takeover—for Akzo Nobel. **B3**

◆ A Pimco fund became the largest actively managed bond fund last month. **B5**

◆ McDonald's top marketer in the U.S. is leaving as part of another management shake-up. **B2**

### World-Wide

◆ The death toll from a suspected Syrian regime chemical attack on a rebel-held town rose to at least 74, doctors and rescue workers said. **A4**

◆ The attack is deepening a divide between the Trump administration and other Western powers over the war. **A1**

◆ North Korea launched a medium-range ballistic missile off the east coast of the Korean Peninsula. **A3**

◆ A House panel wants Obama aide Rice to testify in a probe of Russian election interference, as Republicans seek to widen the inquiry. **A7**

◆ An attack by Islamic State gunmen and suicide bombers killed at least 35 people and wounded 40 others in the Iraqi city of Tikrit. **A4**

◆ The EU's Parliament toughened its stance on coming talks about the U.K.'s divorce from the bloc. **A6**

◆ The leadership of the ANC closed ranks around embattled South African President Zuma amid calls for him to step down. **A6**

◆ HHS head Price more than tripled his investment when he sold shares in a biotech company. **A7**

◆ A global hunt for a hidden ninth planet has turned up four possibilities for an undiscovered world lurking beyond Pluto. **A3**

## Inside TRAVEL A9

The Back-Door Route to Europe

CONTENTS Middle Seat..... A9  
Business News.... B1  
Opinion..... A10-11  
Crossword..... A12  
Technology..... B4  
Heard on Street..... B8  
U.S. News..... A7  
Life & Arts..... A9,12  
Weather..... A12  
Markets..... B8  
World News..... A2-6

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Please see APPLE page A2

Please see SOCCER page A8

Please see SOCCER page A8



## Bracing for 'Nuclear Option'

U.S. Senate prepares to change rules to confirm the president's Supreme Court pick

By KRISTINA PETERSON

WASHINGTON—A bipartisan group of 14 U.S. senators in 2005 ended a bruising fight over federal judgeships with a compromise agreement that stopped GOP leaders from changing the chamber's rules to confirm Supreme Court nominees.

Twelve years later, no such group has materialized to pull the Senate back from the brink in the battle over Judge

Neil Gorsuch, President Donald Trump's nominee to the Supreme Court.

The country's increasing political polarization in the intervening years has hardened the stances of both Senate Democrats, who said this week they had enough votes to mount a filibuster to block a vote on Judge Gorsuch under the current, decades-old rules, and Republicans, who are expected on Thursday to permanently change the chamber's rules to confirm the GOP president's pick.

"The whole environment has dramatically changed," said Sen. John McCain (R., Ariz.), a member of the so-called Gang of 14 that averted

a rules change in 2005.

This week, Mr. McCain said he reluctantly would join most, if not all, Republicans in voting to alter the Senate's rules so Supreme Court nominees could be confirmed with a simple majority, rather than the 60 votes currently needed.

One party moving unilaterally to change the rules is so contentious that it is referred

### Trump Aide Taken Off Key Panel

Chief strategist Steve Bannon has been removed from the National Security Council's principals committee. **A7**

to as "the nuclear option." It would leave the minority party without any ability to block nominees and enable the president to cater to his or her party's ideological extremes if the Senate is controlled by the same party.

"There's a variety of reasons" for the shift, Mr. McCain said, "none of it good."

Sen. Brian Schatz (D., Hawaii) said: "There's no doubt we are moving into dangerous territory and we're putting ourselves in a position where if you're ever in the minority party, nobody has to talk to you."

Congressional experts said this week's expected Senate

Please see SENATE page A7

Please see SPLIT page A4

## U.S., Allies Are Split On Syria In Wake Of Attack

By LAURENCE NORMAN

BRUSSELS—The suspected chemical attack in Syria is deepening a divide between the Trump administration and other Western powers over the war, with Germany's foreign minister warning Wednesday that focusing only on the fight against Islamic State won't end the conflict.

Tuesday's attack on the opposition-held town of Khan Sheikoun killed at least 74 people, and it has been widely blamed on the Syrian government. The Syrian army has denied using toxic substances and blamed the attack on terrorist groups, according to Syrian state media.

U.N. Secretary General Antonio Guterres called the attack a "moment of truth," saying on his way into a Syria conference in Brussels that it shows "war crimes are going on." The United Nations Security Council was discussing the attack on Wednesday.

Since taking office, President Donald Trump's pledge to destroy Islamic State has been his top focus in Syria. Last week, both U.S. Secretary of State Rex Tillerson and U.N. Ambassador Nikki Haley indicated that Washington's policy is no longer focused on ousting President Bashar al-Assad.

In Brussels, German Foreign Minister Sigmar Gabriel questioned that stance, without naming the U.S. specifically.

"We have a fear the fight against Daesh... maybe for some of us, is more important than looking to the internal situation in Syria, and I think it would be not the right approach," he said, using an Arabic acronym for Islamic State.

Please see TARGET page A4

◆ Death toll hits at least 74 from suspected gas attack..... A4

### Changing Population

Muslims are projected to account for a larger share of births than Christians in coming decades. **A2**

■ Muslims ■ Christians ■ Unaffiliated

BIRTHS AS A SHARE OF ALL WORLD-WIDE



DEATHS AS A SHARE OF ALL WORLD-WIDE



Source: Pew Research Center

THE WALL STREET JOURNAL.

## TARGET'S COSTLY LESSON IN SPEAKING OUT ONLINE

Retailer prompted backlash with response to North Carolina bathroom law

By KHADEEJA SAFDAR

In April 2016, Target Corp. published a blog post welcoming transgender employees and shoppers to use restrooms and fitting rooms corresponding with their gender identities. "Everyone deserves to feel like they belong," read the post, which turned half of Target's red bull's-eye logo into a gay-pride rainbow.

Other retailers have similar policies. But for Target, the posting of what was its long-held practice quickly became an expensive

and distracting lesson about the perils of combining the web's megaphone with touchy social issues.

Target Chief Executive Brian Cornell hadn't approved the April 19 post, which responded to a move by North Carolina to legislate bathroom use, said people familiar with the episode and its aftermath at Target. He didn't see an email notifying executives of the post, and was surprised to learn about it.

The next day, a conservative Christian

Please see TARGET page A8

## Apple Pay Struggles To Gain Traction

By TRIPP MICKLE

Nancy Schrum watched curiously as a colleague from her law firm waved an iPhone above a credit-card reader to buy a Subway sandwich with Apple Pay this year.

"I have that, but I'm afraid to use it," said Ms. Schrum, who feared the technology wouldn't work.

When Apple Inc. launched its mobile-payment service more than two years ago, it hoped to speed up the check-out process and, ultimately, to replace physical wallets for U.S. consumers.

Apple Pay has made significant headway, but Ms. Schrum's wariness reflects a range of factors that analysts say have caused growth to undershoot their expecta-

### What's That, Coach? I Can't Hear You Over the Propaganda

To prepare for a match in Pyongyang, a South Korean team turns up the volume

BY EUN-YOUNG JEONG

MOKPO, South Korea—"Let's reunify our homeland, just the Korean people alone!" the crowd boomed in a martial, distinctly North Korean accent as it clapped and cheered in unison.

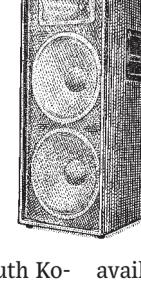
It was the sort of clamor one might expect to hear during a soccer match at Kim Il Sung Stadium in Pyongyang. But this is Mokpo, a sleepy port city on the southern tip of South Korea, more than 200 miles from the North Korean border.

In advance of Friday's qualifying match against North Korea in Pyongyang, Yoon Deok-yeo, the coach of South Korea's women's soccer team,

wanted to do something to fortify his players for the task ahead. So naturally, he ordered a facilities crew to install four large outdoor speakers on the field.

As his players practiced against a local boys' high school team, the speakers assaulted their eardrums with a 51-minute-long montage of sounds from previous matches held in North Korea, some of which were available on YouTube. At roughly 100 decibels, Mr. Yoon's serenade ranked somewhere between a jackhammer and a jetliner taking off.

The boys' team, which had only been warned of the pro-



Please see SOCCER page A8

## Oracle #1 SaaS Enterprise Applications Revenue

1,000+ Employees Segment, 2015

#1  
Oracle Cloud  
14.5%

#2  
Salesforce Cloud  
12.4%

ORACLE®

oracle.com/applications

Source: IDC "Worldwide SaaS Enterprise Applications Market Shares, 2015: The Top 15 by Buyer Size," doc #USA1913816, Dec. 2016. For the purposes of this report, SaaS enterprise applications include the following application markets: CRM, engineering, ERP, operations and manufacturing, and SCM.

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## WORLD NEWS

# Muslim Births to Soon Outpace Christians

The world's fastest-growing religion could become the biggest by century's end

BY IAN LOVETT

Within 20 years, more babies will be born to Muslim women than to Christian women world-wide, the latest sign of the rapid growth that could make Islam the world's largest religion by the end of the century.

Islam is already the world's

fastest-growing religion, according to a study released Wednesday by the non-partisan Pew Research Center, with the Muslim population increasing by more than 150 million people between 2010 and 2015, to 1.8 billion.

Meanwhile, Christianity remains the world's largest religion. It is growing more slowly, however, largely due to its declining numbers in Europe, which was long the seat of Christendom. As of 2015, there were 2.3 billion Christians.

While Christians accounted

for 33% of births world-wide in recent years—slightly outpacing the number of Muslim births—they also made up 37% of world-wide deaths, nearly twice the share of deaths from any other religion.

"Christianity is literally dying in Europe," said Conrad Hackett, the lead researcher on the study.

In most European countries—including England, Germany, Italy and Russia—Christian deaths outnumbered Christian births from 2010 to 2015. The religion has been buoyed by continued growth in

Africa and Latin America.

"The heart of Christianity is moving from Europe to Africa," Mr. Hackett said.

The new report is an expansion on a major Pew Research study from 2015, which first projected that by 2050 the world-wide Muslim population would nearly equal the Christian population, perhaps for the first time in history.

Wednesday's study offers new details about birthrates in recent years. It also projects forward to 2060, when the Christian and Muslim populations will be nearly equal.

The world-wide population of Muslims is projected to grow by 70% between 2015 and 2060. Christianity will grow by 34%.

For both religions, the growing numbers come largely from fertility. Muslims have gained slightly in recent years from people converting to Islam. Meanwhile, Christians have lost more members than any other religion in recent years due to religious switching.

Currently, 16% of the world's population is religiously unaffiliated, with most of them living in China. That group has

gained the most from religious switching, with more than 12 million people expected to leave behind any religious affiliation between 2015 and 2020.

The percentage of the world population that is unaffiliated with any religion is expected to fall in the coming decades because of lower birthrates, compared with other belief groups.

### Notice to Readers

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

## Jerusalem Prepares for Passover



HERE I COME: An ultra-orthodox Jewish boy emerges from sacks of onions at a charity food distribution site in Jerusalem ahead of Passover, which begins Monday.

## APPLE

Continued from Page One

tions, including security concerns about the service, retailers that don't accept it, and Apple's relatively paltry marketing.

The pace of Apple Pay adoption has been "disappointing even to conservative expectations," said Gene Munster, managing partner at Loup Ventures, a venture-capital firm specializing in tech research. Just 13% of the estimated 680 million iPhone users have used Apple Pay, according to the research firm.

Eddy Cue, Apple senior vice president in charge of internet software and services, said the service has been adopted faster than other payment systems and he believes it will eventually replace cash, debit and credit cards as the primary payment system.

"Does it matter if we get there in two years, three years [or] five years?" Mr. Cue said in an interview. "Ultimately, no."

The service requires users to upload their credit or debit card to their iPhone wallet by scanning an image of it. To pay at the checkout line, they hold the phone—or Apple Watch—above a contactless payment terminal that uses a technology known as near-field communication to trans-

mit the card's information. Fingerprint verification is required for security. The service can also be used to pay in apps and online.

Many U.S. consumers remain wary of such a service, according to technology research firm Creative Strategies: 40% are concerned about the security risks of adding a credit or debit card to their phone, and more than 60% aren't familiar with contactless payments.

Compounding Apple Pay's challenges, only a third of U.S. stores accept it as a form of payment, according to the Nilson Report. The payment-industry trade publication notes, however, that the service's rate of acceptance has more than doubled since 2015.

"If you can't use it everywhere, why are you going to switch?" said Braden More, Wells Fargo & Co.'s head of partnerships and industry relations, who is surprised more retailers haven't embraced mobile payments. He expects acceptance and usage to grow.

Big names including Wal-Mart Stores Inc. and Kroger Co. haven't yet enabled Apple Pay, due in part to technical hurdles, and even at stores that do use the service, users say cashiers often aren't familiar with it.

Paul Davis said he recently had to inform a McDonald's cashier in Cincinnati that the

burger chain accepted Apple Pay and show her how. "It happens all the time," he said.

Vice President of Apple Pay Jennifer Bailey said Apple has a team working with merchants to instruct cashiers and add instructions to check-out manuals. She said more than half of the biggest 100 merchants in the U.S. have adopted Apple Pay, including Best Buy Co., Kohl's Corp. and Starbucks Corp.

Loup Ventures' Mr. Munster, a longtime Apple analyst

pele's App store and iTunes. The company announced in January it aimed to double its services revenue by 2021.

Apple Pay generates revenue from charging banks a slice of each transaction, often 0.15% per credit-card transaction and a half cent per debit-card purchase.

Shortly after Apple Pay was introduced, rivals Samsung Electronics Co. and Alphabet Inc. introduced similar payment services. Samsung Pay is more broadly

to embrace Apple Pay as energetically as they did iTunes—an instant hit when it launched in 2003—because executives felt it was faster and safer than existing payment systems, a former employee on the project said.

When retailers didn't support it initially, the person said, Apple executives were reluctant to promote it and invest in retail terminals that would spur adoption.

Apple developed two commercials touting Apple Pay, which aired in 2015, though banks also have advertised the service. It has invested in other promotions like free shipping for Apple Pay purchases online and processing-fee discounts for smaller merchants. It also added the service to devices like its newest laptop, integrated it into the Safari browser for online shopping, and the service is now available in more than a dozen countries, including Japan and Spain.

Accelerating Apple Pay's reach is important for Apple as it negotiates extensions of three-year agreements with banks and credit-card issuers this year, said James Wester, a research director at IDC Financial Insights. Apple Pay's fees cut into issuers' roughly 2% share of transactions, he said.

Mr. Cue said he was confident banks would renew because they "can see the growth."

Apple expected consumers

previously with brokerage Piper Jaffray Co., estimates

Apple Pay last year handled \$36 billion in transactions, far less than the \$207 billion he had predicted by 2016 after Apple started the service.

Apple doesn't disclose the number or value of Apple Pay transactions, but Chief Executive Tim Cook recently said the number of users has tripled over the past year and transaction volume increased more than sixfold last year.

Apple Pay brought in \$30 million in revenue last year, according to Sanford C. Bernstein—a fraction of the \$24.35 billion generated last fiscal year by Apple's services unit, which also includes Ap-

ple's App store and iTunes.

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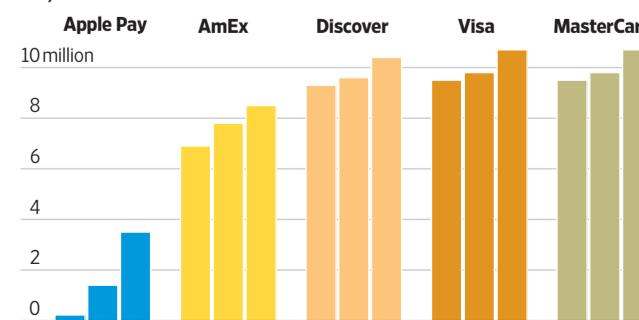
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Apple expected consumers

### Apple's Pay Predicament

The number of U.S. merchants accepting Apple Pay lags behind major credit cards.



Source: the Nilson Report

### CORRECTIONS & AMPLIFICATIONS

**The Heinz Endowments** is a private foundation, created by members of the Heinz family. A Technology article Tuesday about Uber Technologies Inc.'s operations in Pittsburgh incorrectly described the foundation as an arm of the ketchup conglomerate.

Readers can alert The Wall Street Journal to any errors in news articles by emailing [wsjcontact@wsj.com](mailto:wsjcontact@wsj.com).

gained the most from religious switching, with more than 12 million people expected to leave behind any religious affiliation between 2015 and 2020.

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## Eurozone Shows Faster Growth

BY PAUL HANNON

A gauge of activity in the eurozone's manufacturing and services sectors rose less sharply in March than initially estimated, but still points to a pickup in economic growth during the first three months of the year.

Data firm IHS Markit on Wednesday said its composite purchasing managers index for the eurozone, based on a survey of 5,000 companies, rose to 56.4 in March from 56.0 in February, reaching its highest level in almost six years. A reading above 50 signals an increase in activity, while a reading below signals a decline.

The final figure was lower than the estimate of 56.7 provided last month, but leaves the average measure for the first quarter at its highest since the first three months of 2011, before the eurozone economy entered a slowdown caused by its government debt crisis. It only emerged from that slowdown in mid-2013.

IHS Markit said the first-quarter average was consistent with a rise in gross domestic product of 0.6%, which would be an acceleration from the 0.4% quarter-to-quarter growth rate recorded at the end of 2016, and the strongest three-month period since early 2015.

According to the surveys, the acceleration was led by Germany, the currency area's largest member, with an average PMI for the quarter that points to growth of 0.6%. The French PMI indicates a similar growth rate, and in both countries that would mark an acceleration. The surveys also point to a pickup in Italy, long the growth laggard among the eurozone's larger members.

The surveys suggest the higher rate of growth may be maintained, as new orders arrived at the fastest rate since April 2011. Reflecting a growing confidence in the durability of the recovery, businesses hired additional workers at the fastest pace since before the onset of the global financial crisis.

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# WORLD NEWS

## Trade Casts Shadow on Trump-Xi Summit

BY WILLIAM MAULDIN

As President Donald Trump and China's President Xi Jinping meet this week for what White House officials are calling an introductory summit, there is one issue where the U.S. leader's position will need no introduction: trade.

Mr. Trump won the White House in part with an angry denunciation of other countries' economic "cheating," using China as Exhibit A. Last week he predicted a "very difficult" meeting with Mr. Xi, citing "massive trade deficits and job losses."

Even with North Korea and other Asian security concerns front and center, disagreements over trade between the world's two largest economies may well be the topic that brings the most tension to the gathering at Mr. Trump's Mar-a-Lago club in Florida on Thursday and Friday. White House officials raising expectations for any kind of grand deal.

"At the end of the meeting it's essentially going to be a stalemate—agree to disagree on a lot of things," said Scott Kennedy, a China scholar at the Center for Strategic and International Studies, a think tank.

The visit will set the tone for a complex relationship, one Mr. Trump aims to redefine by combating what he and his trade advisers see as the dumping of products in the U.S. at below fair value and Beijing's broad policies of subsidizing industries from metals production to aviation at the expense of American competitors.

Some business leaders said they would like Mr. Trump to convey his concerns about China's business climate—including limits on investment and fights over technology and intellectual property—so that the countries can work together over the long term on resolving the issues rather than merely blocking each other's exports.

"While we don't yet know the strategy of the Trump administration, we do agree with its desire for significant changes to Chinese policies that will result in a more market-based and level playing field for American companies," said Jeremie Waterman, the China director at the U.S. Chamber of Commerce, the biggest U.S. business lobby.

A senior White House official told reporters on Tuesday that Mr. Trump intends to



The U.S. and China are preparing for Thursday's Trump-Xi summit. Above, a shop in Beijing.

of the former group, in an effort to lower tensions.

Some diplomats and experts on Beijing said Mr. Xi may seek to further calm the waters by offering to limit certain Chinese exports, announcing deals for Beijing's state-run companies to buy big-ticket American exports, or arranging to make large Chinese investments in the U.S.

"I bet you dollars to doughnuts that Xi is coming bearing a specific gift like that that Trump will tweet," said Max Baucus, the U.S. ambassador to Beijing at the end of Barack Obama's presidency and a longtime Democratic senator overseeing trade issues.

But lawmakers and some business lobbyists in Washington are growing increasingly worried that limited deals with Beijing aren't tackling the big economic and business disputes between the two countries.

Some top officials in the Trump administration said China hasn't abided by previous trade commitments, so they are planning to bring major unilateral trade-enforcement cases that could hit Chinese industries with big tariffs.

work in a constructive manner to reduce trade and investment barriers in China. The topics haven't been decided on in advance, so the two leaders are set to bring up whatever is on their minds, with the aim of starting a framework for addressing disagreements rather than setting policy on tariffs or other areas, the official said.

Progress with China has slowed recently, and the

Trump administration wants to make the relationship more "fair, balanced and based on the principle of reciprocity," the official said.

Adding to the uncertainty is the fact that the meeting will be early in Mr. Trump's term. His pick for U.S. trade representative, Robert Lighthizer, hasn't been confirmed by the Senate, and the Trump team hasn't brought key officials on board to develop a detailed

strategy for challenging China's trade practices.

Moreover, members of his trade team hold disparate views on the issue. Some are closer to the traditional free-trade approach and others are pushing a harder line against Beijing to lower the trade deficit in goods with China, which stood at \$347 billion in 2016. China's ambassador has courted Trump adviser and son-in-law Jared Kushner, part

## North Korea Tests Ballistic Missile Ahead of Summit

BY JONATHAN CHENG

SEOUL—North Korea launched a medium-range ballistic missile off the east coast of the Korean Peninsula a day before U.S. President Donald Trump was scheduled to meet Chinese President Xi Jinping for the first time.

The launch of the missile, confirmed by U.S. Pacific Command in Hawaii and by South Korea's Joint Chiefs of Staff, took place Wednesday morning from Sinpo, a city on the east coast where North Korea has a shipyard and last year claimed the launch of a submarine-launched ballistic missile.

visible to satellites.

"From an intelligence perspective, it's easier to track these vehicle convoys from satellite when you have all these support vehicles, and it takes longer to launch them," said Melissa Hanham, a senior research associate at the Middlebury Institute of International Studies in Monterey, Calif.

"Solid fuel means it's easier to hide and faster to launch."

Data from Shea Cotton, a colleague of Ms. Hanham's, showed that North Korea has conducted seven missile tests this year, fewer than the eight tests it had conducted by this time in 2014 and 2015. Even so, the North appeared to be making more progress.

"2016 and 2017 has shown more interesting technology, rather than more-frequent launches," Ms. Hanham said. North Korea had conducted five tests by this time last year.

The latest launch comes as Messrs. Trump and Xi are expected to focus on North Korea during their summit meeting at the Mar-a-Lago club in Florida on Thursday and Friday, the first meeting between the leaders of the world's two biggest economies.

U.S. Secretary of State Rex Tillerson, who said during a visit to Seoul last month that the U.S. had ruled out direct talks with North Korea for now and was considering tightening sanctions, was dismissive of Pyongyang in a brief statement following the latest launch.

"North Korea launched yet another intermediate-range ballistic missile. The United States has spoken enough about North Korea. We have no further comment," he said.

At a regular media briefing on Wednesday, Chinese Foreign Ministry spokeswoman Hua Chunying called on all sides to exercise restraint and "not do anything that will escalate tensions." Ms. Hua added that she saw no "direct relation" between the missile launch and the Trump-Xi meeting.

—Josh Chin, John Corrigan and Kwanwoo Jun contributed to this article.

South Korea's Joint Chiefs said that the launch took place at about 6:42 a.m. Seoul time and that the projectile flew about 35 miles, a relatively short distance, before splashing down in the waters between Japan and the Korean Peninsula.

David Benham, a spokesman with U.S. Pacific Command in Hawaii, said the missile, identified as a KN-15 medium-range ballistic missile, was launched from a land-based facility near Sinpo. It traveled for about nine minutes before hitting the sea, he said.

While the U.S. hasn't used the KN-15 designation before, experts said the missile appeared to be the same type as one that North Korea launched this year that used solid-fuel, rather than liquid-fuel, technology, which enables North Korea to launch a missile more quickly and with more stealth than was possible in the past.

Traditional liquid-fuel missiles, which North Korea has used for years, require a convoy of vehicles to load the fuel into the missile after it had been put in place, making it

possible for the missile to be launched from a mobile launcher.

China's foreign ministry said the trip would gravely damage border stability. Kiren Rijiju, India's junior home minister, responded:

"As a free and democratic country, India doesn't restrict visits by religious leaders to areas that are integral

## India's Short Road to China

### Prime Minister Modi Ramps Up Work to Defend Contested Border Area

BY NIHARIKA MANDHANA

TAME CHUNG CHUNG, India—On the near-vertical slopes of the eastern Himalayas, workers are blasting and cutting treacherous rock faces to build a top-priority military asset: a 34-mile road to the country's disputed border with China.

Far away in the capital New Delhi—a six-day journey by foot, road, rail and air—Prime Minister Narendra Modi's office is monitoring their progress as he doubles down on a billion-dollar infrastructure plan in this contested region to strengthen India's hand against its powerful neighbor.

India is accelerating work on strategic roads to be able to move troops and supplies to the border faster and deploy sophisticated weapons if armed conflict breaks out. China already has extensive infrastructure on its side.

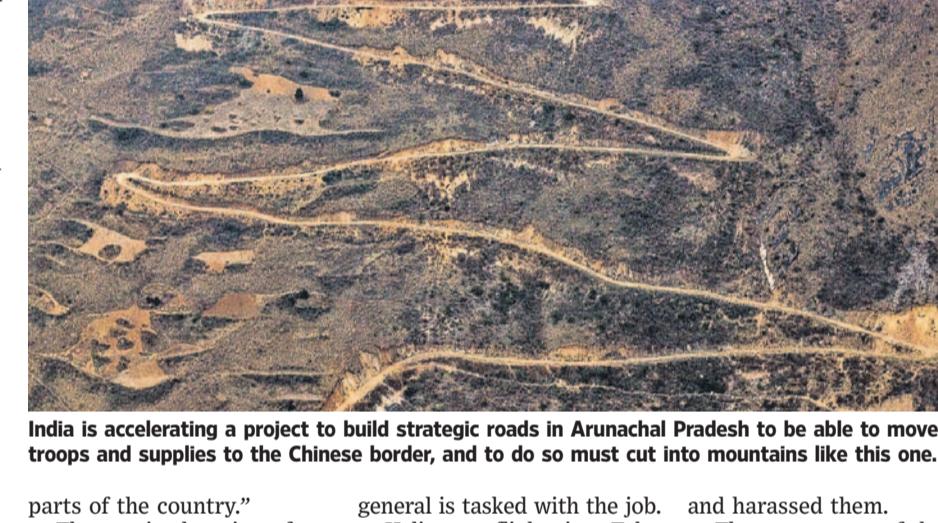
"It's not business as usual," a senior official overseeing the project said. "We have shifted gear."

Beijing claims 35,000 square miles of territory here, almost the entire Indian state of Arunachal Pradesh, and calls it South Tibet. The arrival this week of the Dalai Lama, Tibetan Buddhism's spiritual leader—who China calls a separatist—has stirred the rivalry, which goes deeper than the border dispute.

The Dalai Lama's itinerary in Arunachal Pradesh includes the Tawang Monastery, where he took refuge in 1959 when he fled China's crackdown in Tibet, beginning decades of exile in India, an enduring sore point between the countries.

China's foreign ministry said the trip would gravely damage border stability. Kiren Rijiju, India's junior home minister, responded:

"As a free and democratic country, India doesn't restrict visits by religious leaders to areas that are integral



India is accelerating a project to build strategic roads in Arunachal Pradesh to be able to move troops and supplies to the Chinese border, and to do so must cut into mountains like this one.

parts of the country."

The precise location of much of the 2,200-mile India-China boundary, a fourth of which lies in this eastern Indian region, is a subject of dispute. Two weeks ago, not far from the cliff-face road-building venue, Chinese soldiers entered territory India considers its own, Indian officials said. The two sides shoved and jostled for hours until senior commanders intervened. The soldiers didn't leave until the next day.

To assert its sovereignty and develop Arunachal Pradesh—while strategically significant, it is sparsely populated—the Modi administration awarded \$900 million in road contracts in 2016-17, a fivefold jump from the two preceding years. A new government company is acquiring land and hiring private builders to complete 400 miles by 2020.

On top of New Delhi's construction list is the 34-mile stretch to Taksing, a border village at 8,000 feet above sea level where soldiers rely on helicopters and basket-wielding porters for fuel, eggs, sugar and any other supplies. A government agency headed by a military

general is tasked with the job.

Helicopter flights into Taksing are waylaid once in every five trips by unpredictable weather, a key reason military planners want a road.

The project's budget was doubled last year. Its deadline was advanced from 2024 to 2018. India is battling time, nature and geology to get there. The area is so remote, to deliver a bulldozer means dismantling it into nine parts and flying it for 200 miles, piece by piece, slung from a military helicopter.

Fragmented rock and six-month monsoons make construction here hazardous. After blasting a craggy mountainside, worker Taji Nacho watched with trepidation for hours as jagged overhangs threatened to break off and fall. Some days, his team progresses just 4 feet.

"The mountains here are deceptive, one layer after another," said Mr. Nacho, 20, who was recently injured by a shard. "You never know what will kill you."

In November, officials brought 60 trained laborers from a different state. Two months later, the men fled after tribal residents, unhappy about losing jobs, beat

and harassed them.

These are some of the reasons India long left this region untouched. Another was fear that installing roads would help the Chinese descend into Indian territory.

India changed tack gradually since the 2000s as China went on a building spree.

China has built largely on the Tibetan plateau, in dry weather, without the same bureaucratic obstacles.

On the Indian side, money is short, long spells of rainfall trigger landslides, and local-resident demands and time-consuming environmental clearances have to be addressed.

With no road yet, Topak Kemdo began a seven-hour trek on a rainy day last week to deliver a 20-liter can of diesel for troops—enough to run a generator for 10 hours.

Mr. Kemdo, 35, faced swaying wood-and-rope bridges, dense vegetation, precipitous drops and the threat of snakes.

En route, he greeted Indian infantrymen returning on foot to their home bases after a border deployment. They had left 28 hours earlier.

"It is very, very difficult," he said.

## Australian Amateurs Find Clues in Search for Ninth Planet

BY ROB TAYLOR

CANBERRA, Australia—A global hunt for a hidden ninth planet involving thousands of volunteer stargazers has turned up four possibilities for an undiscovered world lurking beyond Pluto.

Australian scientists helping lead the search say they are searching for a gaseous planet about four times bigger than Earth, traveling on a vast elliptical orbit taking as long as 20,000 years.

The four findings, from an Australian telescope, have yet to be confirmed, and scientists have already discounted one of

them as a likely asteroid. Still, the results from recent days mark unexpectedly fast progress toward solving one of the solar system's great mysteries.

"We think Planet Nine, if it exists, is likely to be found in the Southern Hemisphere," said Australian National University astrophysicist Brad Tucker, who is helping guide the public hunt for the hypothetical planet from the Australian continent.

Theories of an undiscovered planet have been around for decades, but gained momentum last year when two California Institute of Technology astronomers suggested the existence of a giant planet—dubbed

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## WORLD NEWS



A man receiving treatment Tuesday at a hospital in the town of Maaret al-Noman after a suspected gas attack in nearby Khan Sheikoun.

# Syria Gas Death Toll Rises

At least 74 are dead and nearly 600 had symptoms consistent with a poison attack

BY RAJA ABDULRAHIM

BEIRUT—The death toll from a suspected Syrian regime chemical attack on a rebel-held town rose to at least 74 on Wednesday, doctors and rescue workers said.

Nearly 600 people were also overcome with symptoms such as fainting, vomiting and foaming at the mouth after bombs containing a foul-smelling gas hit the town of Khan Sheikoun in northern Idlib province on Tuesday, the doctors and rescue workers said.

The World Health Organization said that the victims showed signs of exposure to a nerve agent. The absence of external injuries, and deaths due to suffocation, made it likely it was a chemical attack, the group said.

Some medical workers said Wednesday the death toll was likely to rise because the bodies of some victims were quickly buried by their families and had yet to be counted. Res-

cue workers also were continuing to search for bodies inside homes and basements.

Turkish officials said 58 Syrians were transported to hospitals in southern Turkey for treatment. Their medical information was to be provided to the World Health Organization for further analysis, the officials said. Two of the patients have died from their injuries, pro-government media reported.

The U.S. and other governments, along with the United Nations and other international organizations, condemned President Bashar al-Assad's regime for Tuesday's attack.

Among the dead were entire families, and photos from the aftermath showed a father embracing the bodies of his two dead infants. The images of dead children laid side-by-side in underwear and pajamas were reminiscent of footage that emerged after a sarin gas attack by the regime against the Damascus suburb of Eastern Ghouta in 2013.

President Donald Trump called the attack "heinous" and said it "cannot be ignored by the civilized world." The attack came just days after the Trump administration signaled it

would no longer push for Mr. Assad's ouster.

The Assad regime has been accused of using a nerve agent, sarin, in past attacks. Doctors and rescue workers in and near Khan Sheikoun described symptoms similar to those suffered by the victims of the Eastern Ghouta attack, in which 1,429 people died, according to a U.S. government assessment.

The Syrian army on Tuesday denied using any chemical or toxic substances in Khan Sheikoun, according to state media, and blamed "terrorist groups and those behind them." The Syrian government routinely refers to most opponents of the regime as terrorists.

In Russia, a crucial ally of the Syrian regime, the military said Wednesday that Syrian aircraft had struck a "terrorist ammunition depot" holding chemical weapons near Khan Sheikoun. It said "terrorists" were producing chemical munitions at the site.

"Terrorists had been transporting chemical munitions from this large arsenal to the territory of Iraq," the military said. "These chemical munitions had been also used by militants in the northern city

of Aleppo, their deployment was identified at the end of last year by Russian specialists."

Russia provides air support to Mr. Assad's forces, and Moscow has consistently denied reports that Russian or regime warplanes target civilians.

Following the Eastern Ghouta gas attack, the Assad government officially joined the Chemical Weapons Convention and relinquished its chemical arsenal as part of a deal to avert the threat of U.S. military action.

Since then, however, the government has repeatedly been accused of deploying chemical weapons, with a U.N.-led investigation blaming it for at least three chlorine gas attacks in 2014 and 2015.

Rebel-held Idlib province, where Khan Sheikoun is located, has been targeted by chemical weapons before. The OPCW concluded in September 2014 that chlorine was deployed as a weapon "systematically and repeatedly" in villages in northwest Syria, including Idlib.

—Nathan Hodge in Moscow and Margaret Coker in Istanbul contributed to this article.

# War Moves to Forefront Even as U.S. Shifts Focus

BY DION NISSENBAUM AND FELICIA SCHWARTZ

WASHINGTON—Graphic images of dead and dying Syrian children following Tuesday's suspected chemical attack are forcing the Trump administration to confront the war just days after officials signaled the U.S.

would no longer demand that Syrian President Bashar al-Assad leave power.

The comments in recent days by top American officials formalized a shift away from a longstanding demand of former President Barack Obama and major American allies.

Rep. Ed Royce (R., Calif.), head of the House Foreign Affairs Committee, called the images from Tuesday's attack "sickening" in a news release titled "Assad Must Go," adding: "It is clear there is no hope for real peace in Syria until Assad is held accountable."

The shift by the Trump administration may have been viewed by Mr. Assad as an indication that the U.S. wouldn't challenge him, said Frederic Hof, a former Obama administration adviser on Syria.

"The Trump administration had hoped to defer or even ignore the Assad issue," said Mr. Hof. "Assad—already conditioned by over four years of Obama administration weakness—may have taken recent administration statements about not focusing on him as a green light by new management to do as he wished to civilians in rebel-held occupied areas."

The decision to change course reduces President Donald Trump's leverage to respond meaningfully to the attack. The U.S. could pursue war-crimes charges at the United Nations, but that likely would be thwarted by Russia, Mr. Assad's biggest international ally.

The Trump team also could tap its tenuous relationship with Moscow to pressure Mr.

Assad to curtail use of chemical weapons. But that approach seems unlikely to have much effect on the battlefield, where the Assad regime has been accused of using chlorine in several attacks since 2013.

"The reason the Assad regime used chemical weapons is the same reason they've been using them for years," said Andrew Tabler, a Syria expert at the Washington Institute for Near East Policy. "The Assad regime doesn't have the manpower to retake territory...and Russia has its back at the Security Council."

U.S. officials were awaiting word from specialists trying to determine what kind of chemical may have been used in the attack. "If it's what it looks like, it's clearly a war crime," one senior State Department official said.

Said a U.S. intelligence official: "The U.S. government is working to ascertain the truth behind this incident, but it has the fingerprints of a regime attack."

A sarin gas attack in 2013 on the outskirts of Damascus killed more than 1,400 people, according to U.S. estimates. Mr. Obama said the attack violated a "red line" he had set, triggering plans for the U.S. to respond militarily. But Mr. Obama backed off after then-Secretary of State John Kerry brokered a deal with Russia for the destruction of Mr. Assad's chemical weapons.

While there is bipartisan criticism of the Obama policy toward Syria, Republican and Democratic lawmakers in Congress denounced Tuesday's attack and urged Mr. Trump to rethink the decision to ease pressure on Mr. Assad.

"Aided and abetted by Putin's Russia, the Iranian regime, and its terrorist proxies, Assad will resort to any form of butchery he believes necessary to preserve his dictatorship," said Sen. John McCain (R., Ariz.).

—Shane Harris contributed to this article.

## SPLIT

Continued from Page One

"Without a political solution, we will not be able to stabilize the country, refugees will not be able to return to their homes. Without a political solution, we will continue to treat the symptoms instead of the causes," he said.

On Tuesday, Mr. Tillerson released a statement condemning the attack and blasting Mr. Assad's "brutal, unabashed barbarism." He didn't call for Mr. Assad's ouster.

Some of America's closest allies were less ambivalent.

"This confirms to everyone that this is a barbaric regime that has made it impossible for us to imagine them being in authority of Syria" after the war, U.K. Foreign Secretary Boris Johnson said.

Canada's Foreign Minister Chrystia Freeland said Tuesday's attacks "absolutely raise very, very grave questions about the possibility of working with the Assad regime."

"They are responsible for this. And we have to treat them as being responsible and hold them to account,"

she said.

While some EU governments have also called on the bloc to shift its focus away from Mr. Assad's future, the EU has said its support for Syria's reconstruction depends on a credible political transition taking place.

Wednesday's Brussels conference was aimed at starting to focus on reconstruc-

**Nobody has the guts to do anything against this regime, Lebanon's premier said.**

tion work that will be needed when the fighting stops and at raising money to help Syrian refugees at home and in neighboring countries.

At last year's London conference, donors pledged \$6 billion in aid for 2016 and a further \$6.1 billion for 2017-2020. The U.N. says aid agencies need funding of \$8 billion to meet refugee needs this year.

Germany, the U.K. and the European Commission said Wednesday they would provide upward of \$2.5 billion

in additional aid for 2017-2020. Additional pledges are expected.

Mr. Guterres warned that an effective cease-fire is still far off, saying the idea fighting had lessened in recent months was "false."

He said regarding the attack that there must be a "very clear investigation to remove all doubts and we need to have accountability based on the results of that investigation."

The Russian military said early Wednesday that Syrian aircraft had struck a "terrorist ammunition depot" holding chemical weapons near Khan Sheikoun. According to a statement released by the Russian military, "terrorists" were producing chemical munitions at the site.

Despite the widespread condemnation, some in Brussels were skeptical that the attack—the latest in a six-year conflict that has killed at least a quarter of a million people—will draw more than talk from Western powers.

Lebanese Prime Minister Saad Hariri said on his way into the meeting. "Unfortunately, nobody has the guts to do anything against this regime...The death toll is rising and nobody is doing anything."

## ISIS, In Retreat, Hits Iraqi City

An overnight attack by Islamic State gunmen and suicide bombers disguised as police officers killed at least 35 people and wounded 40 others in the Iraqi city of Tikrit, officials said Wednesday.

By Tamer El-Ghobashy in Erbil, Iraq, and Ghassan Adnan in Baghdad

The episode underlines the security challenge faced by Iraq's government even after it reclaims cities like Tikrit from the militants, who have proven capable of staging deadly attacks even in territory no longer under their control.

Tikrit was reclaimed from the group by the Iraqi military and allied militias in 2015, and has since been touted by both Iraqi and American officials as a model for repopulating, rebuilding and securing areas once held by Islamic State.

The gunmen were waved through a security checkpoint because they were wearing police uniforms, said provincial council member Mounir Hussein. They headed to the city's crowded Zuhour Street shopping district at about 10 p.m., killing four police officers before turning their weapons on civilians.

At least two Islamic State gunmen exploded suicide belts they were wearing, Mr. Hussein said. Three other militants were killed by responding police.

Islamic State claimed responsibility for the attack in a statement released by its official media arm.

The tactics and the attack's location in the heart of the city were unusual for the Sunni Muslim militant group.

Since 2015, it has managed to stage sporadic small-scale suicide attacks against security forces and civilians on the outskirts of majority-Sunni cities it once controlled, including Tikrit, Fallujah and Ramadi. It also regularly targets Shiites in the capital Baghdad.



Security forces near the site of this week's attack in Tikrit.

But the overnight attack involved coordination between multiple gunmen and "inghamasi," Islamic State gunmen charged with inflicting as much damage as possible before blowing themselves up once cornered.

Its scale indicates the militant group could still maintain cells within cities lost to government forces, and is increasingly falling back on traditional guerrilla-style terror tactics as it adapts to the loss of its power centers.

Iraqi forces have since October been engaged in a fierce battle to expel Islamic State from Mosul, Iraq's second city and the extremists' remaining urban stronghold in the country. The fight has been characterized by a ferocious resistance from the militants and mounting civilian casualties.

Iraqi officials estimate they have reclaimed some 75% of the city.

Holding reclaimed ground and preventing security breaches have been key concerns for the Iraqi government as it continues to win back cities from Islamic State.

Recent attacks on such territory—including suicide bombings in Fallujah since last summer, when it was declared

liberated—have raised questions from lawmakers about whether Islamic State is taking advantage of corruption among security officials to breach checkpoints.

Mr. Hussein said the attackers in Tikrit identified a weakness at some checkpoints: police officers waving through anyone wearing a military or police uniform without properly checking their identity.

Iraqi officers do a thorough job checking civilians and should apply the same standards to people in uniform, he added.

"Once they see someone in uniform, they relax and never check," he said. "This is something being used by terrorists to breach security lines."

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## WORLD NEWS

# European Parliament Votes To Toughen Brexit Stance

By VALENTINA POP

The European Union's Parliament toughened its stance on upcoming talks about the U.K.'s divorce from the bloc, in an important vote on Brexit.

With support from 516 out of 699 members, the European Parliament on Wednesday added more demands to the main principles laid out by the bloc's negotiator, Michel Barnier, who is likely to take them into account during the talks.

While the European Parliament has no direct say in the negotiations, its vote will be needed to cement the final divorce deal, as well as to approve any transitional agreements and a deal underpinning the U.K.'s future relationship with the bloc.

"We will not give our consent if the conditions set in the resolution are not respected," said Italy's Gianni Pitella, who leads the socialist bloc in the European Parliament, during a debate preceding the vote.

The Parliament backed the EU negotiation principles laid

out last week, after U.K. Prime Minister Theresa May sent her country's official divorce notification. The Parliament set a three-year limit on transitional agreements covering the time between the U.K. leaving the EU and the start of the new relationship.

Members of the European Parliament said the transitional arrangements should be governed by the EU's top court, a condition that may prove difficult for the U.K. government to accept, as Mrs. May has said this court's jurisdiction will cease on the day her country leaves the bloc.

On the disputed divorce bill, which EU officials expect to reach €60 billion (\$64 billion), European politicians said it should cover not just all commitments made by the U.K. during its time as an EU member, but also so-called off-balance sheet items. These items would include, for example, the U.K.'s share of any losses made by the European Investment Bank during the U.K.'s time as a shareholder.

Former UK Independence Party leader and longtime

Brexit campaigner, Nigel Farage, who is a member of the EU Parliament, said the bloc was acting like the Mafia, trying to hold Britain to ransom, with "a figure that has clearly been plucked out of the air." His comments caused consternation in the assembly; in response, Mr. Farage said he could substitute the phrase "a bunch of gangsters" for "Mafia."

*Nigel Farage says the bloc is acting like the Mafia, trying to hold Britain to ransom.*

Mr. Barnier said "we don't seek to punish the U.K., but simply ask to deliver on its commitments taken as a member." He criticized the U.K. government for pursuing a "very risky approach" by pushing for parallel negotiations on the divorce and on the future relationship. Mr. Barnier said the bloc would in-

sist on settling the divorce before moving on to talks on the future relationship.

"The sooner we agree on the principles of an orderly withdrawal, the sooner we can prepare our future relation in trade, a free and fair trade agreement, but also in security and defense," Mr. Barnier said.

The European Parliament also warned the U.K. not to pursue any bilateral deals with EU countries or nations outside the bloc for as long as Britain remained a member. Such efforts would result in U.K. representatives being kicked out of the bloc's negotiations, the politicians said. The Parliament also said the U.K. shouldn't use cooperation in security and defense as a bargaining chip for trade relations.

If the U.K. wants to participate in future EU programs, it must contribute to the EU budget and let itself be governed by the EU top court, the politicians said. However, the British government has ruled out any large future contributions to the EU budget.



South African President Jacob Zuma has resisted calls to resign.

## ANC Firms Up Support for Zuma In South Africa

By GABRIELE STEINHAUSER AND JOE PARKINSON

den eight-year presidency.

Hours later, Parliament Speaker Baleke Mbete said she would call back lawmakers for a special session on April 18 to debate a no-confidence motion against the president filed by opposition parties—a sign the ANC believes it has the votes to shield Mr. Zuma.

ANC Secretary-General Gwede Mantashe told reporters on Wednesday that senior officials' dissent over Mr. Zuma's dismissal of respected Treasury chief Pravin Gordhan was "a mistake that should never happen again." He spoke following an extraordinary meeting of top party committees where factions loyal to Mr. Zuma appeared to comfortably outnumber those calling for his resignation.

Mr. Mantashe had been one of several top ANC officials to openly criticize the removal of Mr. Gordhan and eight other government ministers from the cabinet, saying the party's leadership hadn't been consulted. The public rebukes were echoed by the Communist Party and the powerful Congress of South African Trade Unions, key ANC coalition allies who called for the president's ouster.

Even Deputy President Cyril Ramaphosa, the onetime heir apparent to Nelson Mandela, pledged to renew Africa's most prominent liberation movement under leaders who won't "try to rob the people of this country."

But Wednesday's press conference appeared to cement Mr. Zuma's control over the ANC's top decision-making bodies after arguably the worst week of his scandal-rid-

"Mr. Zuma is a consummate chess player...In gaining control over the treasury the Zuma-aligned faction of the ANC has strengthened its position," said Frans Cronje of the South African Institute of Race Relations.



Lawmakers voted in Strasbourg, France, on Wednesday for a resolution that toughens conditions for the U.K. to leave the European Union.

## Germany Sets Up a Cyber Unit

By FRIEDRICH GEIGER

German Defense Minister Ursula von der Leyen launched a new military department aimed at defending against a growing number of cyberattacks.

"The cyber and information space has become a separate domain of security policy, in addition to land, air, sea and outer space," said Ms. von der Leyen at the inauguration ceremony on Wednesday.

Germany's armed forces, the Bundeswehr, faced more than 280,000 cyberattacks in January and February, she said in a speech in Bonn, the former capital in western Germany, where her ministry still resides. Attacks include espionage, data theft, destruction and manipulation.

The new division, dubbed cyberspace and information command, initially has about 260 staff. Departments tasked with reconnaissance, communications and geographic information will join the new command in July, expanding its head count to about 13,500 staff.

The division's tasks include operating and defending the Bundeswehr's own information technology systems, as well as reconnaissance and action in cyberspace. It can also help other public institutions in case of an attack, Ms. von der Leyen said.

She pointed to a cyberattack on the lower house of parliament in 2015, which forced it to shut down its computer systems for several days.

Cyberattacks have become bigger and more frequent. Hackers sought to infiltrate the computer systems of several political parties last year,



Defense Minister Ursula von der Leyen speaks with foreign-policy official Christoph Heusgen before a cabinet meeting in Berlin.

according to a letter from a senior counterintelligence official seen by The Wall Street Journal. In the government's networks, a monthly average of approximately 44,000 infected emails were intercepted in the first half of 2016, four times as many as a year earlier.

"Cyberattacks on states and their critical infrastructure are no longer fiction. They are bitter reality," Ms. von der Leyen said.

Digitization will affect almost all Bundeswehr weapons over coming decade, according to Ms. von der Leyen. Some helicopters in Mali can't take off without being connected to an SAP SE software program, while a Eurofighter jet has 80 computers on board.

"This interconnectedness and technicality has made us more vulnerable to cyberattacks," the minister said.

The Bundeswehr can also go on the offensive in cyberspace, she said, touching on a public debate in Germany

about whether it is legitimate to hack, sabotage or harm enemies' networks.

"If an attack threatens the armed forces' working order or operational readiness, we are allowed to defend ourselves offensively," Ms. von der Leyen said.

She called for increased investments into cybersecurity, bolstering the stance of her party, the Christian Democrats, in a spat within the governing coalition on whether to accede to U.S. President Donald Trump's demands for increased German defense spending.

"We are willing and required to strengthen investments into this area significantly to make up for what we've missed so far, to keep pace with technical innovations, but also to collaborate with our partners and allies on the highest level. This is exactly what we must always keep in mind when we currently discuss the necessary funding for the Bundeswehr," she said.

### VENEZUELA

#### Maduro Clamps Down On Opposition March

President Nicolás Maduro deployed thousands of police and soldiers across the capital against an opposition march, days after he revoked a takeover of congress.

National guardsmen armed with automatic weapons closed off the main highway entrances into the city on Tuesday. As riot police threw up barricades against several thousand demonstrators drawn to the march, opposition lawmakers had organized, protests quickly descended into violence.

Infuriated by worsening food shortages and runaway inflation, hundreds of youths armed with stones and bottles charged the police, which responded with tear gas and water cannons.

—Anatoly Kurmanov

### JAPAN

#### Spain's King Meets Emperor Akihito

Spanish King Felipe VI has met with Japanese Emperor Akihito in his first visit to Japan since ascending to the throne in 2014.

King Felipe walked on a red carpet during a welcome ceremony at the Imperial Palace. A group of Japanese children waved both countries' national flags.

The countries mark their 150th anniversary of bilateral ties next year.

During his four-day visit, the king and his wife, Queen Letizia, will also meet with Japanese Prime Minister Shinzo Abe. They are scheduled to visit an earthquake-disaster-prevention center in Shizuoka, central Japan, before departing on Friday.

—Associated Press

### UNITED KINGDOM

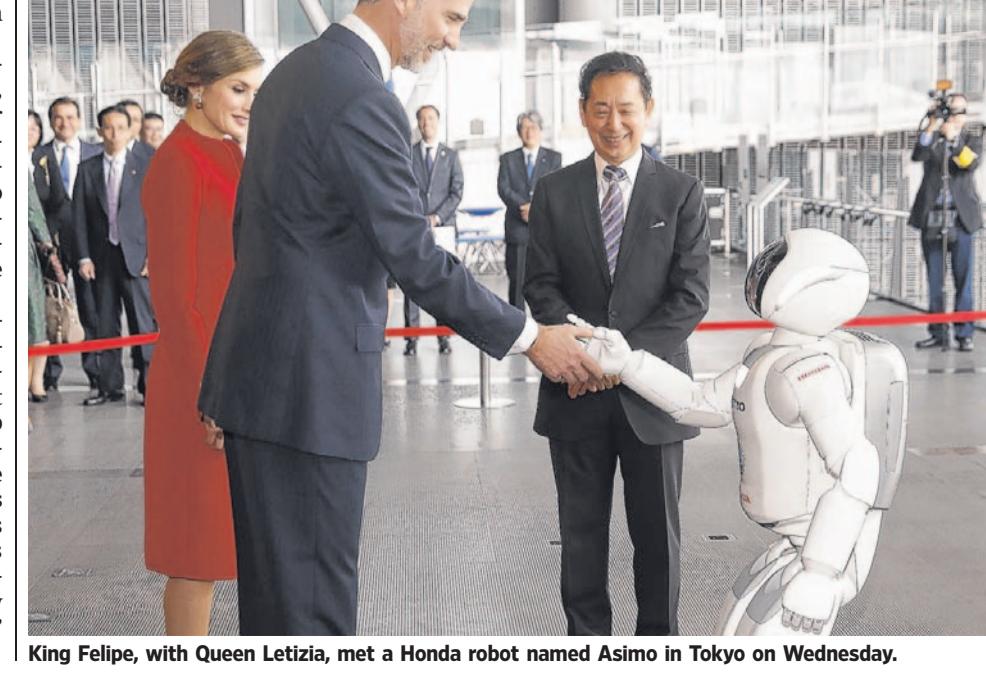
#### Services Sector Lifted by Finance

U.K. services-sector activity rebounded in March after a slow start to the year, according to a survey Wednesday, as strength in financial services offset softness in consumer spending.

Financial information firm IHS Markit Ltd. said its monthly purchasing managers index for the services sector registered 55 in March, up from 53.3 in February and the strongest reading in three months. A reading above 50 indicates that activity is expanding.

A weakened pound aided exporters, Markit said, though quickening inflation squeezed consumer-facing sectors. Businesses reported rising costs and tepid job growth.

—Jason Douglas



King Felipe, with Queen Letizia, met a Honda robot named Asimo in Tokyo on Wednesday.

## U.S. NEWS

# House Panel Wants Rice to Testify

Obama aide sought in Russia probe says she didn't leak information on Trump associates

The House Intelligence Committee wants Susan Rice, a top aide in the Obama administration, to testify in a probe of alleged Russian election interference, as the investigation

By Paul Sonne,  
Byron Tau  
and Shane Harris

widens to include allegations that Obama officials improperly used intelligence information involving President Donald Trump or his associates.

Two officials familiar with the matter said that Ms. Rice, who served as national security adviser under former President Barack Obama, is on a list of witnesses drawn up by the committee as part of its probe.

The White House and Rep. Devin Nunes (R., Calif.) the House panel's chairman, have accused the Obama administration of improperly using surveillance information, including "unmasking" the redacted names of Mr. Trump's transition team members for political gain.

On Tuesday, in an interview on MSNBC, Ms. Rice said the Obama administration didn't use intelligence about Mr. Trump or his associates for political purposes.

Democrats said the allegations are an attempt by Mr. Trump to distract investigators from pursuing whether associates of Mr. Trump colluded with the Russian government to influence the 2016 presidential election. U.S. intelligence agencies, including the Federal Bureau of Investigation, are pursuing an investigation into the alleged election meddling.

Russian officials have denied meddling in the U.S. presidential election, and Mr. Trump has denied colluding with the Russian government.

House Republicans and Democrats have agreed upon a preliminary list of about 30 witnesses that officials say will be expanded as needed. Formal requests to testify haven't been sent yet by the intelligence committee to the witnesses.

Mr. Nunes has said that the intelligence information in question was gathered legally and didn't pertain to either alleged Russian election hacking or ties between Mr. Trump's associates and Moscow.

Unmasking is a term used



Mike Flynn and Susan Rice, now both former national security advisers, greeted each other at an event in Washington in January.

when the identity of a U.S. citizen or lawful resident is revealed in classified intelligence reports. Unmasking is justified for national security reasons but is governed by strict rules across the U.S. intelligence apparatus that make it illegal to pursue for political reasons or to leak classified information generated by the process.

Intelligence experts said it is common for a president's national-security aides to seek to unmask the names of Americans mentioned in intelligence reports along with foreign officials, or those mentioned in conversations between foreigners. Former national security advisers contacted by The Wall Street Journal declined to comment.

Ms. Rice said on Tuesday that she didn't leak anything regarding her successor, Mike Flynn. "I leaked nothing to nobody and never have and never would," Ms. Rice said on MSNBC. She described requests to unmask the identities of U.S. citizens mentioned in intelligence reports as necessary to do her job and entirely different than leaking classified information.

"The notion, which some people are trying to suggest, that by asking for the identity of an American person, that is the same as leaking it, is completely false," Ms. Rice said. "There's no equivalence

### Bannon Removed As Member of NSC

President Donald Trump's chief strategist, Steve Bannon, has been removed from the National Security Council's principals committee and top U.S. intelligence officials have been restored as permanent members, according to a new presidential memorandum.

The decision was made by Mr. Trump's new national security adviser, Lt. Gen. H.R. McMaster, a senior administration official said. The memorandum, viewed by The Wall Street Journal, makes the director of the Central Intelligence Agency

a permanent member of the principals committee and restores the chairman of the U.S. military's Joint Chiefs of Staff and the Director of National Intelligence as permanent members after they were initially downgraded from that status.

Mr. Bannon said in a statement: "Susan Rice operationalized the NSC during the last administration. I was put on to ensure that it was de-operationalized. General McMaster has returned the NSC to its proper function."

Wednesday's change means Mr. Bannon is no longer part of the NSC. He is still permitted to attend meetings but won't automatically be invited to each one.

—Carol E. Lee

between so-called unmasking and leaking. The effort to ask for the identity of the American citizen is necessary to understand the importance of an intelligence report in some instances."

She declined to comment on whether she had made unmasking requests in connection with people associated with Mr. Trump.

A Republican official familiar with deliberations by GOP lawmakers on the House Intelligence Committee said that the names of two U.S. citizens who were part of Mr. Trump's

transition team have been unmasked in intelligence reports.

One is Mr. Flynn and the other hasn't been identified, said the official. The report involving Mr. Flynn documented phone conversations he had in late December with the Russian ambassador to the U.S.

The official said Ms. Rice had requested the unmasking of at least one transition official—not Mr. Flynn—who was part of multiple foreign conversations that weren't related to Russia.

Mr. Flynn was forced to resign after misleading White

House officials, including Vice President Mike Pence, about the nature of his conversations with the ambassador, which current and former officials said concerned the possible easing of Obama-era sanctions on Russia.

The Republican official and others said Ms. Rice wasn't the administration official who investigated Mr. Flynn's unmasking.

Ms. Rice has become the focal point of efforts by Messrs. Trump and Nunes to call attention to what they have said was improper behavior by officials in Mr. Obama's administration in relation to intelligence collection during the final days of Mr. Obama's presidency.

They have been pressing for the topic to be considered as part of the Russia investigation by the House intelligence panel.

Concerns about surveillance, a separate issue, were first raised by Mr. Trump, a Republican, in a series of tweets last month, when he accused Mr. Obama, a Democrat, of wiretapping Trump Tower, where Mr. Trump lived and worked before moving to the White House.

Those allegations have been called baseless by members of both parties and intelligence officials, and the White House hasn't offered any evidence to back up the allegation.

—Carol E. Lee  
contributed to this article.

# Price's Payday With Sale Of Shares

By JAMES V. GRIMALDI

Health and Human Services Secretary Tom Price more than tripled his investment when he sold shares in a small biotechnology company developing a multiple sclerosis drug that might one day seek approval from Dr. Price's agency, public disclosures show.

Dr. Price sold the shares of Innate Immunotherapeutics Ltd., of Australia, in February for about \$320,000, earning at least \$225,000 on a \$94,000 investment, according to an analysis of his disclosures to Congress and an ethics disclosure report filed Monday. The sales were made to comply with the ethics agreement he signed when he became the health secretary.

Dr. Price told the Senate Finance Committee that he owned 461,238 shares, most of them purchased at a discount last year after a member of the board of the company, Rep. Chris Collins (R., N.Y.), told him about a privileged sale of the stock. Dr. Price, at the time a Republican congressman from Georgia, was one of fewer than 20 U.S. investors invited last year to buy discounted Innate Immunotherapeutics shares.

A spokeswoman for Dr. Price said the health secretary did his own research into the company after hearing about it from Rep. Collins and "did not have non-public information when he decided to invest."

She said, in an email, "Dr. Price has complied with all divestiture requirements as stated in his Ethics Agreement."

Senate Democrats, who opposed Dr. Price's nomination, criticized the special arrangement. "The bottom line is that Congressman Price bought these shares for \$40,000 less than an average investor would have paid to buy the same amount of stock off the open market," Sen. Ron Wyden, top Democrat on the Senate Finance Committee, said before the Senate vote.

The Wall Street Journal reported last year that from 2012 through 2016, Dr. Price traded more than \$300,000 in shares of some 40 health-related companies while sponsoring and advocating legislation that potentially could affect those stocks.

Dr. Price's spokeswoman said all of Dr. Price's trades were made by a broker, except those involving Innate Immunotherapeutics.

# Attorney General Presses Shift at Justice Department

Attorney General Jeff Sessions's decision to review concessions by local police departments accused of

By Beth Reinhard,  
Scott Calvert  
and Shibani Mahtani

misconduct is part of a seismic shift at the Justice Department, which has quickly changed its emphasis under the Trump administration

from protecting civil rights to promoting law and order.

Mr. Sessions is poised to be one of the most powerful members of President Donald Trump's cabinet as the president seeks to dismantle President Barack Obama's legacy on a wide range of issues, including criminal justice.

As the new administration struggles to repeal the Affordable Care Act and ban travelers from some Muslim-major-

ity countries due to terrorism concerns, the former attorney general and prosecutor from Alabama, has swiftly implemented a series of crime-fighting provisions while relaxing civil-rights initiatives.

Mr. Sessions has reversed the department's withdrawal from for-profit prisons; pulled out from part of a major voting-rights case in Texas; mixed federal guidance allowing transgender students to use

the public bathrooms of their choice; threatened to withhold Justice Department funding from "sanctuary cities" that thwart cooperation with federal immigration officials; and ordered a crackdown on violent crime.

On Monday, Mr. Sessions sought to delay a pact with Baltimore aimed at curbing racially biased police tactics, and he ordered a review of similar deals with police departments.

Officials in Baltimore and Chicago vowed to stay the course in overhauling their police departments, but civil-liberties leaders say federal oversight is needed to root out excessive force and prevent harassment of minorities.

"This is supposed to be Department of Justice, not the Department of Law and Order," said Marc Morial, president of the National Urban League.

That isn't how everyone sees it. The department's change in focus reflects the Republican administration's more conservative view of government.

"Local control and local accountability are necessary for effective local policing," Mr. Sessions said in a memo released Monday.

A spokeswoman for Mr. Sessions, Sarah Isgur Flores, declined to comment further.

# SENATE

Continued from Page One  
showdown reflects a widening gulf on Capitol Hill between the prevailing Republican and Democratic ideologies, as well as fewer centrist lawmakers on either side of the aisle.

Before the 2010 election, there were 54 Blue Dog Democrats, a group of fiscally conservative House Democrats. This year, there are 18, including seven lawmakers who joined Congress this year.

Only three members of the Gang of 14 who took action in 2005 are still in Congress, after several lost re-election bids. In addition to Mr. McCain, they are: Sens. Susan Collins of Maine and Lindsey Graham of South Carolina, both Republicans.

"The country is more divided, and it becomes very difficult to be someone who brokers a compromise," Ms. Collins said on Tuesday. "People on the far left and the far right are energized and putting a lot of pressure on members."

Republicans and Democrats are now further apart ideologically on most issues.

The parties used to have strong internal, regional divisions, particularly between Northern and Southern Democrats, said Keith Poole, a political-science professor at the University of Georgia. The party's composition began to change after the passage of civil-rights legislation in the 1960s, as Southern voters abandoned conservative Democrats for Republicans.

Mr. Poole, whose research has studied every congressional roll-call vote since 1789, said lawmakers' votes now fall largely along only one spectrum ranging from liberal to conservative, rather than also dividing along regional lines, making bipartisan compromises harder to achieve.

"That's what's so distinctive and dangerous about the modern era," Mr. Poole said. "This is the first time when the two parties do not have any regional divisions within them."

The rise in partisanship has

fed an escalating feud between the parties over how to use the Senate's procedural tools to keep the other side in check.

Democrats, who were in the Senate minority when then-President George W. Bush, a Republican, was in office, sought to block a set of Mr. Bush's judicial nominees before the Gang of 14 agreement defused the tension.

"The parliamentary arms race between the parties has just continued since 2005," said Sarah Binder, a senior fellow specializing in Congress at the Brookings Institution, a Washington-based think tank. "Minorities exploit the rules and majorities find new ways to restrict those new avenues."

Later, when Republicans were in the minority, their opposition to some of the judicial and executive nominees advanced by then-President Barack Obama, a Democrat, helped push Democrats, led by former Sen. Harry Reid of Nevada, to change the chamber's rules in 2013.

That change enabled the

public bathrooms of their choice; threatened to withhold Justice Department funding from "sanctuary cities" that thwart cooperation with federal immigration officials; and ordered a crackdown on violent crime.

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A spokeswoman for Mr. Sessions, Sarah Isgur Flores, declined to comment further.

angry, but the question becomes, what do we do next?" Mr. Schatz said.

Still, lawmakers from both parties say there is no appetite now for changing the 60-vote threshold for procedural hurdles on most legislation.

GOP lawmakers have said Mr. Reid's decision to change the rules in 2013 paved the road for the expected rules change later this week.

The consequences of the 2013 rules change became evident this year, when Mr. Trump's cabinet nominees, many of whom were contentious, cleared the Senate often along largely partisan lines.

None of Mr. Obama's cabinet nominees in his first term garnered more than 31 no votes.

By contrast, so far, six of Mr. Trump's nominees have drawn more than 40 no votes, with four drawing 47 and one drawing 50—prompting the first ever tiebreaking vote by a vice president on a cabinet nomination.

Natalie Andrews contributed to this article.



Sen. John McCain, right, in Washington on Tuesday. He was a member of a bipartisan group that averted a rules change in 2005.

Senate to approve lower-court and executive nominees with a simple majority.

Then last year, Republicans, back in control of the Senate, declined to hold a hearing for Merrick Garland, Mr. Obama's nominee to the Supreme Court after Justice Antonin Scalia died.

That stoked anger among liberal voters, who

pressed Democratic senators this year to oppose Judge Gorsuch. The pressure from Democratic voters also was driven by resistance to Mr. Trump's early actions in office, most notably on immigration.

This is like a troubled relationship where everybody has a grievance and everybody has a little bit of a reason to be

## IN DEPTH

# TARGET

*Continued from Page One*  
nonprofit, American Family Association, called for a boycott of Target, saying the policy "is exactly how sexual predators get access to their victims." Protesters picketed stores from Clovis, Calif., to Mount Dora, Fla.

At Target's Minneapolis headquarters, executives scrambled to control the damage, according to the people familiar with the aftermath, perplexed that they were pilloried for a policy common to retailers. Sales started to decline and have now in every quarter since.

After an internal review, executives determined the negative publicity was the tipping point for some stores, especially in the South, that were already not inviting or competitive enough to give shoppers a reason to come back. Target has now embarked on a multibillion-dollar revamp.

Mr. Cornell, 58 years old, expressed frustration about how the bathroom policy was publicized, and told colleagues he wouldn't have approved the decision to flaunt it, these people said. Target didn't adequately assess the risk, and the ensuing backlash was self-inflicted, he told staff. Now, it was too late to reverse course.

**The CEO defended the policy, saying it has a 'long history of embracing diversity.'**

"You can't take it back," said one of these people, adding that Mr. Cornell "felt very stuck."

Mr. Cornell declined to be interviewed for this article. "We strive to make our guests and team members feel accepted, respected and welcomed," Target spokeswoman Dustee Jenkins said. "We know our guests have many different points of view on this topic and we respect that."

A few weeks after the post, Mr. Cornell defended the policy in a television interview, saying Target had a "long history of embracing diversity." He said Target's bathroom policy was similar to rivals'.

The post came in response to the 2016 North Carolina law, which required transgender people to use bathrooms in government buildings according to the sex on their birth certificates. It also disallowed laws that prohibited businesses from asking for proof of sex before people used facilities.

Many national retailers, including Wal-Mart Stores Inc., let people use bathrooms corresponding with their gender identities. "We value the privacy of our associates and customers," a Wal-Mart spokesman said, "and we strive to make accommodations like family bathrooms in

some stores."

Most retailers, though, don't publicize their policies. Chains such as Target have customers with perspectives from across the spectrum. In a February online survey by consulting firm Frank N. Magid Associates of 2,500 people, nearly two-thirds of respondents said businesses should stay out of politics.

"Target picked a side and pretty much said to the rest of us that we don't matter," said Mary McCandless, a shopper in Winston-Salem, N.C. "They should have just left it as, 'don't ask, don't show, don't tell.'"

The 56-year-old financial analyst said she quit using her Target credit card and shifted most shopping online. "At least I don't have to worry about using the bathroom on Amazon.com."

Target had publicly waded into social issues before. In 2010, employees and customers protested a \$150,000 Target donation to a group that ran ads supporting a Minnesota gubernatorial candidate who opposed gay marriage. Target's then-CEO emailed staff: "Target's support of the GLBT community is unwavering."

The 2016 bathroom backlash has defined the tenure of Mr. Cornell, a former Sam's Club and PepsiCo Inc. executive who was credited with helping Target regain footing after taking over in 2014 in the aftermath of a major credit-card breach.

After North Carolina enacted its legislation, the NCAA pulled tournament games from the state. Companies including Alphabet Inc.'s Google and American Airlines Group Inc. decried the law.

Target store workers began asking their bosses to clarify how to apply company policy, said the people familiar with the episode, who gave an account of the internal chain of events that followed.

Headquarters sent an internal memo to store managers reiterating its official stance, these people said. On April 15, a group Target calls its "risk committee" emailed executives informing them of a plan to post that message publicly and requesting approval to do

### Bathroom Break?

Target's same-store sales fell each quarter after its April 19 blog post. The retailer, which faced multiple competitive challenges in the period, says the post's impact wasn't material.



Source: FactSet  
THE WALL STREET JOURNAL.



Shoppers walking around the back-to-school supply section of the Target store West Palm Beach, Fla., in July.

so. Mr. Cornell, said one of the people, wasn't among the recipients of that email.

At least two of Mr. Cornell's lieutenants approved the post, including Target's chief risk officer, Jackie Rice, and its chief external-engagement officer, Laysha Ward. Both executives declined to comment.

The six paragraphs went live on the company blog, reading in part: "Given the specific questions these legislative proposals raised about how we manage our fitting rooms and restrooms, we felt it was important to state our position."

Several media outlets covered the news. People began clogging Target's Facebook, Twitter and Instagram pages and flooded Mr. Cornell's mailbox with messages of discontent. Shoppers protested by filling carts inside Target stores and abandoning them.

Mr. Cornell, who was out of the office addressing vendors the day the post was published, returned to assess the damage. Retracting the statement wasn't an option, he decided—that might have worse consequences than standing by it. Left-leaning areas such as Los Angeles are among Target's fastest-growing markets.

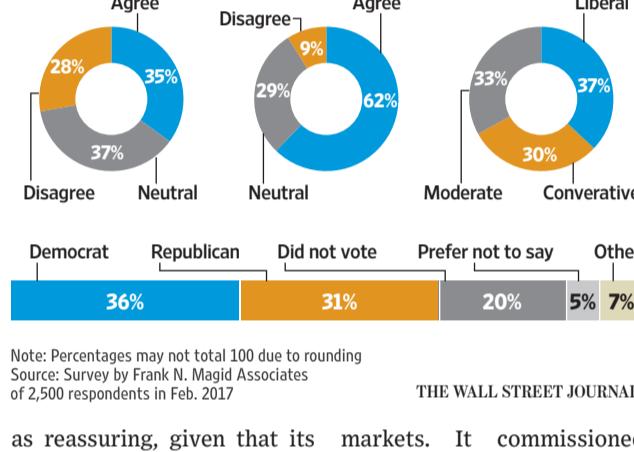
Inside the company, executives predicted the backlash would die down. It didn't, and foot traffic in several markets, particularly in the South, declined considerably in the months following the announcement.

A socially conservative group, LifeSiteNews, put up billboards in Oklahoma urging customers to #FlushTarget and drove a truck with that message to stores near Target's headquarters in May. Protesters attended Target's June shareholder meeting to speak out against the policy.

Inside Target, executives analyzing the impact found that conservative families were angriest. Among moderates, white males were most angered—which the chain took

### Shopper Preference

Target customers fall along a broad ideological spectrum when responding to questions about social and political leanings.



Note: Percentages may not total 100 due to rounding

Source: Survey by Frank N. Magid Associates of 2,500 respondents in Feb. 2017

THE WALL STREET JOURNAL.

as reassuring, given that its core customer is female.

The stores hurt the most were in the South and often located near Wal-Mart locations, they found. Executives realized many stores were physically worn down and weren't competitive on prices of commodity goods.

Target has since said it plans to invest \$7 billion to improve stores, launch exclusive brands and develop its supply-chain and digital capabilities over the next three years, while sacrificing \$1 billion to cut prices and drive lower-margin digital sales.

It plans to remodel 110 stores this year, one-third of those in the Dallas-Fort Worth area—a market that lost foot traffic after the bathroom pronouncement.

Executives also conducted focus groups to better understand customers in markets that appeared hardest hit by the bathroom issue. Mr. Cornell wanted ways to win back shoppers without agreeing to demands that Target retract its policy.

The company used promotions and direct mailings to focus on customers in those

markets. It commissioned since-retired Dallas Cowboys quarterback Tony Romo to visit a Dallas Target store to help pick out Father's Day gifts.

Target said in August it would spend \$20 million to add private bathrooms to the stores that didn't have them, an investment executives viewed as a compromise.

Those moves didn't assuage shopper Tim Maxwell of Mansfield, Texas, who said he and his wife canceled their Target credit card. "It made me realize that even I can now go into the women's bathroom with my daughter," said Mr. Maxwell, 49, a project manager. "They opened the floodgates."

The Maxwells have taken their business to Amazon. "The ironic part," Mr. Maxwell said, "is that we are now realizing that we never really needed to go to Target to begin with."

Amazon.com Inc.'s policy is to let transgender employees and customers use whichever facility corresponds with their gender identities, an Amazon spokesman said.

Target executives have said any lost sales from the

boycott weren't significant enough to require reporting to investors.

In consumer surveys, most Target shoppers identify as moderate or liberal on social issues. Even some who support the American Family Association's boycott petition—it has gained roughly 1.5 million signatures—said they still shop there. "I tried not to go there, but it's hard when you like the store," said Mari Arnett, 62, a Colorado Springs, Colo., homemaker. "I just don't care too much for Wal-Mart."

Target's business nonetheless is in a funk. Sales at stores open at least a year have declined for three consecutive quarters. In February, Target issued a gloomy sales outlook.

Target has been squeezed by Amazon, as shopping moves online, and by Wal-Mart, which has remodeled stores and lowered prices. Target's stock has fallen about 25% this year; Wal-Mart's has climbed 4%.

The boycott "seemed to matter, but there are many crosscurrents in retail, and Target has other problems," said John Zolidis, a Buckingham Research Group analyst.

Under Target's new procedures, public pronouncements on hot-button issues may not be made without Mr. Cornell's consent. Executives are planning to avoid publicizing their bathroom stance and other controversial public-policy positions.

North Carolina's lawmakers in late March passed a bill dialing back the bathroom law that triggered the Target blog post. Democratic Gov. Roy Cooper signed it into law. Some LGBT advocates said it doesn't go far enough to prevent discrimination. The NCAA's board of governors said Tuesday it would consider the state as a host for future championships again.

This time, Target has stayed mum.

# SOCCE

*Continued from Page One*  
paganda barrage the day before, shouted at each other in vain as they struggled to communicate, waving their arms and pointing. Before long, their coach gave up trying to signal to them.

"I've heard about the women's team practices, but I didn't know they went through this much of an ordeal," said one of the referees, who summed up her experience as "painful."

During the first few practices, before the grounds crew adjusted the volume to about 75% of the maximum, one assistant coach said he had trouble staying focused, adding that his ears were "numb" throughout the practice session. "I couldn't concentrate at all at the beginning," said Kang Ga-ae, a goalkeeper for the women's team.

"It was an odd feeling," said Ji So-yun, a star midfielder who also plays professionally for Chelsea in the U.K. "I felt like we were in North Korea."

Women's soccer isn't a popular sport in South Korea and games rarely attract many spectators. In contrast, the April 7 match at Kim Il Sung Stadium is expected to draw more than 40,000 people.

There has even been chatter that North Korea's leader, Kim Jong Un, who has taken a keen interest in the North Korean women's soccer team, may show up. He once received the national team in person at Pyongyang's airport after they beat South Korea to win the 2015 Women's East Asian Cup.

It isn't unusual for international soccer coaches to try to prepare their players for unfamiliar environments. "When there is a match in a different region, say the Middle East, we also familiarize athletes on the types of cheers and sounds they can expect to hear," said Yun Young-kil, a sports psychologist who works with the South Korean women's team. But, he said, with North Korea, there is a "difference of intensity."

In the past, matches between teams from rival nations such as England and Germany, Mexico and the U.S. and East and West Germany have featured feral crowds whipped into a frenzy. In 1969, clashes between fans at a World Cup qualifier between Honduras and El Salvador helped spark an *actual* war that lasted for four days.

Korea was divided after the U.S. and Soviet Union each occupied one half of the country after the defeat of Japan in World War II. The rival Korean

regimes both claim sovereignty over the entire peninsula, and remain technically at war with each other following the Korean War, which ended with an armistice agreement in 1953.

The North Korean women's soccer team has been the stronger of the two, winning 14 times in head-to-head matches and losing just once to the South Korean team since the South Korean team was established in 1990.

Friday's match in Pyongyang will mark only the second time in history that a

South Korean national soccer team will face off against North Korea north of the demilitarized zone that divides the peninsula.

Mr. Yoon, the coach, was a member of the first team to do that. Mr. Yoon's team lost that game, in 1990, but he's not willing to let history repeat itself.

The 1990 trip, he recalls, was "beyond imagination."

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about 150,000 at the Rungnado May Day Stadium in Pyongyang—the world's largest stadium by capacity—was initially "overwhelming," he said.

"It was exhilarating," he said. "Something we had never seen in South Korea."

Mr. Yoon is trying to replicate some of that atmosphere with the loudspeakers, and by relocating training to Mokpo, where the artificial grass is most similar to the pitch inside Kim Il Sung Stadium.

"North Korea is a special situation for the athletes," said Mr. Yoon, who teaches at

Korea National Sport University. To succeed, Mr. Yoon said, players need to approach the match as an "ordinary" game.

That may be easier said than done. Seoul's Ministry of Unification only allowed the team to play the game after Pyongyang offered written assurances guaranteeing the safety of the South Korean squad.

A men's soccer match slated to take place in March between North Korea and Malaysia in Pyongyang was postponed after Malaysia's soccer association requested that the game be moved somewhere safer.

North Korea and Malaysia imposed travel bans on each other's citizens following a diplomatic spat after the killing of Kim Jong Nam, the estranged half-brother of North Korean leader Kim Jong Un, at Malaysia's main international airport in February. The match will now take place in June in another country to be decided.

The big question, of course, is whether Mr. Yoon's loudspeaker strategy will help his team focus on the field.

Cho So-hyun, South Korea's captain, who has played several matches against North Korea in third countries, said that at first she was thrown off by the prerecorded cheers—but not anymore.

"Now we sing along to some parts of the melody," she said.



A South Korean player covers her ears during a recent practice in Mokpo.

JOSH KIM/THE WALL STREET JOURNAL

# LIFE & ARTS

THE MIDDLE SEAT | Scott McCartney

## The Back-Door Route to Europe

Airlines are taking the Southwest blueprint across the Atlantic, with lower-cost flights from lesser-known airports

**THERE'S A SURGE OF NEW WAYS** to fly to Europe inexpensively this summer for travelers savvy enough to pick through schedules and find new airlines they've never heard of flying from new cities that hardly dreamed of having trans-Atlantic service.

New Orleans has had no European flights, but this summer will add nonstops to London and Frankfurt. Pittsburgh, adding Frankfurt and Reykjavik to its seasonal service to Paris, will have more nonstop flights across the Atlantic this summer than to the West Coast.

Pittsburgh ticket prices will be cheaper to Europe than to California, too. For a July 13-20 trip from Pittsburgh, WOW offers \$320 coach tickets to Reykjavik. (Like many discount airlines, fees will hit hard: A carry-on bag is \$40 extra. Advance seat assignment in the back is \$9.) Compare that to the United Airlines nonstop to San Francisco on the same dates for \$579. "It's a buyer's market this summer," says Christina Cassotis, the airport's chief executive.

This trans-Atlantic push is happening because new discount airlines are taking advantage of new freedom from restrictive treaties in international travel and new small- and medium-size airplanes that can make long trips at low costs. Their strategy: Copy some of the Southwest Airlines blueprint and fly to secondary cities, creating demand with low fares.

Some of the flights are downright mind-bending: Stewart Airport near Newburgh, N.Y., averages just seven flights a day to five U.S. cities. But come summer it will have nonstop Norwegian Air Shuttle flights to five airports in Europe, including Bergen, Norway, gateway to the fjords. Providence, R.I., will get a similar Norwegian schedule.

Norwegian started selling tickets with \$65 one-way fares including taxes. Those have long since sold out. But the prices available this week for July trips are still startling—roughly half what big airlines offer for summer trips to Europe. A July 13-21 trip from Stewart, 60 miles north of New York City, to Bergen was priced at \$390 round-trip including taxes.

"It's been way too expensive to fly across the Atlantic, way too expensive," says Bjorn Kjos, founder and CEO of Norwegian Air

Shuttle. "If airlines can lower the cost they will ramp up the volume."

Other new flights present new opportunities to reach even the major European cities without the traditional routes of going to big hubs on big planes. Edelweiss, the leisure subsidiary of Swiss International, will fly twice a week between Zurich and San Diego starting in June.

To find the new flights, pay attention to billboards: The airports with new service usually pay to market the new service. Book direct or use a broad search engine like Kayak, Google Flights, Skyscanner or

Momondo that will pick up discount airlines that may not list flights in central travel agency computers. Be flexible with your dates. Some of these new flights won't run daily.

Norwegian will start flights in June from Barcelona to Los Angeles, Newark, N.J., Fort Lauderdale, Fla., and Oakland, Calif. It will fly more this summer between London and both Los Angeles and Oakland, as well as its

Paris flights to New York and L.A.

In all, consultant Craig Jenks counts a net 30 new trans-Atlantic flights this summer, mostly on European airlines. Last summer saw 24 new flights, many of which are continuing.

"I think you can probably make a case that some of this is not going to last. But why not take it while it's on offer?" says Mr. Jenks, president of Airline/Aircraft Projects in New York.

Airlines say many of their new flights are seeing more bookings from the U.S. side than from Europe. And European inbound travel to the U.S. could take a hit from possible new Trump administration rules on "extreme vetting" of visitors. So far, airlines say summer bookings are strong.

Bigger European rivals are taking the discount invasion seriously, creating their own low-cost subsidiaries to try to fight back. The upstarts believe what's really happening is the second phase of the world-wide discount airline evolution: Southwest, JetBlue, Ryanair, EasyJet and other low-cost carriers rearranged how we travel on short trips. Now there's a similar strategy on long routes.



Discount airlines like WOW, below, and Norwegian Air are offering low prices to European destinations like Iceland, above, and Barcelona, left, often from smaller U.S. airports.



Just like the original discounters, long-haul startups say small airports have lower costs, and many offer incentives such as dollars to market new service in the U.S. and Europe.

Norwegian says one key to its strategy is new, fuel-efficient airplanes that have the range to make long trips. Norwegian's main weapon across the Atlantic is the Boeing 787 Dreamliner. This summer it will launch Boeing's latest version of the 737, called the 737 MAX, on small-city flights.

Norwegian will be the first airline to take delivery of the 737 MAX, probably in June. It will have 189 seats, making for tight quarters on long trips.

Some of Norwegian's new routes are already attracting a competitive response, opening up a plethora of seats for travelers. The cheapest way to London this summer could be going through smaller cities like New Orleans, Fort Lauderdale or Oakland.

British Airways is launching flights from London to all three cities, longtime favorites of Southwest, four times a week. Norwegian has already been flying from London to Oakland and Fort Lauderdale. Norwegian will start flying this summer between Barcelona and Los Angeles, Newark, Oakland and Fort Lauderdale. BA parent company IAG announced plans to launch a new low-cost unit this summer flying between Barcelona and both Oakland and Los Angeles.

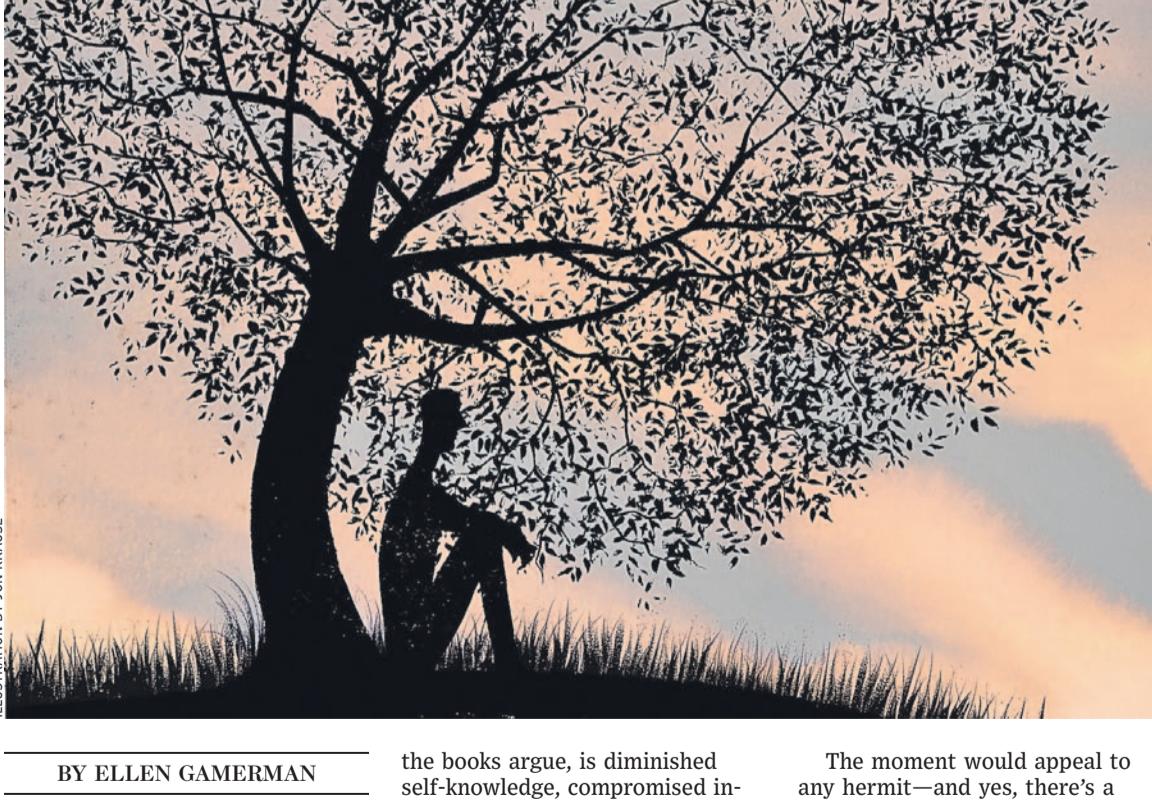
From New Orleans, a July 12-19 trip to London priced at \$983 on British Airways site this week. A trip from Houston to London on the same dates cost \$1,586.

"These passengers that are traveling for the first time across the pond in either direction, I'm convinced they will want to come back. They will have good experiences and that will generate more stable, permanent demand," says British Airways chief executive Alex Cruz.

CLOCKWISE FROM LEFT: ROBERTO LOPEZ/VW PICS/ZUMA PRESS; ALEXANDER SCHEUBER/GETTY IMAGES; LARRY MACDOUGAL/ASSOCIATED PRESS

### BOOKS

## NEW BOOKS EXPLORE BENEFITS OF SOLITUDE



BY ELLEN GAMERMANN

**IT'S TIME** to go it alone, whether finding strength in self-imposed exile, surviving at sea without a soul in sight or fixing a marriage without help from a spouse.

This year, a spate of new books offers amazing feats of solitude. The titles in part respond to the live-out-loud era of social media, where anyone with a device always has some form of company. A result of this obsessive interacting,

the books argue, is diminished self-knowledge, compromised inner resources and an inability to spend meaningful time with oneself.

"You could call it crowd sickness," said Michael Harris, author of "Solitude: In Pursuit of a Singular Life in a Crowded World," which hit shelves this week. "It's the sense of being overwhelmed by one's thousands of contacts and the desire that people occasionally have to just run away from it all and go into the woods."

The moment would appeal to any hermit—and yes, there's a new bestselling book about one of those, too. "The Stranger in the Woods: The Extraordinary Story of the Last True Hermit," by Michael Finkel, is a biography of a man who lived alone in the forest for 27 years. It seems fitting that such books arrive in the year marking the 200th birthday of Henry David Thoreau, author of the ultimate loner's guide, "Walden," a classic just reissued by Gibbs Smith.

In 2012, nonfiction hits like Susan Cain's "Quiet: The Power of Introverts in a World That Can't Stop Talking" and Cheryl Strayed's "Wild: From Lost to Found on the Pacific Crest Trail" put value on retreating inward. "There's more urgency to that need to escape now," said Chris Schluep, a member of the team that curates Amazon's book recommendations. "I think a counterpart to all these solitude books are the books about technology. They're two sides of the same coin."

Retreating from the everyday bustle appears as a therapy in "The Nature Fix: Why Nature Makes Us Happier, Healthier, and More Creative," a nonfiction work by Florence Williams published in February that explores nature's restorative benefits to the brain. "Lead Yourself First: Inspiring Leadership Through Solitude," a defense of alone time by Raymond M. Kethledge and Michael S. Erwin that comes out in June, argues that solitude enhances clarity, creativity, emotional balance and moral courage. Joe Moran's "Shrinking Violets: The Secret Life of Shyness," which came out in the U.S. in February, is a cultural history of that human trait.

Taking a psychological twist on solitude and self-reliance: "It Takes One to Tango: How I Rescued My Marriage with (Almost) No Help from My Spouse—and How You Can, Too," by marriage and family therapist Winifred M. Reilly. The book, published this week, argues that unhappy spouses can fix their relationships alone. "A therapist tells you that

you can't really be the one who changes a marriage by yourself, but why not?" Ms. Reilly said. "Why not be the one working harder? In the work world we call that being a leader."

Solitude is terrifying and awe-inspiring in "Alone: Lost Overboard in the Indian Ocean," which comes out in the U.S. this fall. It describes the near-death ordeal of 54-year-old co-author Brett Archibald, who was swept off a charter boat in a storm four years ago. In an interview, Mr. Archibald described the vessel leaving him in the darkness: "I've read the Oxford Dictionary from front to back to try to find one word in the English language to describe the horror of that moment," he said. In the book, he describes taking control over his panicking mind as he bobbed in the ocean, slowing his racing heart through breathing, figuring his position by looking at the stars, spending time in imagined conversations with childhood friends. He was rescued after 28 hours.

When Mr. Archibald returned to Cape Town, South Africa, he re-evaluated his life. "It's not easy for us to step back and think about what's important for us, for us to have that aloneness," he said. "I find it so sad that at the age of 50 I only learned this."

Today, collaboration is a cultural buzzword. In "Solitude," Mr. Harris describes Nobel prize-winning physicist Peter Higgs observing that his revolutionary work would not be possible today because the peace and quiet of the 1960s research world is gone.

## OPINION

### REVIEW & OUTLOOK

#### Syrian Chemical Repeat

**J**ust when Western leaders think they can forget about the Syrian civil war, Bashar Assad drags them back in. A suspected poison gas attack widely blamed on the Syrian regime killed at least 58 people in opposition-held territory Tuesday, including 11 children.

Syria's army denied using chemical weapons, but then that's what the regime said in 2013 when it used them against civilians in opposition territory in a Damascus suburb. This time bombs dropped by warplanes hit the town of Khan Sheikhoun in northwestern Syria, spreading an unknown gas that caused people to faint, foam at the mouth and suffocate, according to doctors and rescue workers.

"All pieces of evidence indicate that the raid was carried out by the regime," said Raed Saleh, director of the White Helmets civil-defense organization that operates in rebel-controlled Syria. As far as we know, the Syrian opposition doesn't have warplanes.

Such an attack isn't supposed to be possible now because President Obama, John Kerry and Vladimir Putin claimed to have rid Syria of its chemical-weapons stockpiles. Mr. Obama took up the Russian strongman's arms-control offer in 2013 after Mr. Obama flinched on a military strike to enforce his famous "red line" against Mr. Assad's use of chemical weapons.

The two nations and the United Nations then made a great show of destroying the stockpiles

that Mr. Assad claimed not to have. But U.S. intelligence believed the regime was holding some weapons in reserve, and the use of chlorine gas has become almost routine. Tuesday's attack seems to have been a deadlier gas, perhaps sarin that was used in 2013.

#### Remember when Obama and Putin removed Assad's gas weapons?

The Russian defense ministry, which is Mr. Assad's military patron, dismissed reports of the attack as "absolutely fake," but the victims on video from Syria look real enough. The attack again shows the folly of relying on arms-control promises from men like Messrs. Assad or Putin. The Russian is violating the INF treaty by introducing new missiles in Europe, so why would he fret about more poison gas in Syria?

A State Department official said the facts suggest the attack is a war crime, and White House spokesman Sean Spicer said "these heinous actions by the Bashar al-Assad regime are a consequence" of the Obama Administration's "weakness and irresolution." He's right, but Donald Trump is now the President. The attack comes after the Administration has been publicly signaling that deposing Mr. Assad is no longer a goal of U.S. policy. It's possible the regime took those comments as license to unleash more hell.

Mr. Trump inherited a mess in Syria, but if he doesn't want to preside over endless civil war and more war crimes, he'll need a better strategy than Mr. Obama's default of moral denunciation and trusting Russia.

#### Susan Rice Keeps Her Mask On

**S**usan Rice returned to the friendly confines of MSNBC Tuesday to respond to softball questions about the news that the Obama national-security adviser had "unmasked" the identity of at least one member of the Trump transition team who was surveilled by U.S. intelligence. Her answers make it all the more imperative to hear her under oath before Congress.

Ms. Rice didn't deny that she had sought the name of a Trump transition official in intelligence reports, though she said she hadn't done so "for any political purposes." We'll take this as confirmation that President Obama's confidante was receiving summaries of surveilled foreign officials that included references to, or conversations with, Donald Trump's team.

Ms. Rice insisted that unmasking was a routine part of her job and is necessary to understand the context of some intelligence reports. Perhaps, but why specifically did she need to see intel summaries dealing with Trump transition plans and policy intentions? And what was the context for seeking the name of any

Trump official? Unmasking is typically the job of professional intelligence analysts, not senior White House officials.

#### The press corps buys her story that 'unmasking' was no big deal.

Ms. Rice was also at pains to say that unmasking is not the same as leaking to the press and that she "leaked nothing to nobody, and never have." But she hasn't been accused of leaking the name of the Trump official. She is responsible for unmasking a U.S. citizen, which made that name more widely disseminated across the government and thus could have been more easily leaked by someone else. Mike Flynn lost his job as Mr. Trump's national-security adviser because of leaks about his conversations with the Russian ambassador to the U.S.

Meanwhile, Democrats and the Beltway press are rallying to defend Ms. Rice by claiming that it isn't news for a senior White House official to unmask the name of a political opponent of an incoming Administration. Thanks, guys. If you want to cover only one side of the Trump-Russia-intelligence story, we'll be happy to cover both.

#### Terror Returns to Russia

**A**n explosive device tore through a St. Petersburg subway train Monday, killing 14 people and wounding 49. On Tuesday

#### Vladimir Putin propped up Bashar Assad instead of fighting Islamic State.

In the coming days the Kremlin is likely to use the attack to whip up nationalist sentiment and burnish its credentials as a stalwart asset in the global war against Islamist terror. So it's worth noting that in Syria, the most important battlefield of that war, the Russian government has gone out of its way to avoid hitting Islamic State as it seeks to prop up the regime of Bashar Assad.

As the Atlantic Council concluded in an exhaustive study last year, the Russian air campaign in Syria that began in fall 2015 and lasted until the following spring "caused only peripheral damage to ISIS" and had a "limited effect" on al Qaeda. The U.S. concluded in 2015 that more than 90% of Russian sorties targeted non-Islamic State, non-al Qaeda positions.

The deaths in St. Petersburg are a tragedy and outrage, no matter who the culprit turns out to be. The cynicism with which the Putin regime has used the threat of terrorism to its own advantage is no less ugly.

#### Chuck Schumer's Filibuster Lineup

**T**he U.S. Judiciary Committee sent Neil Gorsuch's Supreme Court nomination to the full Senate Monday on an 11-9 "party-line vote," as the press likes to say. What a shame. All nine committee Democrats lined up like the Rockefellers to oppose the nominee whose qualifications and temperament are universally hailed.

At least 41 Democrats led by Minority Leader Chuck Schumer have also committed to filibuster Judge Gorsuch on the Senate floor, so he will need 60 votes to be confirmed. This will force Republicans to change Senate rules to break what would be the first partisan filibuster of a Supreme Court nominee in history. Democrats and their media friends want to portray Republicans as the radicals in this case, but Democrats are the precedent-busters.

Mr. Schumer is howling that Republicans stole this Court seat because they didn't give a vote to Merrick Garland last year. But Majority Leader Mitch McConnell declared before Barack Obama nominated Judge Garland that there would be no vote on any nominee in the election year. He was merely echoing the standard that Mr. Schumer had set when he declared in 2007 that Democrats would block any nominee that George W. Bush would send up in his final year as President.

Democrats have no good reason to oppose Judge Gorsuch so they are inventing bad reasons. Montana Democrat Jon Tester, who likes

to portray himself as a centrist, announced that he'll oppose the judge for what he didn't say. "I cannot support a nominee who refuses to answer important questions," he said, as if more than 2,000 Gorsuch opinions don't provide enough insight into his jurisprudence. If the Judge wasn't as gabby in the confirmation hearing as Mr. Tester would like, the reason is that Democrats would have used anything provocative he said to defeat him. But now even saying nothing offensive is disqualifying. What a crew.

So far only three Democrats have said they'll support Judge Gorsuch—Heidi Heitkamp of North Dakota, Joe Manchin of West Virginia, and Joe Donnelly of Indiana. Mr. Schumer has apparently given them a pass to help win re-election next year in states carried easily by Donald Trump.

Mr. Schumer's filibuster carries some risk for Democrats, at least if the GOP follows through and confirms the judge. Once the rules are changed, the 51-vote confirmation standard will prevail for other nominees during this Congress. Democrats will have played their strongest political card in a losing hand against a judge who is likely to have unanimous GOP support.

Republicans should call Mr. Schumer's bluff and confirm Judge Gorsuch to honor their campaign promises, to defeat the implacable left, and above all for the good of the Court and the original meaning of the Constitution.

#### A New China Debate



POLITICS & IDEAS  
By William A. Galston

When President Trump meets this week with his Chinese counterpart, Xi Jinping, he should keep in mind that the relationship between Washington and Beijing will shape international relations for years to come. The talks will focus on urgent matters, especially North Korea and the massive bilateral-trade imbalance. But even-larger issues loom.

For four decades, U.S. policy has been guided by the idea that China's integration into the global economic, diplomatic and security architecture would serve both countries' interests. Does this proposition remain valid?

Changes in China's conduct have forced this question onto the agenda, as argued in a February task-force report sponsored by the Asia Society and the University of California, San Diego. Since 2008 Beijing has embraced protectionism, boosting state-owned enterprises, discriminating against foreign-owned firms and pushing multinationals to transfer intellectual property to Chinese entities as the price of admission to the Chinese market.

On foreign policy, the report says, "China started asserting territorial and maritime claims in the South China Sea and East China Sea in an increasingly coercive manner that rattled the region and raised questions about its ultimate intentions." Beijing, expecting a leadership transition in North Korea, increased its support to Pyongyang and rejected strong action against Kim Jong Un's nuclear program for fear of destabilizing his regime.

At home, China cracked down on foreign media and nongovernmental organizations while ratcheting up pressure on internal dissent. Yet the task force adheres to the long-dominant view that relations between the U.S. and China can be mutually beneficial. Its report identifies policies the Trump administration can use to "defend US interests and encourage China to act in ways that respect the interests of the United States and other countries."

We aren't fated to replay the drama between Athens and Sparta that made conflict inevitable, it concludes: "A rising power need not become an adversary of the established power if its rise is restrained in manner and if the established power is open to sharing responsibility with the rising power."

A 2015 report from the Council on Foreign Relations takes a different view. Authors Robert Blackwill and Ashley Tellis argue that American administrations have enabled China's rise even though the policy's original justification—Soviet containment—no longer applies. U.S. support for China's entry into the global

trading system, for example, has "accelerated its rise as a geopolitical rival." Now we are faced with the high probability of a "long-term strategic rivalry between Washington and Beijing." Over the coming decades, China will remain America's "most significant competitor." This competition, the authors argue, is playing out on many fronts.

A core Chinese aim—the pacification of its "extended geographic periphery"—cannot succeed unless Beijing delegitimizes the U.S. alliance system in Asia. China wants to recover from America the "primacy" it once enjoyed in Asia as a "prelude to exerting global influence." The U.S. cannot have it both ways, they contend, accommodating Chinese concerns about America's ability to project power while continuing to defend vital national interests in the region.

The status quo may not be sustainable, but conflict isn't inevitable.

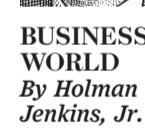
These facts warrant a fundamental re-orientation of U.S. policy toward China, Mr. Blackwill and Ms. Tellis conclude. Washington should focus more on meeting the strategic challenge and be "less preoccupied with how this more robust US approach might be evaluated in Beijing."

A Pew Research Center report released on Tuesday suggested that Americans would support a tougher stance toward China. Although their worries about Chinese economic competition have declined over the past five years, their concern about China's military power has increased. Fifty-eight percent of Americans, including 52% of Democrats, support the use of force to defend their Asian allies against a Chinese attack.

Mr. Xi is as determined to make China great again as Mr. Trump is to make America great again. The difference is that while the American president defines greatness principally in domestic terms, the Chinese president sees greatness in regional—even global—terms. Canceling the Trans-Pacific Partnership has already given China the opportunity to write the economic rules for East Asia. If Mr. Trump accepts 19th-century spheres-of-influence thinking, an outlook to which he often seems drawn, the Chinese could regain hegemonic power throughout the region.

Which of the competing perspectives summarized here should guide U.S. policy toward China? I don't know, but a debate is necessary. Ducking basic questions and muddling through will mean the victory, by default, of current assumptions, with dire consequences for the U.S. if the challengers turn out to be right.

#### It's Worse for Putin



BUSINESS WORLD  
By Holman W. Jenkins, Jr.

Dick Cheney unburdening himself on Russian meddling in the U.S. election has already been lost in the flood of new revelations of the past few days. "In some quarters," the former vice president overstated to a New Delhi audience last week, Russia's action

"would be considered an act of war."

Mr. Cheney's statement is one more reason it's increasingly hard to imagine that Vladimir Putin judges the outcome to be anything but a disaster.

His hacking adventure has turned even Democrats into Cheney-like anti-Russia hard-liners. The chances of the U.S. removing sanctions now are nil. Western governments no longer can cover up for Mr. Putin to make him an acceptable interlocutor. The Brits failed to keep a lid on the Litvinenko murder. The Dutch haven't kept a lid on the MH17 shoot-down. In The Hague, Russia's annexation of Crimea is on trial.

Marco Rubio, in a Senate hearing, publicly aired the most dangerous dirty linen of all, a possible secret-police role in terrorist bombings that propelled Mr. Putin to his first presidential election.

Even Rep. Adam Schiff was demanding the CIA open its files on Mr. Putin's corruption until he decided the real opportunity to position himself for Dianne Feinstein's Senate seat was to attack Mr. Trump.

None of this remotely represents a "win" for the U.S. either. U.S.-Russia relations are spiraling, if not out of control, then into a state of hostility that likely won't be relieved as long as Mr. Putin (age 64) remains in power.

Two bombshells landed Monday in relation to the competing partisan scandal quests here.

The Washington Post claims a typically dubious Trump hanger-on, with help of an Arab government, arranged a meeting with an unnamed Putin associate to see if Russia could be lured away from its alliance with Iran and Syria.

Not that the idea is a bad one, but everything about the episode, including the Trump White House's response to the disclosure, was characteristically amateurish.

The other big revelation was that then-Obama aide Susan Rice plumbed legitimate "foreign intelligence" in search of possibly illegitimate intelligence on the Trump campaign.

The quality most lacking in media coverage of these events has been judgment.

Paul Waldman in the Washington Post

has shown himself ready to believe unsubstantiated allegations about Mr. Trump, and now defends Obama spying on the Trump campaign, fairly shrieking that such monitoring is justified because "we're talking about associates of a presidential candidate communicating with representatives of a foreign power."

Huh? Really? Doesn't the Washington Post, like The Wall Street Journal, communicate incessantly with "representatives of a foreign power"?

Between 1994 and 2013, U.S. presidents made 14 trips to Russia, dragging along hordes of U.S. business leaders to schmooze with "representatives of a foreign power."

Though partisanship and idiocy are rampant in D.C., this is no 'win' for Russia.

Isn't the likelihood that any presidential candidate would have associates who "communicated with representatives of a foreign power" virtually 100%?

Perhaps the most truly useful revelations of the past 48 hours are those concerning so-called Trump adviser Carter Page, whom a Russian agent apparently called an "idiot."

Mr. Page, it turns out, was "Male 1" in U.S. Attorney Preet Bharara's 2015 prosecution of a Russian spy ring centered on the New York office of government-owned Vnesheconombank. Google the details of the criminal indictment for an idea of the lameness of Russian espionage efforts in the U.S. these days. Read the long Politico magazine article on the vaporous wannabe Mr. Page.

Now reframe your thinking on the competence of Russian intelligence as it handed the fate of Moscow's diplomatic interests over to hired hackers from Russia's cybercrime netherworld.

When the chaff is boiled away, the real story will be the one U.S. institutions are still choking on: Donald Trump—ignorant of and contemptuous of the byways of America's governing class—is president. A decisive part of the U.S. electorate decided he couldn't be worse than the alternatives.

In this context, one Trump-Russia connection really does leap out. Present at his 2005 wedding was a man who would soon raise \$140 million from parties variously associated with the sale of a U.S. uranium business to the Putin government. His wife controlled a U.S. agency that gave a needed approval of the deal.

That wedding guest was Bill Clinton.

## OPINION

# Fake News and the Digital Duopoly

By Robert Thomson

**F**ake news" has seemingly, suddenly, become fashionable. In reality, the fake has proliferated for a decade or more, but the faux, the flawed and the fraudulent are now pressing issues because the full scale of the changes wrought upon the integrity of news and advertising by the digital duopoly—Google and Facebook—has become far more obvious.

Google's commodification of content knowingly, willfully undermined provenance for profit. That was followed by the Facebook stream, with its journalistic jetsam and fake flotsam. Together, the two

**Google and Facebook have created a dysfunctional and socially destructive information ecosystem.**

most powerful news publishers in human history have created an ecosystem that is dysfunctional and socially destructive.

Both companies could have done far more to highlight that there is a hierarchy of content, but instead they have prospered mightily by peddling a flat-earth philosophy that doesn't distinguish between the fake and the real because they make copious amounts of money from both.

Depending on which source you believe, they have close to two-thirds of the digital advertising market—and let me be clear that we compete with them for that share. The Interactive Advertising Bureau estimates they accounted for more than 90% of the incremental increase in digital advertising over the past year. The only cost

of content for these companies has been lucrative contracts for lobbyists and lawyers, but the social cost of that strategy is far more profound.

It is beyond risible that Google and its subsidiary YouTube, which have earned many billions of dollars from other people's content, should now be lamenting that they can't possibly be held responsible for monitoring that content. Monetizing yes, monitoring no—but it turns out that free money does come at a price.

We all have to work with these companies, and we are hoping, mostly against hope, that they will finally take meaningful action, not only to allow premium content models that fund premium journalism, but also to purge their sites of the rampant piracy that undermines creativity. Your business model can't be simultaneously based on both intimate, granular details about users and no clue whatsoever about rather obvious pirate sites.

Another area that urgently needs much attention is the algorithms that Silicon Valley companies, and Amazon, routinely cite as a supposedly objective source of wisdom and insight. These algorithms are obviously set, tuned and repeatedly adjusted to suit their commercial needs. Yet they also blame autonomous, anarchic algorithms and not themselves when neofascist content surfaces or when a search leads to obviously biased results in favor of their own products.

Look at how Google games searches. A study reported in The Wall Street Journal found that in 25,000 random Google searches ads for Google products appeared in the most prominent slot 91% of the time. How is that not the unfair leveraging of search dominance and the abuse of algorithm? All 1,000 searches for "laptops" started with an ad for Google's Chromebook—100% of the time. Kim Jong



ISTOCK/GETTY IMAGES

Un would be envious of results like that at election time.

And then there are the recently launched Google snippets, which stylistically highlight search results as if they were written on stone tablets and carried down from the mountain. Their sheer visual physicality gives them apparent moral force. The word Orwellian is flagrantly abused, but when it comes to the all-powerful algorithms of Google, Amazon and Facebook, Orwellian is underused.

As for news, institutional neglect has left us perched on the edge of the slippery slope of censorship. There is no Silicon Valley tradition, as there is no great newspapers, of each day arguing over rights and wrongs, of fretful, thoughtful agonizing over social responsibility and freedom of speech.

What we now have is a backlash with which these omnipotent companies are uniquely ill-equipped to cope. Their responses tend to be po-

litical and politically correct. Regardless of your own views, you should be concerned that we are entering an era in which these immensely influential publishers will routinely and selectively "unpublish" certain views and news.

We stumble into this egregious era at a moment when the political volume in many countries is turned to 10. The echo chamber has never been larger and the reverberation rarely more cacophonous. This is not an entirely new trend, but it has a compounding effect with the combination of "holier than thou" and "louder than thou."

Curiously, this outcome is, in part, a result of the idealism of the Silicon Valley set, and there's no doubt about the self-proclaimed ideals. They devoutly believe they are connecting people and informing them, which is true, even though some of the connections become conspiracies and much of the information is

skimmed without concern to intellectual-property rights.

Ideas aside, we were supposed to be in a magic age of metrics and data. Yet instead of perfect precision we have the cynical arbitraging of ambiguity—particularly in the world of audiences. Some advertising agencies are also clearly at fault because they, too, have been arbitraging and prospering from digital ambiguity as money in the ad business has shifted from actually making ads to aggregating digital audiences and ad tech, better known as bad tech.

And so, as the Times of London has reported, socially aware, image-conscious advertisers find themselves in extremely disreputable places—hardcore porn sites, neofascist sites, Islamist sites. The embarrassment for these advertisers juxtaposed with jaundice is understandable, but the situation is far more serious than mere loss of face.

If these sites are getting a cut of the commission, the advertisers are technically funding these nefarious activities. Depending on the type of advertising, it is estimated by the ad industry that a YouTube partner could earn about 55% of the revenue from a video. In recent years, how many millions of dollars have been channeled to organizations or individuals that are an existential threat to our societies?

Provenance is profound, and in this age of augmented reality and virtual reality, actual reality will surely make a comeback. Authenticated authenticity is an asset of increasing value in an age of the artificial—understanding the ebb and flow of humanity will not be based on fake news or ersatz empathy, but on real insight.

*Mr. Thomson is the chief executive of News Corp, which owns The Wall Street Journal. This is adapted from a speech he delivered on March 29 to the Asia Society in Hong Kong.*

## Let China and Europe Fight It Out Over Data-Privacy Rights

By Stewart Baker

The Trump administration and U.S. tech companies are confronting major trade barriers in Europe and China. The problem in both cases is consumers' right to privacy.

China is fostering national champions that are friendlier to state surveillance than Silicon Valley firms. Meanwhile, Europe is threatening to punish American companies because U.S. surveillance policy doesn't meet its data-protection standards.

The solution is simple: Step back and let America's two biggest trade adversaries fight it out.

China's hostility to U.S. tech companies became clear when Google found itself frozen out of the world's biggest search market. Since then, China has systematically squeezed U.S. internet companies and favored local copycats. Now grown fat in a protected market, many of those local champions are preparing to challenge Silicon Valley for global dominance. That's problem No. 1.

Problem No. 2 is Europe's determination to impose its privacy law on the U.S. The European Union re-

stricts the exportation of personal data to countries whose data-protection policies aren't "adequate" by EU standards.

Perhaps Freud's "narcissism of small differences" explains Europe's 20-year history of threatening to cut off data flows to the U.S. Or maybe it's the leg-up the policy gives to Europe's dwindling tech industry. But there's no doubt that Europe loves the fight. The EU will soon arm its privacy enforcers with the authority to impose data-protection fines on American tech companies. These could run as high as 4% of global revenue. For Google, that's close to \$4 billion.

This massive leverage is increasingly being used not to regulate the use of personal data in advertising or the private sector but to attack U.S. counterterrorism tools. In a recent lawsuit brought by the Austrian student Max Schrems, the European Court of Justice objected to the way U.S. authorities use data to find terrorists.

Relying on a garbled version of the Snowden leaks, the court declared that U.S. law doesn't adequately protect privacy in the fight

against terrorism. Now the EU is threatening to punish U.S. companies with \$4 billion fines if the Trump administration rewrites the Obama administration's limits on intelligence collection.

**The two adversaries are on course for a collision. There's no reason the U.S. should stand in the way.**

Instead of rushing to propitiate EU negotiators, Donald Trump's team should try a different approach. Introduce them to Xi Jinping, who makes no bones about using data to keep the Chinese people in line. Before imposing sanctions on U.S. companies over America's human rights practices, maybe the EU ought to investigate China's practices.

There should be plenty of data exports to investigate. China's autocratic policies have made its champions strong in every part of the wireless internet, from back-end switches to consumer phones. In the

app economy, WeChat boasts more than 800 million active users and is aggressively penetrating the European market. The Chinese company Wish is one of the top three online-shopping apps in the U.K. and is outpacing Amazon in France.

WeChat recently bragged in Brussels about how much data it collected on potential European tourists, and how seamlessly it could move around: "WeChat allows merchants to target a well-defined audience, based on age, gender, purchasing power, geographical location, likelihood to visit a country soon, etc., attract them as followers and send them personal communication messages, special promotions or coupons both in China and once they are travelling."

If they're traveling in Europe, those tourists are protected by the same European privacy law that has bedeviled the U.S. for 20 years. So if it's sauce for the American goose, why not for the Chinese gander? Hard-nosed Trump-administration negotiators should certainly be asking that question. Because "arbitrary or unjustifiable discrimination" in administering Europe's data protectionism is a violation of international trade law.

But why wait for the negotiators? As Mr. Schrems has shown, anyone whose data has been exported to another country can challenge the adequacy of that country's law. So should you find yourself in Europe, if only for an extended visit, just open your phone, download WeChat, and subscribe. That's enough to make you a plaintiff—and shake the world.

Why? Because that lawsuit will force both Europe and China to make hard choices. How much diplomatic and economic pain is Europe prepared to suffer in support of its privacy mission civilisatrice? Will China defend its surveillance regime at the risk of exposing its tech giants to \$4 billion in fines?

For Americans, this conflict would be a chance to break out the popcorn. But it could also resolve a contradiction that has bedeviled the tech industry for a generation. Because if Mr. Xi forces Europe to put limits on its data-protection imperialism, the EU will have to make the same concessions to the U.S.

*Mr. Baker is a partner at the law firm of Steptoe & Johnson.*

## Trump's Challenge: Wooing Beijing to Drop Its Tariffs

By Bill Lane

There's an American Civil War story about a farmer who wakes up one morning to find his house wedged between large Yankee and Rebel armies. In an effort to extricate himself from the predicament, he puts on blue pants and a gray coat before walking outside under the white flag of truce. But he doesn't get far. The Confederates shoot him below the waist while the Union troops shoot him above it.

That's the risk of trying to split the difference—a lesson worth keeping in mind this week as President Trump meets China's President Xi Jinping. Some of Mr. Trump's supporters want

him to restrict imports from China sharply. Yet many Americans fear that doing so may spark a trade war. So how to avoid putting on the blue pants and the gray coat?

The answer is economic growth. Presidents Trump and Xi, as the leaders of the world's two largest economies, must certainly realize that robust growth at home would be the best answer to their respective critics. Better to coordinate policies to stimulate prosperity than to cause a confrontation and risk an economic downturn.

A central issue during the meeting this week will be America's bilateral-trade deficit with China of about \$350 billion—more than half

of the overall U.S. trade deficit. Whether one is a free trader, a managed trader or a protectionist, there is no denying that trade between the U.S. and China is out of balance. The average American spends 17 times as much on Chinese products as the other way around.

Economists come up with all sorts of benign-sounding reasons for this imbalance: China saves too much; the U.S. doesn't save enough; Americans simply like to buy inexpensive stuff. Others suggest more sinister causes: currency manipulation, trade barriers or cheating. But regardless of whether the U.S.-China trade imbalance is economically sustainable, the 2016 election demonstrated that it isn't politically sustainable.

That's where the opportunity comes. Mr. Trump has a chance to recenter America's economic relationship with China not by the saber but through flattery and mutual respect.

Beijing joined the World Trade Organization in 2001, nearly two de-

cades ago, on terms that made sense then. Since that time, however, no country has more enthusiastically embraced economic change. Mr. Trump encourages America to do big things, yet China has been practicing

**China joined the WTO in 2001 on terms that no longer make sense for an industrial powerhouse.**

what he preaches—from the Three Gorges Dam to its network of high-speed trains. America's top universities are full of the best and brightest Chinese students. These massive investments in infrastructure and education have made China dramatically more competitive.

But global trade rules haven't changed. As an industrial powerhouse, China no longer needs to hide

behind double-digit tariffs. In the old days, these weren't considered a big deal because new rounds of negotiation under the General Agreement on Tariffs and Trade were held every decade or so to revise the rules. The expectation was that greater trade liberalization would be coming.

Today, revising WTO rules is perceived as too difficult, so the world is stuck with an outdated framework. This particularly affects trade with the countries that have changed the most—China in particular. What's surprising is that Beijing knows it, but has generally taken the attitude of "why change unless you have to?"

Mr. Trump should point out that China has options. It can further open its markets to the U.S. via bilateral, regional, multilateral or, best of all, unilateral action. But Beijing has to act with a sense of urgency, as the status quo is no longer politically acceptable.

Mr. Xi made eloquent comments at January's economic summit in Davos about the virtues of free trade. Mr. Trump insists he is a free-trader, too, albeit with caveats. Maybe this is the right time for the two leaders to cut a deal to slash Chinese trade barriers. This would give Chinese consumers increased access to U.S. products, while Mr. Trump could claim a victory for American exporters and their workers. And the whole world would benefit as the U.S. and China—the twin engines of global economic growth—start pushing once again in the same direction.

*Mr. Lane is a retired director of global government affairs at Caterpillar Inc.*

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## Notable & Quotable: Elites

*From "Bernie Sanders's Misguided Attacks on the 'Liberal Elite'" by Noah Berlatsky, New Republic.com, April 4:*

"The elites, who live in enclaves of privilege in cities such as New York, Washington and

## LIFE & ARTS

### STREET ART

# A War on Graffiti in Brazil

A new mayor cracks down on São Paulo's distinctive píoxo; Preparations are underway for the Street Art Museum

BY SAMANTHA PEARSON

São Paulo

**DJAN IVSON HAS BEEN** prosecuted seven times for vandalism. It's becoming an occupational hazard. The 33-year-old is Brazil's most vocal practitioner and defender of "pichação," known as "píoxo," a distinctive form of calligraphic graffiti that covers everything from skyscrapers to burnt-out cars here in South America's biggest city.

"We've always been demonized by the authorities, but now we're public enemy number one," he says, sitting on the curb of a street in downtown São Paulo.

Since taking office in January, the city's multimillionaire mayor, João Doria, has declared war on the angular cryptic lettering of píoxo (pronounced "pea-shoe") in one of the biggest crackdowns on graffiti in São Paulo since the end of the country's dictatorship in 1985.

Mr. Doria, who hosted Brazil's version of "The Apprentice" TV show and bankrolled much of his own campaign, drawing comparisons to U.S. President Donald Trump, introduced a new anti-píoxo law late February in an attempt to eradicate the practice. Offenders can now be fined up to 20,000 Brazilian reais (\$6,430).

He has also vowed to clamp down on more figurative graffiti, confining it to a "Street Art Museum" that is expected to be ready in June. The museum will consist of a series of walls across the city where selected artists, sponsored by private companies, will be allowed to paint.

"We are not against urban art, but it is also in need of restraint," said Mr. Doria in an interview.

When graffiti is authorized or commissioned by the owner of the space it is considered a mural, such as the vast kaleidoscopic images created by Eduardo Kobra, one of



Brazil's most famous muralists.

Píoxo, however, is almost always illegal and generally considered vandalism. Distinctive to São Paulo, it consists of jagged signatures typically painted in thick black lines, reminiscent of the tar or "piche" originally used. It was inspired by the lettering of 1980s heavy metal album covers and bears a resemblance to the ancient Runic alphabet. In 2009, Paris's Fondation Cartier showcased a series of work by Brazil's "pichadores," as its practitioners are known.

Mayor Doria's tough policies, from cracking down on bureaucracy to shrinking the city's bloated government, have won favor in this chaotic megalopolis of more than 12 million people. But when city workers in January painted over swathes of colorful graffiti in gray on São Paulo's main May 23 Avenue, considered Latin America's biggest open-air mural, protesters blocked part of the avenue. A judge issued an in-

junction preventing City Hall from painting over any more graffiti without the consent of the department for cultural heritage. Mr. Doria got the ruling overturned 10 days later.

Known for being ugly, gray and polluted, São Paulo has long prided itself on its rich street art—itself a form of visual protest against the city's austere Brutalist concrete architecture. Inspired by the U.S. hip-hop scene, Brazil's graffiti artists began developing their own style in the mid-1980s, taking advantage of the freedom afforded by the end of military rule in the country.

Relatively lax law enforcement allowed the scene to flourish. High crime rates prompted residents to erect towering walls around their properties, turning the city into an endless canvas for graffiti.

Brazil's most famous duo Os Gêmeos, identical twin brothers who are known for their dreamlike paintings of yellow-skinned char-



acters, now sell work on canvases for over \$100,000 at galleries around the world.

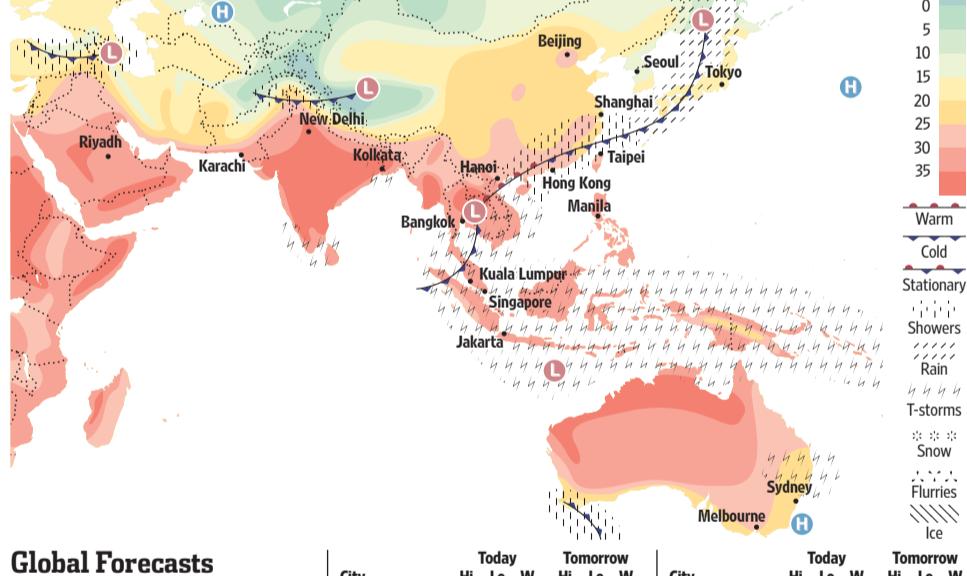
"Many artists have felt under attack," said Fabio Ribeiro, nicknamed Binho Ribeiro, another of Brazil's well-known graffiti artists, as he rushed to finish a mural in the bohemian neighborhood of Vila Madalena before taking part

in a recent exhibition in Miami.

He was still seething over the loss of his 6-foot painting of a turtle, one of the images removed on May 23 Avenue. While Mr. Doria says his team only covered up paintings that were already "vandalized" with píoxo, Mr. Ribeiro says his was in perfect condition.

Brazil's worst recession on record has widened the already stark gap between São Paulo's haves and have-nots. As scores of Brazil's politicians stand accused of stealing public money from state-controlled oil company Petrobras for private gain, practitioners of illegal graffiti in São Paulo—be it píoxo or paintings in unauthorized locations—view their work as a way to reclaim public space in a city that they believe has also been appropriated by private interests.

## Weather



## Global Forecasts

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

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

Today Hi Lo W Today Hi Lo W

City Hi Lo W Today Hi Lo W

Amsterdam 11 6 c 13 5 c

Anchorage 8 0 c 8 -1 s

Athens 20 13 c 20 12 pc

Atlanta 14 6 c 17 5 s

Bahrain 29 16 s 30 15 s

Baltimore 18 6 r 10 3 c

Bangkok 33 26 c 34 26 t

Beijing 27 11 s 23 14 pc

Berlin 12 7 c 13 8 sh

Bogota 21 8 pc 21 10 c

Boise 18 11 c 18 7 r

Boston 9 7 r 11 4 c

Brussels 12 4 c 13 4 c

Buenos Aires 23 16 s 24 18 pc

Cairo 29 15 s 26 16 s

Calgary 16 1 c 14 1 pc

Caracas 31 25 s 31 25 pc

Charlotte 16 5 pc 14 2 pc

Chicago 9 1 sn 13 2 s

Dallas 25 11 s 26 15 pc

Denver 17 3 s 23 9 pc

Detroit 6 0 sn 8 -1 c

Dubai 32 22 s 33 24 s

Dublin 12 2 pc 15 4 pc

Edinburgh 13 5 pc 12 5 c

Frankfurt 14 4 c 14 7 c

## AccuWeather.com

## The WSJ Daily Crossword | Edited by Mike Shenk



### NO RESPECT | By Kurt Krauss

#### Across

1 Ides honoree  
5 Flu symptom  
9 Warned of

14 Lion in the "Madagascar" movies  
15 Chief

16 2016's "The Red Turtle," e.g.  
17 What a jealous baron might do?

19 Frankincense, e.g.  
20 Qualifies

21 Doesn't keep a straight face  
22 No-win situations?

23 Trumpet for Triton

24 Like the Amazon, of all rivers  
27 Fit perfectly  
30 Cherokee Strip Conference Center setting

31 Weighty works  
32 Character from Aristophanes?

33 Zebra's kin  
34 What an outspoken teetotaler might do?

35 Frankincense, e.g.  
36 Flying the rainbow flag, perhaps

37 Tom and Jerry component

38 Kaffiyeh sporters

39 Org. with a leaping bunny logo  
40 Place of refinement  
42 Choice bit  
44 Capability  
45 Cowboys quarterback Tony

46 Away from home?  
48 It takes its toll

52 Prolonged attack  
53 What a beauty pageant loser might do?

54 Biplane piece  
55 "Not to mention..."

56 Sch. whose student body is about 80% Hispanic  
57 Spring settings  
58 Bright color  
59 Small drinking glass

#### Down

1 Makeup of many Qing dynasty carvings  
2 Lena of "Chocolat"

3 Brooks Brothers buy  
4 Fired up  
5 Charm

6 Walkers' cousins  
7 Box score figure  
8 Dash lengths  
9 Lack of ornamentation

10 Like Wilde's "Salome"  
11 What an angry babysitter might do?

12 Vent  
13 Lairs for bears  
18 Company that trademarked "escalator"

21 Curiosity on Mars, e.g.  
27 House-elf freed by Harry Potter

28 Prince song "U"  
29 Stalwart

31 Nicholas II and his predecessors

34 Collections of computer records  
35 Worth of the theater

39 Braces  
41 Play group?

42 Mitt Romney, e.g.  
43 Dodge model of the 1980s

45 Costner's "Tin Cup" co-star  
46 buco

47 Congresswoman Lowey from New York

48 Game piece

49 Analogy words

50 Penetrating

51 Spot

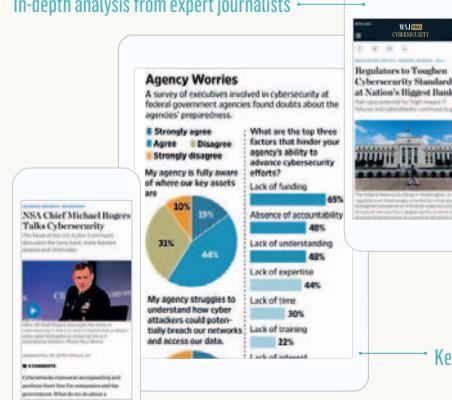
53 Judo level

#### Previous Puzzle's Solution

O	H	S	A	L	D	A	U	R	B	N	I	E
E	A	P	T	O	O	R	E	N	O	I	S	E
M	A	K	E	I	T	O	R	B	R	E	A	K
S	T	E	N	C	H	M	A	O	D	I	A	S
L	O	V	E	I	T	O	R	H	A	T	I	T

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

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# BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Thursday, April 6, 2017 | B1

**Yen vs. Dollar** 111.2110 ▲ 0.42% **Hang Seng** 24400.80 ▲ 0.57%

**Gold** 1246.70 ▼ 0.66%

**WTI crude** 51.28 ▲ 0.49%

**10-Year JGB** yield 0.066%

**10-Year Treasury** yield 2.358%

## ChemChina Gets 2 Green Lights

By NATALIA DROZDIAK

**BRUSSELS**—China National Chemical Corp. won EU approval for its roughly \$43 billion takeover of Swiss seed and pesticide maker Syngenta AG, on condition ChemChina divests itself of large parts of its European businesses for pesticides and products that regulate crop growth.

The European Commission's announcement on Wednesday came a day after the U.S. cleared the deal—the largest overseas acquisition by a Chinese company to date—on condition ChemChina sells three crop chemical businesses to a rival.

The green lights from the European Union and U.S. will further consolidate the agrochemical market amid a wave



DANIEL ACKER/BLOOMBERG NEWS

An Illinois harvest of Syngenta soybeans last year. The EU and U.S. each cleared ChemChina's acquisition of the Swiss company.

of multibillion-dollar deals in the industry. The EU last week cleared Dow Chemical

Co. and DuPont Co.'s merger, leaving an agreement between Bayer AG and Mon-

santo Co. as the last of the sector's three major deals still awaiting approval from the European Union and other regulators.

In the ChemChina-Syngenta deal, the EU said the companies offered to divest themselves of a significant part of ChemChina's pesticides business, manufactured by Adama Agricultural Solutions Ltd., an Israel-based ChemChina subsidiary that focuses on generic chemicals.

The companies also intend to sell a significant part of Adama's plant-growth regulator business for cereals in a number of EU countries, the commission said.

In addition, the companies agreed to sell 29 of Adama's generic pesticides under development and grant third

parties access to studies and field-trial results for the products. From Syngenta, the companies plan to sell some of the firm's fungicides and herbicides, the EU said.

To win U.S. approval, ChemChina has already pledged to sell several of Adama's pesticide assets to American Vanguard Corp., the Federal Trade Commission said.

In a written statement, ChemChina confirmed the EU had approved the deal, but didn't provide details about any planned divestments. The company said it expected to complete the transaction in the second quarter.

"This marks an important step toward the success of the transaction," ChemChina said.

—Brian Spegele contributed to this article.

## ING Life Sets IPO As Deal Hits Snag

This time last year, South Korean private-equity firm MBK Partners LP was shopping around a rich prize—the South Korean operations of

By Jonathan Cheng  
in Seoul and Kane Wu  
in Hong Kong

ING Groep NV, which it had acquired in 2013 as part of a planned downsizing of the Amsterdam-based financial company.

Among the final bidders was a trio of Chinese players: state-owned China Taiping Insurance Holdings Co., Shanghai-based conglomerate Fosun Group and private-equity firm JD Capital, people familiar with the matter said at the time.

But as South Korea's government finalized its plans to deploy a U.S. missile-defense system that is fiercely opposed by Beijing, the Chinese bidders got cold feet, telling MBK that they would wait for a better opportunity, according to people familiar with the matter.

Months later, that better opportunity hasn't arrived. So on Thursday, MBK's executives will begin a global roadshow for an initial public offering of ING Life Korea, in hopes that it can sell the company to smaller investors. The deal could value the company at nearly \$3 billion.

MBK's abrupt change of tack highlights the broad ripples being felt by the worsening geopolitical standoff over North Korea's nuclear and missile program, which has prompted Washington and Seoul to push ahead with the controversial missile-defense system, called Terminal High-Altitude Area Defense, or Thaad.

On Wednesday, Gu Zhipeng, vice president of JD Capital's parent, Jiuding Group, confirmed that the company would no longer be involved in the acquisition of ING Life Korea. He said the company couldn't proceed because of the recent deterioration in relations between China and South Korea. Mr. Gu added that none of the group's subsidiaries or the group itself have plans to invest in South Korea. China Taiping said it had nothing to disclose in relation to ING Life Korea. Fosun declined to comment.

**Lotte Group**, South Korea's fifth-largest conglomerate and the owner of the golf course in South Korea that will host the Thaad battery, has also been in China's crosshairs. Chinese authorities have shut down

Please see IPO page B2

## Trump Golf Properties Struggle to Make Par

Amid industry slump, clubs' assessed value fails to keep pace with spending on upgrades

Trump International Golf Club in West Palm Beach, Fla., boasts 27 holes, a three-level driving range and, since Jan. 20, a pretty decent chance weekend visitors will run into the president of the United States.

By Jean Eaglesham,  
Lisa Schwartz  
and Rebecca Ballhaus

Trump-branded golf properties have benefited from a burst of free publicity this year, with TV cameras rolling as President Donald Trump's motorcade rumbles in and out of the gated estates nearly every weekend.

The extra attention comes at an important moment for Mr. Trump's clubs: Amid a general slump in the golf industry, the value of those properties hasn't kept pace with the amount of money he has invested to make long-term upgrades, according to documents obtained by The Wall Street Journal through public-records requests. A number of the golf clubs have frozen or reduced initiation fees in recent years, employees say.

**The Trump Organization's** 18 golf clubs in the U.S. and overseas are a core part of his business empire, which the president continues to own via a trust run by his adult sons. The properties account for more than half the total revenue Mr. Trump reported last year in a federal financial disclosure filing.

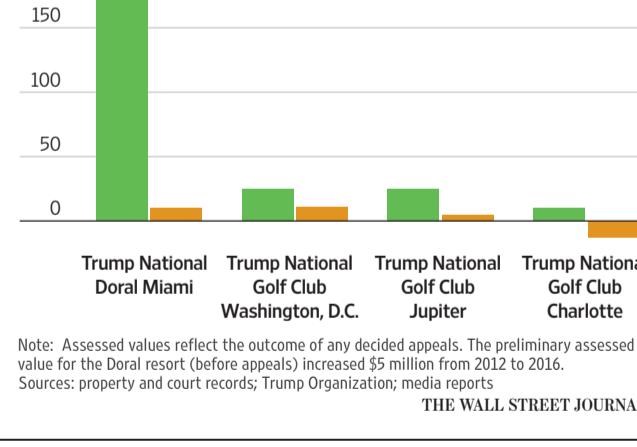
The golf industry overall continues to suffer from the aftereffects of the 2008 recession, as well as declining participation. The number of people playing in the U.S. dropped



President Donald Trump was serenaded upon arrival at the Trump International Golf Club in West Palm Beach, Fla., on Feb. 5.

### In the Rough

The Trump Organization's investment in golf resorts in the last five years appears to have outpaced the increase in values assessed for local tax purposes.



by the Journal. That is up \$24 million, or about 10%, from their value in 2012.

But that increase in value falls well short of the \$310 million that Mr. Trump's company has said in news releases or media reports it has spent on renovating the properties during that same period, including \$250 million on upgrading the Doral resort in Miami. That means the net value of the clubs after investment has declined significantly over the last five years.

A White House spokeswoman referred questions to the Trump Organization. A spokeswoman for the Trump Organization said it was proud of its work with the properties and that it would continue to invest in "the game of golf."

"Our clubs are performing incredibly well and we have

Please see GOLF page B2

## How Airbnb Can Succeed in China

Airbnb is trying to do something that has foiled almost all U.S. internet giants: succeed in China. The odds are stacked against it, but there is one route that might lead to success.

The San Francisco-based online room-rental service, valued at \$31 billion in a funding round last month, plans to double its investment in China over the next year. It is off to a bad start: The company's Chinese name, Aibiyi, has been widely mocked on social media for being difficult to pronounce.

Names aside, U.S. tech companies have been tripped up by China's vastly different culture and political and legal systems.

Airbnb may escape the fate of Facebook, Twitter, YouTube and Instagram—all blocked on national-security grounds, along with the app "Pokémon Go"—but censorship isn't the only way Beijing can tilt the playing field in favor of its home teams.

Take ride-hailing giant **Uber**: After burning billions in China it capitulated last August, swapping its business there for a minority stake in homegrown rival Didi Chuxing. The likely last straw: regulations prohibiting ride-hailing companies from setting prices below cost—an important Uber tactic for attracting customers in new cities. Local players are often better at navigating China's complex web of governing bodies.

Airbnb, too, faces a strong local rival. **Tujia**, which partners with China's biggest travel site, Ctrip,

has more than 400,000 listings in the country, five times as many as Airbnb. Tujia understands the general Chinese distrust of home sharing, so it performs due diligence on its listings while providing housekeeping services.

Airbnb could follow suit, though that might prove costly. Or it could learn from one U.S. success in China: **LinkedIn**. Since the professional network entered the market in 2014, the number of Chinese users has grown fivefold to more than 20 million. LinkedIn censors its content but its secret sauce is that it offers something local rivals can't: a network of global companies and professionals.

Similarly, Airbnb could find a home in China—not by competing domestically, but by catering to the surging number of Chinese traveling abroad.

## Uber's Sole Female Director Drives Changes to Culture

By GEORGIA WELLS

Media mogul Arianna Huffington is taking a starring role in **Uber Technologies Inc.**'s effort to overcome recent scandals.

The results could set her up to be a hero to women in the tech industry—or risk her credibility if the ride-hailing company doesn't change.

Ms. Huffington, the only woman on Uber's board and an investor, is helping drive an investigation into allegations of sexual harassment at the company. She has also pledged sweeping changes to Uber's culture, which has been criticized as hostile to women.

Her friendship with Uber's founder and chief executive, Travis Kalanick, means she has his ear. She is also positioned to call for broad changes, such

as her comment last month that Uber will exclude "brilliant jerks" in its search for a new executive to work with Mr. Kalanick.

But her ties as well could

diminish the independence necessary to tackle Uber's problems. In what experts see as a misstep, she surmised from interviews with staff

Please see UBER page B4

HEARD ON THE STREET JACKY WONG

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Please see UBER page B4

## INDEX TO BUSINESSES

These indexes cite notable references to most parent companies and businesspeople in today's edition. Articles on regional page inserts aren't cited in these indexes.

A	DuPont .....	B1	P	Panera Bread.....	B3		
Active Ownership Capital.....	B8	Elliott Associates.....	B8	PPG Industries.....	B8		
AIG.....	B8	F	Freeport-McMoRan.....	B8	S	Stada Arzneimittel.....	B8
Airbnb.....	B1	G	Goldman Sachs Group	B5	T	Subaru.....	B3
Akzo Nobel.....	B8	J	JAB Holding.....	B3	Target.....	A1	
Allergan.....	B8	K	Janus Capital Group	B5	TCI.....	B8	
Amazon.com.....	B3	L	J.P. Morgan Chase.....	B8	TCW Group.....	B5	
American International Group.....	B8	M	Krispy Kreme Doughnuts.....	B3	Teva Pharmaceutical.....	B8	
AngloGold Ashanti.....	A6	N	McDonald's.....	B2	Thyssenkrupp.....	B8	
Apple.....	A1	O	Monsanto.....	B1	Tianjin Port Holdings.....	B8	
Bank of America.....	B8	P	Morgan Stanley.....	B8	Trump Organization.....	B1	
Bayer.....	B1	R	Hancock, Peter.....	B8	V	Uber Technologies.....	B1
BBMG.....	B8	S	Hirt, Hans-Christoph.....	B8	W	Volkswagen.....	B8
Bilfinger.....	B8	T	Hogan, Art.....	B8	X	Wells Fargo.....	B5,B8
C - D		U	Hornsey, Liane.....	B4	Z	Wendy's .....	B2
Citigroup.....	B8	V - W	Huffington, Arianna.....	B1			
Costco Wholesale.....	B3		Hutchinson, Y-Vonne.....	B4			
Credit Suisse Group.....	B5		I				
Dow Chemical.....	B1		Iavscyn, Daniel.....	B5			

## INDEX TO PEOPLE

B	H	P
Bailey, Jennifer.....A2	Hancock, Peter.....B8	Ploeg, Julia Vander.....B2
C	Hirt, Hans-Christoph.....B8	R
Chesney, Bret.....B8	Hogan, Art.....B8	Richards, Lance.....B2
Colas, Nicholas.....B8	Hornsey, Liane.....B4	Rigetti, Susan Fowler B4
Cook, Tim.....A2	Huffington, Arianna.....B1	Roman, Emmanuel.....B5
Cornell, Brian.....A1	Hutchinson, Y-Vonne.....B4	Rupczynski, Bob.....B2
Cranston, Michael.....B5	I	S
Cue, Eddy.....A2	Iavscyn, Daniel.....B5	Schuster, Edmund.....B8
E	J	Shaich, Ron.....B3
Easterbrook, Steve.....B2	Jacobs, Jay.....B5	Siddiqi, Farhan.....B2
Emerson, Joelle.....B4	K	Smith, Greg.....B4
F	Kalanick, Travis.....B1	V
Flatley, Morgan.....B2	Kentley-Klay, Tim.....B4	VanGosen, Linda.....B2
Flattum, David.....B5	L	W
G	Levinson, Jesse.....B4	Wahl, Deborah.....B2
Galanti, Richard.....B3	N	Z
Gross, Bill.....B5	Neher, Sara.....B2	Zhipeng, Gu.....B1

Continued from the prior page  
dozens of Lotte stores in mainland China in apparent retaliation for its role in deploying the missile-defense system.

Thaad is expected to be a major topic of discussion when Chinese President Xi Jinping arrives in Florida for a two-day summit meeting with U.S. President Donald Trump. On Tuesday, 26 U.S. senators signed a letter calling on Mr. Trump to push back against any Chinese retaliation related to Thaad deployment.

Separately, the Chinese government has also imposed capital controls on many of its own companies, preventing some potential buyers from pursuing already-tough deals.

**Geopolitical hurdles to deals are an extra headache for private-equity firms in Asia.**

uity companies in Asia, which have looked increasingly to Chinese entities as some of the biggest potential buyers. Even when Chinese players don't win, their participation in sales can push up the value of bids.

Beijing-based **Anbang Insurance Group Co.**, which has turned heads with its aggressive bids on flashy hotel properties and for its ties with Mr. Trump's son-in-law, Jared Kushner, has been particularly active in South Korea's insurance market.

Last year, Anbang bought the South Korean operations of Germany's **Allianz SE** for \$3 million in a deal that won regulatory approval late last year.

In 2015, Anbang bought control of South Korea's No. 8 insurer, **Tong Yang Life Insurance Co.**, for \$1 billion.

MBK, which was set up in 2005 by a team of former executives from **Carlyle Group LP** led by Michael B. Kim, bought ING Life Korea from its Dutch parent company for \$1.6 billion in 2013.

Last year, MBK, which has \$14.6 billion of capital under management, hired **Morgan Stanley** to sell South Korea's fifth-largest insurer by assets at an asking price of more than \$3 billion.

ING Life Korea, which has about 30.7 trillion Korean won (\$27.2 billion) in assets, is considered one of the most attractive financial assets in South Korea, with a strong capital base, a book value of about 5 trillion won and net income last year of 290 billion won.

Some of the potential Chinese buyers haven't formally withdrawn from the process, but they have asked repeatedly for more time on the bid, the people said, and could bid for the 59.1% majority stake that MBK will hold in ING Life Korea even after floating 40.9% of the company in the IPO.

Beijing is seeking to tighten control on money flowing out of the nation, concerned that such capital flight could shake confidence in its economy and potentially weaken the yuan, after a record year of overseas deal making by Chinese companies. Last year, Chinese companies announced overseas deals valued at a collective \$217 billion, according to data provider Dealogic.

Jiuding Group's Mr. Gu said Beijing's new capital-control measures were also a factor in its decision not to proceed with the acquisition of ING Life Korea.

The new geopolitical hurdles to deal making are an extra headache for private-eq-

# Schools Woo Entrepreneurs

M.B.A. programs try to lure young founders and those who intend to start a business

By KELSEY GEE

Millennial entrepreneurs are starting to hear an unlikely piece of advice when their ventures stall: consider an M.B.A.

Graduate business programs from Columbia University in New York to University of California at Berkeley's Haas School have spent millions of dollars building innovation centers

and creating venture-capital funds in recent years. They are adding new courses and deploying industry veterans to teach, all in an effort to recruit more would-be founders.

A quarter of prospective M.B.A. students aimed to start a business in 2015, according to the latest Graduate Management Admission Council survey, up from 20% in 2010. Even so, academia has been slow to adapt, with fewer than 10% of graduate business programs offering degrees in entrepreneurship last year, according to the Association to Advance Collegiate Schools of Business.

The ballooning resources for student ventures reflect a streak of opportunism among young entrepreneurs in need of funding and university admissions officers, who can proudly plug graduates' startups on their schools' websites. Some administrators hope the growing interest among millennials to create companies—rather than pursue traditional post-M.B.A. careers like investment banking—will reinflate a shrinking pool of applicants to U.S. business schools.

"More of our students have started multiple businesses already by the time they arrive," said Sara Neher, assistant dean of admissions at the University of Virginia's Darden School of Business. "For those that have failed, when they talk to us about why they're applying, it's often 'I didn't have the business skills to make it work.'

Ahead of the pack, Darden admissions officers now host M.B.A. recruiting events at startup incubators in New York City, San Francisco and Washington. The school pitches perks like free tuition for a handful of seasoned founders.

Recruiters also are using social-media platforms like LinkedIn and Facebook to target prospective students,

searching profiles for terms like "founder" and "entrepreneur."

Once they are on campus, student entrepreneurs can enter competitions for seed "money with no strings attached," said Ms. Neher.

Tapping into the market of hopeful founders, the University

of Texas in Austin's McCombs School of Business invites prospective students to a "Shark Tank" style pitch competition for as much as \$20,000 in scholarships to cover tuition. Annual applications have doubled to 30 since the scholarship's 2013 launch, and all but one of the nine total winning entrepreneurs has chosen to enroll.

Business degrees have become an easier sell for would-be founders as schools now teach how to grow small businesses, in addition to managing large ones, said Steve Blank, an entrepreneur and lecturer at Haas and Columbia's business school.

Rena Pacheco-Theard applied for a master's degree in business at Massachusetts Institute of Technology's Sloan School of Management as the company she started with her husband Dan Driscoll floundered.

"I knew I wanted to do work

with high social impact, but the business side of my resume was missing," said Ms. Pacheco-Theard, who had a graduate degree in public affairs at the time.

During her second semester at MIT, she started a new venture called Prepify, which provides test preparation services to low-income high schoolers. She used roughly half of her business-school class time to fine-tune the startup's model.

She left MIT last spring with a degree, a co-founder classmate and a total of \$15,000 in funding from the school. "Becoming a real entrepreneur became a distinct reality for the first time at Sloan," said Ms. Pacheco-Theard.

Administrators say the hard part isn't always recruiting, but getting students to focus on schoolwork—especially at programs like Stanford University's, where roughly 15% of each class launches a business shortly after graduation.

## A Top McDonald's Marketer Exits

By JULIE JARGON

**McDonald's** Corp.'s top marketer in the U.S. is expected to leave the company as part of another management shake-up aimed at reviving the burger chain's fortunes, according to people familiar with the matter.

Deborah Wahl, the chain's U.S. marketing chief for the last three years, is expected to be replaced by Morgan Flatley, formerly chief marketing officer of Global Nutrition at PepsiCo Inc. In addition, two other top U.S. executives are expected to leave.

Lance Richards, head of U.S. menu, is expected to be replaced by Linda VanGosen, a former Starbucks Corp. vice president.

Julia Vander Ploeg, head of U.S. digital, is expected to be replaced by Farhan Siddiqi, who most recently served as vice president of global digital experience at McDonald's.

They are the latest management changes being made by Chief Executive Steve Easterbrook, who has to strengthen the business in McDonald's biggest market. The chain ex-

perienced a sales lift immediately following the launch of all-day breakfast last year, but the growth tapered off before falling in the fourth quarter as it lapped the daylong breakfast anniversary. The company last week said it plans to switch to fresh beef in its Quarter Pounders next year. The move was seen as a way for McDonald's to be more competitive with fast-food rival **Wendy's** Co., which has always served fresh beef, as well as with fast-casual burger chains.

McDonald's recently said it plans to embrace its identity as an affordable fast food company rather than chasing customers who just won't go to a McDonald's. The chain has been working on improving its core products, like removing preservatives from its chicken nuggets, switching to real butter in its Egg McMuffins and coming out with new Big Mac sizes—all of which it has been focusing on in its advertising.

Mr. Easterbrook made a series of management changes last year, including choosing Kraft Foods Group Inc. executive Chris Kempczinski to head

the U.S. business. Several other top-ranking executives retired last year, including its chief field officer and the executive in charge of customer experience.

Last month, the company tapped Bob Rupczynski, a Mondelez International Inc. executive,

to be its new global vice president of media and customer relationship management.

McDonald's is trying to better target customers with an

improved loyalty program and roll out mobile ordering and payment in its biggest markets.

The company has been trying to showcase the integrity of its food, with ads showing that it only adds salt and pepper to its beef and that it actually cracks real eggs in its restaurants.

McDonald's also has been using photos of how the food really looks, with lettuce out of place, cheese oozing out and sesame seeds falling off the buns, rather than using shots of perfect-looking food in an effort to appear more authentic to young customers in particular, who Ms. Wahl said in a recent interview are particularly difficult to influence because of their mistrust of anything staged.

Last year, Ms. Wahl orchestrated a big move to consolidate its creative agency business with Omnicom Group to create a new "agency of the future," ending McDonald's 35-year relationship with Publicis Groupe's Leo Burnett agency in the U.S.

—Suzanne Vranica contributed to this article.

## GOLF

Continued from the prior page  
amazing teams working hard to provide the ultimate luxury golf experience," the spokeswoman said.

Since his Jan. 20 inauguration, Mr. Trump has paid 14 visits to his golf clubs, often bringing with him members of his cabinet or foreign leaders.

The Palm Beach golf club "has the ultimate perk—the president is going to show up," said Sid Dinerstein, a former Palm Beach County Republican Party chairman. He said a recent all-you-can-eat seafood buffet at the club, attended by Mr. Trump, was "overflowing" with paying guests hoping to catch a glimpse of the president.

Mr. Trump bought many of the clubs after prices crashed in the 2008 recession. In the past, he has said the property assessments don't reflect the clubs' true market value, including the development potential of the underlying land.

In some cases, owners of golf courses try to persuade

assessors to lowball clubs' value to minimize tax bills. The values of Mr. Trump's properties sometimes reflect a compromise between one number calculated by the taxing authority and a lower figure argued by Mr. Trump's team.

A rare glimpse of a Trump U.S. club's income and expenses came in a tax appeal by the Trump Organization last

In New York, the assessed value of the Trump golf club in the Hudson Valley fell 23% last year to \$4.6 million from \$6 million in 2015—after the Trump Organization argued the true value was just \$2 million.

John Hickman Jr., supervisor for the Town of East Fishkill, N.Y., said the reduction reflected lower revenue in the industry. "People aren't golfing

year when his Doral resort near Miami disclosed an operating loss of \$2.4 million for 2014. That figure doesn't include payments on \$125 million of loans on the property. The Doral club in March was offering a 20% discount on its joining fee, cutting it to \$40,000 from \$50,000, according to a Doral employee. Such end-of-season offers are common in the golfing industry, according to a person close to the Trump Organization.

a lot and we're pretty saturated with golf courses these days," he said.

Unlike Mr. Trump's U.S.

clubs, those in Scotland and Ireland issue public financial statements. All three reported losses in their most recent reports. The losses were attributed to development work.

Mr. Trump's recent upgrades aren't necessarily translating into higher membership fees, the Journal found.

"Mar-a-Lago is completely contrarian to the rest of the country clubs market," said Jeff Lichtenstein of Echo Fine Properties, a Palm Beach real-estate firm. "There's no pricing model for any country club on the planet where you can double rates virtually overnight without offering something completely new."

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## BUSINESS NEWS

# Costco Still Loves In-Store Sales

Wholesale chain takes contrarian stance on e-commerce tactics; shipping mayo is costly

BY SARAH NASSAUER  
AND LAURA STEVENS

**Costco Wholesale** Corp., which built an empire selling products in bulk, hasn't felt the need to transfer that winning strategy online.

"We want to get you into the store because you're going to buy more," Costco finance chief Richard Galanti said last month, when asked during the company's earnings call about its e-commerce growth. Costco attributes much of its success to the treasure-hunt atmosphere it creates in its 725 stores by cycling through new products to spur impulse buys.

But in an era where people are shopping online for giant packages of products as diverse as dog food and disposable diapers, more investors and analysts are pressing Costco to focus on e-commerce. Meanwhile, online retailers such as **Amazon.com** Inc. and newer players like **Boxed.com** are making inroads



A Miami Costco store. The chain is being urged to compete online.

with consumers looking to buy in bulk.

"They are in an OK spot for now, but I don't think that will last forever," said Tim Campbell, a Kantar Retail analyst covering warehouse chains. "They need to get ready to compete with Amazon."

Wholesale chains have been slow to embrace home delivery for online orders. Shipping half-gallon tubs of mayonnaise is expensive—especially as carriers move to charge by size in addition to weight—and profit margins are low on

many household staples.

"We are a little late to the game on purpose," said Mr. Galanti in an interview. "We recognize there are things we can do or should be doing."

Costco's contrarian stance on e-commerce is supported by its strong store sales at a time when many brick-and-mortar chains have floundered. But as e-commerce grows in importance, Costco's online sales growth has slowed. It hovered around 10% in recent quarters, lower than comparable figures by Amazon

and Wal-Mart Stores Inc. Online sales account for about 4% of Costco's \$119 billion in annual revenue.

Costco is making some moves, adding more products to its website, such as cosmetics and clothes, and investing in distribution centers to speed delivery. It now sells about 10,000 products online and 3,700 in a typical store.

The company lets nonmembers buy most items it sells online, generally at a 5% upcharge, Mr. Galanti said. "We want them to see the site and hopefully become a member."

**BJ's Wholesale Club** Inc., with 214 stores in the eastern U.S., said it is also emphasizing online efforts that ultimately get shoppers into stores. It sells about 10,000 products online, though much of the food and household products listed are only available for store pickup.

One complication for selling Costco-size packages via a website is the move by carriers like United Parcel Service Inc. and FedEx Corp. to charge based on package size as well as weight.

A \$13 tub of mayo could cost a big retailer \$5 to \$8 to ship from Los Angeles to the

Las Vegas area, depending on how remote the buyer's address is, according to a cost analysis by consultants Spend Management Experts. A smaller retailer would likely pay about double.

To make up for shipping costs, warehouse chains sometimes charge more for products online or sell larger quantities. Costco sells only two-packs of its popular store brand Extra Fancy Mixed Nuts online for \$38.99, including shipping, but it sells the same product for \$33.98 in stores, as well as a \$16.99 single pack.

Some online upstarts say the economics can work. Boxed, based in New York, presents shoppers with a selection of items that encourages them to buy more at once. The goal is for a customer to spend about \$100 on 10 items, said Chieh Huang, the firm's chief executive and co-founder.

"Three years ago we were extolling the virtues of buying toilet paper online, and people were looking at us like 'that's the stupidest idea ever,'" said Mr. Huang. "It's a full-on race now." The company had more than \$100 million in revenue last year and is unprofitable.

## PPG Mulls Options On Its Bid For Akzo

**PPG Industries** Inc. Chief Executive Michael McGarry said the Pittsburgh-based paint company isn't ruling out a sweetened offer—or a hostile takeover—for Dutch rival **Akzo Nobel** NV, in the wake of its refusal so far to consider a \$24 billion takeover offer.

By Ben Dummett,  
Andrew Tangel  
and Christopher Alessi

"We're not taking any options off the table," Mr. McGarry said in an interview Wednesday. But he said there are a number of steps still to go before making a decision. He said any higher offer depends on the companies agreeing to friendly talks.

"In regards to whether we would do any higher offer, the bottom line is the parties need to get together in a private, collaborative, substantive manner," Mr. McGarry said.

Mr. McGarry's comments signal PPG isn't giving up in its courtship of Akzo. They came after PPG said it was committed to making a public offer for outstanding Akzo shares.

Despite pressure from some of its biggest shareholders, Akzo has refused to engage in talks with PPG. Shareholders including Causeway Capital Management LLC—Akzo's biggest investor—and Elliott Management Corp. have urged Akzo to begin talks with PPG, despite calling the latest offer inadequate.

Analysts say a hostile bid by PPG would be a long shot, considering takeover protections provided in Akzo's Dutch corporate structure. Elliott has threatened to use the same corporate-governance rules particular to Akzo's structure to call a special shareholders meeting and force Akzo's board to talk with PPG.

# Panera Bread Agrees to \$7.16 Billion Buyout

BY JULIE JARGON

**Panera Bread** Co. plans to be acquired for roughly \$7.16 billion, excluding debt, by European investment fund **JAB Holding** Co., a firm with a fast-expanding collection of brands including Caribou Coffee and Jimmy Choo shoes.

The chain of about 2,000 cafes serving pastries, coffee and sandwiches would be taken private in the deal.

Panera's shares were up 14% at \$311.84 at midday Wednesday in New York.

Started 36 years ago as Au Bon Pain Co., Panera has managed to continue growing sales

even as other businesses in what is known as the fast-casual segment struggle to attract customers amid fierce competition.

Company founder and Chief Executive Ron Shaich said in an interview Wednesday that moving forward as a private enterprise would help the chain maintain its improved level of customer service. "I think businesses operate better in a private setting. I think this deal gives us a competitive advantage," he said.

The deal would allow him to continue operating the company. "Their whole philosophy is to give us space," he

said. "There are no expected management changes."

JAB declined to comment, through a spokesman.

Panera pioneered the fast-casual segment, which offers fast service and freshly made food. The chain bakes bread every day in its restaurants. Over the past decade it has been reformulating its food to be free of artificial ingredients and earlier this year converted to an entirely so-called clean menu.

Panera has also been ahead of other chains in developing digital ordering and delivery.

Details about the sale to JAB came as the company said

same-store sales at its company-operated cafes rose 5.3% in its fiscal first quarter.

The planned acquisition of a restaurant chain operating at the top of its game came as a surprise to investors who saw no reason for Panera to be a target. And with its stock trading at a record, it wasn't a cheap buy.

JAB has agreed to pay \$315 a share in cash for Panera, which reflects a 20% premium to Panera's closing price on March 31, the last trading day before news reports about a potential deal surfaced. The transaction also includes the assumption of about \$340 mil-

lion of Panera's debt.

Some analysts said Panera was attractive because of the possibility to glean even better returns by franchising more of its restaurants, which could accelerate its expansion in the U.S., where some analysts see the potential for at least a further 1,000 restaurants. Only about 56% of Panera restaurants are currently operated by franchisees.

The transaction, subject to approval by Panera's shareholders as well as regulatory approval, is expected to close in the third quarter of 2017.

—Joshua Jamerson  
contributed to this article.



Subaru is considered among the most disciplined car makers when it comes to offering discounts.

# Subaru Plumps Up Incentives

BY ADRIENNE ROBERTS

**Subaru Corp.'s** U.S. winning streak is getting more expensive to maintain. That means buyers frustrated by long lines and a lack of deal-making on Outbacks or Foresters are in line for relief.

The Japanese maker of rugged wagons and all-wheel-drive passenger cars hoisted its 64th consecutive monthly sales gain in March, but the company had to ratchet up discounts to notch an 11% gain amid a wider market decline and rising dealer stocks.

Because Subaru has long been considered among the most disciplined car companies regarding incentive spending and inventory, even slight changes in its approach to the market can trigger alarm.

Subaru executives are warning dealers that it treads a slippery slope trying to maintain growth in a weakening U.S. auto industry, particularly as company keeps production lines humming.

"This flat market situation is going to test our ability to create value in the minds of our customers, some of whom will be expecting larger deals based on what the competition is doing," the company's man-

agement said in a memo sent this week to dealers.

Spending on incentives increased 60% in March to an average of \$907 per car sold, according to Autodata Corp., reflecting a similar increase for Subaru in the first quarter.

A Subaru spokesman declined to comment on specific incentive data.

Incentive spending across industry touched a new March record last month, according to J.D. Power. The average discount offered by auto makers hit \$3,777—four times what Subaru dished out. Big increases by Subaru peers including Honda Motor Co. and Toyota Motor Corp. suggest that a seven-year hot streak for the U.S. car business faces a roadblock.

"Higher incentives have pushed demand about as far as it can go," Joseph Spak, an RBC Capital Markets analyst, said in an investor note Tuesday. "Sales growth has stalled."

Subaru is in the process of squeezing as much production as it can from its one U.S. factory, in Indiana, where output is up 18% in 2017, according to WardsAuto.com.

Subaru had 38 days' supply in U.S. inventory as of the end of March, according to Ward-

sAuto.com. That is lower than the industry average of 72 days' supply, but higher than the 20 days' it carried in the same period last year.

Some markets remain red hot for Subaru. Galpin Motors in Los Angeles has a maximum of two weeks' supply of Subarus. "It's a bit of a mystery to us" why Subaru is offering steeper discounts, said Brian Allan, senior director at the dealership group. "We know that Subaru does so well compared to the industry and they want to maintain that reputation."

Low inventory of new vehicles helps to maintain higher resale values so they don't compete with used car prices.

The auto maker can struggle to meet demand for the popular Forester crossover wagon because it must import it from Japan, where it is manufactured.

Tim Kelly, owner of a Subaru dealership in Chattanooga, Tenn., said sales at his dealership have been steady, with sales up 25% over the past year. "I think in certain parts of the country sales rates are starting to flag and days' supply has crept up," Mr. Kelly said. "But dealers always love incentives...there's not a revolt boiling."

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## TECHNOLOGY

WSJ.com/Tech

# Zoox Hires Safety Expert

Enigmatic self-driving-car startup brings an Obama administration veteran on board

By TIM HIGGINS

One of the buzziest startups in Silicon Valley, **Zoox** Inc., says it is taking a different path in the race to build self-driving cars: It is preaching safety first.

The secretive company used its first major announcement this week to tout the hiring of one of America's foremost safety officials, Mark Rosekind. Until January, he oversaw the National Highway Traffic Safety Administration, an agency responsible for ensuring vehicle safety. Now he is Zoox's chief safety innovation officer.

"There have been other startups that have been, in various ways, cavalier with safety," said Tim Kentley-Klay, Zoox's chief executive, in a rare interview late Tuesday, without naming any competitors. "That's not our culture. We take this very seriously. This appointment...demonstrates that."

Other self-driving car makers say they take safety seriously. But the Silicon Valley ethos of moving fast and breaking things is often on display as companies experiment with the technology on public roads.

A crash last month by an Uber Technologies Inc. automo-



Zoox Chief Executive Tim Kentley-Klay rarely gives interviews.

rous test vehicle in Arizona renewed concerns about the safety of yet-to-be-proven self-driving vehicles, even as local police and the company said its car wasn't at fault. Uber already drew the ire of California regulators when it tried to test its vehicles on San Francisco streets without a city permit.

Lawmakers at statehouses across the U.S. are debating the safety of self-driving cars as they consider legislation that could decide how such technology is used and who can use it. Some bills have proposed that testing be done only by auto makers, a hurdle that would hinder upstarts from Silicon Valley.

Those are the kinds of issues Mr. Rosekind tried to tackle during his time at the

NHTSA under the Obama administration, where he pushed through guidelines for automated vehicles aimed at helping encouraging the development while also balancing safety.

"People are going to need to trust and accept this technology if it's to go forward, and that's only going to happen when everyone believes that safety is included and respected from the very beginning," Mr. Rosekind said in an interview.

Zoox is somewhat of an enigma in the rough-and-tumble world of autonomous-vehicle development.

Unlike other startups that are loudly staging demonstrations of their technology, Zoox has remained under wraps even after raising almost \$300

million at a valuation of \$1.55 billion. It has never released details about the engineers and professionals hired from Tesla Inc., Alphabet Inc. and Apple Inc.

Mr. Kentley-Klay, Zoox's co-founder and CEO, isn't a Silicon Valley wunderkind or a Motor City engineer—he is an Australian designer—and lured to the startup co-founder Jesse Levinson, who made a name for himself at Stanford University's self-driving car program. Mr. Kentley-Klay rarely speaks in public, and is coy about Zoox's business strategy beyond reimagining what automobile travel could be like if humans don't take the wheel.

Mr. Kentley-Klay said Zoox is working to develop a fully autonomous vehicle system that can run as a taxi service in cities and operate in harsh weather. He is targeting 2020 to deploy the mobility service in the first city.

"We don't sell the hardware product, like a car, we sell the service," he said, without providing more details.

Mr. Kentley-Klay declined to specify how Zoox would implement a safety playbook. But he did reveal that Zoox is exploring technology that could remotely operate the vehicles when they encounter hazards they can't handle, such as obstacles in the roadway. Other companies, including Nissan Motor Co. and startup NuTonomy have suggested they are developing remote operating systems.

# Sony Plans Spread Of PlayStation VR

By TAKASHI MOCHIZUKI

Sony Corp. plans to expand marketing of its PlayStation VR virtual-reality headset to commercial customers including entertainment facilities in Japan, people familiar with the matter said, after the technology took hold among consumers at a slower-than-expected pace.

The Japanese group's videogame arm said last month that it had set up a "location-based entertainment" unit, without giving details. The people said that unit would lead the VR initiative and look for partners in various industries. The plan doesn't call for Sony to run its own facilities, at least for now, they said.

Since its introduction in October, Sony's PlayStation VR has been the most popular high-end headset for homes, research firm IHS Markit says, but its adoption has mostly been limited to gadget-savvy game fans. The technology remains unfamiliar to many general consumers.

Sony Interactive Entertainment, the Sony arm in charge of the PlayStation business, said in February it had sold 915,000 units of PlayStation VR in the first four months. The company described the figure as better than expected, but analysts said the number might not be enough to trigger the early momentum that game-machine makers need to drive interest on the part of

software developers.

Some PlayStation users who bought the virtual-reality headset have said they put it aside because of the shortage of new games designed for virtual reality.

Sony's location-based entertainment initiative is partly designed to address the issue by raising awareness and giving people a chance to try out the headsets.

Possible locations for the commercial VR business include videogame arcades, which long ago passed their peak in most countries but remain a niche market in Japan, as well as theme parks and special events, said the people familiar with the matter. Non-game applications might also be studied.

Separately, Sony's music arm in Japan struck a partnership deal in February with Tokyo-based startup Hashilus, which specializes in virtual-reality technology, to offer entertainment content aimed at public spaces such as museums, landmark buildings and theme parks.

Sony's rivals in virtual reality have also pursued business-to-business-to-consumer sales for applications such as virtual tours and theme-park attractions. Other virtual-reality devices include Facebook Inc.'s Oculus Rift and HTC Corp.'s Vive, as well as the lower-end gadget Gear VR by Samsung Electronics Co.



The PlayStation VR headset will be marketed to commercial customers as Sony tries to increase awareness of the devices.

# Boeing Sets Up a Venture-Capital Division

By DOUG CAMERON

Boeing Co. is establishing a venture-capital arm as part of a broader push to capture technology that includes innovations that could be used beyond its core aerospace and defense sectors.

The company announced the new Boeing HorizonX unit Wednesday alongside its first two minority investments and a pledge to deploy tens of millions of dollars a year worldwide in pursuit of technology that might be deployed in the next five to 15 years.

Boeing is following a path taken by rivals including Air-

bus SE and **Lockheed Martin** Corp. as well as other big manufacturers such as **General Motors** Co., all of which have reorganized their innovation efforts under a single umbrella with the ability to make minority investments.

Steve Nordlund, who will lead the new unit, acknowledged Boeing was responding to moves in the marketplace but said it wasn't playing catch-up, with the establishment of HorizonX coming as it prepares to launch another stand-alone operation tasked with securing a bigger share of aftermarket and services.

"The big difference is we're

moving this entire effort to the enterprise level," said Mr. Nordlund, formerly vice president of strategy at Boeing's defense unit. He will report to Greg Smith, chief financial officer and strategy chief.

Boeing's efforts to boost productivity of its jetliner production have included borrowing techniques from the auto industry. One of the two initial investments is in Upskill Inc., a Washington firm that makes software for wearable devices that use augmented reality to perform tasks more efficiently. It also is taking a minority stake in **Zunum Aero**, a Kirkland, Wash., company developing

ing electric aircraft-propulsion systems. JetBlue Airways Corp., an Airbus jet operator that set up its own VC arm, also is taking a stake. Mr. Nordlund said Boeing's pipeline included a mix of stand-alone deals and those with strategic partners.

Similar to peers, Boeing is targeting areas such as artificial intelligence, machine learning and additive manufacturing, but Mr. Nordlund said there were capabilities within Boeing such as preventing tampering with hardware that could be married to external technology and sold outside the aerospace industry.

movement—hating men and denigrating the choice to become a mother—and arguing for what has become the current concept of feminism, including equal pay and equal access to every profession and the top of every profession."

Her views have since adapted to the times. She wrote a book in 2006, "On Becoming Fearless...in Love, Work, and Life," that was meant to empower women. Her 2014 book "Thrive" placed blame on companies that expect employees to be wired in and responsive around the clock—something employees have said of Uber.

Ms. Huffington began talking to Uber about "changing the burnout culture at Uber" shortly before the allegations of sexism. An internal survey showed "widespread stress and burnout," Ms. Huffington said in an email.

Mr. Kalanick and Ms. Huffington met at a tech conference in 2012. They socialized and dined together frequently in the following years. In April 2016, he visited her home in Los Angeles to persuade her to join his board. They discussed Uber for 4½ hours while he paced her dining room, eating an omelet she had made for him, Ms. Huffington wrote in a Huffington Post story about why she joined Uber's board.

When asked on the conference call whether Mr. Kalanick could be replaced, Ms. Huffington said, "It isn't something that has been addressed because it hasn't come up and we don't expect it to."

In recent weeks, Ms. Huffington has amended some of her views. After claiming there wasn't a "systemic" sexual-harassment problem at Uber, she offered a clarification, saying in an email to employees and on the media call that the "ultimate decision of what is or isn't a systemic problem" would be determined by former U.S. Attorney General Eric Holder and his team conducting the company investigation.



An internal survey at Uber showed 'widespread stress and burnout,' an issue the firm is addressing.

## UBER

Continued from page B1  
members in late March that sexual harassment wasn't a "systemic problem"—before the investigation was complete. The probe is expected to conclude this month.

"Saying something isn't a systemic problem right off the bat is not a judgment that indicates an investigation is impartial," says Y-Vonne Hutchinson, founder of ReadySet, a diversity consulting firm that works with many Silicon Valley tech companies.

People close to Ms. Huffington say she stands up to Mr. Kalanick. "Anyone who knows Arianna—I do—knows she doesn't pull punches," says Rosabeth Kanter, a professor of strategy and management at Harvard Business School. "The more important question is whether the CEO and other key executives will listen and take new actions."

"I have told Travis and the management team I will be holding their feet to the fire," Ms. Huffington said on a recent conference call about the steps Uber is taking in response to allegations of sexual harassment and sexism.

The allegations were sparked by a blog post written in February by former Uber engineer Susan Fowler Rigetti. Mr. Kalanick condemned the behavior described by Ms. Rigetti in a statement following her blog post, and said it was the first he had heard of the allegations. "What she describes is abhorrent and against everything Uber stands for and believes in," he said in a statement at the time. Uber declined to comment on the investigation.

The allegations have shined a light on Uber's workplace culture, which critics say is particularly toxic to women. That has pointed to the need, experts say, for a strong advocate for women within the company, along the lines of Sheryl Sandberg at Facebook Inc., and Ms. Huffington has accepted that challenge. Uber's head of human resources, Liane Hornsey, has also taken a public role since joining the company in January.

"Clearly there is a lot of work that needs to be done," Ms. Hornsey said in reference to Uber's culture on the recent media call. Uber declined to comment on allegations of systemic sexism.

Ms. Huffington immediately jumped to action after the

blog post, announcing on Twitter the same day that she would be helping with an investigation of the claims "starting now."

The first day of work after Ms. Rigetti's blog post, Ms. Huffington met with employees at Uber's weekly all-hands meeting and said in a staff email that they could come talk to her in a conference room in Uber's San Francisco headquarters, encouraging them to reserve as much time as they needed, according to emails viewed by The Wall Street Journal. She has since met with "hundreds" of employees, she has said.

Ms. Huffington, 66 years old, has run her own businesses, including co-founding the Huffington Post, which was sold to AOL Inc. for \$315 million in 2011. In parallel, she has weighed in on women's issues for decades.

"The Female Woman," a best seller she published in 1973 at age 23, attacked what she described as a branch of the women's liberation movement that "would transform only the lives of women with strong lesbian tendencies." In a statement early this week, Ms. Huffington said she was contrasting "the worst aspects of the women's liberation

## BUSINESS WATCH

AMAZON

### Company to Refund Up to \$70 Million

**Amazon.com** Inc. can begin refunding as much as \$70 million to consumers for in-app purchases made by children, following the end of a legal battle with the Federal Trade Commission.

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—Laura Stevens

SHIPPING

### Launch of Alliances Sparks Delays

The launch of two global container-shipping alliances this week got off to a rough start, with cargo owners in Europe complaining of long delays to carry goods to Asia.

The backlog is especially intense in northern European ports such as Hamburg and Rot-

terdam, where shippers say they have been asked by brokers to pay as much as three times the agreed-upon freight rates if they want priority handling.

The two groupings—Ocean Alliance and THE Alliance—comprise 10 container operators that move close to 60% of all cargo between Asia and Europe; they have made network changes in a move to save costs by sharing vessels and port calls.

Industry executives said the current backlog stems from a rise in cargo destined for Asia and operators sending empty containers to Asia in anticipation of capacity shortages shortly before the launch of the alliances.

"There has been an unexpected increase of cargo from Europe to Asia," said Rainer Horn, a spokesman for Germany's **Hapag-Lloyd** AG, the leading carrier in THE Alliance. "We regret any inconveniences and hope things will return to normal soon."

France-based **CMA CGM**, Ocean Alliance's lead carrier, declined to comment.

—Costas Paris



Hapag-Lloyd containers at a shipping terminal in Germany.

# Pimco Regains A Bond Laurel

By JUSTIN BAER

A Pacific Investment Management Co. fund is once again the largest of its kind in the world. For the first time the bond manager claimed the crown without any help from co-founder Bill Gross.

Pimco's Income Fund surpassed **TCW Group** Inc.'s Metropolitan West Total Return Bond Fund in March as the biggest actively managed bond fund, according to figures released Tuesday. That title was held for years by Mr. Gross's Total Return Fund, which lost tens of billions of dollars in assets after he was pushed out in 2014.

The ascension of Pimco Income Fund is one of several recent victories for the company, which manages \$1.5 trillion in assets, in its bid to move beyond the most tumultuous period in its history.

In the third and fourth quarters of 2016, investors put more money into the firm than they pulled out, reversing an extended period of outflows. In December, Pimco settled Securities and Exchange Commission claims that the firm misled investors in an exchange-traded fund once managed by Mr. Gross. Then last week, Pimco removed its last major legal headache by resolving a breach-of-contract lawsuit with Mr. Gross for \$81 million.

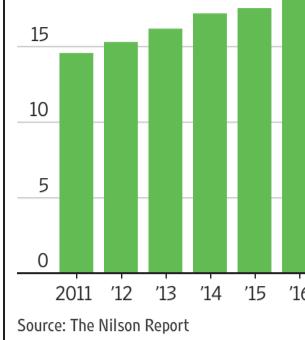
At a meeting with fellow money managers on Monday, Pimco Chief Investment Officer Daniel Ivascyn paused briefly to acknowledge the companies' recent string of positive results, according to a person who attended the meeting. Pimco's Income Fund, which Mr. Ivascyn manages, had \$79.1 billion in assets under management as of March 31, the firm said Tuesday. TCW's MetWest Total Return Bond Fund had \$78.6 billion, according to the firm and research company Morningstar Inc.

Making peace with Pimco's past has been a priority for Chief Executive Emmanuel Roman since his arrival in November. As part of that effort, he played a critical role in ending the feud with Mr. Gross, people familiar with the matter said.

Mr. Gross abruptly left Pimco in September 2014 after disagreements with his colleagues. In 2015, he sued the firm for at least \$200 million in damages.

## Paying Up

Fees received by U.S. merchant processors for credit- and debit-card transactions



Source: The Nilson Report  
THE WALL STREET JOURNAL.

## FINANCE & MARKETS



A Wells Fargo branch in New York. The bank found false reporting in its card-processing work for small business, among other things.

East 42nd St

Third

Victor J. Blue/Bloomberg News

# Wells Fargo Uncovers More Abuses

BY EMILY GLAZER  
AND RUTH SIMON

**Wells Fargo** & Co. has overhauled its credit-card-processing business after an internal probe found some employees falsely reported customers' sales and pushed small firms into costly contracts they didn't understand.

The bank has fired at least two dozen employees of Wells Fargo Merchant Services LLC in the past two years for those and other bank-policy violations, according to current managers. Wells Fargo also restructured the unit last fall to reduce the incentives for using aggressive sales tactics, the executives said.

The actions, which haven't been previously reported, show how Wells Fargo's sales-tactics problems extended beyond its consumer bank. That business was hit by last fall's revelation that employees opened as many as 2.1 million consumer-banking accounts without customers' knowledge to meet lofty sales goals.

Wells Fargo discovered the full scale of abuses in the merchant-services business after undertaking a broad examina-

tion of the bank's business practices in light of the account-opening scandal.

Wells Fargo said in a statement it has taken "significant steps" over the past several years to strengthen Wells Fargo Merchant Services, its merchant-processing unit for credit- and debit-card payments. The bank had fired some merchant-processing employees before the wider scandal broke last fall. After taking a deeper look into the business in the wake of those problems, it terminated several other employees and revamped the unit.

Merchant processing, which involves helping businesses handle debit- and credit-card transactions for customers, might seem like a mundane business. But small-business owners and industry participants say high-pressure sales tactics are common. They add that complex pricing structures and costly early-termination penalties that can lock customers into contracts are also prevalent.

Merchant processors collected about \$18.15 billion in debit- and credit-card fees from merchants in 2016, ac-

cording to the Nilson Report, a newsletter tracking the payments industry. Banks such as Wells Fargo, Bank of America Corp. and J.P. Morgan Chase & Co. are among the biggest players.

Wells Fargo fired some staff in this business for policy violations after uncovering evidence employees coached branch bankers to input false information into the bank's systems about small-business customers' sales, the current managers said.

Firms with annual sales of less than \$750,000 seeking to open accounts were automatically routed to call centers, under Wells Fargo policies at the time. So to earn commissions, sales representatives sometimes inflated sales figures so they surpassed the threshold.

As part of its broader overhaul of sales tactics last fall, the bank ended the practice of allowing retail-branch bankers to refer small-business customers to merchant-services employees without manager consent. That has caused referrals to the merchant-services unit to fall by more than 50%, a former employee said.

"The training manager just literally threw a temper tantrum in my office," he recalled. "It was worse than a

car salesman not making a sale."

Payment options vary but small-business owners typically sign a contract for payment processing that may include a terminal lease, monthly fees and other costs.

Mr. Louks said he agreed to sign up with Wells Fargo after bank representatives promised to waive the \$400 payment and said it would charge the Flagstaff-based computer-services firm a 1.5% transaction fee plus a small per-swipe charge.

But he said he later discovered that the transaction fee didn't include a payment to the credit-card companies and other charges that pushed his costs to 3% or more. Wells Fargo agreed to refund \$193 charged on two transactions after Mr. Louks complained.

Wells Fargo said it doesn't comment on individual customers. The bank, however, did say it is reaching out to customers The Wall Street Journal brought to its attention and is addressing their concerns. Wells Fargo has offered full refunds to some customers and financial assistance to others.

# Tax Inquiry Hits Australian Bank Accounts

BY ROB TAYLOR

Australian tax authorities have obtained information on as many as 1,000 bank accounts—some still active—linked to 347 people, as part of an international tax-fraud investigation, the country's Taxation Office Deputy Commissioner Michael Cranston said.

The data were provided to Australia by Dutch investigators, who are spearheading the probe that has put scrutiny on Swiss lender **Credit Suisse Group AG**. After the Dutch received a trove of 55,000 tax records from a whistleblower, they organized an investigation involving counterparts in

Australia, France, Germany and Britain.

"We visited the Netherlands and they organized this group of five countries to unpack the data and used all the tools available to law enforcement and the tax offices to see how far we could get behind it, because these data sets are not easy," Mr. Cranston said.

The Dutch financial-fraud prosecutor said Friday it was investigating dozens of people and had seized jewelry, artwork and a gold bar from homes in the Netherlands as part of a probe into tax evasion and money laundering.

It didn't specify any bank as part of the investigation. How-

ever, the same day, Credit Suisse said it had been contacted by authorities in Amsterdam, Paris and London regarding a tax investigation.

*The world-wide tax-evasion probe has put scrutiny on Swiss lender Credit Suisse.*

it had a "strict zero tolerance policy on tax evasion."

A Credit Suisse spokesman reiterated that statement on Wednesday and said it also applied to Australia.

While Australian authorities haven't directly mentioned Credit Suisse, Mr. Cranston said the country's investigators have scoured phone records of customer relationship staff who visited Australia to meet with wealthy clients.

"Our understanding is that Australia has been a smaller part than probably what happened in other countries, but there is a number of these relationship managers—a small

number—who move around the countries and link up with wealthy Australians, to show what they can do," he said. "We are using all the tools we have got available to work out who gets visited, what phone account numbers are being used."

A senior person in Australia's government has said that only one Swiss bank is involved in the investigation.

Mr. Cranston said "a number" of the accounts being investigated in Australia appeared to still be in use. He stressed that the investigation is in its early stages.

—Brian Blackstone contributed to this article.

## FINANCE WATCH



Parts of Queensland were still flooded Wednesday after a cyclone hit Australia in late March.

### INSURANCE

#### Storm to Hit Margins At Australian Firm

Insurance Australia Group Ltd. estimated it will be hit with about 140 million Australian dollars (US\$106 million) in claims costs for damages from the cyclone that struck eastern Australia last week, pushing it to lower its margin guidance.

IAG said it had lifted its forecast for natural-disaster claims costs to A\$850 million from A\$600 million for the year through June.

The increase in claim-cost assumptions means the company's reported insurance margin for the year is expected to be between 10.5% and 12.5%, compared with an earlier forecast of 12.5%-14.5%, the insurer said.

—Rob M. Stewart

### ITALY

#### ECB Says Banks Qualify for Aid

The European Central Bank told Italian lenders Banca Popolare di Vicenza SpA and Veneto Banca SpA they are both eligible for state aid under so-called precautionary recapitalization rules and that their combined capital shortfall is €6.4 billion (\$6.8 billion), the banks said in separate statements late Tuesday.

Under these European rules, national governments can inject capital into ailing banks after losses have been imposed on shareholders and junior bondholders if regulators deem them solvent. Banks must also be found to be short of capital under the adverse scenario in stress testing, rather than under baseline conditions, indicating

they are strong enough to survive in ordinary times.

The precautionary recapitalization regime allows for aid without forcing senior bondholders and uninsured depositors to take losses, as is generally required under European rules.

Veneto has €3.1 billion less capital than it needs, while Vicenza lacks €3.3 billion.

The banks are planning to merge and restructure their businesses. They said the figures will serve as a basis for determining how much new capital the banks will need.

Last month, both banks said they had asked European and national authorities to be bailed out by the Italian government.

They said Tuesday they are already in talks with authorities about formally launching the recapitalization.

—Giovanni Legorano

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FUND NAME 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](http://www.cam.com.sg), Email: [cam@cam.com.sg](mailto:cam@cam.com.sg)

CAM-GF Limited OT MUS 03/31 USD 31119.76 3.0 7.6 -2.4

FUND NAME GF AT LB DATE CR NAV YTD 12-MO 2-YR

VP Class-B Units AS EQ HKG 04/03 USD 120.07 12.7 22.0 -0.9

VP Class-C Units AS EQ HKG 04/03 USD 16.30 12.8 22.2 -0.9

VP Class-C Units AUD H AS EQ HKG 04/03 AUD 13.43 12.5 20.0 -0.3

VP Class-C Units CAD H AS EQ HKG 04/03 CAD 13.02 12.4 22.5 -1.2

VP Class-C Units HKD H AS EQ HKG 04/03 HKD 11.06 12.3 20.9 NS

VP Class-C Units NZD H AS EQ HKG 04/03 NZD 13.47 11.7 21.8 0.3

VP Class-C Units RMB H AS EQ HKG 04/03 CNY 11.45 9.9 27.6 NS

VP Multi-Asset Fund C1 A USD OT HKG 04/03 HKD 10.92 13.6 24.0 NS

VP Multi-Asset Fund C1 USD OT HKG 04/03 HKD 10.12 5.2 NS

VP Taiwan Fund AS EQ CNY 03/31 USD 10.26 5.0 7.4 NS

VP Taiwan Fund AS EQ CNY 03/31 USD 18.59 11.0 22.6 7.0

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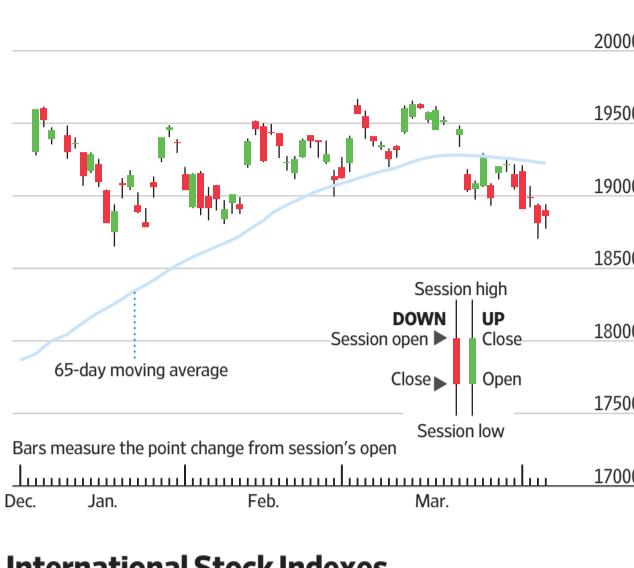
THE WALL STREET JOURNAL.

## MARKETS DIGEST

### Nikkei 225 Index

**18861.27** ▲ 51.02, or 0.27%

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



Bars measure the point change from session's open

Dec. Jan. Feb. Mar.

### STOXX 600 Index

**380.09** ▲ 0.06, or 0.02%

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



Dec.

Jan. Feb. Mar.

### S&P 500 Index

**2372.80** ▲ 12.64, or 0.54%

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



Dec.

Jan. Feb. Mar.

Data as of 12 p.m. New York time

Last Year ago

Trailing P/E ratio \* 24.75 23.82  
 P/E estimate \* 18.28 17.49  
 Dividend yield 1.97 2.20  
 All-time high: 2395.96, 03/01/17

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

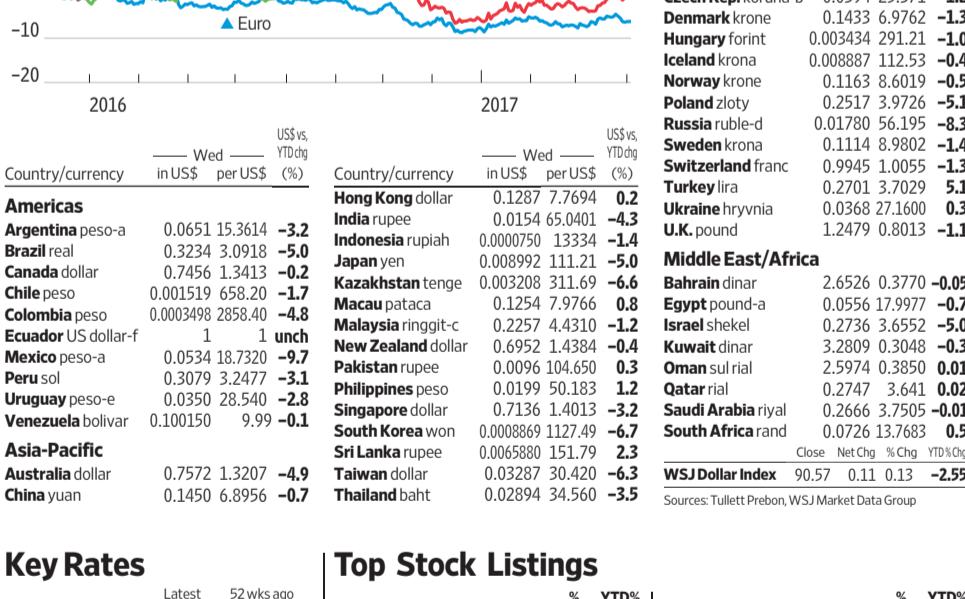
### International Stock Indexes

Region/Country	Index	Data as of 12 p.m. New York time					
		Close	Net Chg	% chg	52-Week Range	YTD High	% chg
<b>World</b>	<b>The Global Dow</b>	<b>2695.32</b>	7.10	<span style="color: green;">▲</span> <b>0.26</b>	2193.75	2720.47	<b>6.6</b>
	<b>MSCI EAFE</b>	<b>1784.76</b>	-1.91	<span style="color: red;">-0.11</span>	1471.88	1956.39	<b>4.0</b>
	<b>MSCI EM USD</b>	<b>970.35</b>	5.18	<span style="color: green;">▲</span> <b>0.54</b>	691.21	1044.05	<b>22.2</b>
<b>Americas</b>	<b>DJ Americas</b>	<b>572.01</b>	2.81	<span style="color: green;">▲</span> <b>0.49</b>	480.90	577.65	<b>5.9</b>
Brazil	<b>Sao Paulo Bovespa</b>	<b>65567.80</b>	-201.11	<span style="color: red;">-0.31</span>	47873.65	69487.58	<b>8.9</b>
Canada	<b>S&amp;P/TSX Comp</b>	<b>15705.68</b>	36.61	<span style="color: green;">▲</span> <b>0.23</b>	13217.17	15943.09	<b>2.7</b>
Mexico	<b>IPC All-Share</b>	<b>49210.37</b>	-132.40	<span style="color: red;">-0.27</span>	43902.25	49560.90	<b>7.8</b>
Chile	<b>Santiago IPSA</b>	<b>3747.16</b>	22.13	<span style="color: green;">▲</span> <b>0.59</b>	2998.64	3764.58	<b>16.3</b>
<b>U.S.</b>	<b>DJIA</b>	<b>20826.71</b>	137.47	<span style="color: green;">▲</span> <b>0.66</b>	17063.08	21169.11	<b>5.4</b>
	<b>Nasdaq Composite</b>	<b>5924.43</b>	25.82	<span style="color: green;">▲</span> <b>0.44</b>	4574.25	5933.78	<b>10.1</b>
	<b>S&amp;P 500</b>	<b>2372.80</b>	12.64	<span style="color: green;">▲</span> <b>0.54</b>	1991.68	2400.98	<b>6.0</b>
	<b>CBOE Volatility</b>	<b>11.14</b>	-0.65	<span style="color: red;">-5.51</span>	9.97	26.72	<b>-20.7</b>
<b>EMEA</b>	<b>Stoxx Europe 600</b>	<b>380.09</b>	0.06	<span style="color: green;">▲</span> <b>0.02</b>	308.75	381.14	<b>5.2</b>
	<b>Stoxx Europe 50</b>	<b>3156.23</b>	0.10	<span style="color: green;">▲</span> <b>0.003</b>	2626.52	3174.79	<b>4.8</b>
France	<b>CAC 40</b>	<b>5091.85</b>	-9.28	<span style="color: red;">-0.18</span>	3955.98	5132.93	<b>4.7</b>
Germany	<b>DAX</b>	<b>12217.54</b>	-64.80	<span style="color: red;">-0.53</span>	9214.10	12375.58	<b>6.4</b>
Israel	<b>Tel Aviv</b>	<b>1409.90</b>	15.79	<span style="color: green;">▲</span> <b>1.13</b>	1372.23	1504.42	<b>-4.1</b>
Italy	<b>FTSE MIB</b>	<b>20253.37</b>	-3.73	<span style="color: red;">-0.02</span>	15017.42	20540.39	<b>5.3</b>
Netherlands	<b>AEX</b>	<b>514.89</b>	0.84	<span style="color: green;">▲</span> <b>0.16</b>	409.23	518.88	<b>6.6</b>
Russia	<b>RTS Index</b>	<b>1152.49</b>	16.51	<span style="color: green;">▲</span> <b>1.45</b>	848.07	1196.99	<b>0.01</b>
Spain	<b>IBEX 35</b>	<b>10402.70</b>	41.50	<span style="color: green;">▲</span> <b>0.40</b>	7579.80	10467.30	<b>11.2</b>
Switzerland	<b>Swiss Market</b>	<b>8640.51</b>	-6.48	<span style="color: red;">-0.07</span>	7475.54	8710.26	<b>5.1</b>
South Africa	<b>Johannesburg All Share</b>	<b>52990.08</b>	329.34	<span style="color: green;">▲</span> <b>0.63</b>	48935.90	54704.22	<b>4.6</b>
Turkey	<b>BIST 100</b>	<b>89037.45</b>	424.90	<span style="color: green;">▲</span> <b>0.48</b>	70426.16	91497.00	<b>13.9</b>
U.K.	<b>FTSE 100</b>	<b>7331.68</b>	9.86	<span style="color: green;">▲</span> <b>0.13</b>	5788.74	7447.00	<b>2.6</b>
<b>Asia-Pacific</b>	<b>DJ Asia-Pacific TSM</b>	<b>1551.54</b>	1.07	<span style="color: green;">▲</span> <b>0.07</b>	1308.52	1570.38	<b>9.1</b>
Australia	<b>S&amp;P/ASX 200</b>	<b>5876.20</b>	19.60	<span style="color: green;">▲</span> <b>0.33</b>	4931.50	5896.20	<b>3.7</b>
China	<b>Shanghai Composite</b>	<b>3270.31</b>	47.79	<span style="color: green;">▲</span> <b>1.48</b>	2806.91	3282.92	<b>5.4</b>
Hong Kong	<b>Hang Seng</b>	<b>24400.80</b>	139.32	<span style="color: green;">▲</span> <b>0.57</b>	19694.33	24593.12	<b>10.9</b>
India	<b>S&amp;P BSE Sensex</b>	<b>29974.24</b>	64.02	<span style="color: green;">▲</span> <b>0.21</b>	24673.84	29974.24	<b>12.6</b>
Indonesia	<b>Jakarta Composite</b>	<b>5676.98</b>	25.16	<span style="color: green;">▲</span> <b>0.45</b>	4704.22	5676.98	<b>7.2</b>
Japan	<b>Nikkei Stock Avg</b>	<b>18861.27</b>	51.02	<span style="color: red;">-0.27</span>	14952.02	19335.75	<b>-1.3</b>
Malaysia	<b>Kuala Lumpur Composite</b>	<b>1744.67</b>	-2.52	<span style="color: red;">-0.14</span>	1614.90	1754.67	<b>6.3</b>
New Zealand	<b>S&amp;P/NZX 50</b>	<b>7265.05</b>	20.51	<span style="color: green;">▲</span> <b>0.28</b>	6664.21	7571.11	<b>5.6</b>
Pakistan	<b>KSE 100</b>	<b>47577.31</b>	-511.06	<span style="color: red;">-1.06</span>	33566.22	50192.36	<b>-0.5</b>
Philippines	<b>PSEI</b>	<b>7584.21</b>	137.72	<span style="color: green;">▲</span> <b>1.85</b>	6563.67	8102.30	<b>10.9</b>
Singapore	<b>Straits Times</b>	<b>3176.55</b>	-2.51	<span style="color: red;">-0.08</span>	2729.85	3187.51	<b>10.3</b>
South Korea	<b>Kospi</b>	<b>2160.85</b>	-0.25	<span style="color: red;">-0.01</span>	1925.24	2178.38	<b>6.6</b>
Taiwan	<b>Weighted</b>	<b>9949.48</b>	137.96	<span style="color: green;">▲</span> <b>1.41</b>	8053.69	9972.49	<b>7.5</b>
Thailand	<b>SET</b>	<b>1582.12</b>	-1.70	<span style="color: red;">-0.11</span>	1356.69	1591.00	<b>2.5</b>

Source: SIX Financial Information/WSJ Market Data Group

### Currencies

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





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# MARKETS

# Strong Quarterly Profits Forecast

Signs point to further momentum for rally, but some worry that valuations are too high

By AKANE OTANI

U.S. companies are poised to report their strongest quarterly earnings in years, another sign that the stock-market rally could have further to run.

Analysts expected earnings for S&P 500 companies to register growth of 9.1% overall in the first quarter from a year earlier, as of March 31, which would mark the highest growth since the fourth quarter of 2011, according to FactSet. Still, analysts have trimmed their profit expectations since the start of the year, and disappointing results could stoke concerns that stock-price gains have outpaced earnings growth.

Reporting season heats up over the next few weeks, with banks including **J.P. Morgan Chase & Co.**, **Citigroup Inc.** and **Wells Fargo & Co.** expected to report results next week and giants like **Johnson & Johnson**, **Verizon Communications Inc.** and **General Electric Co.** scheduled the week after.

Investors have been betting that U.S. corporate profits will soar this year, supercharged by a Trump agenda that includes tax cuts and looser regulations. Last month's collapse of the Republican health-care bill cast doubt on such policies, but a strong earnings season could give investors a reason to keep investing in stocks.

Technology companies, among the best performers in the stock market this year, are expected to post some of the biggest earnings gains. Meanwhile, profits at industrial companies are projected to contract, potentially weighing on a sector that has lagged behind the broader S&P 500 this year after outperforming in the post-election rally.

"The buying and closing



Johnson & Johnson is one of many companies scheduled to report earnings in the coming weeks.

earnings growth would be 12.5%. But disappointing earnings could dent stocks' recent gains. Shares of industrial and materials companies, which helped lead the rally between Election Day and the end of 2016, posted the largest declines since then in expected earnings.

As of March 31, analysts expected General Electric to post first-quarter per-share earnings of 17 cents, down from the 21 cents it reported a year earlier, according to FactSet. Analysts had expected first-quarter earnings of 29 cents per share at the end of 2016. The company—whose stock is down 5% this year after a 7.4% advance between Election Day and year-end—has faced pressure from activist investors to slash expenses after missing profit targets last year. The Wall Street Journal has reported. GE declined to comment.

Still, the overall tone remains upbeat. S&P 500 firms used the word "optimistic" in 52% of earnings calls for the fourth-quarter earnings season, the most ever in **Bank of America** Merrill Lynch data going back to 2003. At the same time, company-issued guidance was "nothing to write home about," the firm noted.

The gap between firms' confidence and their future earnings estimates reflects a concern among some investors and analysts: that stocks have run up at a pace beyond what is warranted by results. It also parallels what **Morgan Stanley** economists in March called a "stunning" divergence between soft and hard economic data. While poll-driven reports, like consumer confidence and business sentiment, have surged since the election, hard data like retail sales and business spending have lagged.

Major indexes' gains since November have made them even more expensive relative to their historical valuations, raising some concerns they could be vulnerable to a pullback.

## Building Plan Lifts Stocks in Shanghai

By KENAN MACHADO

Weekend news of a speedup in plans for a new economic zone southwest of Beijing gave a boost to Chinese stocks as trading resumed after a four-day holiday.

**WEDNESDAY'S MARKETS** Shanghai Composite rose 4.77%, or 1.5%, to 3270.31.

More than 40 China-listed stocks with a connection to the so-called Xiongan new special economic zone—including **BBMG**, **China Fortune Land** and **Beijing Capital Development**—surged by the 10% daily limit.

"It is a huge driver. This is a brand new scheme for China basically," said Andrew Sullivan, a managing director at Haitong International Securities.

Most Asian markets gained ground, but activity was limited as investors awaited the release of minutes from a March meeting of the Federal Reserve's policy-setting committee later in the day.

Hong Kong's Hang Seng gained 0.6% and the Nikkei Stock Average rose by 0.3%.

The Stoxx Europe 600 closed marginally higher at 380.09, but U.S. shares powered ahead as investors responded to news of strength in employment. Shortly after midday in New York, the Dow Jones Industrial Average was up 141 points, or 0.7% to 20831. The S&P 500 added 0.6%, and the Nasdaq Composite gained 0.5%.

The U.S. private sector added a better-than-expected 263,000 jobs in March, according to payroll firm Automatic Data Processing Inc. and Moody's Analytics.

—Riva Gold contributed to this article.

### Rising

S&P 500 12-month trailing price/earnings ratio



Note: Through April 3

Source: FactSet

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couraging sign for some investors who were looking for more sustainable growth. For the first quarter, S&P 500 firms are projected to report revenue growth of 7.1%, the biggest jump in more than five years, according to FactSet.

Improving corporate health and U.S. economic data have supported stocks since last year's second half, helping the rally weather shifts in fiscal-policy expectations. Over the past year, S&P 500 companies have rebounded from a five-quarter earnings slump, wage growth has firmed and consumer confidence has risen to its highest in more than 16 years.

A dollar rally, which some worried would cut into exporters' profits, has stalled this year after a postelection surge.

Analysts have pared back their expectations for first-quarter earnings since the start of the year, but the cuts have been smaller than the average over the past five years, according to FactSet. As of year-end, analysts estimated first-quarter

Revenue also is expected to pick up for S&P 500 companies overall, after many had relied on cost-cutting to improve profits during the recovery from the financial crisis—an en-

than a third of the broader index's projected gains, according to FactSet.

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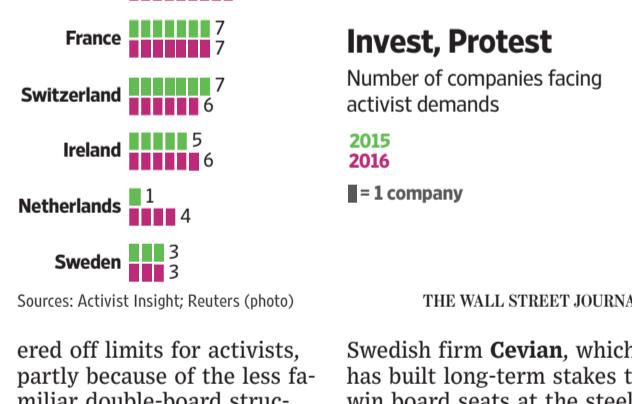
## HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

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# Activists Find Fertile Ground in Europe



Sources: Activist Insight; Reuters (photo)

### Invest, Protest

Number of companies facing activist demands

2015

2016

■ = 1 company



AkzoNobel headquarters

in Amsterdam

are more present than they used to be—even if two-thirds of the largest German companies are controlled by big insider stakes, calculates Edmund Schuster, a professor at the London School of Economics. And institutional investors are under political pressure to act as owners, rather than merely as holders, making them more likely to vote with activists who lead the charge.

An enduring problem with activism in Europe is that corporate law is different in each country. The arcane qualities of Dutch "stichtings" have become a sticking point in the AkzoNobel case. Although Elliott can, with the support of other shareholders, remove members of Akzo's board, it is powerless to nominate replacements. This probably protects the company from hostile action.

Activists looking to prosper in Europe need to master the local rules of the game. If U.S. firms don't, others will.

—Stephen Wilmot

## Gloom Over Teva Starts To Dissipate

It is easy for incremental good news to get drowned out by the negativity surrounding **Teva Pharmaceutical Industries**, but the arrival of a new drug in the company's portfolio is a meaningful step out of the generic drug giant's hole.

Teva said Monday evening that the Food and Drug Administration has approved Austedo, its new treatment for symptoms associated with Huntington's disease. At its most common dosage, the drug's gross price is \$60,000 a year before rebates and discounts. That is a lower cost than for currently available treatments. A decision for approval on a related indication is scheduled for this summer.

The approval doesn't resolve other challenges the company faces. The stock is down 40% over the past year amid a tough pricing environment for generic drugs. Meanwhile, generic competition for Teva's bestselling drug Copaxone is looming, and a 2015 acquisition of **Allegan**'s generic business has weighed on the company's balance sheet. Teva had more than \$30 billion in net debt at the end of 2016, up from about \$8 billion a year earlier.

Reducing that debt burden will be necessary to get the stock moving higher again. The best way to achieve that goal is to generate sales and profits, and Austedo is helpful in that respect. There is potential for sales of the drug to surprise, given that it costs less than existing treatments and has a less onerous side-effect profile.

It will take time for the stock to rebound. But Austedo will help on that front—even if investors have yet to agree.

—Charley Grant

# AIG on Track Despite Turmoil at the Top

**American International Group** is in management turmoil, but its prospects are improving.

The insurer's shares fell sharply after it reported disappointing fourth-quarter earnings. A \$5.6 billion increase in reserves at **AIG**'s property-and-casualty business sparked a board debate that culminated in the resignation of Peter Hancock as chief executive last month, though he remains acting CEO.

Yet the company remains on track to achieve goals it laid out in early 2016, including an improved risk profile and substantial capital returns.

AIG has pledged to return \$25 billion of capital to

shareholders over two years and has \$12 billion remaining to meet that target. Analysts at Morgan Stanley figure it can tap about \$2 billion of parent-company liquidity to meet that goal, plus \$4 billion to \$6 billion of dividends from subsidiaries this year.

Recent life reinsurance deals that take additional risk off AIG's books could release another \$2 billion of liquidity.

That still leaves a shortfall of around \$2 billion to \$4 billion, but the company says it expects to receive \$2.3 billion of tax-sharing payments from subsidiaries in 2017.

The remainder could be met with further divestitures.

What could derail this plan is the threat of a downgrade for the P&C unit, forc-

ing the unit to curtail its dividend payments to the parent company. A.M. Best, a key industry rater, has the parent company and its units on negative watch and is expected to make a decision soon.

A downgrade to below an A rating would roil the entire industry as some clients

would be forced to switch insurers, but AIG has already done a lot to mollify raters.

With the stock at 0.8

times book value, AIG investors are getting a substantial discount to compensate for the risk of a slight capital-return shortfall. If AIG hits its marks, the shares could prove to be one of the few bargains left in the financial sector.

—Aaron Back

## OVERHEARD

U.S. President Donald

Trump, set to meet this week

with China's leader, Xi Jinping,

shares a penchant for big infra-

structure projects with the Chi-

nese—who, you may recall,

mastered building Great Walls

centuries ago.

Investors in both countries

seem to join in the enthusiasm.

U.S. industrial shares

soared after Mr. Trump's sur-

prise election, partly on his

ambitious if vague plans for

big investment spending.

Chinese infrastructure shares got

a jolt Wednesday—when main-

land markets reopened after a

two-day holiday—from a week-

end announcement of a new

development zone outside of

Beijing.

Never mind that details on

what will make the new devel-

opment zone a smashing suc-

cess remain scarce, other than

its strategic location and an

expectation some state func-

tions will be transferred there.

For investors in China—as in

the U.S.—infrastructure an-

nouncements are enough to

signal "go" for speculation.

Any actual development

may just prove to be the icing

on the cake.