

THE WALL STREET JOURNAL.

DOW JONES | News Corp

WEDNESDAY, APRIL 5, 2017 ~ VOL. XXXV NO. 47

WSJ.com EUROPE EDITION

DJIA 20689.24 ▲ 0.19%

NASDAQ 5898.61 ▲ 0.07%

NIKKEI 18810.25 ▼ 0.91%

STOXX 600 380.03 ▲ 0.20%

BRENT 54.17 ▲ 1.98%

GOLD 1255.00 ▲ 0.34%

EURO 1.0663 ▼ 0.07%

What's News

Business & Finance

U.S. companies are poised to report their strongest quarterly earnings in years, a sign the stock rally could continue. **A1**

◆ **Boeing** agreed to sell up to 60 jets to an Iranian airline, despite uncertainty about the White House stance on deals with Iran. **A1**

◆ **Some investors** are bracing for a sell-off of European corporate bonds as the ECB pares purchases. **B1**

◆ **Germany is luring** commercial-real-estate investors who see it as a haven in a turbulent Europe. **B1**

◆ **Gillette** is slashing prices and focusing on cheaper products as its share of the razor business declines. **B1**

◆ **Qualcomm** asked a U.S. judge to dismiss a lawsuit by the FTC that accused the chip maker of anticompetitive behavior. **B4**

◆ **Google accused** its former driverless-car executive of developing a rival company while working at the internet giant. **B4**

◆ **Google unveiled** measures meant to help marketers track where ads appear across YouTube. **B4**

◆ **J.P. Morgan's CEO** called for simpler and better-coordinated banking rules in its shareholder letter. **B6**

◆ **AmTrust revised** three years of earnings downward by about \$136 million due to accounting errors. **B6**

◆ **W.L. Ross is forming** a venture to invest in China's steel industry. **B7**

World-Wide

◆ **The U.S. administration** is considering extreme vetting measures for visitors to the U.S., including those from allied nations. **A1**

◆ **The government** began accepting visa applications of high-skilled foreign workers while targeting outsourcing firms. **A6**

◆ **A chemical attack** blamed on the Syrian regime killed at least 58 people in an opposition-held town, doctors and rescue workers said. **A1**

◆ **Russian officials** identified a man from Kyrgyzstan as the suicide bomber who caused a deadly subway-train blast in St. Petersburg. **A3**

◆ **Hungary's parliament** approved legislation that could shut a university founded by Soros, a target of nationalists in Europe. **A3**

◆ **Trump welcomed** Egyptian leader Sisi to the White House, as the U.S. shifts its focus from Egypt's rights record to security. **A4**

◆ **Trump adviser Kushner** arrived at a military base near Mosul and praised the U.S.-Iraqi partnership. **A4**

◆ **A Senate floor battle** over the confirmation of Trump's nominee to the Supreme Court was set to begin. **A6**

◆ **Inflation in** developed economies rose for a sixth month in February. **A3**

◆ **Negative views of China** by Americans are receding, a new survey found. **A2**

◆ **South African unions** called on Zuma to step down as president. **A3**

CONTENTS Markets B10
Business News... B3 Opinion A10-11
Crossword A12 Streetwise B1
Head on Street... B1 Technology B4
Int'l Property... B9 U.S. News... A6-7
Life & Arts... A9,12 Weather A12
Management... B5 World News... A2-5
E3.20; CHF5.50; £2.00;
U.S. Military (EUR) \$2.20

14
9 779219 9861391

Copyright 2017 Dow Jones & Company. All Rights Reserved

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

14

Copyright 2017 Dow Jones & Company. All Rights Reserved

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

YOUR AWKWARD COMPANY GYM

LIFE & ARTS, A9

INSIDE

WORLD NEWS

Protesters in Venezuela Get an Eyeful From Police



JUAN BARRETO/AGENCE FRANCE PRESSE/GETTY IMAGES

AUTHORITY FIGURES: Riot police fired pepper spray and tear gas to disperse a crowd of antigovernment demonstrators. The protesters were trying to make their way to the congress in Caracas.

FIRMS

Continued from Page One

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 your eyes bit—that part's gone," said Bret Chesney, senior portfolio manager at Alpine Global Management LLC. "I think now is when we really start to be dependent on what the hard numbers show."

Apple Inc., whose stock is up 25% this year, was expected to report per-share earnings of \$2.02 for its latest quarter as of March 31, up from \$1.90 a share a year earlier. Shares of the world's most valuable company hit a record this year partly on

the November election.

Analysts have pared back their expectations for first-quarter earnings since the start of the year, but the cuts have been smaller than average, according to FactSet. As of year-end, analysts estimated first-quarter 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 in expected earnings.

As of March 31, analysts expected GE to post first-quarter per-share earnings of 17 cents, down from 21 cents a year earlier, according to FactSet. Analysts had expected earnings of 29 cents a share at the end of 2016. The company—whose stock is down 5.4% this year through Monday's close 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.

Mining firm Freeport-McMoRan Inc. was expected March 31 to post earnings of 18 cents a share for the first quarter, compared with a loss of 16 cents a year earlier but down from analysts' year-end estimate of 41 cents a share, according to FactSet. The company said in March that, because of a stand-off with regulators, it had to scale back output and lay off workers in Indonesia, where it derives roughly a third of its copper output. Its stock is up 0.4% this year through Monday after rising 9.1% between Election Day and the end of 2016.

Still, company management has been upbeat. Firms used the word "optimistic" in 52% of 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, their official outlooks "were 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 earnings results. It also parallels what Morgan Stanley economists in March called a "stunning" divergence between hard and soft economic data. While poll-driven reports, such as consumer confidence and business sentiment, have surged since the election, hard data like retail sales, housing sales and business spending have lagged behind.

Major indexes' gains since November have made them even more expensive relative to their historical valuations, raising some concerns that they could be vulnerable to a pullback.

Stocks are trading near their records, even with some recent declines. The S&P 500 is up around 10% since Election Day, while the Dow Jones Industrial Average has climbed around 13% over the same period. As of last week, companies in the S&P 500 trade at an average of 21.7 times their past 12 months of earnings, above their 10-year average of 16.5 times trailing earnings, according to FactSet.

Disappointing corporate earnings could dent stocks' recent gains.

bets that its 10th-anniversary iPhone, expected later this year, will keep momentum at the firm building after it emerged in January from three consecutive quarters of profit declines.

Oil prices also have rebounded from their 2016 lows, a factor that should help energy companies—the biggest laggards in previous earnings seasons—improve results. Energy companies are expected to be the biggest contributors to earnings growth for the first quarter—accounting for more than a third of the broader index's projected gains, according to FactSet.

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 encouraging 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 the second half of last year, 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 a more than a 16-year-high.

The U.S. dollar, which some worried would cut into exporters' profits, has largely stalled this year after surging following

IRAN

Continued from Page One

deals were announced before Mr. Trump was inaugurated and have been held up as potential early test cases for his administration's approach to Iran and the nuclear accord. Mr. Trump and his administration haven't weighed in, in a significant way, on the pacts.

Boeing on Tuesday announced its second major deal with an Iranian partner. It said it signed a tentative agreement with privately owned Iran Aseman Airlines for the sale of 30 Boeing 737 Max single-aisle planes, with options for another 30. The list price for all 60 jets is \$6 billion, though plane makers typically offer steep discounts.

Boeing said it negotiated with Aseman Airlines under the terms of the multinational accord agreed by former President Barack Obama's administration.

The Chicago-based company declined to comment on whether it discussed the Aseman negotiations with the Trump administration. The White House didn't respond to a request for comment.

The proposed deal is the first major agreement between a U.S. company and an Iranian one since Mr. Trump took office. Any hint from Washington that it isn't welcome could send a further chill over plans by other U.S. companies to push into Iran.

"Pessimism in comparison with the time before the U.S. election has obviously increased," said Pedram Soltani, vice president of the Iran Chamber of Commerce, in a recent interview before Tuesday's Boeing deal.

But he said deals signed before Mr. Trump took office were largely moving forward, and that businesspeople felt protected by the multilateral nature of the nuclear accord.

By the same token, should Mr. Trump signal support for the Boeing deals—or simply not criticize them—that may eventually encourage other American executives to push ahead in

Iran in other ventures.

Mr. Trump had tangled with Boeing via Twitter during his presidential transition, criticizing the plane maker for the cost of a new version of Air Force One. The president has more recently publicly applauded Boeing's efforts to create U.S. jobs.

Boeing said a final deal with Aseman Airlines needs signoff from the U.S. Treasury's Office of Foreign Assets Control. If approved, the first planes would in Iran by 2022.

New Customers

Boeing and Airbus have found Iranian airlines eager buyers.

	Boeing	Airbus
737 Max	50	46
777-300ER	15	38
777-9	15	16
Aseman Airlines*	60	
737 Max		

*preliminary Source: the companies

eventually erode the nuclear accord and prevent the Boeing deal from ever materializing," Mr. Vaez said.

After foreign powers secured the nuclear accord with Iran, Boeing won a \$16.6 billion deal before discounts to sell 80 planes to Iran Air. It is awaiting final approval from the U.S. Treasury for those sales.

Boeing deliveries to the state-owned airline aren't due until next year, and the company—unlike Airbus—hasn't added Iran Air to its official or-

transactions to Iran for fear of being fined for running afoul of banking sanctions that remain. But many foreign firms are plunging in.

France's two auto giants, Peugeot maker Groupe PSA and Renault SA, signed local production ventures that are expected to turn out their first cars this year. European oil and gas firms including Royal Dutch Shell PLC and France's Total SA have entered preliminary agreements to develop energy resources.

Shortly after taking office, Mr. Trump took a confrontational posture toward Iran, tweeting in early February that Tehran was "on notice" for carrying out ballistic missile tests. The Trump administration followed up by sanctioning 25 people and entities allegedly connected to Iran's missile program. Iran responded last month by sanctioning 15 American companies, mostly arms manufacturers.

Mr. Trump included Iran among a list of Muslim-majority countries whose citizens were barred from entering the U.S. under two executive orders that the administration said aimed to keep terrorists out. Those orders have been stayed by federal judges after legal challenges.

—Doug Cameron in Chicago contributed to this article.

CORRECTIONS & AMPLIFICATIONS

Each of Royal Caribbean's Oasis-class ships has a volume of more than 225,000 gross registered tons, while Ponant's Le Lyrial has a volume of 10,700 gross registered tons. An Off Duty article March 24 about small cruise ships incorrectly said the Oasis-class ships weigh more than 227,000 tons and Le Lyrial weighs 10,700 tons.

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

THE WALL STREET JOURNAL
Europe Edition ISSN 0921-99
The News Building, 1 London Bridge Street,
London, SE1 9GF

Thorold Barker, Editor, Europe
Grainne McCarthy, Senior News Editor, Europe
Cicely K. Tyson, News Editor, Europe
Darren Everson, International Editions Editor

Joseph C. Sternberg, Editorial Page Editor

Jacky Lo, Circulation Sales
Andrew Robinson, Communications
Jonathan Wright, Commercial Partnerships

Katia Vanneck-Smith,
Global Managing Director & Publisher

Advertising through Dow Jones Advertising
Sales: Hong Kong: 852-2831 2504; Singapore: 65-6415 4300; Tokyo: 81-3 6269-2701;
Frankfurt: 49 69 29725390; London: 44 207 842 9600; Paris: 33 1 40 17 17 01;
New York: 212-659-2176

Printers: France: POP La Courneuve; Germany: Dogan Media Group/Hörrijet A.S.; Branch: Qualiprinters s.r.l.; United Kingdom: Newsprinters (Brockhouse) Limited, Great Cambridge Road, Waltham Cross, EN8 8DY

Registered as a newspaper at the Post Office.
Trademarks appearing herein are used under
license from Dow Jones & Co.

©2017 Dow Jones & Company. All rights reserved.

Editeur responsable: Thorold Barker M-1793-207
Registered address: Avenue de Cortenbergh
60/4F, 1040 Brussels, Belgium

NEED ASSISTANCE WITH YOUR SUBSCRIPTION?

By web: <http://services.wsj.com>
By email: subwsj@dowjones.com
By phone: +44(0)20 3426 1313

Americans' Views of China Improving

By JOSH CHIN

While President Donald Trump promises tough negotiations this week with Chinese President Xi Jinping to stop American job losses, a new survey suggests Americans' negative views of China are receding.

In findings released Tuesday, the Pew Research Center said 44% of Americans surveyed this year held a favorable view of China, up from 37% a year ago. Unfavorable views of China fell to 47% from 55% last year, it found.

"The growth in positive ratings for China may be due in part to declining concerns about economic threats from China," Pew said in a report on the survey.

The survey of 1,505 re-

spondents in the U.S. was conducted in February and March and is being released just before a summit with Mr. Xi at President Trump's Mar-a-Lago estate in Palm Beach,

Pew's figures.

White House statements have said public frustration is swelling with China's role in undermining the American economy. In the campaign, Mr. Trump "we can't continue to allow China to rape our country" and vowed to negotiate a new relationship with China to protect American jobs.

While Pew found that a majority, or 53%, of Americans see the loss of U.S. jobs to China as a serious problem, that number is down from 60% in 2015 and 71% in 2012. It fell to No. 4 on the list of Americans' biggest concerns with China, behind the country's large holdings of American debt, cyberattacks and its impact on the global environment.

Fla., on Thursday and Friday.

The lower unfavorability result is the best for China since 2011, the year before Mr. Xi took power, when just over half of Americans took a positive view of the emerging power, according to

Fla., on Thursday and Friday.

The lower unfavorability result is the best for China since 2011, the year before Mr. Xi took power, when just over half of Americans took a positive view of the emerging power, according to

WORLD NEWS

Russia Says Blast Likely a Suicide Attack

Death toll rises to 14 in St. Petersburg subway explosion; suspect identified

By NATHAN HODGE

ST. PETERSBURG, Russia—Russian authorities identified a 22-year-old man from the Central Asian republic of Kyrgyzstan as the suicide bomber who caused a deadly subway-train blast in Russia's second-largest city on Monday, underscoring Moscow's concerns about radicalization in Central Asia.

In a statement Tuesday, Russia's Investigative Committee identified the attacker as Akbarjon Jalilov.

The explosion occurred Monday on a train between Sennaya Ploshchad, a busy downtown subway intersection, and Technological Institute station.

According to the statement, forensic experts found genetic traces of Mr. Jalilov on a bag containing an explosive device that was found and disarmed at Ploshchad Vosstaniya, another subway station not far from the site of Monday's explosion. Investigators also drew their conclusions based on surveillance-camera footage, the statement said.

Russian Health Minister Veronika Skvortsova said Tuesday morning that 14 people had been killed and 49 remained in the hospital.

Earlier Tuesday, the Investigative Committee said that an



A photo provided by police shows the suspect identified as Akbarjon Jalilov in a subway station.

explosive device could have been detonated by a man whose fragmented remains were found in the third carriage of the subway train.

Rakhat Sulaimanov, the official representative of the Kyrgyz security agency, said the person responsible was likely a native of Kyrgyzstan

who then became a Russian citizen. Mr. Sulaimanov said Kyrgyz security services were in contact with Russian authorities over the matter, but

declined to provide further details.

No group has claimed responsibility for the blast. It occurred during a visit to the city by Russian President Vladimir Putin, raising official concerns that the attack was timed to his stay.

"Undoubtedly, the fact that this terrorist act was committed at the time the head of state was in the city makes one think, and raises questions," said Kremlin spokesman Dmitry Peskov.

Russian airplanes, subway trains and transport hubs have in the past two decades been frequent targets for terrorist attacks that officials have blamed on Islamist militants and separatists.

In 2015, a bomb brought down a Russian passenger jet bound for St. Petersburg over Egypt. An affiliate of Islamic State claimed responsibility for the attack.

That happened just weeks after Russia sent its military into Syria in support of President Bashar al-Assad, helping to turn the tide in a conflict that has now raged for six years.

The Russian president has long expressed concern that extremist groups such as Islamic State may find fertile recruiting ground in Muslim-majority regions of the former Soviet Union. In a 2015 interview, he justified military intervention in Syria by saying, "Instead of waiting for them to return back home we should help President al-Assad fight them there, in Syria."

Russian Foreign Minister Sergei Lavrov rejected suggestions that the blast may have been carried out in revenge for Russia's military action in Syria, calling them "cynical and foul," according to Interfax news agency.

While details of the apparent attack are still emerging, Russian officials have long said they believe several thousand citizens from the former Soviet Union have made their way into the ranks of Islamic State in the Middle East.

Mr. Putin estimated in October 2015 that between 5,000 and 7,000 individuals from Russia and the former U.S.S.R. were fighting alongside Islamic State.

The militant group has attracted a large number of recruits from impoverished former Soviet republics in Central Asia. Many people from the region work in Russia as migrant laborers, and counterterrorism experts say the workers—who often work in poor conditions and face alleged police harassment—are particularly vulnerable to radicalization.

International Crisis Group, a Brussels-based think tank, said in a 2016 report that Islamic State appears to be targeting Kyrgyzstan, a country with a fragile economy that depends heavily on remittances.

"The trend lines are worrying," the report states. "The rise of Islamic organizations as service providers reflects state failure to deliver on basic issues."

Soros Institutes Squeezed as Europe Nationalism Grows

By DREW HINSHAW

BUDAPEST—Hungary's parliament approved legislation that provides the grounds for the government to shut down a university founded by billionaire George Soros, whose liberal philanthropy has increasingly made him a target of nationalist governments in Europe.

In an emergency measure, parliament voted on Tuesday that any university operating solely in Hungary but registered outside the European Union must secure an international agreement from both nations' governments to continue.

Only one institution would be affected, the government says: Budapest's Central European University, which was founded in 1991 by the American-Hungarian currency trader.

The move underscores how the 86-year-old Mr. Soros finds himself under scrutiny by Central and Eastern European governments that want him to stop financing charities that advocate for refugees. That includes Hungary, which the Jewish Mr. Soros fled at 16 after surviving the Holocaust.

The nationalist Prime Minister Viktor Orban, who has

fenced off the southern border to stop the flow of refugees from Syria and elsewhere, has campaigned against Mr. Soros. "In the coming year, Soros and his forces will be squeezed out," he vowed in a recent radio speech.

In the next week, Mr. Orban will ask parliament—where his party has a commanding majority—to vote on legislation requiring aid agencies to register with the government if they receive significant foreign funding.

Virtually all of the agencies that would be affected are at least partially funded by Mr. Soros, a government spokesman said.

"Mr. Soros has started to get himself into something more than education, and that is going for a political agenda," said government spokesman Zoltan Kovacs, himself a graduate of the school. "He's an internationalist."

Leaders in Slovakia, Poland, and Macedonia have proposed similar regulations, aimed they say specifically at Mr. Soros. Those measures are comparable with ones passed in Russia, where state media frequently blame Mr. Soros for provoking Europe's migrant crisis.



Protesters rallied in Budapest on Tuesday against a law that could force a university out of Hungary.

The university, which houses about 1,500 students from 120 countries, may relocate, and has been invited to Lithuania, staff said. "This is clearly an attack on academic freedom," said its provost, Liviu Matei. "What kind of government is it that is ready to push its own citizens into exile by the hundreds, by the thousands?"

Mr. Soros wasn't available to comment. Mr. Soros's Open Society Foundation said Hungary would strengthen its culture by being more open to foreign investment and ideas.

Several thousand students and protesters marched around the university hours after parliament approved the law, carrying placards that said "Don't Sign It." Mr. Orban, who faces election next year, is almost certain to sign.

Hungary's clash pits its well-traveled wealthiest citizen against a prime minister who has remade this country into Europe's leading example of a new-century nationalism.

Both fought Communism together: The Open Society Foundation once helped finance Mr. Orban's Fidesz party and awarded the future prime

minister a six-month scholarship at Oxford University. Mr. Orban printed his early political pamphlets on printers donated by Mr. Soros.

Now, Mr. Orban is a leading voice for Europeans who want to close their borders to refugees and migrants fleeing Africa and the Middle East. That puts him in conflict with Mr. Soros.

"For more than 10 years there has been an international campaign, which can be linked to the name of George Soros, which seeks to prove that borders make no sense," said a statement from Mr. Orban's office, presenting the rationale for new regulations against organizations Mr. Soros funds. "This must be brought to an end."

The government of Germany spoke out against the university law, as did the U.S. State Department.

Hungary's government also says it is leveling the playing field for national universities that aren't accredited to issue U.S. degrees.

It says the government should have authority to regulate foreign money influencing the political opinions of its citizens.

South Africa Unions Urge Zuma to Quit

By GABRIELE STEINHAUSER

JOHANNESBURG—South Africa's powerful federation of trade unions called on President Jacob Zuma to step down, becoming the latest ally of the ruling African National Congress to abandon the embattled president.

The Congress of South African Trade Unions, or Cosatu, is part of the alliance that has kept the ANC in power for the past 23 years. The South African Communist Party, the other member of that alliance, on Friday called on Mr. Zuma to quit, the same day the president dismissed the country's popular finance minister.

"Cosatu no longer believes that the president is the right person to unite and lead the movement," the federation's general secretary, Bheki Ntshalintshali, said on Tuesday. "The time has arrived for him to step down and allow the country to be led by a new collective."

However, Cosatu stopped short of calling on its 1.8 million paid-up members to take to the streets to protest the president and specifically asked its members not to support any demonstrations or

organized by opposition parties.

Mr. Ntshalintshali also said Cosatu blamed what he called Mr. Zuma's inattentive and disruptive leadership for S&P Global Ratings' downgrade of South Africa's foreign-currency credit rating to junk status, while also denouncing the firm's interference in the

democratic process.

S&P on Monday cut the rating by one notch, to double-B-plus, becoming the first major ratings firm since 2000 to determine that the debt of Africa's most-developed economy was no longer investment grade. The firm also lowered its local-currency rating to triple-B-minus from triple-B.

Mr. Zuma dismissed the finance minister—along with 19 other ministers and deputy ministers who were either moved out of or around cabinet—shortly after midnight Friday, ignoring objections from his own party's top brass.



Protesters in Pretoria on Tuesday called on South African President Jacob Zuma to resign.

Inflation Keeps Rising In Developed Nations

By PAUL HANNON

The annual rate of inflation across developed economies rose for the sixth straight month in February to reach its highest level in just short of five years, the Organization for Economic Cooperation and Development said.

That pickup suggests 2017 will be a watershed year for central bankers, many of whom added to stimulus measures last year to fend off the threat of deflation. But while the Federal Reserve has raised short-term interest rates twice in the past four months, its counterparts elsewhere are likely to remain cautious about reducing support for still-modest economic growth.

One reason for their caution is that the pickup in inflation has largely been driven by energy and food prices, which can reverse quickly. The OECD said energy prices rose 11.1% in the 12 months through February, up from 8.5% in the 12 months through January. Food-price inflation also picked up. Excluding energy and food items, the core rate of inflation

was unchanged at 1.9%.

There are already signs that March may mark a fresh decline in developed-country inflation. Figures released on Friday by the European Union's statistics agency showed the annual rate of inflation fell to 1.5% in March from 2% in February, again largely due to a fall in energy prices rather than changes in prices of other goods and services.

The other reason for caution is that the pickup in inflation hasn't been felt across all the world's major economies. According to the OECD, inflation rates fell in China, Brazil, Russia and South Africa.

Indeed, across the Group of 20 largest economies, which account for most of the world's economic activity, the annual rate of inflation fell to 2.4% in February from 2.6% in January.

While economists expect global economic growth to pick up slightly this year after a disappointing 2016, one ingredient for a sustained rate of inflation at around the 2% targeted by developed-country central banks is still missing: an acceleration in wages.

WORLD NEWS

EU Syria Talks Show Soft-Power Limits

BY LAURENCE NORMAN

BRUSSELS—When officials from some 70 countries meet in Brussels Wednesday for a European Union conference on Syria, the planned display of EU diplomatic muscle is likely to highlight its weaknesses instead.

Top EU officials have spent six months striving to play a greater role in resolving the Syria crisis. They have held talks with Syria's fractious neighbors, drawn up strategies and organized this week's international conference to advance aid and peace talks.

The gathering will see new money pledged to help neighboring countries cope with Syrian refugees. Officials also hope they can broaden humanitarian access inside Syria and plan for rebuilding the war-ravaged country whenever fighting stops.

Yet for the EU, which has started deepening its own internal defense cooperation so it can eventually deploy harder-edged missions abroad, the Syrian conflict spotlights severe limits to the bloc's power, even in its own neighborhood.

EU members remain divided over Syrian President Bashar al-Assad's role in his country's future. They currently have no other instruments available than traditional soft-power tools of aid and assistance. As a result, the EU has become marginal in efforts to end the conflict and shape events in Syria.

Despite Europe's continued risks of mass migration and terror attacks from the Syrian conflict, the EU's role appears unlikely to change. That has created frustration across the bloc.

"I think we spent way too



European Union foreign-policy chief Federica Mogherini and Staffan de Mistura, U.N.'s special envoy for Syria, in Brussels Tuesday.

much time speculating about Mr. Assad and we should have been discussing much more about our own role" in Syria, Slovak Foreign Minister Miroslav Lajcak said Monday.

In a letter published on Monday, 80 lawmakers from across the EU also said the bloc must demand a stepped-up role.

Federica Mogherini, the EU's foreign policy chief, has conducted several rounds of talks in the Middle East in recent months, meeting with counterparts in Iran, Saudi Arabia and Turkey among others, seeking to build a basic consensus on Syria's future political shape.

On Monday, EU foreign ministers adopted Brussels' new strategy blueprint for Syria setting out key objectives and the type of assistance it could provide.

Despite such efforts, the

Europeans were relegated to observer status at cease-fire talks among Turkey, Russia and Iran in January, just as the bloc was largely absent from protracted negotiations between Moscow and Washington on Syria last year.

While Ms. Mogherini's talks have provided an additional channel of dialogue to thaw frosty relations among Syria's key neighbors, officials admit they have not yielded any solutions.

Wednesday's conference will include the prime ministers of Jordan and Lebanon, some EU foreign ministers and their Iranian counterpart, Javad Zarif. But the guest list is most noticeable for its absences. Turkey's prime minister will likely stay away. U.S. Secretary of State Rex Tillerson and Russian Foreign Minister Sergei Lavrov won't attend.

The weakness of soft

power alone, as illustrated by the Syria crisis, is one of the prime reasons Ms. Mogherini launched her push for greater EU defense and security cooperation last year.

Still, progress toward building the EU's military muscle has been halting. Continued hesitancy about deploying forces in major EU countries, especially Germany, suggests the EU won't soon do much beyond training and peacekeeping.

The EU's biggest leverage remains its aid budget. The EU and its member states are the largest official donor in the Syrian conflict, providing over €9.4 billion (\$10 billion) to millions of Syrians at home and in neighboring countries including Jordan, Lebanon and Turkey.

Wednesday's conference will see the EU boost promised spending on Syrian refugees outside the country.

The bloc's new strategy paper says the EU could assume roles from removing mines to disposing of chemical agents and restoring basic services once peace is secured. The bloc could increase aid and oversee elections.

Yet even here, the EU's Syria role faces impediments.

The EU has linked future EU support to "a comprehensive, genuine and inclusive political transition." For some, that means the bloc must help back whatever political solution emerges from peace talks in Geneva.

For others, that means no fresh money if the Assad regime is the beneficiary.

"At the end of the political process...France doesn't imagine for a second that this Syria can be directed by Bashar al-Assad," French Foreign Minister Jean-Marc Ayrault said Monday.

Kushner Visits Base Near Mosul

BY GORDON LUBOLD

HAMAM AL-ALIL, Iraq—President Donald Trump's son-in-law and senior adviser, Jared Kushner, arrived at a military base about 10 miles south of heavy fighting in Mosul to tell the Iraqis he hopes the partnership between the U.S. and Iraq endures for years to come.

"I hope that the victory that you have in Mosul in the near future will not just be a victory for the American and Iraqi troops, but it will be a victory for the world," he told a room full of Iraqi senior officers at the Hamam al-Alil base here.

Mr. Kushner is winding up a whirlwind, two-day tour of Iraq with Joint Chiefs of Staff Chairman Gen. Joe Dunford, with stops in Baghdad, Erbil and at Hamam al-Alil, a small Iraqi base with fewer than 100 American advisers and other soldiers.

He is the first member of Mr. Trump's inner circle to visit a war zone since his father-in-law became president in January.

"It's been an absolute honor to be here to see the progress that everyone's made together," Mr. Kushner told a group of Iraqi officers after hearing a series of detailed operational briefings about Mosul. "Speaking with the American troops and then briefly speaking with the Iraqi troops, the partnership that's been formed here truly is something that is very impressive to me and something that I know I hope endures for many generations," Mr. Kushner said.

Gen. Dunford invited Mr. Kushner and Mr. Trump's new homeland security adviser, Tom Bossert, to Iraq to better understand the Iraqi-led fight against Islamic State. The visit comes at a time when Gen. Dunford and the American defense secretary, Jim Mattis, are conducting an assessment of the strategy against Islamic State for Mr. Trump.

Mr. Kushner likely will play a role in the final decision about how best to continue executing the fight against Islamic State. Mr. Trump has indicated he would like to see the fight against Islamic State accelerated, but it is likely that the strategy won't undergo immediate wholesale changes.

Gen. Dunford, whose stop here marks one of the closest locations he has himself been to the Mosul fight, told local officials the U.S. stands close with the Iraqis.

"I believe Mosul will go down in the history books as one of the greatest battles in history," Gen. Dunford said.

Trump Resets U.S. Ties With Egypt's Leader

BY FELICIA SCHWARTZ

WASHINGTON—President Donald Trump provided a boost to Egyptian President Abdel Fattah Al Sisi, giving him a warm welcome to the White House as his administration shifts the U.S. focus in its relationship with Cairo away from human rights while emphasizing security cooperation.

Neither Mr. Trump nor White House press secretary Sean Spicer made any public mention of Egypt's spotty human-rights record. "I'm not going to get into what they discussed privately," Mr. Spicer said Monday. "But I will tell you we understand the concern and I think those are the kinds of things that I think progress is made privately."

Mr. Trump praised Mr. Sisi

throughout the day, saying that he has "done a fantastic job in a very difficult situation" as they sat side by side in the Oval Office. "We agree on so many things," Mr. Trump said.

Mr. Sisi said Egypt will always be a "strong partner" in confronting terrorism.

"We will do that together, we will fight terrorism and other things," Mr. Trump said. "I look forward to a very long and strong relationship."

The visit marked a step forward for Mr. Sisi, analysts said.

"He has longed for a big hug from Washington as a sign of his broadening international legitimacy and he got that today," said Eric Trager, an Egypt expert at the Washington Institute.

"The key question moving forward is whether Trump can

translate this big hug for Sisi into better and deeper cooperation with Egypt."

In a meeting in the Cabinet Room, where Mr. Trump was joined by Secretary of State Rex

Focus in relationship with Cairo shifts away from human rights toward security.

Tillerson, Defense Secretary Jim Mattis, White House strategist Steve Bannon and other officials, Mr. Trump nodded to U.S. concerns with Egypt's human-rights abuses. Experts and former officials say rights conditions have

deteriorated significantly over the past several years. "We have many things in common; we have a few things we don't agree on," Mr. Trump said.

Egypt is one of the largest recipients of U.S. military and foreign aid, getting about \$1.5 billion a year. The Trump administration's budget blueprint doesn't guarantee aid to Egypt,

and State Department officials have said aid to every country except Israel is under review.

Also on Mr. Trump's agenda for the meeting was a discussion of the Middle East peace process, as the Trump administration is seeking to bring the Israelis and Palestinians back to the negotiating table.

Mr. Sisi's trip is the first state visit of an Egyptian leader to Washington since 2009. He

won an election in 2014, several months after the military, then under his command, led a coup to oust Egypt's first freely elected leader, President Mohammed Morsi of the Muslim Brotherhood.

Human-rights groups on Monday called on Mr. Trump to press Mr. Sisi to ease up on arbitrary arrests and harsh prison conditions, among other abuses.

"As President Sisi visits the White House, his government is overseeing a campaign of repression that flies in the face of American values," said Maya Foia, a director at international human-rights organization Reprieve.

Tens of thousands of people have been imprisoned since Mr. Sisi came to power.

SYRIA

Continued from Page One out by the regime," said Raed Saleh, director of the White Helmets, a civil-defense organization that operates in parts of rebel-controlled Syria.

Neither the death toll nor the allegation that chemicals were used could be independently confirmed. The Syrian army denied using "any chemical or toxic substances" in the town, according to Syrian state media, and held what it called "terrorist groups and those behind them" responsible. The defense ministry in Russia, a major regime ally, called the reports of the use of chemical weapons "absolutely fake."

White House press secretary Sean Spicer condemned the attack, saying it "cannot be ignored by the civilized world." He added, "These heinous actions by the [Syrian President] Bashar al-Assad regime are a consequence of the past administration's weakness and irresolution."

Tuesday's attack comes days after senior Trump administration officials formally declared that Mr. Assad's fate is up to the Syrian people and that the U.S. focus in Syria is primarily on fighting Islamic State. Former President Barack Obama for several years had called for Mr. Assad's immediate ouster.

"The reports we are receiving strongly suggest the use of chemical weapons," Britain's Foreign Secretary Boris Johnson

said. "And although we cannot yet be certain about what has happened, this bears all the hallmarks of an attack by the regime which has repeatedly used chemical weapons."

The United Nations special envoy on Syria, Staffan de Mistura said there was no "official or reliable information" yet on who was responsible for the attack. "What we have understood, it was a chemical attack and it came from the air," he said in Brussels.

Mr. de Mistura called on the international chemicals weapons agency to investigate the attack, which he said would likely be discussed at the U.N. Security Council.

If the use of chemicals is confirmed, it would be the deadliest such assault in Syria since a 2013 sarin gas attack by the regime on the Damascus suburb of Eastern Ghouta, which killed 1,429 people, including at least 426 children, according to a U.S. government assessment based on local reports.

Rescue workers and residents who arrived in the neighborhood of Tuesday's attack soon afterward described eerily empty streets, with none of the chaos normally following an airstrike. Instead, the victims were mostly still in their beds—already dead or passed out behind locked doors, residents said.

Rescuers with the White Helmets had to break down doors and windows to pull them out, said Abdulwahab Safar, a town resident and member of the opposition provincial council.

About 10 minutes after the attack, rescuers and residents began to smell a foul odor, said Samer, who lives in the town. Soon, those who had come to rescue the victims started to come down with symptoms, he said.

A nurse who worked in one hospital which received 20 wounded children said the victims exhibited contracted pupils, cold limbs, loss of consciousness and low blood pressure and heart rates.

Residents described the neighborhood as home to civilians—some of them displaced from other parts of Syria because of the six-year-long war—with no rebel outposts in the area.

Photos and videos of the bodies provided by rescue workers and local activists showed the victims bloodless and with no external injuries.

The Khan Sheikhoun field hospital was quickly overwhelmed Tuesday and victims were sent elsewhere in the area and to Turkey for treatment. Hours later the field hospital was struck by a series of rockets, putting it out of service, said rescuers and residents, who said that attack was by a Syrian regime or Russian warplane.

Following the 2013 sarin gas attack, the Assad regime officially joined the Chemical Weapons Convention and relinquished its chemical arsenal as part of a deal to avert 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 attacks in 2014 and 2015.

Idlib province, where Khan Sheikhoun is located, has been targeted by chemical weapons before. The intergovernmental Organization for the Prohibition of Chemical Weapons concluded in September 2014 that chlorine was deployed as a weapon "systematically and repeatedly" in villages in northwest Syria, including Idlib.

The 2013 deal on the Syrian regime's chemical arsenal didn't specifically ban chlorine, but its use as a weapon is prohibited under the Chemical Weapons Convention.

The OPCW, which was awarded the Nobel Peace Prize in 2013 for its efforts to rid Syria of chemical weapons, reported again late last year that the Syrian government had continued to launch attacks using chemical weapons and toxic chemicals.

The group reiterated its concern that gaps, inconsistencies and discrepancies in the Syrian regime's initial declaration of chemical weapons in 2013 had never been resolved and demanded that the government fully comply with its obligations under the accord.

The group said last month that it was examining allegations of eight toxic gas attacks in Syria since the beginning of the year.

In January, the Obama administration sanctioned 18 senior Syrian officials in response to Mr. Assad's use of chemical weapons against civilians. Last month, the European Union imposed sanctions against four top Syrian military officials accused of using chemical weapons on civilians, after Russia and China blocked similar measures at the U.N.

—Rebecca Ballhaus, Laurence Norman and Nathan Hodge contributed to this article.



A photo provided by an antigovernment group shows victims of the suspected chemical attack.

WORLD NEWS

Japan's Next High-Tech Export: Carrots

Prime Minister Shinzo Abe wants food makers to follow other science-based export sectors like high-speed rail

BY ELEANOR WARNOCK

SODEGAURA, Japan—Taro Takagi has helped develop nine breeds of carrots intended to feed millions in Asia—a prime example of how Japan now aims to use new technology to become an agricultural powerhouse.

One of them, dubbed “Amelie,” has extra beta carotene for a brighter orange color that consumers find attractive. Another, “Christine,” yields a uniform cylindrical shape and thrives in colder climates. And “Emma” is resistant to the fungal disease black rot.

“What constitutes a good carrot is different for every market,” Mr. Takagi said recently. “In France, this would be considered a good carrot,” he added, holding up a medium-length variety with a slight bend in the middle, “while in Japan this is good”—a shorter, stubbier model with no bend.

Prime Minister Shinzo Abe says he wants to turn the food business, where Japan has a \$70 billion annual trade deficit, into an export-growth sector along the lines of other science-heavy Japanese businesses such as high-speed rail and carbon-fiber materials.

The fruits of Mr. Takagi’s effort to become the world’s carrot king come from the kind of expensive, research-intensive work that Tokyo hopes will increasingly power Japan’s economy after it stumbled in some traditional technology areas such as consumer electronics.

Agricultural exports could also help offset any rise in imports if Japan yields to pressure from Washington. U.S. Vice President Mike Pence, who is set to visit Japan as soon as this month for economic talks, is likely



Carrots developed by Mikado Kyowa Seed Co. are set out in a company warehouse outside Tokyo.

to press Tokyo to reduce agricultural tariffs in a new two-way trade deal.

Japan’s agriculture sector, long dominated by aging family farmers working tiny plots of land, is already making high-tech strides. One company, Spread Co., is developing a farm exclusively manned by robots, where lettuce could be grown making optimal use of water and resources, good for countries where water is scarce. Another, Umitron, is using satellite data to optimize feeding on aquatic farms. Gra Inc. produces perfect-looking strawberries in greenhouses.

And the chip maker Fujitsu is growing lettuce in a sterile, dust-free room that once built the brains of high-tech gadgets. Semiconductors need to be produced in clean rooms, and now producing lettuce in a clean room allows Fujitsu not to use any pesticides.

“Given domestic market shrinkage and the rapidly growing market of middle-class consumers elsewhere in Asia, Japanese agriculture needs to become more export-oriented,” said James Brady, an agricultural policy researcher at the Asia Pacific Institute of Research, an independent think tank in Osaka.

In Mr. Takagi’s case, his company doesn’t actually farm carrots, but rather, develops seeds, in what is a study of how Japan can leverage local technology into a global presence.

For the past 15 years at the French-owned company now known as Mikado Kyowa Seed Co., he has obsessively focused on the carrot, saying he doesn’t mind if it takes time to see results.

Carrots are a vegetable vulnerable to diseases that can wipe out a crop, and, for all its familiarity, it also has many regional varieties. That

gives breeders plenty of traits to work with, but also the challenge of fitting the carrot to the market.

Early in Mr. Takagi’s career, he apprenticed with a French breeder whom he describes as the original carrot king, and he started experimenting with French-Japanese hybrids.

In 2009, he visited two villages in the Chinese region of Inner Mongolia to experiment with some seeds he had originally developed for the Japanese market. It blossomed into a full-fledged business, and when he visited last year, he says farmers from the two villages told him his carrots had sold for higher prices despite a depressed market. Building on the Inner Mongolia experience, Mikado Kyowa’s carrot seeds have expanded to other parts of China including Hebei, Shandong and Fujian.

China is by far the world’s biggest carrot grower and an example of a market whose wealthier consumers are a prime target for Japanese agriculture. Already, almost 40% of the world’s \$3.6 billion vegetable seed market is in Asia including Japan, according to Japanese seed maker Takii & Co.

As with many high-tech goods such as televisions and cars, the seeds are developed in Japan and Europe, then mass-produced abroad where labor and other costs are cheaper. Mikado Kyowa Seed’s products are made in places such as Chile, Argentina and Australia.

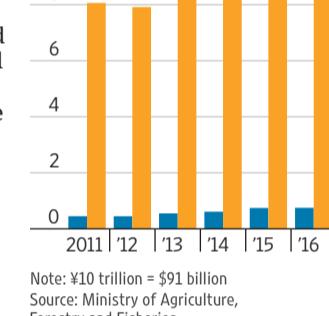
Mikado Kyowa Chief Executive Vincent Supiot, who is French, said the challenge is persuading customers overseas to pay extra for Japanese technology. “We have to convince the farmers that our carrots have better yield and better disease resistance,

Farm Gap

Japan’s agricultural exports are rising but still a small fraction of imports.

Agricultural, fishery and forestry exports

Imports



Note: ¥10 trillion = \$91 billion

Source: Ministry of Agriculture, Forestry and Fisheries

THE WALL STREET JOURNAL

that they should pay more for added value,” he said.

—Miho Inada contributed to this article.



Seongju residents and peace activists held a sit-in at a Lotte golf course in March to protest a planned missile-defense system.

Seoul Denounces China Trade Moves

BY KWANWOO JUN

SEOUL—South Korea is ratcheting up official protests against China for what many here regard as unlawful economic pressure over Seoul’s plan to host an American missile-defense system.

In recent days, government agencies, lawmakers and senior officials have begun speaking out more frequently and forcefully against what they say are likely violations of international trade standards by China.

It marks a shift from South Korea’s more-delicate approach of recent months as it balanced ties between the U.S., its longtime ally, and China, its biggest trade partner. Beijing frequently uses its economic clout to push its foreign-policy goals, but rarely with such a broad set of retaliatory measures.

Among South Korea’s recent responses: Its ambassador to China sent China’s foreign, commerce and public-security ministries a formal letter last week calling for an end to retaliatory measures against Lotte Group, a South Korean conglomerate that has become the focus of Chi-

nese anger since it leased land to Seoul to deploy the missile shield.

Also last week, South Korean lawmakers adopted a rare resolution denouncing Chinese restrictions on tour packages to South Korea and regulatory measures against South Korean companies as breaches of international rules.

The resolution, backed by 188 of 189 lawmakers in attendance in the 299-member legislature, expressed “deep concern and regret” over the Chinese actions, which it called “a big stumbling block” to relations.

“There is an attempt in the Northeast Asia to weaponize its market for political and security purposes,” South Korean Vice Foreign Minister Ahn Chong-ghee said at a seminar in Seoul on international trade last week. “It is highly likely that China’s retaliatory measures, related to [the Terminal High-Altitude Area Defense system], run counter to the spirit and regulations of the World Trade Organization.”

The feud centers on South Korea’s plan to deploy the Thaad system to counter the growing nuclear and missile threat from

North Korea. The system’s first components arrived in South Korea in March. China is said to fear that its powerful radar will peer deep into its territory and threaten its security.

China’s Ministry of Foreign Affairs didn’t respond to a request to comment on Tuesday, a public holiday in China. Beijing has at times denied pressuring Seoul and other times acknowledged it indirectly. Its actions have included blocking shipments of Korean products including cosmetics and bidets, rejecting visas for Korean pop singers and artists, cutting Chinese tourist flows to South Korea and halting many of the Chinese operations of Lotte Group.

The U.S., which is pushing strongly for Thaad deployment, has ramped up the rhetoric, too. When U.S. Secretary of State Rex Tillerson visited the region in March, he called on China to stop retaliating against Seoul and instead rein in its North Korean ally.

Pyongyang’s nuclear and missile programs are high on the agenda during meetings this week between U.S. President Donald Trump and Chi-

nese President Xi Jinping.

South Korea has stopped short of threatening a formal WTO complaint against China—a declaration of a full-on trade war.

South Korean Finance Minister Yoo Il-ho said last week that there wasn’t enough firm proof, but added, “if solid evidence comes out, we will act squarely.”

South Korea’s trade ministry has said it plans to reduce the country’s reliance on China by cultivating markets like India and Southeast Asia. And Seoul has raised informal complaints about China’s behavior twice in the past month at WTO panel meetings in Geneva.

On March 17, South Korean officials said China had banned tour agencies from selling package tours to South Korea and orchestrated a trade boycott of South Korean businesses in China.

Then last week, the state-run Korean Agency for Technology and Standards took issue with Chinese nontariff barriers, including on powdered milk and cosmetics, that it said limit South Korean companies’ access.

WORLD WATCH

CANADA

February Trade Deficit Marks Setback

Canada unexpectedly swung back to a trade deficit in February, ending three straight months of surpluses, on a broad-based decline in exports.

The trade report marks the first piece of disappointing Canadian economic data in arguably months, after a string of strong indicators prompted forecasters to lift their outlook for Canadian growth in 2017.

Canada posted a merchandise trade deficit with the rest of the world in February of 972 million Canadian dollars (\$726.2 million), Statistics Canada said on Tuesday. Market expectations, according to economists at Royal Bank of Canada, were for a C\$600 million trade surplus.

—Paul Vieira

EUROZONE

Retail Sales Post Second Monthly Rise

Retail sales across the eurozone rose for the second straight month in February, a fresh sign the currency area’s modest economic recovery likely accelerated in the first quarter.

The European Union’s statistics agency said sales in the 19 countries that use the euro rose 0.7% from January, and 1.8% from February 2016. That was a larger increase than expected, with economists surveyed last week by The Wall Street Journal having estimated that sales climbed 0.5% month on month.

Retail sales fell in the final

two months of last year, suggesting that consumers cut spending on other goods and services as prices of energy and food rose, pushing up the annual rate of inflation to a four-year high by February.

—Paul Hannon

UNITED NATIONS

U.S. Plans to Review Key U.N. Functions

United States Ambassador Nikki Haley said Monday that the U.S. would closely scrutinize two prominent U.N. functions—peacekeeping and human rights—as the U.S. assumes the Security Council’s rotating presidency this month.

Ms. Haley said Monday’s attack at a subway station in St. Petersburg underscored the importance and role of the U.N. and the Security Council, and she dismissed the perception among many diplomats and U.N. officials that the Trump administration was a threat to the institution.

“I want to show that there is value to this place,” Ms. Haley said. “The administration is looking at the U.N. with fresh eyes.”

The White House has said it is considering defunding certain U.N. programs and has suggested it could pull out of the Geneva-based Human Rights Council and dial back support for the 2015 Paris agreement to limit climate change.

Late Monday, the U.S. State Department said it was cutting funding to the United Nations Population Fund, which supports maternal and reproductive health programs, stripping it of contributions amounting to \$69 million in 2016.

—Farnaz Fassihi



FACE TIME: Fed up with the theft of toilet paper from public bathrooms, authorities in Beijing have begun using facial recognition technology to limit how much paper a person can take.

MIHO INADA/THE WALL STREET JOURNAL

HOW HWEE YOUNG/EUROPEAN PRESSPHOTO AGENCY

U.S. NEWS

Debate Over Trump Court Choice Heads To Showdown

Expected procedural tool by Republican leader sets stage for rules change, full vote

BY BYRON TAU

WASHINGTON—An acrimonious Senate floor battle over the confirmation of Supreme Court nominee Neil Gorsuch was set to begin late Tuesday when Majority Leader Mitch McConnell was expected to use a procedural tool to limit debate on the nomination and set the stage for a final vote by Friday.

That, in turn, will set off a series of moves and counter-moves by the two political parties that is likely to end

The likely change in voting rules causes consternation in both political parties.

with Mr. Gorsuch's confirmation Friday. But the skirmishing could also leave behind a residue of ill-will that senators of both parties say could be hard to move past in the traditionally collegial Senate.

Monday's vote by the Senate Judiciary Committee to advance the nomination paved the way for the standoff on the floor. The panel voted to approve Judge Gorsuch, President Donald Trump's pick for a lifetime appointment to the high court, on a straight party-line vote.

After Mr. McConnell (R., Ky.) files his "cloture petition" Tuesday, the motion would be voted on later this week, most likely on Thursday.

Forty-one senators have said they will vote "no" on the procedural motion. That leaves Republicans with 59 votes at

most, and they would need 60 votes to end debate on the nomination.

So GOP leaders are threatening to trigger a rules change that would eliminate the 60-vote threshold entirely and permanently change how the Senate considers Supreme Court nominees.

Republicans would do that by employing a maneuver often called the "nuclear option" that would alter the Senate rules with a simple majority. Democrats made a similar change in 2013 on cabinet nominees and lower-court judges, frustrated that more of then-President Barack Obama's nominations weren't being approved.

The likely rules change is causing consternation in both parties about the health of the Senate as an institution, but few members can see a way out of the current partisan showdown.

Democrats are especially angry that GOP leaders declined to consider Mr. Obama's pick for the Supreme Court vacancy, Judge Merrick Garland, who was nominated in March 2016. Republicans said voters should get to weigh in through the presidential election.

Republicans also say Democrats started the Senate down this path with their 2013 rules change.

"We will regret somewhat what we're doing," said Sen. John McCain (R., Ariz.), who has been in the Senate for 30 years and is considered one of the body's most ardent institutionalists.

Mr. McCain said he was prepared to support the pending rules change to get Judge Gorsuch confirmed. But asked if it was the beginning of the end of the Senate as it has long existed, Mr. McCain said: "Yes."

He said he expected the filibuster on legislation to eventually be abolished and for the Senate to operate under the same tightly controlled rules

officials could see information posted privately in addition to public posts. Homeland Security has already experimented with asking for people's handles so they can read public posts, but not those restricted to friends.

"We want to say for instance, 'What sites do you visit? And give us your passwords,' so that we can see what they do on the internet," Homeland Security Secretary John Kelly said at a congressional hearing in February. "If they don't want to give us that information then they don't come."

In response to Mr. Kelly's hearing, a coalition of about 50 civil-liberty groups and other organizations issued a statement that month saying requiring passwords is "a direct assault on fundamental rights," including freedom of expression. They also complained that the policy could be mirrored by foreign governments demanding passwords from U.S. citizens.

A Homeland Security inspector general's report this year found that the agency didn't properly measure the effectiveness of pilot programs that used social media in visa-application reviews, making it hard to determine if they should be expanded.

Former department officials who worked on these issues during former President Barack Obama's administration said that the information gleaned from telephones and social media could be helpful in assessing threats posed by applicants, but they said there are downsides, too. The effort—particularly the social-media hunt—would be time-consuming, they said, and it could drive people with bad intentions to change their practices.

"The real bad guys will get rid of their phones. They'll show up with a clean phone," said Leon Rodriguez, who headed the U.S. Citizenship and Immigration Services until January and

Where Democratic Senators Stand

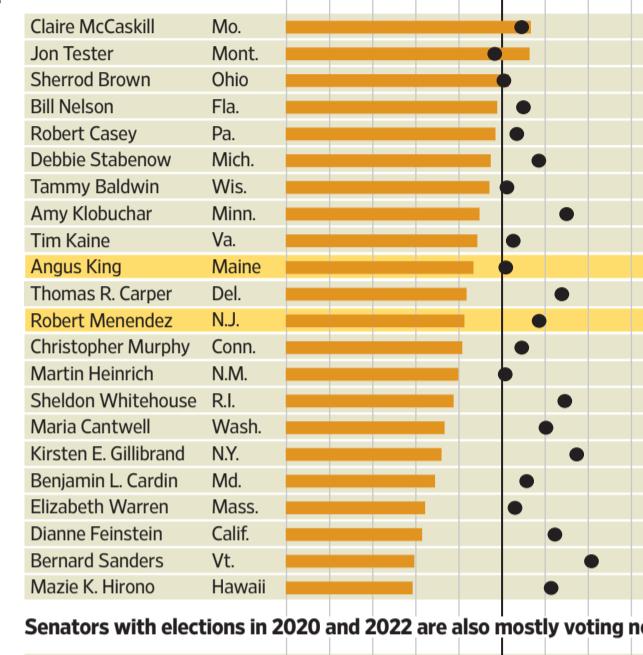
In their quest to gain the 60 necessary votes to confirm Supreme Court nominee Neil Gorsuch and avoid a filibuster, Senate Republicans have so far gained three Democratic 'yes' votes, all from heavily Republican states with Senate races in 2018.

—Trump vote share in November
● Senator vote share in most recent election
Gorsuch position: Yes No Reviewing

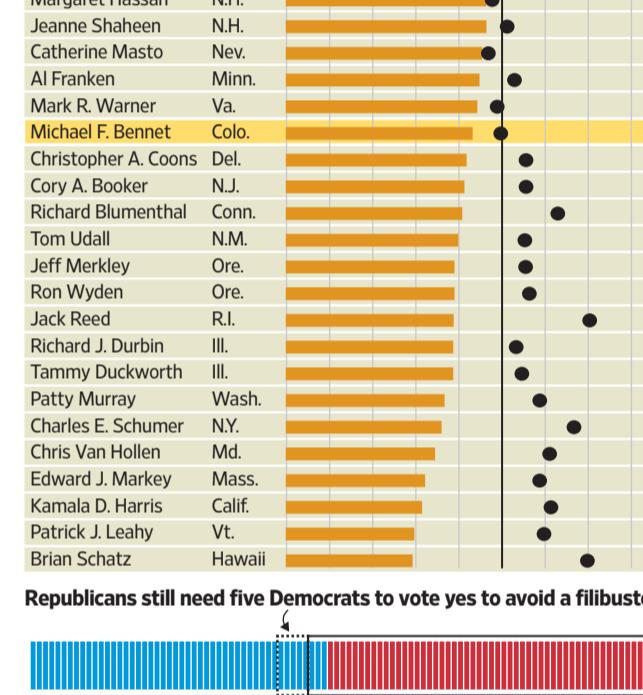
Three senators up for election next year in states Trump won handily are voting yes:

Senator	State	0	10	20	30	40	50	60	70	80
Joe Manchin	W.V.							●	●	●
Heidi Heitkamp	N.D.						●	●	●	●
Joe Donnelly	Ind.						●	●	●	●

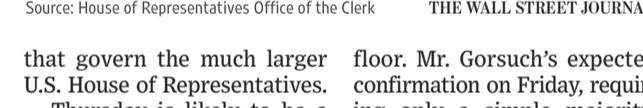
Most others up for election in 2018 are voting no:



Senators with elections in 2020 and 2022 are also mostly voting no:



Republicans still need five Democrats to vote yes to avoid a filibuster



Source: House of Representatives Office of the Clerk

THE WALL STREET JOURNAL.

that govern the much larger U.S. House of Representatives.

Thursday is likely to be a day of lively debate and political maneuvering on the Senate

floor. Mr. Gorsuch's expected confirmation on Friday, requiring only a simple majority, could be in a sense anticlimactic after Thursday's debate.

White House Curb On Visas to Affect Outsourcing Firms

BY LAURA MECKLER

WASHINGTON—The federal government began accepting visa applications for a fresh round of high-skilled foreign workers, without the wholesale changes President Donald Trump promised in his campaign. His administration did, though, announce one shift that could put pressure on outsourcing companies that typically win a large share of the coveted visas.

The U.S. Citizenship and Immigration Service said it would direct more inspectors in the H-1B program to the controversial outsourcing companies, many of them based in India. Those firms have drawn scrutiny because their U.S. subsidiaries sometimes import employees to do work once performed by Americans.

The companies say they are adhering to the program's rules and hire foreigners only because they can't find Americans for the jobs, but they are under substantial political scrutiny.

Demand for the program badly outstrips the supply, so the government plans a lottery to decide which companies get them, as it has in past years.

Last year, the government received more than 236,000 applications for the 85,000 visas, of which 20,000 are reserved for people with advanced degrees. That exceeded the previous year's record and was the fourth year in a row in which the cap was reached within five days.

During his presidential campaign, Mr. Trump promised to reduce legal as well as illegal immigration, saying foreign workers drive down wages and threaten American jobs. At times, he was particularly critical of the H-1B program, though at other times he praised it.

"These are temporary foreign workers, imported from abroad, for the explicit purpose of substituting for American workers at lower pay," he said in a statement in March 2016. "I remain totally committed to eliminating rampant, widespread H-1B abuse."

There is also pressure in Congress for changes. One bipartisan bill pending in the

House, for instance, would punish companies seeking H-1B visas by imposing burdensome requirements if they don't pay workers at least \$100,000 a year. The current threshold to avoid those requirements is \$60,000.

With no major changes to the program announced, the administration instead said that it would work to better detect fraud and abuse in the program by changing how it targets companies for inspection.

Under the new rules, companies will be prioritized when they have a high ratio of H-1B workers employed and when the employees work off site at another company's location. Both of those criteria would lead to targeting of outsourcing companies. The agency said it also would prioritize companies where business information can't be validated through commercially available data.

The immigration agency also said it was establishing a new email address for people to report allegations of fraud or abuse. It said it would continue random inspections, too, which has been past practice.

The Justice Department on Monday issued a statement cautioning employers participating in the program against discriminating against American workers. "U.S. workers should not be placed in a disfavored status, and the department is wholeheartedly committed to investigating and vigorously prosecuting these claims," acting Assistant Attorney General Tom Wheeler of the Civil Rights Division said.

At the White House, press secretary Sean Spicer cast the announcement as a change in policy. But he also nodded to the fact that the administration hasn't announced any significant administrative changes or legislative proposals that would change the visa allocation system.

"The White House acknowledges that there are issues with the program as it currently stands," he said. "However, there are several laws that are on the books that went unenforced in the previous administration."

get in a military operation. The goal, he said, isn't to filter out people with contrary thoughts but people who might act on them. That notion draws criticism from civil libertarians.

"Those who do not believe in our Constitution, or who support bigotry and hatred, will not be admitted for immigration into the country," Mr. Trump said in an August speech.

The Homeland Security official working on the review said the types of questions under consideration now include whether visa applicants believe in so-called honor killings, how they view the treatment of women in society, whether they value the "sanctity of human life" and who they view as a legitimate tar-

get in a military operation.



International travelers arriving at Miami International Airport head to the mobile passport control window.

JOE RAEDLE/GETTY IMAGES

U.S. NEWS

Obama Aide Addresses Allegations

BY PAUL SONNE

WASHINGTON—Susan Rice, former President Barack Obama's national security adviser, said the Obama administration didn't use intelligence about President Donald Trump's associates for political purposes and she denied leaking anything regarding her successor.

Ms. Rice also described requests to "unmask," or reveal, the identities of U.S. citizens mentioned in intelligence reports as necessary to do her job and entirely different from leaking classified information.

She declined to comment on whether she had made unmasking requests with respect to people associated with Mr. Trump who may have been mentioned in intelligence reports.

"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 on MSNBC on Tuesday. "There's no equivalence 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."

Ms. Rice has become the focal point of efforts by Mr. Trump and House Intelligence Committee Chairman Rep. Devin Nunes (R., Calif.) to call attention to what they have said was improper behavior by officials in Mr. Obama's administration in connection with intelligence collection in the final days of Mr. Obama's presidency.

The House Intelligence Committee plans to ask Ms. Rice to testify in its ongoing probe, officials said.



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

Mr. Trump, a Republican, has accused Mr. Obama, a Democrat, of ordering wiretapping at Trump Tower, where he lived and worked before moving to the White House. Mr. Trump has called the alleged spying of his associates the "real story," rather than the efforts under way to investigate Russia's alleged interference in the 2016 presidential election and whether Mr. Trump's associates colluded with the Russian government.

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

Mr. Nunes triggered a con-

troversy in March when he said he viewed documents at the White House showing Mr. Obama's administration improperly unmasked the names of U.S. citizens associated with Mr. Trump who were mentioned in federal intelligence reports.

In the interview Tuesday, Ms. Rice said Mr. Trump's claim that Mr. Obama was eavesdropping on him in Trump Tower were "absolutely false." She said there was no such surveillance "on Trump Tower or Trump individuals."

"It's important for everyone to understand that the president of the United States, and people in the White House, do not have the ability to order

such collection," Ms. Rice said. "That can only come from the Justice Department through an established process. It never originates in the White House."

The allegations by Mr. Nunes have led to partisan acrimony on the House Intelligence Committee, with Democratic members saying his actions have jeopardized the independence and credibility of their investigation into alleged Russian interference in the election.

Mr. Nunes's accusations also have spotlighted the process of unmasking. Foreigners who are the targets of U.S. surveillance often speak to U.S. citizens, or may mention U.S. citizens when talking to one

another. When an intelligence agency produces a report describing those conversations, it removes the name of the U.S. citizen to protect his or her privacy and replaces the name with a generic designation, such as "U.S. Official 1."

Ms. Rice said a range of top national security officials have the authority, if they deem it necessary, to submit a request to the agency that produced the report to learn the name of the U.S. citizen mentioned.

The agency then has a process to approve or deny the request, she said, and can usually relay the name without broadly disseminating it throughout the national security community.

U.S. Trade Gap Shrinks as Exports Increase

BY JOSH MITCHELL

have been distorted by the timing of the Lunar New Year.

Despite the shift, the U.S. has a trade gap with China that is far bigger than it has with other nations. The deficit has grown more than 40% during the past decade. The saving rate in the U.S. is relatively low and consumer spending high, and many U.S. households and companies have imported goods from China as they step up spending on household items and other materials.

Messrs. Trump and Xi are set to meet on Thursday. Trade is expected to be a big part of the presidents' discussion, a Commerce Department official said on Tuesday.

Other figures show that the yuan has been rising this year against the dollar. That complicates a central criticism that Mr. Trump has made of China: that it is manipulating its currency downward at the expense of U.S. exporters.

The trade outlook in the

U.S. has improved slightly overall this year.

One big factor behind the smaller gap: Stronger growth in Asia and Europe is pushing up demand for U.S.-made goods and services, causing a recent surge in exports. Exports climbed 0.2% in February from January and have risen 7.2% this year compared with the year-earlier period. Exports of goods hit the highest level on record in February, after adjusting for inflation.

The decline in imports in February reflected reduced purchases of consumer goods, such as cellphones, and automobiles.

Economic growth remained sluggish overall in the first three months of the year, in part because of the persistent trade deficit. Private-sector economists estimate the economy grew at about a 1% annual rate in the first quarter, down from the fourth quarter's 2.1% expansion.

But growth is expected to rebound in the second quar-

Trade Imbalance

The U.S. trade deficit with China is larger than any other country. U.S. trade in goods with China, 12-month rolling total



Note: Imports shown as negative to illustrate trade balance
Sources: Commerce Department, WSJ calculations

THE WALL STREET JOURNAL.

ter in part due to the recent increase in exports, which is leading factories to ramp up hiring and production to meet higher demand.

Other reports suggest U.S. factories are registering a pickup in business. The Institute for Supply Management on Monday said its closely watched index of manufac-

turing activity expanded in March for the seventh consecutive month.

The U.S. economy runs a trade gap because U.S. households and companies buy many goods and commodities—including cars, oil and beef—from other regions like Asia, Europe and South America.

U.S. WATCH

MEDICARE

Insurers to See Rise in Payment Rates

Federal regulators will give a larger-than-expected average payment increase to insurers that offer private Medicare plans.

The boost will aid companies that offer the plans under Medicare Advantage, the program in which beneficiaries can get Medicare policies from private companies. The insurers are then paid by the federal government.

Insurers selling the plans will see their payment rates go up by 0.45% on average next year, according to the Centers for Medicare and Medicaid Services. That is higher than the 0.25% increase the government had floated earlier this year.

—Stephanie Armour

FEDERAL RESERVE

Richmond Fed's Lacker to Step Down

Federal Reserve Bank of Richmond President Jeffrey Lacker said he was stepping down effective Tuesday in a statement that revealed his involvement in an alleged 2012 leak of confidential Fed information.

Mr. Lacker said he had spo-

Health Plan Is Tweaked By GOP

BY STEPHANIE ARMOUR AND KRISTINA PETERSON

Republican legislators are weighing a health-care proposal aimed at winning over House conservatives that would allow states to opt out of some requirements in the Affordable Care Act, lawmakers and congressional staffers say.

The proposal has the potential to be turned into legislation that would be part of a broader Republican effort to knock down key parts of the Obama-era health law.

States would be allowed to obtain waivers from some federal insurance requirements that were opposed by the House Freedom Caucus, the bloc of conservative GOP lawmakers, according to a GOP staff member on Capitol Hill.

A White House official said Tuesday that administration officials were participating in talks with legislators, and supportive of greater flexibility for states, but not promoting a particular or formal proposal. "This is being driven by the legislative side," the official said.

Members of the Trump administration, including Vice President Mike Pence, have been meeting with groups of lawmakers and discussing whether there is a way forward for the party's health-care bid.

States could get exemptions from rules that require most insurers to offer specific health benefits such as maternity care or hospitalization. They may also get exemptions from a provision that bans insurers from charging higher premiums to people with health conditions.

But conservative lawmakers would have to decide whether that bid—some states could be allowed to preserve large parts of the Affordable Care Act—would be sufficient to fulfill the GOP campaign promise to repeal the law, as well as whether any viable alternatives remain.

The House Freedom Caucus was critical to the collapse last month of the Republican health bill intended as an overhaul of the ACA. Members of the faction said that earlier bill, which was pulled from the House floor before a vote could be taken, didn't do enough to bring down premium costs and wasn't aggressive enough in its repeal.

States can already apply to the U.S. Department of Health and Human Services for waivers that give them flexibility in how they implement the health law. But under the current law, states that pursue such waivers must still provide access to coverage that is at least as comprehensive and as affordable as under the ACA.

Agency Acts to Delay Police Oversight

BY ARUNA VISWANATHA AND SCOTT CALVERT

The U.S. Justice Department has sought to delay an agreement with Baltimore aimed at eliminating racially biased police practices, saying it needed more time to review the deal reached in the final days of the Obama administration.

Monday's move was the latest sign the Justice Department under the Trump administration is intent on reversing Obama-era policies and priorities, and in the criminal-justice arena is focusing on an uptick in violent crime while pulling back on scrutiny of local police.

Attorney General Jeff Sessions said in his first major speech on the job that he planned to pull back from investigations into alleged civil rights abuses by local police departments. He said he was concerned about whether the interventions were causing police to be less aggressive and contributing to an increase in violent crime in some cities.

Earlier Monday, Mr. Sessions issued a memo that instructed Justice Department lawyers to "ensure" that any such settlements "advance the safety and protection of the public, pro-

mote officer safety and morale, protect and respect the civil rights of all members of the public, respect local control of law enforcement, are rooted in timely and reliable statistics on crime and criminals, and do not impede recruitment and training of officers."



Baltimore Police Commissioner Kevin Davis and Mayor Catherine Pugh at a Jan. 12 news conference on overhauling police practices.

The Justice Department cited that memo in seeking the delay in Baltimore.

The 227-page agreement, reached Jan. 12, would require the Baltimore Police Department to put in place new policies and training programs to take steps to ensure that all

stops, searches and arrests are constitutional, and to use de-escalation techniques to try to resolve incidents without force.

The proposed consent decree, which still requires a judge's approval, spells out in detail when officers can use force and how such actions are to be reported to supervisors. The agreement came after the 2015 death of Freddie Gray, a black man who died of injuries sustained in a police van after his arrest for allegedly possessing an illegal knife. Mr. Gray's death caused rioting and spurred a lengthy Justice Department investigation that found the city's police department routinely engaged in racially biased and unconstitutional practices.

Baltimore's police department, its mayor and city council didn't agree to a delay, according to the Justice Department filing asking for the delay. The court had previously scheduled a hearing for Thursday to consider public comments on the deal. The filing sought a 90-day delay for that hearing.

"We strongly oppose any delay in moving forward," Baltimore Mayor Catherine Pugh said in a statement Monday evening.

MEDICARE

Insurers to See Rise in Payment Rates

Federal regulators will give a larger-than-expected average payment increase to insurers that offer private Medicare plans.

The boost will aid companies that offer the plans under Medicare Advantage, the program in which beneficiaries can get Medicare policies from private companies. The insurers are then paid by the federal government.

Insurers selling the plans will see their payment rates go up by 0.45% on average next year, according to the Centers for Medicare and Medicaid Services. That is higher than the 0.25% increase the government had floated earlier this year.

—Stephanie Armour

FEDERAL RESERVE

Richmond Fed's Lacker to Step Down

Federal Reserve Bank of Richmond President Jeffrey Lacker said he was stepping down effective Tuesday in a statement that revealed his involvement in an alleged 2012 leak of confidential Fed information.

Mr. Lacker said he had spo-

ken with an analyst from Medley Global Advisors on Oct. 2, 2012. During the conversation, he learned the analyst knew confidential details about policy options, he wrote in a statement distributed by the law firm of McGuireWoods LLP announcing his departure from the Fed.

By not refusing to comment during the conversation with the Medley analyst, Mr. Lacker said he may have given the impression that he was confirming or acknowledging the information. The Richmond official said he didn't mention this during an internal 2012 investigation.

—David Harrison and Ben Leubsdorf

FLORIDA

Man Pleads Guilty in Cross-Burning Case

A third Florida man pleaded guilty to setting a wooden cross on fire in an interracial couple's yard. Federal prosecutors said Tuesday that 56-year-old William Dennis of Port Richey pleaded guilty to conspiring with others to threaten, intimidate and interfere with an interracial couple's enjoyment of their housing rights. Two other men previously pleaded guilty.

—Associated Press

IN DEPTH

MEET

Continued from Page One
has dropped talk of blocking Chinese access to its South China Sea outposts and toned down its attacks on China's currency policy. It didn't join the United Kingdom, Germany and other allies criticizing China over the alleged torture of human-rights lawyers.

After challenging China on its most sensitive issue—U.S. ties with Taiwan, which Beijing considers a rebel province—Mr. Trump reversed course in February, clearing the way for the two-day gathering at Mar-a-Lago, the president's private club in Palm Beach, Fla., which starts Thursday.

In Beijing last month, Secretary of State Rex Tillerson described the basis for U.S.-China ties as "non-conflict, non-confrontation, mutual respect, and win-win cooperation," the exact language used in the past by Mr. Xi. The U.S. has long avoided echoing those words, fearing they amount to an agreement to steer clear of such contentious issues as Taiwan and the South China Sea, one of the world's busiest trade routes. Mr. Tillerson's hosts were delighted. Many U.S. officials were stunned.

The tone has been set in part by a charm offensive by China's U.S. ambassador, Cui Tiankai, toward Jared Kushner, Mr. Trump's son-in-law and a senior adviser, according to officials and government advisers in the two countries.

The White House declined to comment on Mr. Kushner's contacts with Mr. Cui but said he had worked with Mr. Tillerson on persuading Mr. Trump to reverse course on Taiwan after other officials failed. China's foreign ministry declined to comment.

White House officials said Mr. Trump will press Mr. Xi to agree to a "results-oriented" relationship with action on two significant issues: curbing Chinese exports to shrink the U.S. trade deficit, and policing Chinese companies that trade with North Korea to hobble Pyongyang's nuclear and missile programs.

Mr. Xi's priority is to stabilize relations as he focuses on assuring his dominance in a Communist Party leadership shuffle later this year, Chinese political insiders said. A crisis in U.S. relations, especially a trade war that slows China's economy, presents one of the few threats to his authority.

China, however, has become accustomed to Mr. Trump's rhetorical posturing and given no public signs of concession. It has reiterated demands for the U.S. to lift restrictions on technology exports to China and rejected by Washington, for North Korea to suspend its nuclear program in exchange for a halt to U.S.-South Korean military drills.

Beijing's strategy, Chinese



U.S. Secretary of State Rex Tillerson, left, meets President Xi Jinping of China at the Great Hall of the People in Beijing last month.

government advisers said, is to offer to buy more U.S. goods and to invest more in the U.S., while pressing Mr. Trump to endorse a new framework for relations that acknowledges China's status and territorial interests.

"We've moved from a period of great uncertainty, when the Chinese were very insecure about what Trump might do to harm their interests, to the Chinese potentially thinking they've got this guy in their pocket," said Bonnie Glaser, a

over its China policy nor filled key posts to oversee it.

Confronting China, especially on trade, was central to Mr. Trump's nationalist platform, but foreign-policy and pro-business officials now seek a more pragmatic approach.

Officials in both countries hope the meeting will allow Messrs. Xi and Trump to establish a personal rapport. The first ladies are invited, and the two leaders are expected to stroll in the grounds, similar to Mr. Xi's 2013 summit with former President Barack Obama in California.

One fear for China is that Mr. Trump could embarrass Mr. Xi if the summit fails to live up to expectations, according to people on both sides briefed on negotiations.

"The Chinese should be well advised not to underestimate President Trump, and where he could lead things if he feels he's being played," said one U.S. official briefed on trade negotiations.

Mr. Xi, on the other hand, "can't be seen making any major concessions on this trip" that might be construed as a trade-off for Mr. Trump's observing the longstanding agreement on Taiwan, said a Chinese official close to the leadership. Even so, "China can always buy more Boeing planes," the official said.

Mr. Trump, as president-

elect, broke decades of diplomatic protocol on Dec. 2 by taking a congratulatory phone call from President Tsai Ing-wen of Taiwan.

A week later, Mr. Xi sent State Councilor Yang Jiechi, China's top foreign-policy official, to meet with members of the future administration at Mr. Trump's signature building in New York City. Both Mr. Cui and Mr. Kushner attended, said people briefed on the meeting.

Mr. Yang, who is known for his abrasive style, told his audience—which included Steve Bannon, Mr. Trump's chief strategist—about respecting China's core interests, especially regarding Taiwan, the people briefed said.

"That lecture and its well-practiced server did have a negative impact on those he delivered it to," said a person who spoke with those who attended.

A senior administration official said the attendees told their Chinese guests to expect a fresh perspective in relations but it was "ultimately for the president to decide."

A day later, Mr. Trump suggested in a TV interview he might not abide by the longstanding one-China policy, an agreement by the U.S. not to pursue diplomatic relations with Taiwan.

China's foreign-policy establishment quickly met to brainstorm a fresh approach, according to people who took part.

They studied copies of Mr. Trump's book "The Art of the Deal." Several Chinese think tanks were commissioned to file reports on Mr. Trump's personality.

Opinion was divided. One group saw Mr. Trump as a deal maker less interested in maintaining U.S. alliances in Asia and who could work with Bei-

jing. Others regarded him as a serious threat to China's economy and security.

The consensus emerged that Mr. Trump cared most about trade and U.S. jobs—areas where Beijing could offer compromise—and that he could be persuaded to maintain the status quo with Taiwan.

Mr. Xi sent a New Year's greeting card to Mr. Trump in early January. Mr. Trump didn't immediately reciprocate.

On Jan. 13, Mr. Trump told The Wall Street Journal he considered the one-China policy negotiable.

Chinese government advisers saw a possible path to Mr. Trump through his family. Leading the way was Mr. Cui, whose easy manner contrasted sharply with Mr. Yang's.

"Personal diplomacy matters," said a person who has dealt with both men. "And in this White House, personal relationships are especially important."

There is one measure of Mr. Kushner's influence that will be closely watched by Chinese officials during this week's summit: whether Mr. Trump, like Mr. Tillerson last month, speaks of a relationship based on "non-conflict, non-confrontation, mutual respect, and win-win cooperation."

The phrase was first used by Mr. Xi in 2013 to define a "new model of great power relations" between the U.S. and China. It was never endorsed by Mr. Obama's administration because, officials said, it implied acceptance of Chinese dominance of Asia.

Mr. Tillerson's use of the phrase in Beijing was a surprise, according to U.S. officials.

"It wasn't in the talking points, so I guess it remains a mystery," one official said, adding that Mr. Tillerson had been "warned against the traps when the Chinese try to get you to buy into their formulations."

Chinese state media has since applauded Mr. Tillerson, as have some Chinese officials. "Happily surprised," one adviser to the Communist Party leadership said.

—Lingling Wei in Beijing contributed to this article.



ASSOCIATED PRESS

'The Chinese should be well advised not to underestimate President Trump.'

China expert at the Center for Strategic and International Studies.

Many veterans of negotiating with China, inside and outside the U.S. government, said Mr. Trump's administration has lost leverage by backtracking on its own positions, as well as on longstanding tenets of U.S. policy, without extracting significant concessions from Beijing.

Some of these specialists feel the summit may be premature. The White House has neither resolved internal disputes

standing when and how hagfish mate.

Separately, there is hope for a window into hagfish reproduction from the University of Kentucky, where geneticist Jeremiah Smith is mapping the hagfish genome.

"I'm not holding my breath," says Dr. Martini, who over the past 30 years has found hagfish research to have high hurdles.

Hagfish have slithered through the scientific cracks since at least the 18th century, when Linnaeus wrongly classified them as worms. In 1863, the Royal Danish Academy of Sciences and Letters announced a prize for anyone who could describe male and infant Atlantic hagfish. In 1899, American zoologist and medieval-armor expert Bashford Dean published the re-

sults of a hagfish expedition that found eggs in Monterey Bay, but no evidence of how they got fertilized.

The mystery endured through the 20th century, as did the allure of the Danish prize, says Stacia Sower, a researcher at the University of New Hampshire. For years, she heard it was a gold medal, and then a gold bar. She was years into her research when word spread in the hagfish community that the prize had expired—in 1865, the Royal Academy says.

Researchers say the mystery continues because hagfish are hard to see in the pitch-black deep and because there is scant funding for studying slime-oozing animals.

"It's kind of ridiculous that we let such shallow considerations affect research of a

species that may be in trouble," says hagfish-slime expert Douglas Fudge of Chapman University in California.

In New Hampshire, Dr. Sower furnished enormous tanks with sand and shells to relax her hagfish. She sent males and females to the seafloor in old pickle barrels tied to buoys. She wanted to use a high-pressure chamber to replicate deep-sea conditions, but arrived one Saturday to find water pouring from her lab building. Anxious hagfish had slimed their tanks, clogging pipes and causing a flood.

"After that fiasco with the facility they weren't going to let me use a hyperbaric chamber," she says.

In 2006, Japanese scientist Kinya Ota stumbled on a breakthrough when he went to

clean out a basket of forgotten hagfish eggs. He found embryos, but didn't see how they were fertilized. He never figured it out, and now studies goldfish.

"If I stuck around the hagfish project," he says, "he wouldn't have been able to 'grow up' as a scientist. Other Japanese researchers have also reported fertilized eggs without witnessing the act."

Dr. Martini has soldiered on. In the 1980s, after finishing a doctoral dissertation on sharks, he saw students light up when they spotted hagfish slime. For 23 summers he taught at the Shoals Marine Lab in Maine, run by Cornell University and the University of New Hampshire, using grants to fund deep-sea hagfish expeditions.

In 1989, he strapped decay-

ing fish to a submarine as bait. Hagfish swarmed the vessel, got sucked in its thrusters and covered the 26-foot sub in slime. When it was pulled up, distressed hagfish were still clinging to it.

"It looked like a Christmas tree decorated with hagfish tinsel," he says.

Since retiring from full-time teaching, Dr. Martini has continued the research. But grants are limited. "It is hard to compete with Flipper," he says.

Using income from textbooks he wrote about human anatomy, he started paying his own way. In 2002 he bought a submersible vehicle.

In 2013 he converted his garage into a temporary lab with pickled hagfish in five-gallon buckets.

"If you could see the look on the neighbor's face as you're hosing hagfish slime down the storm drain..." he says.

While Dr. Martini cruises the ocean floor, his younger compatriots are trying to drum up enthusiasm. Organizers of an annual Hagfish Day in October encourage fans to send cards, make hagfish bouquets, and bake hagfish cakes. They hope hagfish can become poster animals for the world's ugly-but-important species.

Dr. Martini is continuing his search, but in recent years, he's abandoned any expectation of solving the mystery.

The big lesson he's learned about hagfish: "You just have to kind of give up on being the one to solve this riddle," he says.

HAGFISH

Continued from Page One
compares the hagfish's unwillingness to mate in captivity to the giant panda's.

A top authority on hagfish reproduction retired last year without learning how hagfish reproduce. Another, who found fertilized hagfish eggs in his own tank more than a decade ago but failed to see how they got fertilized, later gave up hagfish for goldfish.

Now concerns for the ecosystem, and an interest in the slime that anxious hagfish spew in huge volumes, is helping fuel momentum in the quest to figure out the hagfish birds and bees.

Researchers at the U.S. Naval Surface Warfare Center are studying hagfish slime for applications like stopping bullets—because of its similarities to Kevlar—or repelling sharks. "The possibilities are endless," Navy biochemist Josh Kogot said in a statement the Navy published.

At the same time, high demand for hagfish meat and skin, sold as "eel skin" for wallets, worries scientists. Overfishing devastated Asian hagfish populations, and U.S. waters now provide Korea with most of its imports, the U.S. Department of Agriculture says. California enacted hagfish regulations in 2015 after a state scientist grew concerned, but biologists can't determine a sustainable catch without under-



A hagfish in New Hampshire, above left, and in aquarium, above right. Researchers say the mystery surrounding the species continues because hagfish are hard to see in the pitch-black deep and because there is scant funding for studying slime-oozing animals.



standing when and how hagfish mate.

Separately, there is hope for a window into hagfish reproduction from the University of Kentucky, where geneticist Jeremiah Smith is mapping the hagfish genome.

"I'm not holding my breath," says Dr. Martini, who over the past 30 years has found hagfish research to have high hurdles.

Hagfish have slithered through the scientific cracks since at least the 18th century, when Linnaeus wrongly classified them as worms. In 1863, the Royal Danish Academy of Sciences and Letters announced a prize for anyone who could describe male and infant Atlantic hagfish. In 1899, American zoologist and medieval-armor expert Bashford Dean published the re-

sults of a hagfish expedition that found eggs in Monterey Bay, but no evidence of how they got fertilized.

The mystery endured through the 20th century, as did the allure of the Danish prize, says Stacia Sower, a researcher at the University of New Hampshire. For years, she heard it was a gold medal, and then a gold bar. She was years into her research when word spread in the hagfish community that the prize had expired—in 1865, the Royal Academy says.

Researchers say the mystery continues because hagfish are hard to see in the pitch-black deep and because there is scant funding for studying slime-oozing animals.

"It's kind of ridiculous that we let such shallow considerations affect research of a

species that may be in trouble," says hagfish-slime expert Douglas Fudge of Chapman University in California.

In New Hampshire, Dr. Sower furnished enormous tanks with sand and shells to relax her hagfish. She sent males and females to the seafloor in old pickle barrels tied to buoys. She wanted to use a high-pressure chamber to replicate deep-sea conditions, but arrived one Saturday to find water pouring from her lab building. Anxious hagfish had slimed their tanks, clogging pipes and causing a flood.

"After that fiasco with the facility they weren't going to let me use a hyperbaric chamber," she says.

In 2006, Japanese scientist Kinya Ota stumbled on a breakthrough when he went to

clean out a basket of forgotten hagfish eggs. He found embryos, but didn't see how they were fertilized. He never figured it out, and now studies goldfish.

"If I stuck around the hagfish project," he says, "he wouldn't have been able to 'grow up' as a scientist. Other Japanese researchers have also reported fertilized eggs without witnessing the act."

Dr. Martini has soldiered on. In the 1980s, after finishing a doctoral dissertation on sharks, he saw students light up when they spotted hagfish slime. For 23 summers he taught at the Shoals Marine Lab in Maine, run by Cornell University and the University of New Hampshire, using grants to fund deep-sea hagfish expeditions.

In 1989, he strapped decay-

LIFE & ARTS

FITNESS

Your Awkward Company Gym

You can enjoy the convenience of getting fit while at work, and there are ways to avoid uncomfortable moments

BY RACHEL BACHMAN

Brandon Siegesmund strained over his spread legs as he'd seen baseball players do on TV during warm-ups. The operations manager at Milwaukee-based More Than Rewards, which creates customer-loyalty programs for retailers, usually took walks outside. But he thought he'd start a winter routine in the office gym.

A colleague spotted him through a giant window on the gym door.

"What are you doing?" she asked. "You're going to hurt yourself." She showed him some gentler moves. When Mr. Siegesmund left the gym, the office was already ribbing him about his stretching routine.

Working out at work can get really awkward. Does it look like you're slacking off if you hit the company gym midafternoon? Do you talk to the woman from human resources one treadmill over? Change machines when your boss eyes his favorite StairMaster?

A work-gym routine requires strategy, from getting used to sweating in front of co-workers to practicing good shower etiquette.

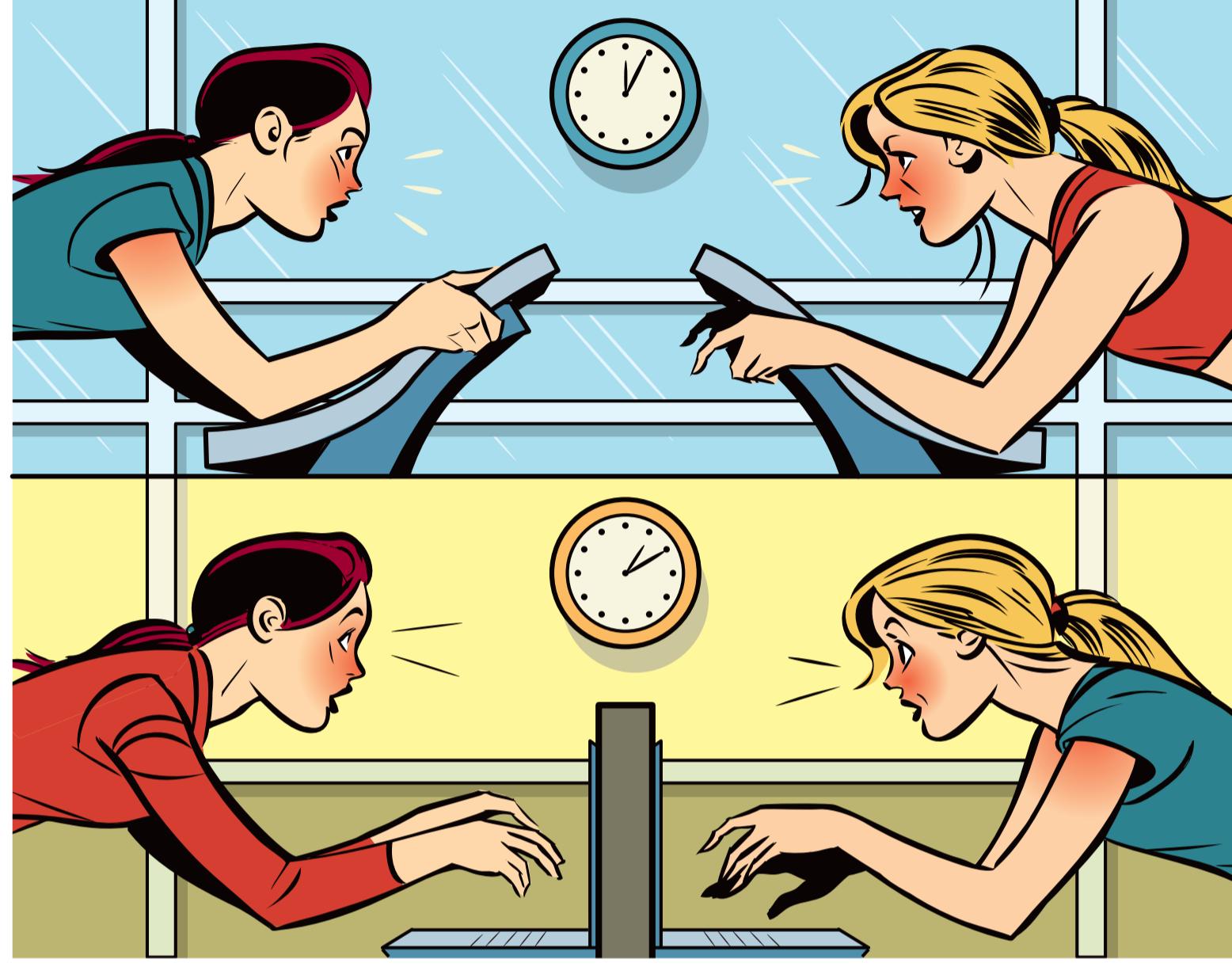
But the upside is big. Office gyms can provide a cheap or free place to squeeze in a workout, often just an elevator ride from your desk.

Employees who exercise during the workday manage time more effectively, have smoother interactions with colleagues and go home feeling more satisfied than colleagues who don't, research has found. About a quarter of U.S. companies have an on-site fitness center, according to a 2016 survey by the Society for Human Resource Management.

In Milwaukee, soon after Mr. Siegesmund's embarrassment, company owner Jason Brethorst covered the glass window with a motivational poster to create some privacy. More employees started using the gym. They got so comfortable they pasted up a drawing of Mr. Brethorst's face on Arnold Schwarzenegger's bemused, lounging body on the gym's bright red wall.

"I wanted to make it really fun and silly and awkward, so it takes down that stiffness of 'Oh my gosh, it's the gym,'" Mr. Brethorst says.

Some bosses make a point of working out during the day to encourage others to follow. While working in Procter & Gamble's Cin-



cinnati office years ago, Chip Bergh worked out at lunchtime before a company gym existed. "I borrowed a locker in the janitor locker room and brought my own towel!" Mr. Bergh, now president and CEO of Levi Strauss & Co., says, in an email.

He scrapped initial plans to build a gym at Levi's San Francisco headquarters ("A great gym is not cheap!") and opted for subsidized corporate memberships that cost employees \$50 monthly at the nearby Bay Club, whose facilities include a swimming pool and a large selection of classes. Unsubsidized memberships there start at about \$200.

Mr. Bergh wrote that exercising during the workday "leads to happier and more engaged employees."

Grant Moos found other rewards for stepping out of his comfort zone.

He had never tried yoga when, about eight years ago, he and his then-boss organized a class in a conference room at General Mills's Minneapolis headquarters. At first the yoga class was all women and him.

"We kind of called the group the Ya-Ya Sisterhood," recalls the 61-year-old Mr. Moos, who works in internal communications.

He picked a spot in the back so people wouldn't see the sweat pooling on his mat during the challenging vinyasa class. A few co-workers teased him.

"People would walk by that I knew and would make faces at me," he recalls. But he loved how yoga limbered and strengthened

the muscles he used for cycling and cross-country skiing. He recruited people to help keep the class going, and now it's about half men, he says.

A few months into his job as a data scientist at Verizon, Paulius Mikalainis got an email from a co-worker he hadn't met. It was about Mr. Mikalainis's performance on a stationary bike.

"Looks like you have to have the initials of P.M. to make the top two on the Expresso Leaderboard," wrote co-worker Paul Macchia, who works in internal communications, also at Verizon's Basking Ridge, N.J., office. Mr. Macchia enclosed a screen-grab of two recent times from internet-connected Expresso bikes at the company gym, with Mr. Mikalainis in the lead.

"I was kind of flattered," says

Mr. Mikalainis, who has since met Mr. Macchia and developed a friendly rivalry with him. On a recent day at the gym, Mr. Macchia saw Mr. Mikalainis walking toward a bike. "I kind of waved to him and said, 'Do arms today,'" Mr. Macchia says.

Intense classes can bring out the competitiveness even in the most professional setting. About a decade ago, Mike James's boxing class at the World Bank's office gym in Washington, D.C. was in full swing when he heard a ruckus.

In a corner, two men who were supposed to be practicing soft punches were "going at it hammer-and-tong in a full fist-type fight," recalls Mr. James, manager of the World Bank Fitness Centers. He separated the men and they apologized.

BOOKS

THE WSJ BOOK CLUB TAKES ON 'TUMBLING'

BY CHRISTOPHER JOHN FARLEY

AUTHOR ROXANE GAY first picked up a copy of Diane McKinney-Whetstone's novel "Tumbling" because of the jazzy-looking cover, and the writing has stayed with her for some 20 years.

Ms. McKinney-Whetstone "knows the people she writes inside and out and she lets us see them at their best and worst," Ms. Gay said in an email interview. "There is real humanity on every page of this novel and so much heart. I also love how she evokes so distinctly."

Ms. Gay, whose works include the essay collection "Bad Feminist," the novel "An Untamed State" and the short-story collection "Difficult Women," is the host of the WSJ Book Club for April.

She picked "Tumbling," which is set in an African-American neighborhood in South Philadelphia, as this month's read.

"This is an unforgettable, gorgeously written book," Ms. Gay said.

"Tumbling," Ms. McKinney-Whetstone's debut, drew critical acclaim when it was published in 1996.

The story focuses on Noon, a preacher's daughter, and her husband Herbie, a former jazz drummer who works as a porter at a train station. Ms. Gay said "there is something so moving and heart-breaking about Herbie and Noon's

relationship. They share so much love, but cannot quite make it to each other as fully as they both want. The ache of that is so compelling to read."

In June, Ms. Gay will publish "Hunger: A Memoir of (My) Body," about her relationship with food. Edited from the email interview.

Why did you select Diane McKinney-Whetstone's novel "Tumbling"?

I first read "Tumbling" in my 20s, and the book has stayed with me for 20 years—Herbie and Noon and how they tried so hard to love each other and protect each other while being imperfect people. It's a novel about how a family can be made in the most unexpected way and there are so many secrets that unfold so elegantly over the course of the novel.

"Tumbling" takes place in Philadelphia in the 1940s and 1950s. Is there anything about the setting that readers should be thinking about as they read the book?

The time period in which this novel is set and the city of Philadelphia itself are as much characters as any of the people in this novel.

Why does "Tumbling" still have a hold on you two decades later?

This is one of those novels I read

and forgot about absolutely everything but the words on the page.

"Tumbling" was McKinney-Whetstone's debut novel, and some critics might argue that it's still her best. Is there something about debuts that makes them stand out from books released at other times in a writer's career?

People are always looking for the next "It" writer, and debut novels offer that kind of hope. I also think there is something unique about a debut novel—they are generally written as labors of love. The focus of the writer is entirely on the work. The results are always fresh and imperfect and bold because the writer isn't writing for an audience or a "market." That said, most great writers are not defined solely by their debut. McKinney-Whetstone's debut was brilliant, but so are the other novels she has written.

You've written fiction and nonfiction. Which do you prefer to write and why?

Fiction is my first love. I am thrilled by getting to remake the world as I see fit in fiction.

What should readers keep in mind as they dive into "Tumbling"?

Readers should keep in mind that there are so many different ways for marriage and family to work.



Roxane Gay says Diane McKinney-Whetstone's 'Tumbling,' is 'unforgettable.'



MARK MATCHO

JAY GRABIEC

OPINION

REVIEW & OUTLOOK

Susan Rice Unmasked

Well, what do you know. On the matter of who "unmasked" the names of Trump transition officials in U.S. intelligence reports, we now have one answer: Susan Rice, Barack Obama's national security adviser.

A U.S. intelligence official confirms to us the bombshell news, first reported Monday by Bloomberg, that Ms. Rice requested the name of at least one Trump transition official listed in an intelligence report in the months between Election Day and Donald Trump's inauguration.

Ms. Rice received summaries of U.S. eavesdropping either when foreign officials were discussing the Trump team, or when foreign officials were conversing with a Trump transition member. The surveillance was legally authorized, but the identities of U.S. citizens are typically masked so they cannot be known outside intelligence circles. Ms. Rice asked for and learned the identity of the Trump official, whose name hasn't been publicly disclosed and our source declined to share.

Our source did confirm that Ms. Rice also examined dozens of other intelligence summaries that technically masked Trump official identities but were written in such a way as to make obvious who those officials were. This means that the masking was essentially meaningless. All this is highly unusual—and troubling. Unmasking does occur, but it is typically done by intelligence or law-enforcement officials engaged in antiterror or espionage investigations. Ms. Rice would have had no obvious need to unmask Trump campaign officials other than political curiosity.

We're told by a source who has seen the unmasked documents that they included political information about the Trump transition team's meetings and policy intentions. We are also told that none of these documents had anything to do with Russia or the FBI investigation into ties between Russia and the Trump campaign. While we don't know if Ms. Rice requested these dozens of reports, we are told that they were only distributed to a select group of recipients—conveniently including Ms. Rice.

All of this helps to explain the actions in the past week of House Intelligence Chairman Devin Nunes, the one official in Washington who seems interested in pursuing the evidence of politicized surveillance. Mr. Nunes was roundly criticized by Democrats and the media last week for publicly revealing at least one instance of Obama White House unmasking, albeit without disclosing any names.

Now we know he is onto something. And we know that Mr. Nunes had to go to the White House to verify his information because the re-

cords containing Ms. Rice's unmasking request are held at the National Security Council.

Obama's security adviser sought the name of a Trump official in intelligence reports.

Where are the civil libertarians when you really need them? These columns support broad surveillance powers for national security, but executive officials need to be accountable if those powers are abused. If congressional oversight of U.S. intelligence operations is going to be worth the name, then it should include the unmasking of a political opponent by a senior official in the White House.

Democrats certainly raised a fuss during the Bush years and after Edward Snowden kicked off the debate about "metadata," which are merely telephone numbers without names. Oregon Senator Ron Wyden went so far as to introduce a bill in 2013 to strengthen the ban on "reverse targeting"—in which intelligence agencies surveil foreigners but with the goal of capturing U.S. citizen communications.

Yet now that there's evidence that the Obama Administration may have unmasked Trump officials, Democrats couldn't care less. Adam Schiff, the ranking Democrat on House Intelligence, has spent the past week denouncing Mr. Nunes for revealing that a name was unmasked and for having sources at the White House. But he hasn't raised a peep about the unmasking itself or who was behind it.

The news about Ms. Rice's unmasking role raises a host of questions for the Senate and House intelligence committees to pursue. What specific surveillance information did Ms. Rice seek and why? Was this information related to President Obama's decision in January to make it possible for raw intelligence to be widely disbursed throughout the government? Was this surveillance of Trump officials "incidental" collection gathered while listening to a foreigner, or were some Trump officials directly targeted, or "reverse targeted"?

We were unable to locate Ms. Rice Monday to ask for comment, and she hasn't addressed the unmasking as far as we know. But asked last month on the "PBS NewsHour" that Trump officials might have been surveilled, she said, "I know nothing about this" and "I was surprised to see reports from Chairman Nunes on that account today." She certainly deserves her turn under oath on Capitol Hill.

None of this should deter investigators from looking into the Trump-Russia connection. By all means follow that evidence where it leads. But the media have been running like wildebeest after that story while ignoring how the Obama Administration might have abused domestic surveillance for its political purposes. Americans deserve to know the truth about both.

Terror Returns to Russia

An explosive device tore through a St. Petersburg subway train Monday, killing 14 people and wounding 49. On

Tuesday intelligence agencies in Russia and Kyrgyzstan identified the suspect as Akbarzhon Jalilov, a Kyrgyz-born Russian citizen.

If true—and Kremlin claims can't be taken at face value—this would be the second attack by a Central Asian suspect in recent months, after the gun rampage at an Istanbul nightclub over New Year's. Turkish authorities blamed Abdulkadir Masharipov, an Uzbek national, for that massacre. Islamic State claimed responsibility.

No group had taken credit for the St. Petersburg subway bombing as we went to press. But thousands of Central Asian Muslims have traveled to the Middle East to fight with jihadist groups since the Syrian civil war broke out in 2011. Islamic State has become the most popular because it's easy to join and its brutality and prowess made it the strong Islamist horse.

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

The U.S. Senate 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 Rockettes 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

The Democratic leader sets a new precedent for the Supreme Court.

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 World Unsafe For Democracy



This week marks the centenary of America's entry into World War I, when Woodrow Wilson vowed that "the world must be made safe for democracy." He and his fellow statesmen failed to do so in their day. We are failing in ours.

Snapshots from a week in the news: In Russia, opposition leader Alexei Navalny is in jail for leading last month's anticorruption protests. In Venezuela, the Supreme Court stepped back from seizing the powers of the legislature but handed President Nicolás Maduro broad control over the country's oil revenues. In Ecuador, a candidate with the telling name of Lenín Moreno claimed victory in a runoff vote Sunday with pledges to carry forward the populist-authoritarian policies of departing President Rafael Correa.

In Turkey, President Recep Tayyip Erdogan is campaigning for constitutional changes that would extend his lease of office till 2029. In the Philippines, President Rodrigo Duterte has promised to pardon and promote 19 police officers implicated in murdering a politician while jailing the former head of the country's human-rights commission.

In Hong Kong, Carrie Lam, Beijing's favored candidate, was "elected" as chief executive with the votes of 0.03% of the territory's population; nine democracy activists were arrested the next day. In France, presidential frontrunner Marine Le Pen sought to boost her appeal among voters by paying a flattering visit to Vladimir Putin in Moscow.

These stories aren't just a string of anecdotes. The year 2016 "marked the 11th consecutive year of decline in global freedom," reports Freedom House in its latest annual survey. A total of 67 countries suffered net declines in political rights and civil liberties in 2016, compared with 36 that registered gains." Just 39% of the world's people live in free countries today, down from 46% a decade earlier.

How did the world become unsafe for democracy?

The striking finding in the Freedom House report is that the global erosion of political liberty is largely taking place in the democracies. People are losing faith in freedoms that no longer seem to deliver on the promise of a safer, richer, fuller, fairer life.

In some cases, long-term political polarization leads to ineffectual governance, which in turn whets the public appetite for leaders promising fast results irrespective of legal niceties. In others, a stale form of consensus politics leads to ideological polarization as mainstream parties fail to address mainstream concerns.

And sometimes people fall under the sway of charismatic demagogues, dis-

covering only too late the direction in which they are being steered. That was the tragedy of Venezuela under Hugo Chávez and of Russia under Vladimir Putin. In both cases it helped to have an oil boom grease the way.

In 1991 the political scientist Samuel Huntington proposed the thesis that democracy advanced and retreated in waves—a long "Jacksonian" wave that began in the early 19th century and only collapsed after Mussolini's rise to power in 1922; a brief postwar wave that crashed in the 1960s as post-colonial states fell prey to dictatorship; and then a "Third Wave" that began with the restoration of democracy in Portugal in 1974 and crested with the Soviet collapse 17 years later.

Huntington's thesis suggests that what is happening today is inevitable: that democracy has a way of overextending itself before it later succeeds in sinking deep roots. It also offers the

Freedom rests on wings of butterflies—and the moral confidence of America.

comfort that the current trend can't last forever: that most dictatorships will eventually be undermined by their internal contradictions, while most democracies will bounce back thanks to their ability to correct mistakes through elections.

Maybe. Or maybe the cause of democracy just got lucky in 1931 when Winston Churchill wasn't killed by a New York City cab, and lucky again in 1942 when American pilots hit their targets at Midway, and lucky a third time in 1985 when the Soviet Union chose a leader foolish enough to think communism could be reformed. The march of freedom rests on wings of butterflies.

It also rests on the moral example and ideological confidence of the strongest democratic powers. The U.S. now has as a president a man who explicitly renounces the concept of American exceptionalism, shows no interest in denouncing authoritarian crackdowns or championing democratic dissidents, draws parallels between the practices of the Putin regime and those of the U.S. government, and has fanned conspiracy theories about a "deep state" that pulls the strings in Washington.

If Americans can't be persuaded of the merits and decency of our system, why should anyone else? If the winner of a U.S. presidential election is a man who embarrasses—or terrifies—much of the free world, how do we make the case to ordinary Russians or Chinese that the road of democracy isn't simply the way of the buffoon?

Americans used to care deeply about the future of freedom in the world. Lose the care, risk the freedom.

Write bstephens@wsj.com.

LETTERS TO THE EDITOR

Addressing the Labor Shortage in America

The irony contained in your editorial "America's Growing Labor Shortage" (March 31) is nothing short of amazing. For more than 40 years, American politicians and businesses have engineered an unfettered supply of low-wage workers via the abuse of the H-2B and other federal visa programs which, coupled with the dramatic increase in the exploitation of undocumented workers, has created untenable situations defined by systematic patterns of abuse and maltreatment, including wage theft, safety violations and the misclassification of workers.

As a result, overall compensation for construction workers in America, adjusted for inflation, has remained flat since the late 1970s.

The lone bright spot is the union construction sector, where local unions routinely have people camping out overnight for the opportunity to apply for a union craft apprenticeship program because they know that such an opportunity is a ticket to the middle class.

Where Were the Republicans At the Garland Hearings?

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

*MARK DUBOIS
Durham, N.C.*

The irony here is that entities which have long advocated for increases in foreign guest workers as a way for businesses to keep labor costs low, such as the Journal, are now wringing their hands in despair over emerging labor shortages and encouraging Congress to approve even more guest workers.

Fortunately, America now has a president who recognizes the folly of such an approach and is committed to instituting meaningful controls over the entire gamut of federal immigration-visa programs, which will help to elevate the economics of the U.S. construction industry, attract new workers and restore our industry's ability to provide pathways to the middle class.

*SEAN McGARVEY
President
North America's Building Trades Unions
Washington*

You say that carpentry and bricklaying salaries "are going through the roof." Are the editors going to shop class to better their futures? If the Mexicans came across the border with law degrees, we would already have a wall.

*ALAN CULTON
Chapel Hill, N.C.*

Your editorial suggests that some California growers have resorted to "poaching" workers from each other by offering higher wages and better benefits. Isn't that what free labor markets are about? Maybe the answer to the "labor shortage" you lament is just to raise wages and benefits until those willing workers show up.

*JIM WALTERS
Iowa City, Iowa*

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

OPINION

How Trump Became a Russia Skeptic

By Adrian Karatnycky

A Kremlin spokesman told ABC News on Friday that despite the new administration in Washington, Russian-American relations remain "at the lowest possible point." Yet the spokesman also suggested that if Donald Trump and Vladimir Putin were to meet in person "there will be chance for our volatile relations to get better."

These are telling remarks, given that only a few months ago Mr. Putin was salivating at the thought of a Trump presidency. Mr. Trump had extolled the Russian leader, declared the North Atlantic Treaty Organization "obsolete" and hinted that the U.S. might accept Russia's annexation of Crimea. A few years ago

The conventional wisdom about a Kremlin-friendly White House is dated. Reality forced a change.

Steve Bannon, an influential Trump adviser, promoted the idea of a grand alliance between the West and a traditionalist Russia against secularism and Islam. Mike Flynn, a Putin-friendly recipient of Moscow's largess, was appointed national security adviser.

Yet as the investigations continue into Trumpworld's Russia connections, the White House has replaced these friendly soundings with a sober, decidedly hawkish stance.

As the atmosphere shifts, Russia's state-controlled and state-directed media have begun to turn against

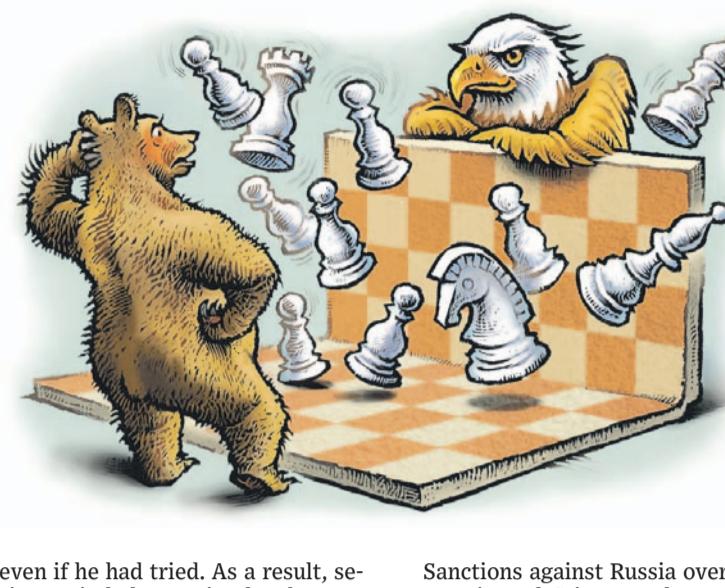
Mr. Trump, suggesting that Moscow no longer expects a cooperative relationship. Gazeta.ru, a Kremlin mouthpiece, called Mr. Trump a narcissist not long after he took office. Another, Lenta.ru, announced in February the "end of illusions" about a warming in relations, reporting that some of President Trump's "most ardent boosters" in the Russian media were turning on him. Prime Minister Dmitry Medvedev told Russian television viewers to expect the international sanctions on their country to remain in place "indefinitely."

The shift has moved beyond rhetoric: Mr. Putin has escalated violence in eastern Ukraine. Since early February, his proxies and fighters have dropped a significant number of missiles and ordnance on towns and cities in the Donbas region. Moscow has deployed a new cruise missile in violation of treaty obligations. And Russian pilots have resumed the practice of buzzing U.S. ships deployed in the Black Sea.

Mr. Trump's friendly comments toward Mr. Putin have also brought resistance from a unique coalition: Republican hawks, Democrats angry over Russia's election meddling, the national-security establishment and intelligence community, and key European leaders.

Together they have applied enough pressure to profoundly shift U.S. administration policy. For one thing, the president was compelled by the weight of evidence to acknowledge in January that Russian hacking had indeed influenced the American political process, even as he insisted this interference didn't affect the election's outcome.

The expert consensus about Mr. Putin is so negative that Mr. Trump couldn't have put together a Kremlin-friendly national-security team



White House predecessor. He tweeted last month: "For eight years Russia 'ran over' President Obama, got stronger and stronger, picked-off Crimea and added missiles. Weak!"

The bad news for Mr. Putin doesn't stop there. Despite Brexit, the U.K. seems to be taking a hard line, with Prime Minister Theresa May and Foreign Minister Boris Johnson championing Ukraine's interests. In Germany's election this September, voters will choose between Angela Merkel, the tough-minded chancellor, and Martin Schulz, a Social Democrat with a record of criticizing Mr. Putin. In France, the likely winner in May's presidential runoff appears to be the pro-European centrist Emmanuel Macron, who is comfortably ahead of two pro-Russian candidates.

The American investigations remain critical. All leads concerning Russian cyberattacks on U.S. political targets should be investigated. Any contacts between Trump campaign advisers and Russia should be followed up. Potential vulnerabilities of administration personnel should be fully explored. But it's also important to understand that Russia's effort to gain an advantage from meddling in the election appears to have abjectly failed.

American institutions are working well. The security policies that were shaped in the aftermath of World War II and the Cold War remain firmly in place. Although it's unlikely that Mr. Putin helped swing the vote in Michigan, Pennsylvania or Wisconsin, his hapless meddling appears only to have awakened American and European hawkishness.

Mr. Karatnycky is co-director of the Ukraine in Europe Initiative at the Atlantic Council.

even if he had tried. As a result, serious-minded Russia hawks are emerging in key posts. When Mr. Flynn was forced to resign as national security adviser, H.R. McMaster took his place. The appointment of Putin critic Fiona Hill to be the National Security Council's Russia expert is pending.

Mr. Trump's most senior appointees, including the vice president and defense secretary, began criticizing Russian actions almost immediately after taking office. Secretary of State Rex Tillerson and United Nations Ambassador Nikki Haley made clear that America will continue to back Ukraine. Last week Mr. Tillerson declared that the U.S. and its allies would remain "steadfast" in their "support of Ukraine's sovereignty and territorial integrity." A senior government official in Kiev told me that Ukrainian President Petro Poroshenko has been reassured by his direct discussions with Mr. Trump.

Sanctions against Russia over its annexation of Crimea and occupation of eastern Ukraine have also been reaffirmed. Mr. Trump has proposed a \$54 billion increase in Washington's defense budget. He has made clear that he wants NATO allies to significantly boost their own military spending. These moves cannot be welcome in Moscow.

The idea that Mr. Trump could strike some sort of grand bargain with Mr. Putin isn't dead. Questions remain about whether Mr. Trump or some of his advisers may be vulnerable to Russian blackmail. But so far the White House has proved more susceptible to the pressures that come from press scrutiny, congressional oversight and the elite consensus.

Mr. Trump's early view of Moscow as potentially a close ally has been routed. The president is now beginning to articulate a policy toward Russia rooted in American strength, albeit with predictable digs at his

New Rules to Make Globalization Work

By Ludger Schuknecht

In the coming days, finance ministers and central-bank governors from around the world will gather in Washington for the spring meetings of the International Monetary Fund and the World Bank. They will discuss the global economy, nervously lament a growing antiglobalization sentiment and call for policy action toward more "inclusive" growth. It's a well-honed ritual.

To better manage globalization, what we need isn't more policy activism but a refocus on the importance of rules-based policy making. Good rules allow governments to perform their core jobs better and build confidence for investment and innovation, both at home and internationally.

To most emerging economies, globalization is an unequivocal benefit: higher productivity, better technology and more trade help lift many people and countries out of poverty. Their incomes converge with those of the advanced economies and global income inequality declines.

In the West, globalization has significantly lifted incomes as well. But

the drivers of growth, technical progress, trade and migration have made life more difficult and jobs more uncertain for many low-income and low-skilled people. Migration has added to the strains on schools and housing, to the detriment especially of these same low-income groups. Security concerns have also been rising. If your education level is low, if your neighborhood is unsafe, it is more difficult to be competitive, to cope with change, to see opportunity.

Add to that a growing perception that the rules are applied unfairly. While banks were bailed out during the financial crisis, normal people still had to pay taxes. Negative or very low interest rates are seen as having inflated asset prices to the benefit of the rich. "Normal people" feel their savings are taxed even as rising rents and house prices drive them out of the property market. People who have to carry a passport through every border crossing don't understand how so many illegal border crossings can not only go unpunished but yield generous welfare benefits and an almost certain chance to stay indefinitely.

Frustration about the decline in the international rule of law is simi-

larly widespread, be it about the fiscal rules in the European Union, the global trafficking of people, or strong-arming in international trade and security relations.

Yet this isn't an argument for a bigger welfare state. In many countries, spending on core tasks has

Focus on fiscal discipline and rules-based policy making to make the global economy run smoothly.

been cut because short-term thinking predominates and welfare lobbies are so strong. People want opportunities, not alms. Therefore we need to refocus the debate on the importance of rules-based policy making.

These rules should promote sound public finances to overcome the deficit bias of everyday politics and help provide high-quality public services such as education, a basic social-safety net, internal and external security and a well-functioning administration and justice system. Rules and

regulations should rightly limit market failure and externalities, but not stifle initiative. In such an environment, private investment and high-quality job creation flourish.

The challenge of rules-based policy making is even greater at the international level. The post-World War II order, set up under the leadership of the U.S., governs decisions on international trade, the global monetary system and even military intervention.

The G-20 coordinates international financial, tax and investment regulation. These rules certainly aren't perfect and they haven't prevented all conflicts. But here it is less the international rules themselves than their poor implementation and poor policies at the national level that cause problems.

The European Stability and Growth Pact, for example, is a reasonably flexible framework designed to ensure sound public finances and a stable monetary union across the EU. But in the absence of adequate enforcement mechanisms, some member governments have allowed their debts to run rampant, leading them to knee-jerk cuts that have also eliminated some more-productive items.

Trade is another example. International agreements and the rules of the World Trade Organization have so far served us well. They help contain conflict and uncertainty internationally and wasteful lobbying at home. But advanced economies in Europe and the U.S. must help manage the change and create opportunities with good national rules and policies.

Protectionism isn't the answer. It makes us all poorer and sours relations between countries at a time when global tensions and alternative economic-policy models are on the rise. Should the U.S. turn its back on rules-based multilateralism, it would weaken its trading partners and make things worse in the global economy, with even fewer opportunities to export abroad as a result.

More, not less, rules-based policy making is needed to master globalization and create opportunities for all. In Germany we call this *Ordnungspolitik*. But good rules, and good governance, will do.

Mr. Schuknecht is chief economist of the German federal ministry of finance.

The Minimum Wage Should Be Called the Robot Employment Act

By Andy Puzder

Entry-level jobs matter—and you don't have to take my word for it. In a speech last week on workforce development in low-income communities, Federal Reserve Chair Janet Yellen said that "it is crucial for younger workers to establish a solid connection to employment early in their work lives."

Unfortunately, government policies are destroying entry-level jobs by giving businesses an incentive to automate at an accelerated pace. In a survey released last month, the publication Nation's Restaurant News asked 319 U.S. restaurant operators to name their biggest challenge for 2017. Nearly a quarter of them, 24%, said rising minimum wages.

It's no surprise that restaurants are rolling out the robots. McDonald's said in November that it would install self-order kiosks in all 14,000 of its U.S. restaurants. Wendy's announced in February it would add kiosks at about 1,000 locations to "appeal to younger customers and reduce labor costs."

The trend toward automation is particularly pronounced in U.S. areas where the local minimum wage is high. Eatsa, a 21st-century version of the automat, now lists seven locations in four cities, each of which will be subject to a \$15 minimum wage within the next 36 months.

Taking automation to the next step, Miso Robotics and the owner of Cali-Burger announced in March they have developed a robotic arm, called Flippy, that can turn burgers and place them on buns. CaliBurger plans to install

them over the next two years in 50 restaurants world-wide.

By encouraging automation, cities that significantly raise the minimum wage destroy opportunities for the least-skilled workers. In 2015 a scholar at the Federal Reserve Bank of San Francisco released a paper summarizing the available research on this effect. "The most credible conclusion," he wrote, "is a higher minimum wage results in some job loss for the least-skilled workers—with possibly larger adverse effects than earlier research suggested."

The loss of entry-level jobs also worsens racial disparities. In a 2011 report from the nonpartisan Employment Policies Institute, two university economists examined nearly 20 years of data containing 600,000 observations. They compared how each 10% increase in the minimum wage affected the employment of young males without a high-school diploma. For whites, the drop was 2.5%. For blacks, it was 6.5%.

These are jobs America cannot afford to lose. In 2014 nearly 40% of black men age 20 to 24 in Chicago and almost 30% in New York and Los Angeles were neither working nor in school, according to a report last year from

Mandating \$15 an hour doesn't help poor youth. It helps Flippy, the new burger-grilling machine.

the Great Cities Institute. For white men, it was about 10%. Nationally, February's unemployment rate among white males age 16 to 19 was 14.1%; for young black males it was 24.1%.

Bernie Sanders articulately described the solution to this problem in 2013 when he spoke on the Senate floor about the negative effect that entry-level foreign workers have on youth employment. "The best anti-poverty program is a paycheck. Well, let us give the young people of this country a paycheck. Let's put them to work," Mr. Sanders said. "But even more importantly, let us allow them to gain the job skills they need so that they know what an honest day's work is about, and can move up the economic ladder and get better jobs in the future." I couldn't have said it better.

The importance of entry-level jobs is hard to overstate. I can still recall when the franchise owner of the Baskin-Robbins where I worked as a teen called me into her office and handed me a key, telling me to open up the place in the morning. It was perhaps the proudest day of my professional career. I felt the kind of pride and self-confidence that can keep a person working (or in school) and off the streets. But to get that experience you need the first job.

In her speech, Ms. Yellen praised the potential of a pilot program appropriately called Pocket Change. It was designed to reduce youth unemployment in Somerville, Mass., "through internships, training in job skills, and reinforcement of important soft skills such as punctuality and effective communication." If high minimum wages didn't price young people out of the job market, they could learn these skills in entry-level jobs, without yet another government program.

Avoiding significant increases in the minimum wage won't solve all the problems that face today's job-seeking youth. But one thing is certain: If government policies substantially increase the cost of entry-level labor, there will be more automation, fewer jobs and less opportunity for young people trying to get ahead.

Mr. Puzder is a former CEO of CKE Restaurants.

THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

Rupert Murdoch
Executive Chairman, News Corp
Gerard Baker
Editor in Chief

Matthew J. Murray
Deputy Editor in Chief

DEPUTY MANAGING EDITORS:

Michael W. Miller, Senior Deputy;

Thorold Barker, Europe; Paul Beckett,

Washington; Andrew Dowell, Asia;

Christine Glancy, Operations;

Jennifer J. Hicks, Digital;

Neal Lipschutz, Standards; Alex Martin, News;

Shazna Nessa, Visuals; Ann Podd, Initiatives;

Matthew Rose, Enterprise;

Stephen Wisniewski, Professional News

Paul A. Gigot, Editor of the Editorial Page;

David Henninger, Deputy Editor, Editorial Page

WALL STREET JOURNAL MANAGEMENT:

Suzi Watford, Marketing and Circulation;

Joseph B. Vincent, Operations;

Larry L. Hoffman, Production

EDITORIAL AND CORPORATE HEADQUARTERS:

1211 Avenue of the Americas, New York, N.Y. 10036

Telephone 1-800-DOWJONES

DOW JONES
News Corp

Robert Thomson
Chief Executive Officer, News Corp

William Lewis
Chief Executive Officer and Publisher

DOW JONES MANAGEMENT:
Mark Musgrave, Chief People Officer;

Edward Roussel, Innovation & Communications;

Anna Sedgley, Chief Operating Officer & CFO;

Katie Vannecque-Smith, President

OPERATING EXECUTIVES:
Ramin Beheshti, Product & Technology;

Jason P. Conti, General Counsel;

Frank Filippo, Print Products & Services;

Steve Grycuk, Customer Service;

Kristin Heitman, Transformation;

Nancy McNeill, Advertising & Corporate Sales;

Jonathan Wright, International

DJ Media Group;

Almar Latour, Publisher;

Kenneth Breen, Commercial

Professional Information Business;

Christopher Lloyd, Head;

Ingrid Verschuren, Deputy Head

continue to filibuster these highly qualified nominees for no reason other than to nullify the President's constitutional authority, then Senators not only have the right to change the filibuster rules, Senators have a duty to change the filibuster rules.

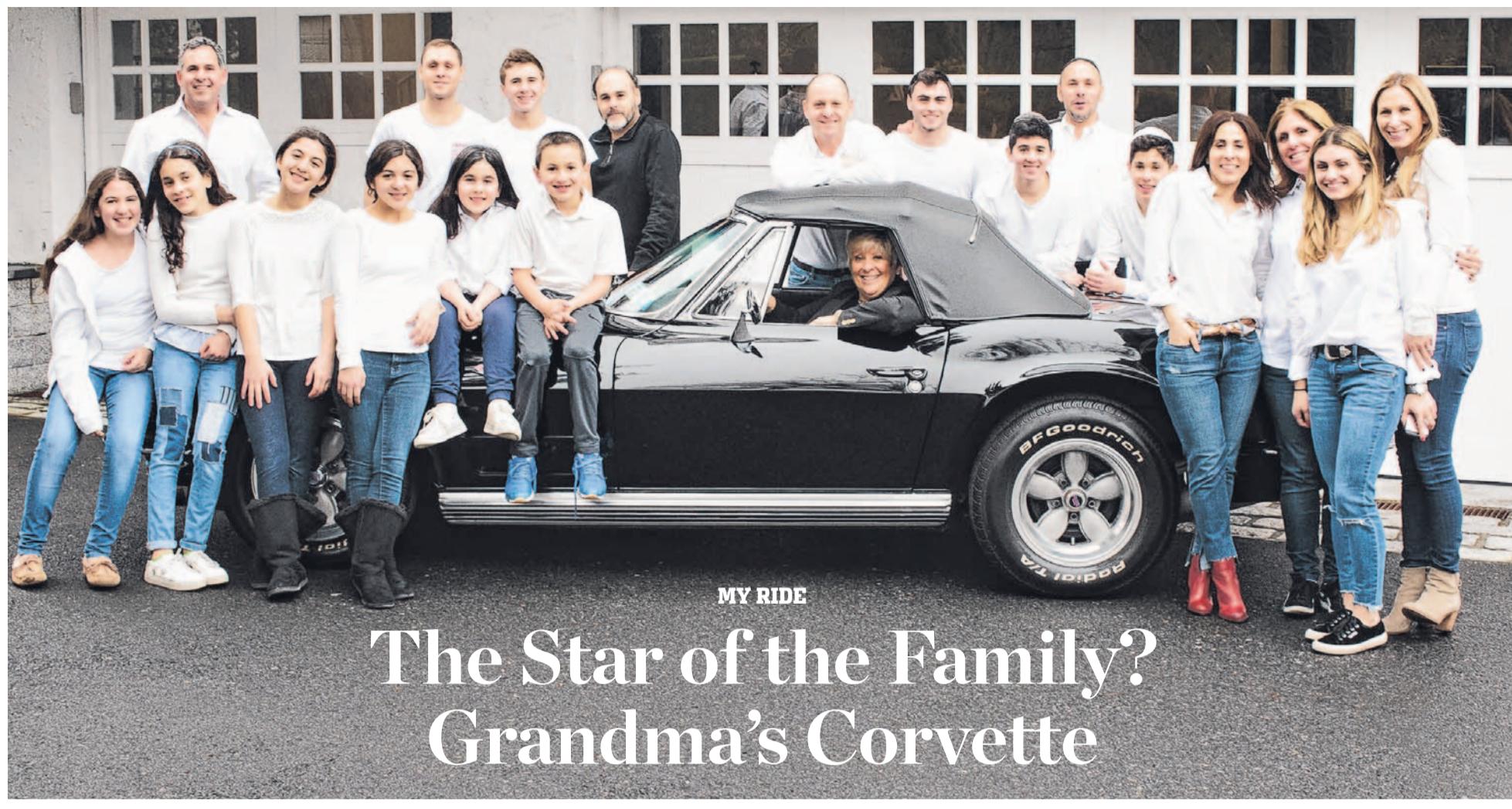
We cannot turn our back on the Constitution. We cannot abdicate our oath of office. We have a responsibility to protect and defend our democracy, and that includes protecting the neutrality of our courts and preserving the constitutional power of the President to nominate highly qualified people to court vacancies.

President Obama did win the 2012 election—by 5 million votes. He has done what the Constitution requires him to do—nominated highly qualified people to fill open vacancies on the Federal bench. If Republicans

continue to filibuster these highly qualified nominees for no reason other than to nullify the President's constitutional authority, then Senators not only have the right to change the filibuster rules, Senators have a duty to change the filibuster rules.

We cannot turn our back on the Constitution. We cannot abdicate our oath of office. We have a responsibility to protect and defend our democracy, and that includes protecting the neutrality of our courts and preserving the constitutional power of the President to nominate highly qualified people to court vacancies.

LIFE & ARTS



MY RIDE

The Star of the Family? Grandma's Corvette

Carol Horowitz, 74, an assistant school librarian from Westhampton Beach, N.Y., on her 1964 Chevrolet Corvette Sting Ray, as told to A.J. Baime.

Every Father's Day, our family gathers at my son David's house in Westchester County, N.Y.—my kids and my many grandkids. Some of us who are old enough to drive take turns in the old Corvette.

I love the power and a little speed, but it's the memories I love more—how it all started, my husband, our family, the racing trophies, what a great life it has been.

My late husband Robbie and I went to high school and Brooklyn College together. We were fans of the TV show "Route 66," about two adventurers in a Corvette. So a couple months after we got married in January 1964, we bought a new Corvette Sting Ray at Curry Chevrolet in Scarsdale, N.Y., for \$4,150.20.

Off we went to California on Route 66. We had no cellphones, no GPS. We just had each other.

Robbie loved racing as a hobby, and he raced this car at Lime Rock, Watkins Glen

and Bridgehampton. When we had babies, the Corvette became a family car, even though it only had two seats. There were no car seats at the time, and I would put a child on a little bed next to me, propping the bed in safely with a spare wheel. (It seems crazy now, but that's how I did it at the time.)

We even used the Corvette as a ski car in Vermont, with a rack on the roof.

In the 1960s, there was nothing else like the Corvette—a real American sports car. Today, it feels as exotic as it did then. When I park it on the street, people will pass Ferraris to see our car. We get asked if our family would sell the car. Not a chance. It will stay with us forever.

When the photographer came to take the

pictures you see here, we made it a family event, with the kids, grandkids, a table full of food, and Champagne cocktails. We pulled out the old racing trophies and the car's original bill of sale. Robbie was a wonderful guy (he passed away in 2012), and he would have loved it.

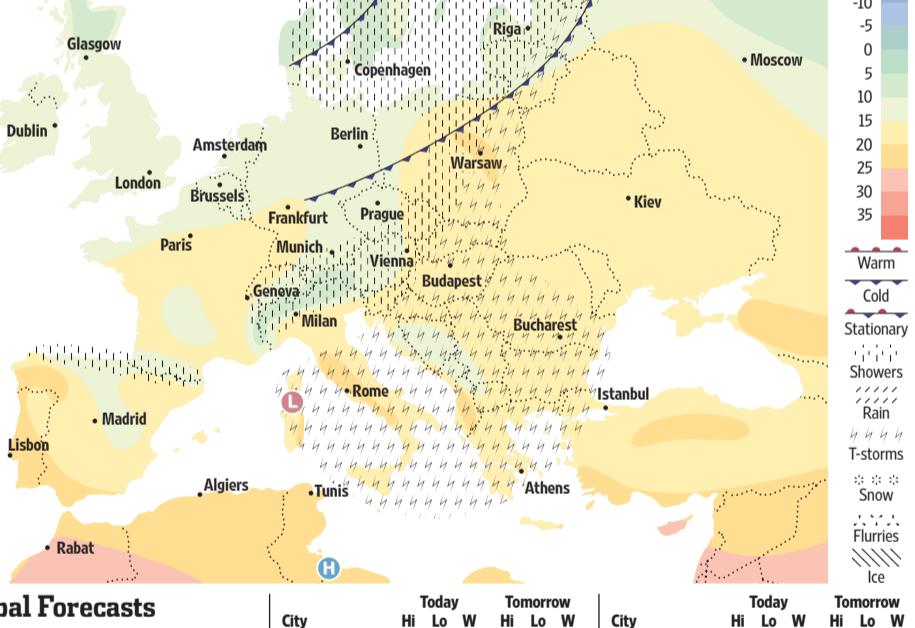
Contact A.J. Baime at Facebook.com/ajbaime.

The extended Horowitz family with their 1964 Chevrolet Corvette Sting Ray, with Carol Horowitz in the driver's seat.



ADRIENNE GRUNWALD FOR THE WALL STREET JOURNAL

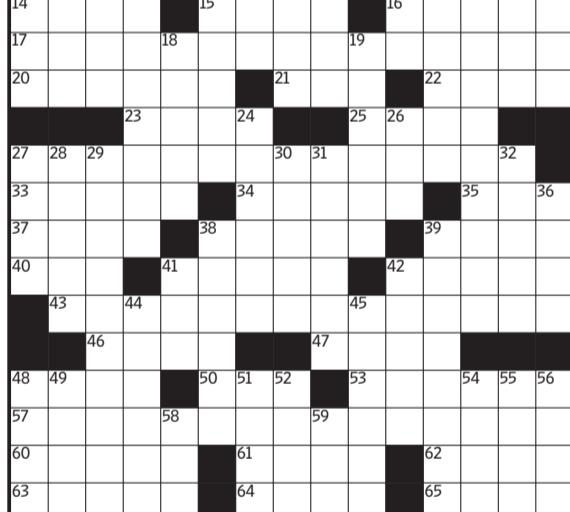
Weather



Global Forecasts

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	11	6	c	11	6	c
Anchorage	9	2	c	9	0	c
Athens	19	12	pc	20	13	c
Atlanta	24	9	t	14	6	c
Bahrain	28	12	s	29	17	s
Baltimore	20	12	s	19	7	r
Bangkok	33	26	t	33	26	c
Beijing	20	8	c	25	11	s
Berlin	13	4	c	13	6	c
Bogota	21	8	pc	22	9	pc
Boise	20	10	pc	19	9	c
Boston	7	3	pc	7	6	r
Brussels	13	4	c	11	4	c
Buenos Aires	25	12	s	24	16	s
Cairo	31	19	s	31	16	s
Calgary	12	1	c	15	2	c
Caracas	32	26	pc	32	26	pc
Charlotte	24	13	t	16	5	pc
Chicago	7	2	r	8	1	c
Dallas	22	8	s	24	10	s
Denver	12	0	s	18	3	s
Detroit	11	3	r	6	1	sn
Dubai	29	22	s	31	23	s
Dublin	12	4	c	12	4	c
Edinburgh	12	4	c	13	6	c
Frankfurt	16	5	c	13	5	sh
Geneva	16	5	c	14	3	pc
Hanoi	27	22	c	30	23	t
Havana	33	20	s	31	18	pc
Hong Kong	26	21	pc	25	22	c
Honolulu	29	23	pc	29	22	s
Houston	24	11	s	25	11	s
Istanbul	16	9	c	17	9	pc
Jakarta	31	26	t	30	25	t
Johannesburg	28	14	s	24	12	pc
Kansas City	12	3	r	13	0	pc
Las Vegas	25	14	pc	29	16	pc
Lima	27	21	pc	26	21	pc
London	14	6	c	14	6	c
Los Angeles	28	13	s	24	12	c
Madrid	19	6	pc	21	6	s
Manila	33	25	s	34	25	pc
Melbourne	25	13	pc	25	14	s
Mexico City	30	12	pc	26	11	pc
Miami	31	25	pc	32	17	pc
Milan	17	7	pc	22	9	s
Minneapolis	12	1	pc	11	0	pc
Monterrey	28	11	pc	27	12	pc
Montreal	8	1	r	7	2	r
Moscow	11	7	c	14	6	c
Mumbai	32	25	pc	32	26	pc
Nashville	25	6	t	14	5	sh
New Delhi	37	23	pc	38	19	pc
New Orleans	27	13	t	22	12	s
New York City	18	7	s	12	7	r
Orlando	34	21	c	28	12	c
Washington, D.C.	22	13	s	19	8	r
Zurich	16	4	c	12	1	pc

The WSJ Daily Crossword | Edited by Mike Shenk



CHOICE WORDS | By Paolo Pasco

Across													
1	Extremely	33	Bee-based	53	They'll have you walking tall								
5	Emmy winner Alan	34	2013 biopic starring Naomi Watts	57	Final offer words								
9	Metropolitan	35	Science class setting	60	Winner of four gold medals at the Berlin Olympics								
14	Crumbling car	37	Clears	61	Bleachers level								
15	Total jerk	38	Cecilia Bartoli, for one	62	Edit menu option								
16	Naptime nuisance	39	Can	63	Cattail setting								
17	ABC Family series about teen gymnasts	40	Expected	64	A very long time								
18	Dump feature	41	Tony of "Taxi"	65	Worry								
21	Great Leap Forward leader	42	Practical intelligence	66	Resistance figures								
22	There are seven in a semana	43	"Outta my way!"	67	Team with a flaming basketball logo								
23	Scorch	44	47	48	49								
25	Chow __	45	Tapered tuck	50	Not in a private area?								
27	Incredibly divisive	51	Join a jury	52	4	Pirate's purview							
		53	To boot	54	5	5							

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

- 6 Bathroom at a pub
- 32 Ankle bones
- 36 One of eight in V8
- 38 Sign in Anytown, USA
- 39 Holiday celebrated by Kramer and Frank Costanza
- 41 "Do the ___" (soft drink slogan)
- 42 Somewhat, informally
- 44 "La Bamba" singer
- 45 High-tech obstacles in caper films
- 48 Chemistry subject
- 49 Sad trumpet sound
- 51 Letter after theta
- 52 Class where you'd use the SOHCAHTOA mnemonic
- 54 Time for giving up?
- 55 All competition
- 56 Put away
- 58 Somewhat, suffixedly
- 59 Majors in broadcasting?

Previous Puzzle's Solution

P	E	S	O	S	W	A	G	S	T	A	G	E
E	X	T	R	A	I	C	O	N	S	R	U	E
A	Y	M	S	C	H	O	O	L	I	S	T	
Y	A	Y	E	B	I	C	W	A	I	S	T	S
Y	E	Y	E	Y	E	E	Y	E	E	E	E	E

THE FUTURE OF EVERYTHING

A LOOK AHEAD FROM THE WALL STREET JOURNAL.

From a street-legal car designed to fly at F1 speeds to synthetic DNA data storage, our special edition magazine explores the latest in tech, culture, food and fashion.

EXPLORE NOW AT WSJ.com/FOE.

THE WALL STREET JOURNAL.
Read ambitiously.

BUSINESS & FINANCE

© 2017 Dow Jones & Company. All Rights Reserved.

THE WALL STREET JOURNAL.

Wednesday, April 5, 2017 | B1

Euro vs. Dollar 1.0663 ▼ 0.07%

FTSE 100 7321.82 ▲ 0.54%

Gold 1255.00 ▲ 0.34%

WTI crude 51.03 ▲ 1.57%

German Bund yield 0.262%

10-Year Treasury yield 2.350%

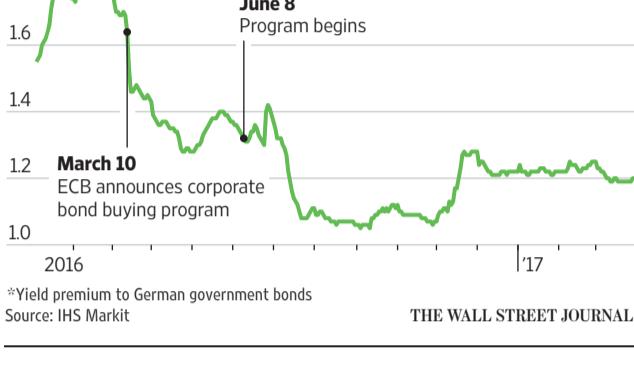
New Risk Bedevils Europe's Debt

The ECB Effect

Corporate bonds have benefited from ECB stimulus, and could be hurt by its withdrawal

Credit spreads* on the iBoxx Euro Non-Financials corporate bond index

2.0 percentage points



*Yield premium to German government bonds

Source: IHS Markit

BY CHRISTOPHER WHITTALL

High-grade corporate bonds surged when the European Central Bank added them to its €2.3 trillion (\$2.45 trillion) purchase program last year. Now, with a slowdown in ECB buying on the horizon—alongside potentially risky European elections—some investors are bracing for a selloff.

The ECB started paring its monthly purchases of European debt from €80 billion to €60 billion in April, meaning it will buy around €1.9 billion fewer corporate bonds every month, assuming it keeps the allocation of its purchases steady.

Some analysts think there is more tapering to come from

the ECB, potentially turning the largest source of demand for the European corporate-bond market over the past year into its greatest risk.

It feels like "the quiet before the storm," said Hans Lorenzen, head of European investment-grade credit strategy at Citigroup, listing a string of potential risks including Brexit negotiations and the threat of euroskeptic candidate Marine Le Pen winning the French presidency.

"But what really worries people is what happens when asset classes like credit no longer have the outright support of the ECB," he added.

The ECB has said it would continue buying bonds at its current pace until at least the

end of 2017. Many economists expect a fledgling eurozone economic recovery will allow the ECB to signal this year it will further reduce its purchases from 2018 onward.

They include strategists at J.P. Morgan, who wrote in a recent note that they expect the ECB to end its purchases by the middle of next year. That could prompt investors to pull out their money, the strategists said, pointing as evidence to the €15.2 billion of high-grade credit fund outflows in the six months following the so-called bund tantrum of 2015, when German yields

Please see BONDS page B2

◆ Heard on the Street: The road ahead for bonds..... B10

Real Estate Offers A Haven

BY PETER GRANT
AND ART PATNAUDE

Last fall, when a planned €3.3 billion (\$3.5 billion) initial public offering of a German office-building company was pulled due to weak demand, market observers expected private-equity giant Blackstone Group LP to move in for the kill.

Blackstone had previously expressed interest in OfficeFirst Immobilien AG, which owns about 100 properties in Frankfurt, Berlin and other German cities. When the IPO was shelved, "I was expecting Blackstone to look them deep into their eyes and say, 'What is the discount?'" said Peter Papadakos, an analyst with real-estate research firm Green Street Advisors, who tracked the deal closely.

Instead, Blackstone last week closed on its purchase of OfficeFirst in a deal valuing the company at roughly the same €3.3 billion price tag that caused IPO investors to balk. The firm felt the price was fair given rent and occupancy trends in Germany, according to people familiar with the matter.

Blackstone and some other investors also increasingly see Germany as a haven in a turbulent Europe, where risks include a disintegration of the euro.

"If the euro remains, [Germany] will remain in the same strong position it is now," said Lars Huber, chief executive of property giant Hines's European operation. "If the euro breaks up, when the dust settles Germany will probably be even stronger."

Last year, Germany led Europe in commercial-property sales volume for the first time, displacing the U.K., which has topped charts since 2007, according to data firm Real Capital Analytics. The values of office buildings, shopping centers and warehouses are continuing to rise in many markets, experts say.

Foreign investors new to European property markets typically have looked at London and Paris before Germany, which has had a reputation for plodding growth. But these days Germany appears more attractive to many investors given uncertainty in the U.K. due to its coming divorce from the European Union, and in France ahead of national elections.

"Boring is sexy in a world where you have more volatility and political risk," said Marcus Lemli, head of European investment for Savills PLC.

Germany's relative strength comes as investors around the world grapple with the challenges of investing in commercial property after years of steady price increases in most markets. Overall, investment

Please see HAVEN page B2

◆ Migrants fuel price surge in Germany..... B9

INSIDE



MONEYGRAM FIGHT POSES TEST FOR U.S.

FINANCE & MARKETS, B6

Barclays's Africa Exit Seems Like Good Timing

Barclays's decision to get out of Africa is looking smarter as economic and political risks churn away. Investors can take comfort that the bank has some cushion against further trouble.

The U.K. lender said a year ago that it would sell down its 62% stake in Barclays Africa Group, which is listed in Johannesburg, South Africa's financial center.

Barclays chose to sell because although the African subsidiary is among the group's most profitable businesses—far more than its investment bank—the returns were diluted by regulatory costs.

For example, Barclays has to carry 100% of the equity of Barclays Africa even though it only gets 62% of the profits.

But South Africa, which accounts for about 80% of the subsidiary's revenues and profits, has hit a period of turmoil with a credit rating downgrade from Standard & Poor's on Monday following the firing of its finance minister last week. The South African rand has fallen by about 10% against the dollar since a recent peak on March 24.

Further pressure on the economy would be bound to hurt growth and loan quality at Barclays Africa Group—its shares have dropped 11% since March 24, or 19% in British pound terms.

Barclays has cut its stake to 50.1% already and has agreed to pay the Africa unit £765 million (\$959.6 million) to cover things like the African subsidiary's costs of building its own computer systems.

That deal awaits regulatory approval in South Africa, which may be delayed while the politics remain febrile. Until then, Barclays can't sell down to the roughly 20% stake size that would allow it to get Africa off its balance sheet and unlock the capital held inside.

Despite the current turmoil, Barclays has some comfort: In pound terms, Barclays Africa's shares are still 30% higher than when the bank announced its sale plan in March 2016.

For Barclays's investors, there is no need to fret just yet.

How the Sausage Is Made

A Chinese pork factory adopts Western food-safety practices to help allay any consumer fears



WH Group's pork plant uses only U.S. meat imported from Smithfield Foods, which the Chinese company acquired in 2013.

By KATHY CHU

Appetite for Pork

As its middle class grows, China's demand for pork is surging.

Pork imports, in million metric tons



*Forecast

Source: Foreign Agricultural Service/USDA Office of Global Analysis

THE WALL STREET JOURNAL

ham every day, is at the forefront of a shift in how China is using Western practices and technology to advance its economy.

"We've adopted the way that Smithfield approaches food safety," said Wan Long, chairman of WH, formerly

known as Shuanghui International Holdings Ltd.

For years, Chinese companies struck partnerships to gain Western expertise. Increasingly, they are looking to buy foreign technology outright as Beijing tries to transform its export-dependent

economy into one powered by research and innovation.

Chinese companies spent a record \$226 billion last year on assets abroad, according to Dealogic, capped by China National Chemical Corp.'s record \$43 billion agreement for Swiss seed giant Syngenta AG.

Even as China scrutinizes overseas investments because of concerns about outflows, deals that modernize the agricultural industry will remain a priority for now, according to Danian Zhang, chief representative of the Baker & McKenzie law firm's Shanghai office. In January, WH Group's Smithfield unit purchased California pork processor Clougherty Packing LLC and two affiliates for \$145 million.

The Smithfield deal, China's largest acquisition of a U.S. company at the time, was a "wake-up call" to other Chinese firms that they could acquire foreign companies, said James Tam, head of Asia Pacific.

Please see PORK page B2

Gillette, in Change of Tactic, Cuts Prices

By SHARON TERLEP

Gillette, which dominates the global razor business, has long followed a simple and lucrative strategy: Add new features and raise prices.

But the 115-year-old brand is changing tactics this month by slashing prices and putting a new focus on its cheaper products. The Procter & Gamble Co. unit hopes to stop defections of its U.S. customers to online startups like Dollar Shave Club and Harry's that sell lower-priced razors and blades. Gillette's plan to cut prices by as much as 20% jolted Wall Street. "An act of desperation on Gillette?" asked Barclays analyst Lauren Lieberman, in a research note soon after the announcement in February by P&G.

New data show Gillette has lost U.S. market share for six

straight years. Its share of the men's razors business fell to 54% in 2016, down from 59% in 2015 and more than 70% in 2010, according to figures released Tuesday by data-tracking firm Euromonitor. P&G says its internal numbers show a lesser decline.

Gillette razors and blades are important, high-margin products for P&G, which

bought the business for \$57 billion in 2005. The Cincinnati giant finds itself under the microscope after Trian Fund Management, one of the biggest activist investors, announced in February it had built up a stake in the company. Trian has yet to say what changes, if any, it will push for at P&G.

"We are very aware of what is happening in the North American landscape and we are very focused on addressing some of the challenges that we face," Gillette spokeswoman Kara Buckley said.

The decision on pricing, she said, came as the company realized the drawbacks of its singular focus on creating evermore sophisticated razors with higher and higher prices. "We need to do a better job of telling guys we are available for them at a multitude of

price points," she said.

Refills for Gillette men's razors range from around \$2 to \$6 per cartridge, depending on the features, when not bought in bulk. That compares with Schick's \$2 to \$2.75 per cartridge, when not bought in bulk. The cheapest Dollar Shave Club option features refills for 20 cents a cartridge.

Even as lower-cost shave clubs entered the scene, P&G continued to roll out new, pricier products, such as a razor featuring a swiveling-ball hinge that allows the blade to pivot. Last month, the company filed a patent application for a razor cartridge that heats up.

Among the items getting a price cut: cartridges for the Fusion razor that features five blades in a single head and a special trimmer on the back.

Please see RAZORS page B2



Gillette is putting a new focus on its cheaper products.

DANIEL ACKER/BLOOMBERG NEWS

FINANCE & MARKETS, B6

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	Freeport-McMoRan....A2
Baker & McKenzie....B1	Holding.....B6
Bank of America....A2	Allergan.....B10
Bank of China....B2	Alphabet.....B4
Barclays.....B1	AmTrust Financial Services.....B6
Barclays Africa Group B1	Ant Financial Services Group.....B6
B/E Aerospace.....B5	Apple.....B4
Blackstone Group.....B1	Aurizon Holdings.....B7
Boeing.....A1,B4,B5	B
CG Gruppe.....B9	Baker & McKenzie....B1
China Baosteel.....B7	Bank of America....A2
China National Chemical.....B1	Bank of China....B2
Citigroup.....A1	Barclays.....B1
Clocherty Packing.....B1	Barclays Africa Group B1
Condé Nast.....B2	B/E Aerospace.....B5
E	Blackstone Group.....B1
Engie.....B5	Boeing.....A1,B4,B5
Euronet Worldwide.....B6	C
Exxon Mobil.....B3	CG Gruppe.....B9
Fifth Third Bancorp....B5	China Baosteel.....B7
Ford Motor.....B2,B10	China National Chemical.....B1
G	Citigroup.....A1
H	Clocherty Packing.....B1
I	Condé Nast.....B2
J	E
K	Engie.....B5
L	Euronet Worldwide.....B6
M	Exxon Mobil.....B3
N	Fifth Third Bancorp....B5
O	Ford Motor.....B2,B10
P	G
Q	H
R	I
S	J
T	K
U	L
V	M
W	N
Z	O - P
	Zodiac Aerospace.....B5

INDEX TO PEOPLE

A	Hogan, Art.....A2
B	Holmes, Alex.....B6
C	Huber, Lars.....B1
D	Koh, Lucy.....B4
E	Kuse, Jürgen.....B9
F	Lemli, Marcus.....B1
G	Lewandowski, Anthony.....B4
H	Long, Wan.....B1
I	Musk, Elon.....B10
J	Nemela, Lukas.....B9
K	Ohlhausen, Maureen..B4
L	Pryor, Mark.....B7
M	Ron, Lior.....B4
N	Rosenberg, Don.....B4
O	Ross, Wilbur.....B7
P	Schindler, Philipp.....B4
Q	Slater, Judith.....B3
R	Sullivan, Ken.....B2
S	Tam, James.....B1
T	Verastegui, Ramon...B10
U	Wan, Robert.....B2
V	Wright, Tabrese.....B3
W	Zhang, Danian.....B1



China accounts for almost half the world's pork consumption, and imports are surging as its demand outstrips its supply of pork.

PORK

Continued from the prior page
specific mergers and acquisitions for Morgan Stanley, WH Group's adviser on the deal.

State-owned Bank of China, which led a group of lenders in approving a \$4 billion loan for WH's purchase of Smithfield in 2013, described the loan in its annual report then as its "social responsibility" to support domestic companies expanding abroad.

"The government talks about food safety and food security, and having the ability to feed your people is important to security," said Robert Wan, Mr. Wan's son and adviser.

Already, China accounts for almost half the world's pork consumption, and imports are surging as China's demand outstrips its supply of pork. In the past decade, U.S. pork exported to China has increased nearly 10-fold to 675,224 metric tons.

To help design the Zhengzhou plant, U.S.-based Smithfield engineers, plant managers and food-safety officials decamped to China for months at a time, said Ken Sullivan, Smithfield's chief executive. On a television inside the facility, a Chinese-language commercial depicts Smithfield pork being served to Westerners at a dinner party.

In a country where cadmium-tainted rice, melamine-infused milk and other food

scares have alarmed consumers, imported products are seen as safer, according to the elder Mr. Wan.

WH hasn't been immune to China's food-safety problems, however.

In 2011, Chinese state-owned TV revealed that pigs purchased by a Shuanghui subsidiary had been fed a chemical that increased the animals' lean-meat content. One such additive, ractopamine, has been deemed safe by U.S. regulators but has been restricted by more than 100 countries, including China, because of safety concerns.

The European Food Safety Authority found that ractopamine causes elevated heart rates and heart-pounding sensations.

WH Group now tests the urine of each pig that passes through all of its facilities—it has more than 30 factories in China that prepare both fresh pork and packaged products for sale—to ensure there is no illegal additive.

Food safety, though, is a systemic issue that requires changes from the breeding through the production process, said Feng Yonghui, chief analyst from the Zhongke Yiheng Modern Farming Information and Technological Institute.

"Just depending on the acquisitions of one or two companies won't solve the problem," Mr. Feng said.

To satisfy China's appetite for foreign pork, WH Group is preparing to build a second Smithfield-branded plant to produce sausages, bacon and other packaged pork products. It hopes to open the plant in the next few years.

The company has a powerful supporter: the Chinese government.

In Luohu, WH's headquarters in central China, customs agents began on-site inspections of imported pork in 2015, bypassing checks at the port. This "saves half a month's time" and 150 to 200 yuan (\$22 to \$29) per metric ton of pork, Mr. Wan said.

—Lucy Craymer,

Jacob Bunge

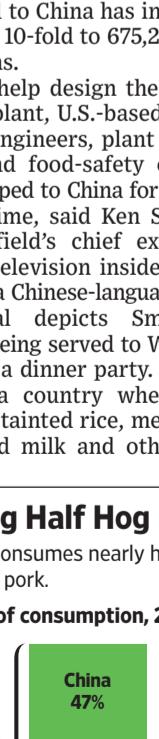
and Junya Qian

contributed to this article.

Going Half Hog

China consumes nearly half the world's pork.

Share of consumption, 2016



Source: OECD

THE WALL STREET JOURNAL

BUSINESS & FINANCE

Tesla Rides Even Higher

Electric-car company's share price tops \$300, cutting U.S. value gap with market No. 1 GM

By TIM HIGGINS

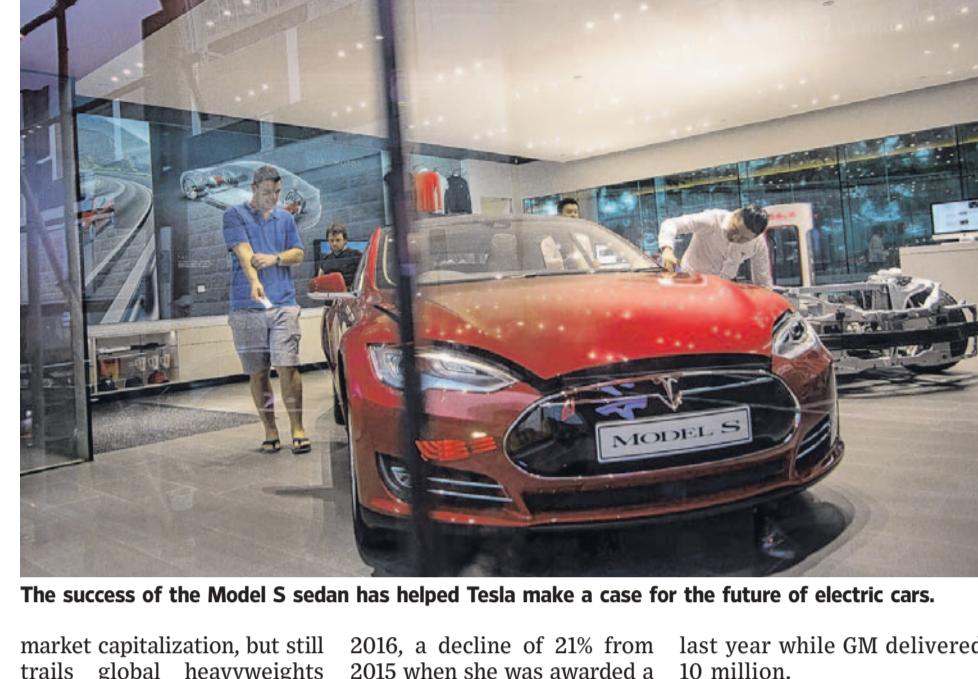
Tesla Inc., which overtook Ford Motor Co. as the second-largest U.S. auto maker by market value, continued its run Tuesday by eclipsing \$300 a share for the first time and closing the gap with General Motors Co.

The Palo Alto, Calif., electric-car maker is on a hot streak with investors ahead of the introduction of the company's Model 3 sedan, a mainstream electric car expected to be priced at \$35,000 and roll out later this year.

Tesla Chief Executive Elon Musk's success with the pricier Model S sedan and Model X sport-utility vehicle has helped make a case for the future of electric cars.

Tesla shares, just after 1 p.m. in New York, were trading at \$302.09, up 1.2% from Monday's close and equaling a \$49.3 billion market value, according to FactSet. That compares with GM's \$34.14 share price and \$51.1 billion market value.

GM is currently the U.S. auto maker with the highest



The success of the Model S sedan has helped Tesla make a case for the future of electric cars.

market capitalization, but still trails global heavyweights such as Toyota Motor Corp.

Tesla on Monday surpassed Ford's market value, which stands at \$45.2 billion. Disappointing sales announced by traditional auto makers on Monday were in contrast to Tesla reporting a record quarter on Sunday.

GM on Monday reported a modest sales gain for March, lifted by truck demand, and said Chief Executive Mary Barra earned \$22.6 million in

2016, a decline of 21% from 2015 when she was awarded a sizable retention package. Ms. Barra, at the helm since 2014, has said her goal is to make GM the most valued auto maker in the world.

Mr. Musk faces huge challenges in accomplishing all that he is claiming to do—including making 500,000 vehicles next year after building just 84,000 last year and creating software that would enable a vehicle to drive itself. Tesla sold 76,230 vehicles

last year while GM delivered 10 million.

Mr. Musk's plans for the Model 3 were given a vote of confidence last week when Chinese tech company Tencent Holdings Ltd. revealed it had taken a 5% stake in Tesla.

Tesla shares are approaching a \$305 price target set by Morgan Stanley autos analyst Adam Jonas, who has said the value is based in part on the potential for the company to be part of future on-demand mobility services.

RAZORS

Continued from the prior page for hard-to-reach areas.

A four-pack that was selling for around \$19.50 will now go for closer to \$15. On average, prices will fall by 12%, P&G says. P&G in recent years also launched its own competitor to online razor services, the Gillette Shave Club.

Ms. Buckley said P&G will still offer and develop high-end products, but also will put more resources into marketing and expanding lower-priced product lines. The company's upgrade last year of its lower-end Mach 3 razors and blades was the first in many years.

Ms. Lieberman, the Barclays analyst, called Gillette's move a "full capitulation on price," and said she doubted it would stem the company's market-share erosion in the long run. "We think it will be very tough to switch users back from Dollar Shave Club & Harry's," she wrote.

WH hasn't been immune to China's food-safety problems, however.

In 2011, Chinese state-owned TV revealed that pigs purchased by a Shuanghui subsidiary had been fed a chemical that increased the animals' lean-meat content. One such additive, ractopamine, has been deemed safe by U.S. regulators but has been restricted by more than 100 countries, including China, because of safety concerns.

The European Food Safety Authority found that ractopamine causes elevated heart rates and heart-pounding sensations.

WH Group now tests the urine of each pig that passes through all of its facilities—it has more than 30 factories in China that prepare both fresh pork and packaged products for sale—to ensure there is no illegal additive.

Food safety, though, is a systemic issue that requires changes from the breeding through the production process, said Feng Yonghui, chief analyst from the Zhongke Yiheng Modern Farming Information and Technological Institute.

"Just depending on the acquisitions of one or two companies won't solve the problem," Mr. Feng said.

To satisfy China's appetite for foreign pork, WH Group is preparing to build a second Smithfield-branded plant to produce sausages, bacon and other packaged pork products. It hopes to open the plant in the next few years.

The company has a powerful supporter: the Chinese government.

In Luohu, WH's headquarters in central China, customs agents began on-site inspections of imported pork in 2015, bypassing checks at the port. This "saves half a month's time" and 150 to 200 yuan (\$22 to \$29) per metric ton of pork, Mr. Wan said.

—Lucy Craymer,

Jacob Bunge

and Junya Qian

contributed to this article.

Razor Wars

Long dominant, Gillette has seen sales of its men's razors decline in the face of competition from online startups that charge less.

P&G year-over-year change in grooming unit



*Percentage of sales gains for the fiscal year attributable to changes in pricing and volume. Excluding acquisitions and divestitures Note: Fiscal year 2016 ended June 30, 2016

Source: Euromonitor; P&G

Both Dollar Shave Club—acquired last year by P&G rival Unilever PLC for \$1 billion—and smaller competitor Harry's continued to grow substantially last year.

Combined, the two companies' share of the U.S. market rose to 12.2%, from 7.2% in 2015, according to Euromonitor.

Both companies' share of the U.S. market rose to 12.2%, from 7.2% in 2015, according to Euromonitor.

tor, which estimates both online and in-store sales.

U.S. sales at Harry's, launched in 2013, more than doubled to \$113 million last year, according to Euromonitor.

The growth in part came from a deal with Target Corp. to sell razors in its nearly 1,800 stores, the company's

ECB's program—got in on the act this year, with Coca-Cola Co. and Pfizer Inc. recently selling floating-rate euro debt at negative yields.

Many investors believe valuations leave little room for bonds to gain further, and plenty for prices to tumble.

"Even if you're super bullish on credit, there's not a lot further you can go," said Ben Bennett, head of credit strategy at Legal & General Investment Management, who said the fund's investment-grade portfolios were holding high proportions of cash and generally favored U.S. bonds.

Some believe corporate bonds have the most to lose of any asset class from an ECB withdrawal, given that is

where the bank's stimulus packed its biggest punch. "If we start to talk about tapering, the No. 1 impact should be on credit," said Olivier De La Rourzière, head of rates at Natixis Asset Management.

Thin credit spreads afford investors little protection against a sudden jerk higher in bond yields. Jorgen Kjaersgaard, head of European credit at AllianceBernstein, said he is concerned about a replay of the so-called taper tantrum in the U.S.—a period when yields spiked after

BUSINESS NEWS

Shipping Delays Irk Owners Of Freight

By COSTAS PARIS

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 like Hamburg and Rotterdam where shippers say they have been asked by brokers to pay as much three times the agreed freight rates if they want priority handling.

"I'll have 19 containers of olive oil stuck in Rotterdam for five weeks," said Panagiotis Eleftheriou, a Greek agricultural-products exporter. "It's a total mess, the worst I've seen in 20 years in this business."

The two alliances, comprising 10 container operators that move close to 60% of all cargo between Asia and Europe, made network changes in a move to save costs by sharing vessels and port calls. A third alliance made up of the two biggest players, Denmark's Maersk Line and Switzerland-based Mediterranean Shipping Co., has been in place since early last year.

Industry executives said the current backlog stemmed 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**, the leading carrier in the THE Alliance, which also includes four Asian operators. "We regret any inconveniences and hope things will return to normal soon."

CMA CGM, the lead carrier of the Ocean Alliance, declined to comment.

Exxon Weighs Expansion in Brazil

U.S. oil company is in talks to team up with Petrobras on its offshore-oil projects

By BRADLEY OLSON
AND PAUL KIERNAN

Exxon Mobil Corp., the only big oil company without a major foothold in Brazil, is in talks to gain access to the country's prized deep-water resources, according to people familiar with the matter.

The talks have included discussions about a joint-venture partnership through which Exxon would invest in projects with state-oil firm **Petrobras**, or **Petrobras**, as well as potentially buying stakes in offshore tracts the Brazilian government plans to lease out this year, the people said.

The specific terms of any agreement have yet to be completed. One person cautioned that talks between Exxon and Petrobras remained at a preliminary stage. But Exxon, which has eyed deep-water resources in Brazil for at least a decade, is working with **Hess** Corp. in seeking to expand in



Exxon is looking to invest in Brazil after the country revised its regulations last year.

the country after Brazil revised its regulations last year to attract more foreign investment, the people said.

Representatives for Exxon, Hess and Petrobras declined to comment. Exxon would join French giant **Total** SA and Norwegian state-controlled **Statoil ASA**, both of which have formed partnerships with Petrobras and expanded in Brazil over the past year.

Royal Dutch Shell PLC has

said it plans to invest \$10 billion in the country over the next five years as part of a push to double its global deep-water production.

The race to expand in Brazil comes as Petrobras is selling tens of billions of dollars in assets in a bid to work off the largest debt burden in the global oil industry.

Brazil's conservative government, in power since the impeachment of former Presi-

dent Dilma Rousseff last year, sees foreign investment in the oil sector as key to an economic recovery after Brazil's worst recession on record.

Risks abound for the big oil companies. Petrobras, the dominant player in Brazil, is at the center of a corruption scandal and is financially crippled by its \$118 billion debt load. While the business environment has improved over the past nine months, political

analysts say the 2018 presidential election could easily reverse that trend.

Still, Brazil is one of the most important oil frontiers, with as much as 50 billion barrels of recoverable resources. Some analysts say the country has the opportunity to emerge as the world's fifth-largest crude producer by 2025, behind only Saudi Arabia, Russia, the U.S. and Iraq.

"Everybody wants to get a piece of the pie," said Kjetil Solbraekke, senior vice president for South America at consultancy Rystad Energy. "These are probably the most prolific, high-returning oil assets available in the world."

Exxon's interest in a partnership is the latest example of a strategy the company has pursued in recent years to gain access to state-controlled oil and gas resources.

To gain entry to certain areas, the Irving, Texas, company has offered foreign players a chance to diversify their holdings and invest alongside Exxon in other projects. Joining forces with Petrobras in a similar fashion on a series of investments may be the only way to build an offshore position in Brazil, analysts said.

Fox News Employee Joins Discrimination Lawsuit

By JOE FLINT

A third black employee of Fox News has joined a lawsuit accusing the news network, some of its executives and parent company **21st Century Fox** of racial discrimination.

According to an amended complaint filed Tuesday, Monica Douglas, a manager in the credit and collections department at Fox News, was "subjected to the same racially discriminatory treatment" that plaintiffs Tichaona Brown and Tabrese Wright claim to have endured at the hands of a longtime senior Fox News executive, former Comptroller Judith Slater.

The amended complaint accuses Ms. Slater of mocking Ms. Douglas's hair, kicking her in the buttocks and referring to her Brooklyn home as the "murder capital of the world" because a lot of black people live there. In addition, the suit claims Ms. Slater mocked Ms. Douglas's appearance following her treatment for breast cancer.

The network said it fired Ms. Slater in February after an investigation into complaints that she made racial slurs and inappropriate remarks in conversation with her largely black staff. The initial suit, filed last week in New York State Supreme Court in Bronx

County, argued that Ms. Slater was let go only after the network learned of the plaintiffs' plans to file a suit.

"We take complaints of this nature very seriously and took prompt and effective remedial action in terminating Judy Slater before Ms. Brown, Ms. Wright and Ms. Douglas sued in court and even before Ms. Wright and Ms. Douglas complained through their lawyer," a Fox News spokeswoman said. "There is no place for conduct like this at Fox News, which is why Ms. Slater was fired."

Ms. Slater, who had declined to comment on the initial suit, couldn't be reached for comment on the amended

filing. 21st Century Fox and News Corp., owner of The Wall Street Journal, share common ownership.

The racial discrimination suit is one of several fronts on which Fox News is battling with former and current employees. Former Fox News Chief Executive Roger Ailes resigned in July after being accused of sexual harassment by numerous Fox News employees.

The company settled \$35 million in claims related to him during the quarter ended in September, 21st Century Fox said in a November regulatory filing. Mr. Ailes has denied all claims made against him.

On-air personality Bill

O'Reilly has also been accused of sexual harassment. A recent New York Times article found that Mr. O'Reilly and Fox News have collectively spent close to \$13 million settling such complaints. Mr. O'Reilly has denied the merits of the claims and said he settled them to spare his children.

Mr. O'Reilly, host of Fox News' top show "The O'Reilly Factor," was recently signed to a new contract, according to people familiar with the matter. Mr. O'Reilly continues to be the network's highest-paid on-air talent with an annual salary of more than \$20 million, people familiar with the matter said.



JOHN CARREYROU INVESTIGATIVE REPORTER

The Face of Real News

John Carreyrou's nearly year-long investigation into blood-testing startup Theranos drew widespread public attention to the excesses of the Silicon Valley boom and voided tens of thousands of blood samples that could have endangered public health.

Real journalists and real news from America's most trusted newspaper.

Watch the film illustrating this story
at WSJ.com/John

#TheFaceOfRealNews

THE WALL STREET JOURNAL.
Read ambitiously

TECHNOLOGY

WSJ.com/Tech

Chip Firm Requests Lawsuit's Dismissal

By TED GREENWALD AND BRENT KENDALL

Qualcomm Inc., whose chips can be found in virtually every smartphone, asked a U.S. federal judge to dismiss a lawsuit by the Federal Trade Commission that accused the company of engaging in anticompetitive behavior to maintain market dominance.

The chip maker filed the request with U.S. District Judge Lucy Koh, saying the FTC's legal complaint failed to support even basic elements of an antitrust violation. "The complaint does not contain any factual allegations of anticompetitive harm to Qualcomm's rivals in the supply of modem chips," the company said in a 30-page legal submission it filed late Monday night in Northern California.

An FTC spokesman declined to comment.

The FTC in January sued Qualcomm, alleging the chip maker used unlawful tactics to maintain its hegemony in the market for chips that enable cellphone communications. The FTC's complaint says

Qualcomm objects to a U.S. complaint accusing the firm of antitrust offenses.

Qualcomm used its dominant position to block competitors and impose onerous terms on handset makers. It asked the court to prohibit Qualcomm's alleged misconduct and to seek redress for parties that were treated unfairly.

Qualcomm has vowed to fight the FTC's suit, saying the allegations were based on flawed legal theory and misconceptions about the mobile-technology industry.

Qualcomm's motion to dismiss the case asserts that the FTC's allegations aren't supported with facts showing that Qualcomm's behavior harmed competitors. For example, Qualcomm said, the FTC's case alleges the company's arrangement to supply modem chips for **Apple** Inc.'s iPhones shut out other vendors but stops short of establishing that another vendor at the time was capable of meeting Apple's technical requirements.

Qualcomm's motion also says the FTC's case rests on legal theories that aren't valid. For instance, the case alleges that Qualcomm's patent royalty fees, which the company charges handset makers whether or not they use Qualcomm chips, amount to a tax on rivals' products that damps demand for those products. Qualcomm's motion to dismiss the case reframes that claim as a matter of pricing practices that the Supreme Court has upheld in previous cases.

"Every one of these [theories] is off the mark or without any kind of supporting factual underpinning, even if the theory was a correct one," Don Rosenberg, Qualcomm executive vice president and general counsel, said in an interview.

Qualcomm's motion to dismiss the FTC's case is a routine early move in what could be a lengthy legal process. To persuade Judge Koh to dismiss the FTC's case, Qualcomm must convince her that the commission's case is so without merit that no further proceedings are required. It is likely that Judge Koh would want to hear oral arguments before making a decision on the motion.

A question hanging over the litigation is whether the leadership change in Washington, D.C., will affect the case. The FTC filed its suit in the waning days of the Obama administration, when Democrats held a majority on the commission. Its new acting chairwoman, Republican Maureen Ohlhausen, dissented from the FTC's decision to file the suit.

The FTC action is one of a series of international regulatory and legal challenges to Qualcomm targeting the patent-licensing business that accounts for most of its profit.

Google Pushes Driverless-Car Suit

Court filings offer details on claims that former employee stole technology

By JACK NICAS AND TIM HIGGINS

Google Inc. accused its former driverless-car executive, Anthony Levandowski, of quietly developing a competing company for more than three years before he left the internet giant and eventually sold the business to **Uber Technologies** Inc., according to legal documents released Monday.

Mr. Levandowski earned more than \$120 million at Alphabet's Google "for his supposed contributions" to develop the company's self-driving car program, now called **Waymo**, according to a Google suit against Mr. Levandowski included in the documents.

The court filings offer new details about an alleged scheme by Mr. Levandowski and other former Google employees to steal technology that is at the center of a seven-week-old battle between Uber and Waymo in U.S. District Court in San Francisco.

Neither Mr. Levandowski nor his lawyers responded to requests for comment.

Waymo sued the ride-hailing company in February for allegedly stealing trade secrets to jump-start its own self-driving-car program last year. Uber is fighting the lawsuit and has argued in legal documents that many of the claims should be instead brought against Mr. Levandowski in employment-arbitration proceedings.

New details of Mr. Levandowski's alleged moves to start competing companies were revealed in two separate arbitration suits Google filed against him in October. Uber attorneys disclosed the suits Monday as part of their petition to move some of the claims to arbitration.

Qualcomm has vowed to fight the FTC's suit, saying the allegations were based on flawed legal theory and misconceptions about the mobile-technology industry.

Qualcomm's motion to dismiss the case asserts that the FTC's allegations aren't supported with facts showing that Qualcomm's behavior harmed competitors. For example, Qualcomm said, the FTC's case alleges the company's arrangement to supply modem chips for **Apple** Inc.'s iPhones shut out other vendors but stops short of establishing that another vendor at the time was capable of meeting Apple's technical requirements.

Qualcomm's motion also says the FTC's case rests on legal theories that aren't valid. For instance, the case alleges that Qualcomm's patent royalty fees, which the company charges handset makers whether or not they use Qualcomm chips, amount to a tax on rivals' products that damps demand for those products. Qualcomm's motion to dismiss the case reframes that claim as a matter of pricing practices that the Supreme Court has upheld in previous cases.

"Every one of these [theories] is off the mark or without any kind of supporting factual underpinning, even if the theory was a correct one," Don Rosenberg, Qualcomm executive vice president and general counsel, said in an interview.

Qualcomm's motion to dismiss the FTC's case is a routine early move in what could be a lengthy legal process. To persuade Judge Koh to dismiss the FTC's case, Qualcomm must convince her that the commission's case is so without merit that no further proceedings are required. It is likely that Judge Koh would want to hear oral arguments before making a decision on the motion.

A question hanging over the litigation is whether the leadership change in Washington, D.C., will affect the case. The FTC filed its suit in the waning days of the Obama administration, when Democrats held a majority on the commission. Its new acting chairwoman, Republican Maureen Ohlhausen, dissented from the FTC's decision to file the suit.

The FTC action is one of a series of international regulatory and legal challenges to Qualcomm targeting the patent-licensing business that accounts for most of its profit.



Anthony Levandowski is at the center of a suit filed by Google, which accuses him of not disclosing efforts to build a rival company.

Two years after Mr. Levandowski joined Google in April 2007, the company began developing a self-driving car and he became an early member of the team.

Around August 2012, the Google suit alleges, he incorporated a business named **Odin Wave LLC** at an address he owned in Berkeley, Calif. The following summer, a Google vendor told the company that Odin Wave ordered a similar custom part for proprietary laser-sensor technology that Google built for its driverless cars, according to the court documents.

By February 2014, Odin Wave merged with another firm named **Tyto Lidar LLC**, which was managed by a friend of Mr. Levandowski, according to the documents. In early 2015, the documents say, Google noticed Tyto's laser

technology appeared to overlap with its own, so Google says it considered whether to use Tyto's technology or purchase the company.

Mr. Levandowski aided that inquiry, even visiting Tyto's headquarters on behalf of Google, the company alleges, yet "throughout this process, Levandowski never disclosed a relationship with Tyto and its employees."

In 2015, the suit alleges, a Google driverless-car colleague began helping Mr. Levandowski create a competitor. One of the Google arbitration suits names this colleague as a defendant. The name is redacted in much of the document released Monday, but on the last page the name is mistakenly revealed: Lior Ron, a Google driverless-car engineer who along with Mr. Levandowski founded Otto,

the self-driving truck company they sold it to Uber.

Mr. Ron didn't respond to requests for comment.

In late 2015, while still working at Google, the pair founded a firm called 280 Systems and repeatedly attempted to lure Google colleagues to join their new venture, according to the suit. Mr. Levandowski pitched direct reports in meetings at Google offices, and the two men also tried to persuade colleagues at two meetings at Mr. Levandowski's home, according to the documents.

The pair quit Google about two weeks apart in January 2016 and renamed the company 280 Systems as Otto and merged it with Tyto, the suit alleges. In August 2016, Uber acquired Otto for \$680 million in stock.

Waymo alleges Mr. Levandowski downloaded thousands of confidential documents before leaving Google and bringing them to Uber after the Otto acquisition. But he may find himself fighting some of the claims of Waymo's federal suit on his own. Uber's attorneys are petitioning to have many of the federal suit's claims moved to the arbitration proceedings where Google initially sued Mr. Levandowski.

Uber's lead attorney, Arturo Gonzalez, said in an interview Friday that Google's employment agreement with Mr. Levandowski mandates that such disputes are handled via arbitration. "If the claim stems from the conduct of the employee, it has to be resolved in arbitration," he said.

Mr. Levandowski has hired his own personal attorneys.

U.S. Weighs Plans For Space Station

By ANDY PASZTOR

COLORADO SPRINGS, Colo.—With European and Russian space agencies looking to bow out of the international space station, the U.S. is stepping up plans for a smaller-scale replacement intended to be a base for planetary exploration after the mid-2020s.

At the space industry's premier global conference here, **Boeing** Co. unveiled this week a proposal that partly reflected these scaled-down ambitions.

The company's concept, smaller and simpler than a previous proposal, includes a crew module serving as a jumping-off point for a reusable vehicle able to reach Mars. It also features solar-electric powered propulsion based on technology developed for commercial satellites; and envisions some manufacturing activities in space to maintain the habitat.

The announcement, which

largely mirrors the National Aeronautics and Space Administration's latest strategy, highlights that Boeing, NASA and industry leaders are all seeking to recalibrate expectations to reflect new agency budget constraints and the principle of public-private partnerships championed by President Donald Trump's administration.

The goal is to "fit within a funding curve and try to get something up there that's operational" by roughly 2025, according to Peter McGrath, a senior Boeing exploration executive.

The Trump administration has signaled that NASA's total budget is likely to stay flat or decline somewhat, with significant cuts in earth-observation and climate-change programs.

Under a previous NASA study contract, Boeing, **Lockheed Martin** Corp. and other companies are devising alternative plans for what are called deep-space gateways.

Experts say that a number



A nighttime view of Western Europe captured by crew aboard the international space station.

of contractors are likely to participate in the final program to deploy a functioning gateway.

The ultimate goal of the full-fledged program is putting the technology in place to safely send astronauts on the dangerous journey to Mars.

The orbiting international laboratory, which was assembled over many years at a cost of some \$100 billion, is slated to continue operations until at least 2024.

There is no international

consensus to go beyond that, though NASA and Boeing, among others, are pushing to keep it open until 2028. Meanwhile, Russia and Europe are considering an end to their partnership in the space station to save money and partly because they want to concentrate on exploring the moon.

But with NASA expected to firm up its post-space-station strategy by 2019, there also are considerations of recruiting foreign countries and commercial partners for a follow-

on program envisioned to cost \$1 billion or more annually.

William Gerstenmaier, who heads NASA's manned exploration efforts, emphasized the importance of international cooperation on a replacement platform. Striving to take humans to Mars entails "a scale that's more than a single country" can handle, he said during one panel.

NASA currently spends roughly \$3 billion a year supplying, manning and otherwise operating the space station.

Google Responds With New Ad-Monitoring Steps

By JACK MARSHALL AND JACK NICAS

Google unveiled measures meant to help marketers track where advertisements appear across YouTube, in the wake of the controversy over the company's placement of ads alongside videos with objectionable content.

The tech giant, a unit of **Alphabet** Inc., told marketers and advertisers on Monday that it plans to allow third-party measurement companies to monitor where ads appear on YouTube and to report back to marketers on the "brand safety" of its videos.

Google already offers similar functionality allowing marketers to track whether their ads were "viewable" or not, meaning whether they actually appeared on users' screens.

According to executives at ad agencies, Google also has promised to offer video-level

reporting across YouTube by the third quarter of this year.

That feature would give advertisers a full list of specific videos against which their ads appeared and how many times their ads were displayed on each, perhaps making marketers more comfortable with advertising on the service.

A Google spokeswoman said

the company hasn't announced the timing for video-level reporting. Marketers and advertising agencies had been pushing Google for more transparency even before the recent uproar over controversial ad placements.

Other changes Google sent to advertisers relate to policies it announced last month,

including faster reviews of problematic ad placements and the use of artificial intelligence technology to help detect objectionable content.

The company said it would have new default settings that set a higher bar for the videos that qualify for running ads, and said it would expand its guidelines to block ads from more videos. For instance, previously Google prohibited ads on YouTube videos advocating violence against people based on race, religion, gender or similar categories. But now it plans to ban ads on any videos that are demeaning or incendiary toward such groups.

Google Chief Business Officer Philipp Schindler said in interviews with several news outlets that the company can't guarantee ads will never appear alongside objectionable content, in part because of the sheer number of YouTube videos and websites on which



Google plans to allow third-party companies to monitor where ads appear on YouTube and report on its videos' 'brand safety.'

RICHARD NOGEL/ASSOCIATED PRESS

Google places ads. The company told tech website Recode that videos advertisers have flagged for inappropriate content account for less than one thousandth of a percent of advertisers' total views.

The Google spokeswoman said the company is now using smart software to automatically detect inappropriate content and is capturing five times more objectionable videos than it did previously.

Observers said reliance on such software is rife with challenges, in part because computers often struggle to understand the context and nuance required to determine whether a video violates YouTube's ad policies.

Indeed, YouTube hasn't employed such software to screen videos to see whether they should be pulled down from the site. Instead, it generally required a human reviewer to weigh in on any such moves.

MANAGEMENT



Google co-founder Sergey Brin. The firm gave to aid refugees.

A Concierge To Plan Your Baby Shower

To retain employees, companies offer help in balancing family and work

BY RACHEL FEINTZEIG

When Lexus Smith found out that her second child would likely arrive weeks before his due date, she tapped an unlikely source to help with last-minute baby preparations: her employer.

A concierge provided by her company, **Fifth Third Bancorp**, helped the 25-year-old customer service representative reschedule her baby shower, locate photographers for pregnancy portraits and order birth announcements.

Companies have been adding new benefits for working parents in the past few years as they seek to attract and hang on to employees balancing family and work.

Johnson & Johnson pays to ship mothers' breast milk home from business trips, and investment firm **KKR & Co.** allows employees to bring nannies along for work travel; tech company Gusto provides new parents meal-delivery services and house-cleanings. To add to the growing list are Fifth Third's two maternity concierges, who have been on duty at the Cincinnati-based bank since January. Fifth Third's concierges tend to the needs of expectant employees and those with infants, recommending strollers, ordering breast pumps and researching fitness options for new mothers seeking ways to get back in shape.

They even plan parties where parents reveal the gender of their unborn child to family and friends, sometimes by cutting into a cake with blue or pink crumb; a concierge arranged one

mother-to-be to spread the news by releasing a balloon as opposed to cutting a cake.

Fifth Third's perk is intended to keep more women advancing at work during a critical turning point. Employees who have taken maternity leave in the previous 12 months leave the company at nearly twice the rate of all women at the firm, according to the bank. The bank's leave program is six weeks at either 100% or 60% pay, depending on how long the employee has worked there. Fifth Third says it plans to increase its leave program later this year.

Nearly 140 employees are taking part in the three-month-old concierge program, open to expectant mothers and those with infants under a year old. The bank said it is spending six figures on the workers, who are contracted via concierge company Best Upon Request and work full-time in Fifth Third's Cincinnati office.

Teresa Tanner, a Fifth Third executive, developed the program after hearing from expectant and new mothers in the bank's ranks who were overwhelmed by all they had to get done before a baby's arrival.

"We have to get more women in leadership positions in our company," Ms. Tanner said. Some 60% of Fifth Third's 18,000 employees are women, but that share drops to 23% for its executives and senior managers.

So far, Fifth Third employees are keeping concierge Jessica Hanson busy. She has scoured a local Target for items for a pregnant em-



Maternity concierges Michelle Long, left, and Jessica Hanson, center, with Fifth Third Bancorp employee Delisha Murray during a consultation in Cincinnati.

JESSICA EBLER FOR THE WALL STREET JOURNAL

ployee's hospital bag, planned a St. Patrick's-themed first birthday party—which involved locating a shamrock headband from Etsy.com and ordering a pastel green cake from a local bakery—and compiled a dossier of 10 different churches for an employee unsure where to have her baby baptized. Once, she even helped an indecisive worker select a baby name.

"We're like a wedding planner, but we're your baby planner," Ms. Hanson said.

The duo receives two to three inquiries a day from employees exploring the service for the first time; some mothers and moms-to-be already email them as many as 10 times a day, Ms. Hanson said. The most common requests: child-care advice and assistance.

Ms. Hanson and her partner also provide some emotional support and connection. She has heard from a woman overwhelmed by a

surprise pregnancy and one who ended up with two sets of twins after undergoing infertility treatments. The concierges keep a list of counselor recommendations on hand for those suffering from postpartum depression.

The program is targeted to women, but the maternity concierges have received a few requests from fathers. They direct those to the company's main concierge program, which offers grocery shopping and other services for all employees.

Assistance for expecting and new parents may help new mothers stay on when they're at risk for "dropping out and then regretting it later," said Kenneth Matos, an executive at consultancy Life Meets Work. Mr. Matos says it's part of a broader trend among companies to lighten the burden of chores for both male and female employees, as firms try to stay lean while expanding work duties.

"That's the last thing you can kind of do to get more time out of [workers] before you just need to hire more people," he said.

American Express Co. also has a concierge program for parents navigating company benefits, and Stanford University's hospitals and health clinics offer emergency department physicians meal delivery, laundry and house-cleaning services when they work extra shifts.

Ms. Smith, the customer-service representative, said that delegating tasks to Ms. Hanson allowed her to focus on work in the weeks leading up to the birth of her son, Zavier.

As she prepared to return to the office in late March after a six-week maternity leave, the concierge had helped her find day-care options. Now back at work, she's glad to have someone to fall back on. "In a way they're like my mom," she said.

BUSINESS WATCH

BOEING

Aerospace Firm Adds Seat-Maker Deals

Boeing Co. has struck additional deals with aircraft-seat makers, including one for a business-class line, in an effort to ease supply-chain logjams as it increases jetliner production.

The company said Tuesday it agreed to purchase premium seats for its twin-aisle 787 from Japan's **Jamco** Corp. and expand a deal for California-based startup Lift to supply economy-class seating for the Dreamliner.

Boeing and rival Airbus SE are expanding partnerships with seat makers to gain more control over their supply chains and prevent partially completed jets from being left on the ground awaiting fittings.

The U.S. company last year

signed an exclusive deal with Lift, a unit of EnCore Group, to buy economy-class seats for Boeing's new single-aisle 737 Max jets. Lift's rivals include industry heavyweights such as **B/E Aerospace** Inc. and **Zodiac Aerospace** SA.

Boeing said carriers would still order seats directly from its partners but the jet maker's own deals would offer it more input into the design of the products and further confidence that they will be delivered on time.

—Doug Cameron

RALPH LAUREN

Company to Close a Main New York Store

Ralph Lauren Corp. plans to close its largest retail shop, a Polo store on Fifth Avenue in Manhattan, the latest sign of

the pressure on brick-and-mortar stores in the U.S. as consumers turn to online shopping.

The struggling fashion house said it plans to close the Polo store at 711 Fifth Avenue and move its products to the Ralph Lauren men's and women's stores on Madison Avenue and its downtown locations. Ralph Lauren said it would continue to operate seven additional store locations and its Polo Bar Restaurant in New York City.

Jane Nielsen, chief financial officer, said the closure of the Polo store was meant "to ensure we have the right distribution and customer experience in place."

The moves are part of a previously announced plan to reinvigorate the business, spearheaded by Stefan Larsson, who in February said he would depart as chief executive after less

than two years at the helm amid a dispute over control of the creative side of the business.

Ralph Lauren on Tuesday also said it would switch to a new e-commerce platform that is more cost-effective and will "deliver a more consistent customer experience" thanks to a new partnership with **Salesforce.com** Inc.'s cloud services.

The company said the moves announced Tuesday, along with other actions, will lead to about \$140 million in annual savings. The company expects to incur restructuring charges of about \$370 million.

—Joshua Jamerson

TOSHIBA

Firm to Buy Stake in U.K. Nuclear Venture

Toshiba Corp. said Tuesday it would buy out partner **Engie**

SA's 40% stake in the operator of a proposed U.K. nuclear power project for ¥15.3 billion (\$138 million) after Engie asked for the step under the terms of their contract.

The purchase means that for now Toshiba will be more deeply involved in a business it is hoping to exit—nuclear power projects outside Japan.

Last week, Toshiba's U.S. nuclear unit, Westinghouse Electric Co., filed for bankruptcy protection following huge cost overruns at nuclear-reactor projects in the U.S. Southeast. Toshiba said the filing triggered a clause in its contract with Engie that gave the France-based company the right to sell its stake in NuGeneration Ltd. or NuGen.

Toshiba already owns 60% of the U.K. joint venture.

The timing of the deal is under discussion, Toshiba said.

—Takashi Mochizuki



WSJ City

Carry The Square Mile

The WSJ City App. Now on Android and iOS.

Stay up to date with essential news from the City of London and beyond. Get the most crucial stories, sector insights and markets data delivered straight to your iPhone or Android device with the WSJ City App.

DOWNLOAD NOW

Download on the App Store

Available on Google play

THE WALL STREET JOURNAL.
Read ambitiously

FINANCE & MARKETS

MoneyGram Fight Is Test for U.S.

Chinese billionaire attempts to fend off a Kansas bidder, tackle security concerns

BY KATE O'KEEFFE

WASHINGTON—The battle between Chinese billionaire Jack Ma's **Ant Financial Services Group** and a Kansas rival to acquire **MoneyGram International Inc.** has sparked a lobbying war over a deal set to test the Trump administration's view of Chinese investment in the U.S.

Ant Financial, China's biggest online-payments company, in January signed an \$880 million deal to buy the Dallas-based money-transfer firm. It was the first—and still the only—public-company takeover announced by a Chinese company since the election of President Donald Trump, who has promised to crack down on China's trade practices.

Then last month, **Euronet Worldwide Inc.** of Leawood, Kan., put in a bid valued at roughly \$1 billion for MoneyGram, igniting the prospect of a bidding war.

Euronet would be hard-pressed to fend off its colossal Chinese rival in such a contest. But it sees an opening in growing concern in Congress about surging Chinese investment in the U.S. The Ant deal will be subject to review by the Committee on Foreign Investment in the U.S., a multiagency body led by the Treasury that can recommend the president block foreign deals on national-security grounds.

Euronet Chief Executive Michael Brown has been making the case to lawmakers and the Treasury that an Ant acquisition of MoneyGram would present national-security risks



Jack Ma's Ant Financial and Kansas-based Euronet are vying to acquire the money-transfer firm.

because Ant might not do enough to prevent money laundering, terrorist financing and the compromise of customers' personal data.

"Everybody keeps thinking the next war is all gonna be about missiles. It's already a war, and it's all about data," Mr. Brown said. If Ant's deal goes through, "you've got basically a Chinese company controlling a lot of personal financial information of Americans," he said.

Ant and MoneyGram officials rebut such claims, saying that Ant would continue to invest in MoneyGram's compliance program and that the company stores what little personal data it collects at a secure facility in Minneapolis.

"This process would continue under our agreement with Ant Financial as a means of ensuring that transactions are fully safeguarded and not misused or accessed by any government—including the Chinese government," MoneyGram Chief Executive Alex

Holmes said in a statement.

Ant's head of international business, Douglas Feagin, defended the deal in a recent interview in Washington.

"We're business people, and we approach this as a very attractive transaction for MoneyGram itself but also for the United States," said the former Goldman Sachs banker driving Ant's global expansion. He said that the company plans to continue investing in MoneyGram, creating jobs in the U.S.

Mr. Brown is playing up the Kansas headquarters of his company, which he co-founded in Budapest in 1994.

"I'm new to this whole Washington thing," he said in an interview.

His efforts are bearing some fruit. After he met with Reps. Kevin Yoder, a Kansas Republican, and Eddie Bernice Johnson, a Texas Democrat, whose respective districts include the headquarters of Euronet and MoneyGram, the lawmakers last week wrote a joint letter to Treasury Secretary Steven

Mnuchin to raise national-security concerns regarding the Ant deal.

The letter echoed the issues Mr. Brown had highlighted to Mr. Mnuchin, who heads CFIUS, in a communication two days earlier that copied 16 lawmakers.

The Treasury department didn't comment on either letter, both of which were reviewed by the Journal.

The MoneyGram deal is important to Ant's global strategy. Ant is already huge in China, and buying MoneyGram would give it a brand name in the American market as well as access to the U.S. company's 200-country network.

Within a week of announcing the deal, lobbyists representing Mr. Ma's New York-listed e-commerce giant **Alibaba Group Holding Ltd.**, from which Ant was spun off in 2011, met with the office of Rep. Robert Pittenger, a North Carolina Republican who is working with Senate Majority Whip John Cornyn, a Texas

Republican, on bills to strengthen CFIUS's authority.

In an initial hourlong meeting, Alibaba cited Mr. Ma's January meeting with Mr. Trump in which the Chinese billionaire pledged to create U.S. jobs, according to a person familiar with the matter. The meeting took place a couple of weeks before Ant announced the MoneyGram deal.

The lobbyists also presented materials touting Alibaba's role in helping North Carolina-based companies such as Hanesbrands Inc. sell their Hanes and Champion apparel brands to Chinese customers, according to documents reviewed by the Journal.

They returned twice more, finally meeting Mr. Pittenger personally, the person familiar with the meetings said. Alibaba declined to comment.

After the lobbyists' departure, the North Carolina congressman fired off a Wall Street Journal op-ed, co-authored by Rep. Chris Smith, a New Jersey Republican and co-chair of the Congressional-Executive Commission on China, blasting the deal.

"America's economic strength is at risk from strategic, well-coordinated and state-sponsored Chinese investments in American financial institutions," the lawmakers wrote in the piece published Feb. 21.

Mr. Feagin rebutted the lawmakers' criticisms in his own letter to the Journal, which ran a week later. He added that "while a handful of Chinese state-owned or -affiliated funds own non-controlling minority stakes, they do not participate in company management. Nor do they have board representation or any special rights."

—Liz Hoffman contributed to this article.



James Dimon says banks are holding too much capital.

Dimon Trumpets Simplified Regulation

BY EMILY GLAZER

J.P. Morgan Chase & Co. Chief James Dimon laid out his wish list of regulatory changes in his annual shareholder letter, calling for simpler and better coordinated rules that could help to spur more lending and in turn economic growth.

While Mr. Dimon didn't advocate "to throw out the entirety of Dodd-Frank or other rules" he did say he thinks it is "appropriate to open up the rulebook." The head of the nation's largest bank by assets doesn't have the power to change these rules, but he does sit on President Donald Trump's business counsel of 16 top executives and knows some of Mr. Trump's highest-level finance advisers.

Any changes will only help the bank. Mr. Dimon wrote that the "anticipated reversal of many negatives and the expectation of a more business-friendly environment" in addition to the bank's results are among the reasons its stock price jumped about 30% in 2016. Mr. Dimon has previously said that rules should be coordinated among agencies, simplified and consistent, but in Tuesday's letter spelled out what that meant for the first time. He said banks have too much capital and that could be used instead to finance the economy.

To be sure, Mr. Dimon also highlighted the benefits of a safer and stronger banking system because of higher capital, liquidity, more disclosure and transparency, and stress testing, among other changes. But he said some of those have gone too far.

Mr. Dimon thinks one constraint on banks, rules around the supplementary leverage ratio, "need to be modified." These rules, which limit the amount of borrowed money a bank can use in relation to its overall assets, often penalize "fairly risk-free activity" and should instead promote lending and liquid capital markets, Mr. Dimon said in the letter.

He also said that operational risk capital should be "significantly modified, if not eliminated" because it isn't always calculated fairly or in coordination with other capital rules. Mr. Dimon said banks in the U.S. hold roughly \$200 billion in operational risk capital, but if a bank exits a business that created the risk, it is likely required to still hold that capital.

Mr. Dimon reiterated that the "gold plating" of international standards by U.S. regulators should be eliminated. Making U.S. rules stronger than international rules was in some cases a priority of Federal Reserve governor Daniel Tarullo, who was the central bank's regulatory point person but is departing this week.

A removal of the "gold plating" surcharge applied to globally systemic important banks would free up what he estimated is about \$15 billion of equity capital, an amount Mr. Dimon said could support about \$190 billion of loans.

AmTrust Revises 3 Years of Earnings

BY MICHAEL RAPORT

AmTrust Financial Services Inc. revised its past three years of earnings downward by about \$136 million because of accounting errors, notably in how the company booked revenue from the warranty contracts it provides.

The New York property-and-casualty-insurance company filed its delayed 10-K annual report with the Securities and Exchange Commission. In addition to the restatement of earnings dating back to 2014 the company reiterated that it had weaknesses in its internal accounting safeguards.

AmTrust said it was now current on all exchange listing requirements, which had been jeopardized by the delay in the company's filing. "We are well positioned in the markets we serve to continue to realize AmTrust's potential," said Barry Zyskind, chairman and chief executive. "Our operations are financially sound and appropriately reserved."

AmTrust, controlled by the Karfunkel family, is one of the largest workers-compensation insurers in the U.S. It also is a significant provider of extended-service plans on automobiles and other consumer products, a business that was the source of the central accounting error it acknowledged.

Some of that revenue has been recognized upfront in the past, but AmTrust said it should have been deferred, to be recognized over the life of the contract.

The company's shares tumbled after its March 17 announcement that a restatement would be needed, but they rebounded Tuesday after the restatement and 10-K filing. AmTrust shares closed 20% higher on Nasdaq, at \$21.95.

AmTrust revised its previously reported 2016 net income downward by \$51.9 million, or 12.5%. Net income in 2015 was restated downward by \$52.9 million, or 11.2%. Net income in 2014 was restated downward by \$31.3 million, or 7.2%.

Senate Panel Clears Clayton for SEC

BY ANDREW ACKERMAN

WASHINGTON—The Senate Banking Committee approved Jay Clayton to head the Securities and Exchange Commission in the Trump administration, sending the nominee to the Senate floor for a final vote.

Mr. Clayton has called for scaling back regulations to prod more companies to go public while expressing skepticism that large corporate penalties deter fraud.

The Trump administration and Republicans in Congress want to eliminate or roll back rules they say are choking off growth, including many measures required by the 2010 Dodd-Frank financial-overhaul law.

"We have to reduce the burdens of becoming a public company so that it's more attractive," Mr. Clayton said at a confirmation hearing before the Senate panel last month.

The panel approved Mr.

Clayton by a vote of 15-to-8 on Tuesday, mostly along party lines. Three Democrats voted in favor of the nominee. All 12 Republicans on the panel supported him.

A partner at Sullivan & Cromwell LLP, Mr. Clayton must now be confirmed by the full Senate. Democrats who are opposed to Mr. Clayton don't have the votes to block his nomination. But they may put up hurdles on the Senate floor that could slow final action until late April or early May, according to current and former Senate aides.

If confirmed, Mr. Clayton would join a short-handed SEC that has been operating with just two members since January, when Mary Jo White left the agency at the end of the Obama administration. Even with three commissioners, the commission will remain two short of its full complement. That could make it hard for Mr. Clayton to advance his agenda, because of agency

rules requiring a quorum of three commissioners to attend all votes.

The Trump administration has yet to nominate individuals for the two additional vacancies at the SEC. A pair of academics tapped for the slots during the Obama administra-

The nominee has called for fewer tests for companies seeking to go public.

tion—Hester Peirce of the Mercatus Center and Lisa Fairfax of George Washington University Law School—aren't expected to be renominated for these slots, according to people familiar with the White House's thinking.

The Trump administration must also fill a series of additional regulatory vacancies.

There are three openings at both the Federal Reserve and the Commodity Futures Trading Commission. Though the White House last month tapped J. Christopher Giancarlo, the CFTC's acting chairman, to head the agency on a full-time basis, it has yet to tap individuals for the other Fed and CFTC vacancies. The Senate Agriculture Committee has yet to schedule a hearing on Mr. Giancarlo.

Ahead of Tuesday's vote, Mr. Clayton disclosed that he met with several prominent business executives close to the president's campaign before he was named to lead the top Wall Street overseer. He disclosed the meetings with billionaire venture capitalist Peter Thiel and Republican Party fundraiser Rebekah Mercer in a letter to Ohio Sen. Sherrod Brown, the top Democrat on the Senate Banking Committee.

—Dave Michaels contributed to this article.

FINANCE WATCH

ROYAL BANK OF SCOTLAND

EU Will Investigate Divestment Plans

The European Union's anti-trust watchdog opened an in-depth probe into the U.K. government's latest proposals for **Royal Bank of Scotland Group PLC** to dispose of assets.

Following its 2008 government bailout, RBS was required under European Union state-aid rules to spin off some 300 branches to boost competition. Last year, RBS gave up, failing to find a buyer for the branches.

The U.K. government instead suggested RBS spend £750 million (\$934 million) finding ways to move small-business customers off its books and promote competition. The package would include an independent fund to invest in innovative financial services, the EU said.

"We can only accept this proposal, if it has the same positive effect on competition as the divestment of [the branches] would have had," EU antitrust chief Margrethe Vestager said.

EU approval is vital to RBS's plan to shed its 71% government ownership. An RBS spokeswoman declined to comment.

—Natalie Drozdiak, Max Colchester

lion in 2009, it has grown to nearly \$12 billion across various strategies.

—Rob Copeland

HEDGE FUNDS

Sound Point to Sell A Stake in Itself

Hedge fund **Sound Point Capital Management LP** agreed to sell a minority stake to **Neuberger Berman Group LLC's** Dyal Capital Partners arm, people familiar with the matter said.

The sale is an indication of sustained demand among asset managers to own pieces of hedge-fund firms, despite recent poor performance.

Founded by former Bank of America investment banker Stephen Ketchum with just \$35 mil-

lion in 2009, it has grown to nearly \$12 billion across various strategies.

—Rob Copeland

DEUTSCHE BANK

Wealth-Management Executive to Leave

Deutsche Bank AG's wealth-management head for the U.K., Russia and Eastern Europe, Andreea Grob, is leaving the bank. Ms. Grob confirmed her resignation but declined to comment further.

Ms. Grob, who joined Deutsche Bank in 2008, has held senior wealth-management roles in Switzerland and London.

A bank spokeswoman said a wealth-management colleague, Loic Voide, will take over Ms. Grob's duties relating to clients in Russia and Eastern Europe. Ms. Grob will stay until a successor is named for the U.K. business.

—Jenny Strasburg

EU approval is key to RBS's plans to leave state ownership.

lion in 2009, it has grown to nearly \$12 billion across various strategies.

—Rob Copeland

INTERNATIONAL INVESTMENT FUNDS

[Search by company, category or country at europe.WSJ.com/funds]

Advertisement

INTERNATIONAL INVESTMENT FUNDS

[Search by company, category or country at europe.WSJ.com/funds]

Advertisement

INTERNATIONAL INVESTMENT FUNDS

[Search by company, category or country at europe.WSJ.com/funds]

Advertisement

INTERNATIONAL INVESTMENT FUNDS

[Search by company, category or country at europe.WSJ.com/funds]

Data as shown is for information purposes only. No offer is being made by

Morningstar, Ltd. or this publication. Funds shown aren't registered with the U.S. Securities and Exchange Commission and aren't available for sale to United States citizens and/or residents except as noted. Prices are in local currencies.

All performance figures are calculated using the most recent prices available.

© 2017 Morningstar, Ltd. All rights reserved. All rights reserved.

Chartered Asset Management Pte Ltd - Tel No: 65-6835-8866

Fax No: 65-6835-8865, Website: www.cam.com.sg. Email: cam@cam.com.sg

CAM-GTF Limited

OTM MUS 03/31 USD 311119.76 3.0 -2.4

NAV AT LB DATE CR NAV YTD 12-MO 2-YR

FINANCE & MARKETS

Traders Sample a Disruptive Technology

Merchants and banks test blockchain to record transactions for commodities

BY STEPHANIE YANG

Banks and traders are experimenting with the technology behind bitcoin in an effort to solve longstanding problems in the trading of physical commodities.

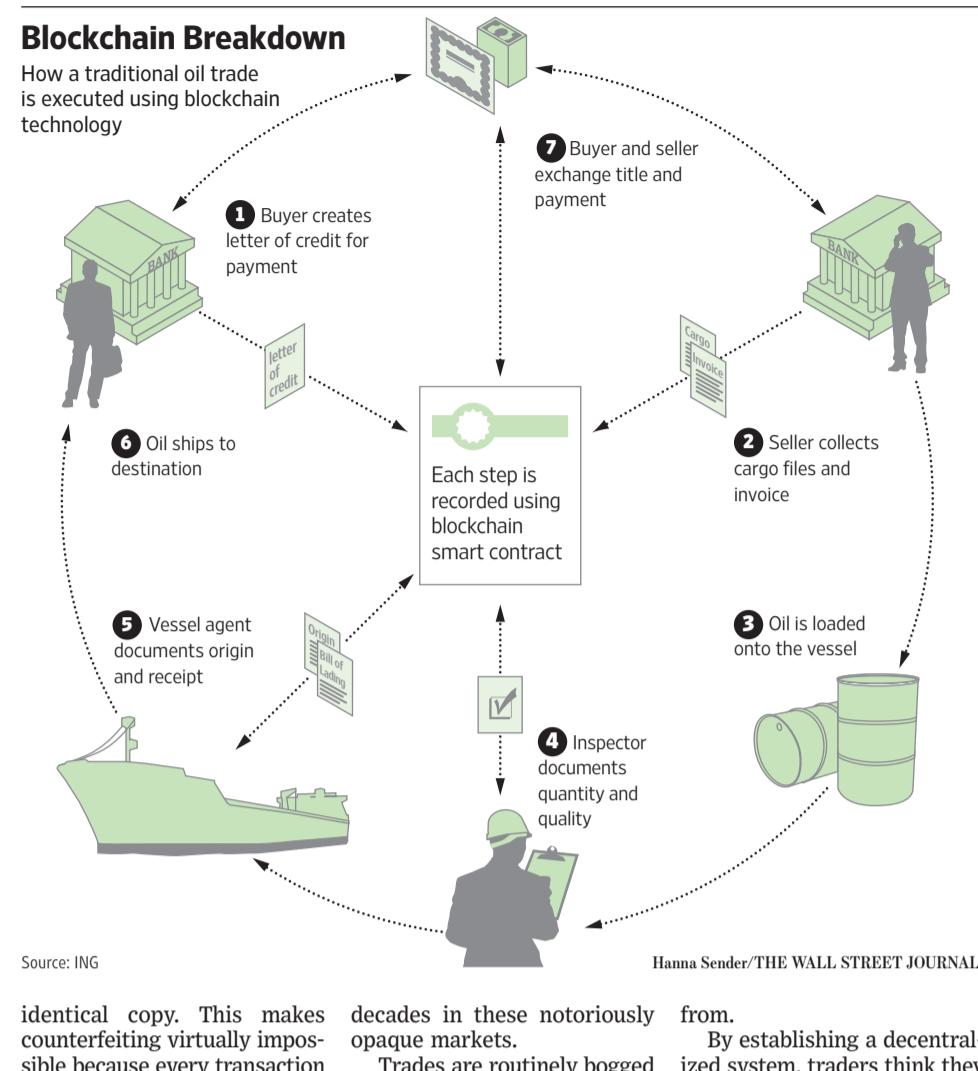
Blockchain, the technology used to record ownership of the cryptocurrency bitcoin, has been making inroads recently in the financial world. Central banks and other institutions are exploring it for payments and data sharing. Big banks including J.P. Morgan Chase & Co. and Citigroup Inc. have tested the technology in recording financial transactions.

Now commodities players are trying out blockchain to help buy and sell goods and raw materials.

French bank Natixis and commodity trading firm Trafigura Pte. Ltd. unveiled a platform in late March with International Business Machines Corp. to carry out U.S. crude-oil transactions electronically using blockchain technology.

A group of participants in the cotton market is also evaluating the use of blockchain in trading and plans to release its results in May. The consortium, which has collaborated with IBM to use its blockchain platform, includes big agricultural commodities traders Cargill Inc. and Louis Dreyfus Co.

The technology records each transaction in a ledger of which every computer has an



Source: ING

Hanna Sender/THE WALL STREET JOURNAL.

identical copy. This makes counterfeiting virtually impossible because every transaction can be checked against the other records. It also obviates the need for costly and time-consuming back-office record-keeping by third parties like finance companies.

Firms are turning to blockchain because the exchange of physical goods is plagued by pitfalls that have existed for decades in these notoriously opaque markets.

Trades are routinely bogged down by paper documents that take time to verify and can be lost or forged during ownership changes. This can be costly for consumers and producers, especially when payments or deliveries are delayed or interrupted. It can also frustrate those unable to track where their materials come from.

By establishing a decentralized system, traders think they can cut down on time, expenses and opportunities for fraud. Blockchain can create digital codes for, say, each gold bar or bale of cotton, and records all points of sale on an encrypted list that is verified by multiple parties.

"I'm more and more convinced that this technology is

going to be disruptive for the industry," said Patrick Arnaud, managing director of trade and commodity finance at ING Groep NV.

ING, Société Générale SA and commodities-trading house Mercuria Investment Co. in February executed the first delivery of crude oil to run entirely on a blockchain platform. The trade tracked the transport of crude from Africa to China.

ING found that the use of blockchain, instead of paper certification, reduced its involvement in each transaction to about 25 minutes from an average of three hours. Blockchain also cut costs by about 30%, the bank said.

The banks are in discussions to conduct a similar trade in liquefied natural gas, according to Mr. Arnaud.

Despite the eagerness of some traders to adopt the technology, blockchain faces obstacles to its widespread use in commodities trading.

Regulatory requirements for exchanging goods are different from country to country and may need to change to become compatible with cross-border blockchain trades.

"It's going to brush up against an existing compliance regime as well as regulation or legislation in its own right," said Emma Weston, co-founder of AgriDigital, a commodity-management platform that has used blockchain to trade grain.

Another challenge is persuading an industry that has been resistant to change to embrace a new system, especially one that has had some missteps. While the underlying protocol for bitcoin has never

been hacked, apps and services built on top of it have been plagued by privacy and intrusion scandals.

Mallory Alexander International Logistics has run two shipping trials with blockchain this year, but its president remains skeptical about new trading technologies.

Over the past 15 years or more, attempts to modernize data in shipping "always seem to hit a snag," said Neely Mallory, a Mallory executive. "There are a lot of countries that U.S. agriculture is shipped to that are not ready to embrace it."

Another concern for commodity traders is how much proprietary information would be shared with others if blockchain is used. Those experimenting with the technology say there is still discussion on what data would be limited and to which parties.

"No one would want their information on who's trading what" to be seen on the blockchain, said Mark Pryor, chief executive of commodities trading software provider Seam, which is leading the cotton consortium.

In metals, the U.K.'s Royal Mint and futures exchange CME Group Inc. plan to launch digital certificates for physical gold this year. The exchange IEX Group Inc. is also experimenting with a gold exchange run on blockchain.

Mr. Pryor said using blockchain could change the mindset of some hardened commodities traders. "People are not used to working in an environment where they trust the data, where they trust the systems," he said.

Australian Coking Coal Soars After Cyclone

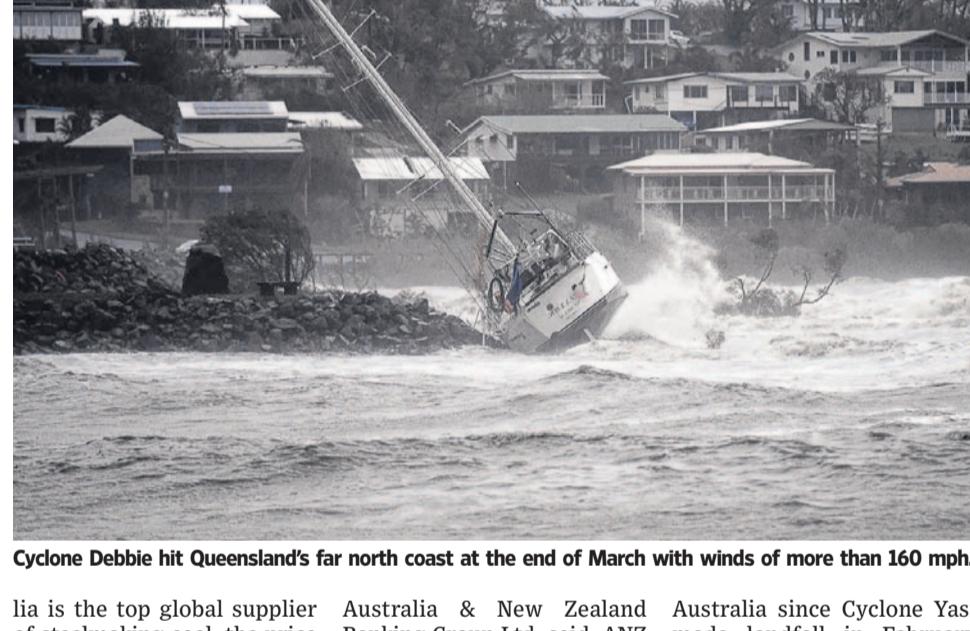
BY RHIANNON HOYLE

SYDNEY—The price paid for Australian steelmaking coal rocketed 15% to its highest point since January as shipments from the world's top export hub were disrupted following a ferocious storm.

Last week, Tropical Cyclone Debbie lashed the eastern Australia state of Queensland with winds of more than 160 miles an hour, causing floods and landslides and forcing the closure of many port-and-mining operations. Queensland accounts for about 60% of global shipments of coking coal.

Aurizon Holdings Ltd., Australia's largest rail freight operator, says it could take weeks to get some key routes through inland mines and export terminals running again. UBS estimates about 5% of supplies could be lost from the global export market as a result.

On Monday, the price of Australian coking coal exports surged \$23.40 to \$175.70 a metric ton, according to the Steel Index, a data provider. That was the highest price paid since Jan. 18. As Austra-



DAN PELED/EUROPEAN PRESSPHOTO AGENCY

Cyclone Debbie hit Queensland's far north coast at the end of March with winds of more than 160 mph.

lia is the top global supplier of steelmaking coal, the price for its exports is viewed as an international benchmark.

The increase in coking coal prices broke what had been an "eerie silence" in global coal markets in recent days,

Australia & New Zealand Banking Group Ltd. said. ANZ said traders are racing to secure supplies in case storm-caused disruptions are lengthy.

The cyclone, which was the most powerful storm to hit

Australia since Cyclone Yasi made landfall in February 2011, caused the evacuation of thousands of people and left hundreds of homes uninhabitable. Aurizon, which hauls coal for miners including BHP Billiton Ltd. and Glencore

PLC, said its four major rail routes through the central Queensland coal hub are still closed and some lines could take up to five weeks to repair.

"The damage to rail networks is worse than we had expected," UBS said.

Glencore said that although its mines are running, exports "will be significantly impacted until floodwaters recede and repairs to the rail systems are completed."

Analysts say the price paid for coking coal—which is heated to create coke that is then used to melt iron in the steelmaking process—could surge further if traders panic about supply availability.

UBS, which says it will be tricky to find alternative ways to transport coal from mining operations in remote parts of Queensland, estimates the disruptions could add \$100 a ton or more to the value of the fuel.

"With a significant amount of the world's premium hard coking coal now marooned on-site [at mines], prices are likely to continue to push higher," ANZ said in a note on Tuesday.

Dow Rises Slightly as Industrial Companies Post Gains

BY AKANE OTANI AND RIVA GOLD

The Dow Jones Industrial Average edged higher Tuesday, led by a rise in shares of industrial companies.

The Dow industrials rose 39.03 points, or 0.2%, to 20689.24, with Caterpillar posting the biggest gains.

The S&P 500 and the Nasdaq Composite each added 0.1%.

In Europe, the Stoxx Europe 600 ended up 0.2% at 380.03.

U.S. stocks have made few big moves in recent sessions, with major indexes recently closing out a relatively quiet quarter.

Some investors and analysts have attributed the sluggish trading in stocks to a reluctance to make new bets ahead of a number of key events this week, including the release of minutes from the Federal Reserve's March meeting, due Wednesday, Friday's U.S. jobs report and a meeting between President Donald Trump and Chinese leader Xi Jinping Thursday and Friday.

"We're returning to more of a muddled-up market, like we had before the election," said Thomas Martin, senior portfolio manager at Globalt in Atlanta.

While signs of progress on hoped-for policies from the Trump administration such as tax cuts and infrastructure spending could bring another rally in stocks, major indexes are likely to trade sideways until there is new information, Mr. Martin added.

Energy stocks in the S&P 500 rose 0.7% by late afternoon as oil prices climbed. U.S. oil for May delivery rose 1.6% to \$51.03 a barrel.

Industrial stocks led gains in the Dow industrials. Caterpillar jumped 2.1% after Goldman Sachs Group reiterated a buy rating for the company's stock. Boeing added 1.1%, and United Technologies rose 0.9%.

Meanwhile, financial stocks lagged behind major indexes, with shares of financial companies in the S&P 500 falling 0.3%.

Staples surged 9.9% after The Wall Street Journal reported the company is exploring a sale.

W.L. Ross to Invest in China Steel Industry

BY JAMES T. AREDDY

SHANGHAI—The private-equity firm founded—but long ago sold—by U.S. Commerce Secretary Wilbur Ross Jr. is forming a venture to invest in China's steel industry with one of the country's largest producers, according to a statement.

W.L. Ross & Co. plans to join an arm of Shanghai-based **China Baosteel** Corp. and other investors to acquire steel-industry assets in China with an aim to improve the sector's long-term "commercial viability," according to an invitation to a signing ceremony reviewed by The Wall Street Journal. The Friday event in Shanghai coincides with Chinese President Xi Jinping's two-day summit in the U.S. with President Donald Trump, who has said the meeting will feature difficult discussions on trade—a sector where steel takes center stage.

China's steel industry accounts for half of world output and is a source of economic tension with the U.S. and other countries that say its massive exports harm international trade with government-subsidized overproduction.



Commerce Secretary Wilbur Ross started the private-equity firm.

Mr. Ross, himself a past competitor of China in steel manufacturing and now an architect of Trump administration plans to toughen U.S. trade policy, has been a persistent and vocal critic of what he has called Chinese state support for its steel sector.

Mr. Ross would have no

many investment interests but retain some.

A spokesman for Mr. Ross declined to comment. Executives at W.L. Ross didn't respond to requests for comment.

U.S. investors continue to see opportunity in rapidly growing China even while American businesses and Washington politicians criticize its economic policies. While China's steel industry causes trade friction, Beijing is also targeting the sector for cuts in overcapacity, environmental improvements and restructuring, creating opportunities for investors.

Also a partner in the venture is U.S.-China Green Fund, a public-private partnership initially advised by former U.S. Treasury Secretary Henry Paulson with the public endorsement of a key economic adviser to Chinese President Xi, Liu He. The fund was initiated last year with an aim to introduce environmentally friendly U.S. technology to China.

Other partners in the investment venture, called Si Yuan He Steel Industry Development Fund, are Hwabao, an investment company owned by

Baosteel's China Baowu Steel Group, and China Merchants, a Beijing-based shipping and banking conglomerate.

Financial details weren't provided.

Executives at Green Fund and Hwabao didn't respond to questions. China Merchants couldn't be reached.

While a private-equity investor, Mr. Ross invested in American steel production and profited when the U.S. slapped tariffs on Chinese imports. Ever since, he has taken a hard-line view on trade policy from China, which he has described as a "cheater" in steel because of government subsidies and recommended could be penalized with high import tariffs.

Mr. Ross was credited by the Trump administration for helping to formulate a strategy set in motion last week in two presidential executive orders, including stricter enforcement of measures to prevent dumping of foreign goods in the U.S. White House spokesman Sean Spicer said the orders were welcomed by American steel producers.

—William Mauldin contributed to this article.

MARKETS DIGEST

Nikkei 225 Index

18810.25 ▼172.98, or 0.91%

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

Year-to-date 52-wk high/low

19633.75 14952.02

All-time high 38915.87 12/29/89

Data as of 4 p.m. New York time

Last 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

STOXX 600 Index

380.03 ▲0.74, or 0.20%

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

Year-to-date 52-wk high/low

381.14 308.75

All-time high 414.06 4/15/15

Data as of 4 p.m. New York time

Last 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

S&P 500 Index

2360.16 ▲1.32, or 0.06%

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

Year-to-date 52-wk high/low

381.14 308.75

All-time high 414.06 4/15/15

Data as of 4 p.m. New York time

Last 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

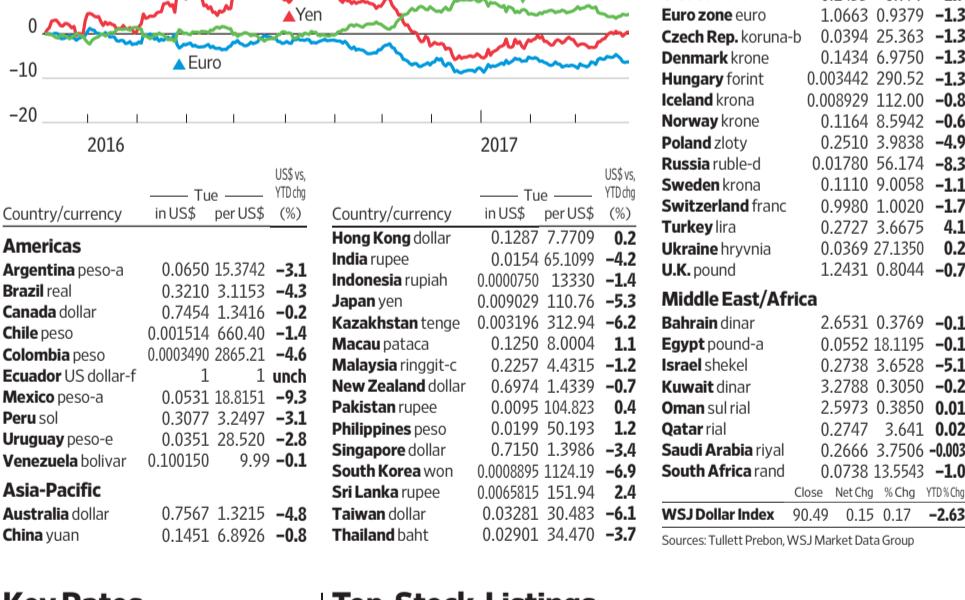
Data as of 4 p.m. New York time

Region/Country	Index	Close	Net Chg	% chg	52-Week Range	Low	Close	High	YTD % chg
World	The Global Dow	2687.68	3.43	0.13	2193.75	2704.47	2704.47	2704.47	6.3
	MSCI EAFE	1786.02	-0.01	-0.00	1471.88	1956.39	1956.39	1956.39	4.1
	MSCI EM USD	964.54	-0.61	-0.06	691.21	1044.05	1044.05	1044.05	21.4
Americas	DJ Americas	569.36	0.53	0.09	480.90	577.65	577.65	577.65	4.2
Brazil	Sao Paulo Bovespa	65691.91	480.44	0.74	47873.65	69487.58	69487.58	69487.58	9.1
Canada	S&P/TSX Comp	15661.86	77.46	0.50	13217.17	15943.09	15943.09	15943.09	2.4
Mexico	IPC All-Share	49333.53	514.46	1.05	43902.25	49523.94	49523.94	49523.94	8.1
Chile	Santiago IPSA	3725.03	26.40	0.71	2998.64	3764.58	3764.58	3764.58	15.6
U.S.	DJIA	20689.24	39.03	0.19	17063.08	21169.11	21169.11	21169.11	4.7
	Nasdaq Composite	5898.61	3.93	0.07	4574.25	5928.93	5928.93	5928.93	9.6
	S&P 500	2360.16	1.32	0.06	1991.68	2400.98	2400.98	2400.98	5.4
	CBOE Volatility	11.92	-0.46	-3.72	9.97	26.72	26.72	26.72	-15.1
EMEA	Stoxx Europe 600	380.03	0.74	0.20	308.75	381.14	381.14	381.14	5.1
	Stoxx Europe 50	3156.13	10.27	0.33	2626.52	3174.79	3174.79	3174.79	4.8
Austria	ATX	2860.18	15.28	0.54	1981.93	2867.67	2867.67	2867.67	9.2
Belgium	Bel-20	3805.12	4.68	0.12	3127.94	3823.19	3823.19	3823.19	5.5
France	CAC 40	5101.13	15.22	0.30	3955.98	5132.93	5132.93	5132.93	4.9
Germany	DAX	12282.34	25.14	0.21	9214.10	12375.58	12375.58	12375.58	7.0
Greece	ATG	666.44	-0.88	-0.13	517.10	674.97	674.97	674.97	3.5
Hungary	BUX	31951.94	163.54	0.51	25126.36	34334.92	34334.92	34334.92	-0.2
Israel	Tel Aviv	1394.11	-0.54	-0.04	1372.23	1504.42	1504.42	1504.42	-5.2
Italy	FTSE MIB	20257.10	14.22	0.07	15017.42	20540.39	20540.39	20540.39	5.3
Netherlands	AEX	514.05	0.60	0.12	409.23	518.88	518.88	518.88	6.4
Poland	WIG	59015.12	378.81	0.65	42812.99	60631.65	60631.65	60631.65	14.0
Russia	RTS Index	1135.98	13.00	1.16	839.62	1196.99	1196.99	1196.99	-1.4
Spain	IBEX 35	10361.20	35.90	0.35	7579.80	10462.90	10462.90	10462.90	10.8
Sweden	SX All Share	557.92	-0.61	-0.11	443.66	564.93	564.93	564.93	4.4
Switzerland	Swiss Market	8646.99	13.13	0.15	7475.54	8710.26	8710.26	8710.26	5.2
South Africa	Johannesburg All Share	52660.74	202.98	0.39	48935.90	54704.22	54704.22	54704.22	4.0
Turkey	BIST 100	88612.55	-56.92	-0.06	70426.16	91497.00	91497.00	91497.00	13.4
U.K.	FTSE 100	7321.82	39.13	0.54	5788.74	7447.00	7447.00	7447.00	2.5
Asia-Pacific	DJ Asia-Pacific TSM	1548.56	-6.98	-0.45	1308.52	1570.38	1570.38	1570.38	8.8
Australia	S&P/ASX 200	5856.60	-16.10	-0.27	4924.40	5896.20	5896.20	5896.20	3.4
China	Shanghai Composite	3222.51	...	Closed	2806.91	3282.92	3282.92	3282.92	3.8
Hong Kong	Hang Seng	24261.48	...	Closed	19694.33	24593.12	24593.12	24593.12	10.3
India	S&P BSE Sensex	29910.22	...	Closed	24673.84	29910.22	29910.22	29910.22	12.3
Japan	Nikkei Stock Avg	18810.25	-172.98	-0.91	14952.02	19633.75	19633.75	19633.75	-1.6
Singapore	Straits Times	3179.06	-8.45	-0.27	2729.85	3187.51	3187.51	3187.51	10.4
South Korea	Kospi	2161.10	-6.41	-0.30	1925.24	2178.38	2178.38	2178.38	6.6
Taiwan	Weighted	9811.52	...	Closed	8053.69	9972.49	9972.49	9972.49	6.0

Source: SIX Financial Information; WSJ Market Data Group

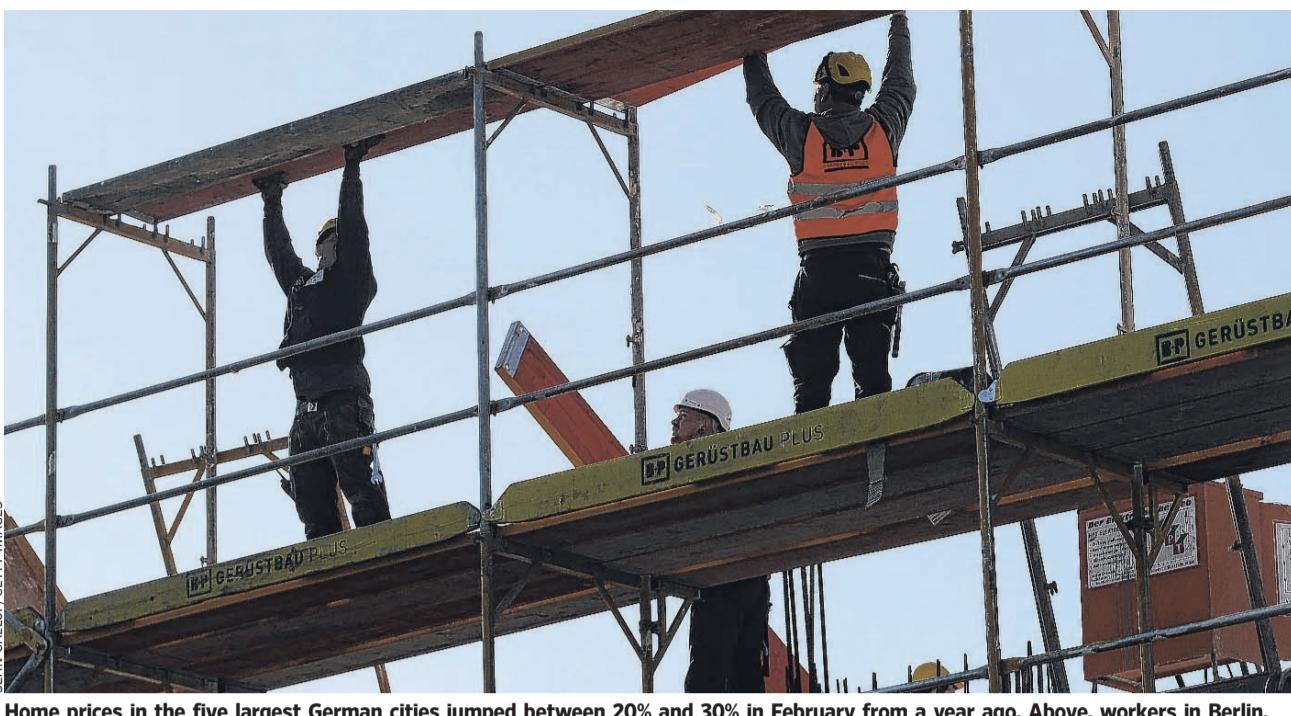
Currencies

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

**Key Rates**

	Latest	52 wks ago
Liber		
One month	0.98611%	0.43850%
Three month	1.14983%	0.62660%
Six month	1.42572%	0.89190%
One year	1.79178%	1.20530%
Euro Libor		
One month	-0.40071%	-0.33357%
Three month	-0.35929%	-0.25143%
Six month	-0.25371%	-0.13600%
One year	-0.12829%	-0.01757%
Euribor		
One month	-0.37200%	-0.33900%
Three month	-0.33000%	-

INTERNATIONAL PROPERTY: GERMANY



Home prices in the five largest German cities jumped between 20% and 30% in February from a year ago. Above, workers in Berlin.

Migrants Fuel Price Surge

Housing development is increasing but pace isn't quick enough to match the demand

By WILLIAM WILKES

FRANKFURT—Development of middle-class housing in Germany is increasing, but the pace isn't fast enough to meet booming demand.

The number of new homes built in Germany last year hit its highest level since 1999, at about 320,000 units. But record levels of immigration helped boost demand, leading to soaring rents and home prices in major cities, data show.

That has been mostly good for investors in public companies that focus on German housing. Three-year annualized returns are about 25%, well ahead of other sectors, according to real-estate research firm **Green Street Advisors**.

Meanwhile, developers like Berlin-based **CG Gruppe**, which has projects valued at €2.2 billion (\$2.34 billion) in the pipeline, are chugging ahead on all cylinders.

"The market is endless," said Christoph Gröner, chairman of CG Gruppe. "You have practically no risk if you invest in the middle class."

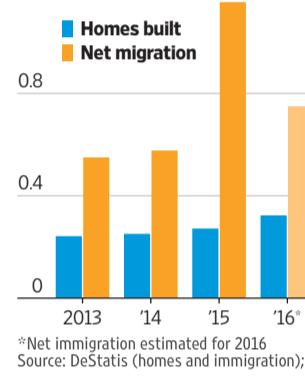
Some investors who purchased rental apartments with an eye toward converting them into luxury condos might not be as fortunate. Their plans could run into trouble if the government makes it tougher to do such conversions.

"There's probably a good case for exiting if you bought

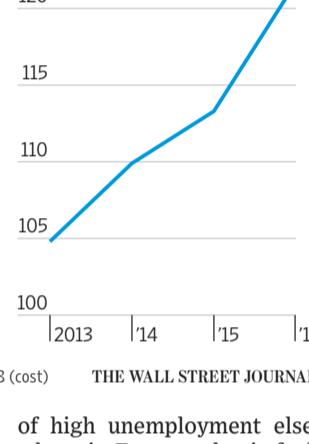
Germany's Growing Housing Crisis

Europe's largest economy doesn't build enough houses to keep up with demand for new homes.

Immigration exceeds houses built...



...increasing housing costs.



ies—Berlin, Cologne, Frankfurt, Hamburg and Munich—face the greatest pressure. These cities saw new-home purchase prices jump 20% to 30% in February from the same month a year earlier, according to online property listing firm Scout24 AG.

Policy makers are concerned about the sharp gains in housing costs. The country's central bank, the Bundesbank, in February warned that house prices in Germany's largest cities are up to 30% overvalued.

Prices in Frankfurt, which city officials expect will attract a large chunk of financial jobs leaving London after Brexit, rose strongly over the past 12 months, Scout24 data show.

House prices rose more than 30% in February compared with a year ago, and rents rose 10%.

"It's very difficult to find somewhere you can afford in Frankfurt," student Emma Niehoff said. "There are too many banks here in Frankfurt already, too many people who will pay high prices."

of high unemployment elsewhere in Europe, also is fueling a strong inflow of immigrant workers.

Both factors pushed net immigration to a record of 1.14 million people in 2015, the latest official data show. The flow of migrants slowed somewhat in 2016, but pressure on housing remains high.

While Germany's planning laws allow it to build houses more easily than some European countries, such as the U.K., property development typically runs a couple of years behind demand, according to real-estate services firm **JLL**.

Data from German property research group F+B indicate purchase prices for affordable apartments rose 32% in the past five years. Rental prices have risen almost 20% in the same period. The cost of houses increased about 20% as well.

Germany's five largest cit-

Channel. Last year, businesses leased 5.6 million square feet in the city, the most since 2007 and 34% more than in 2015, according to JLL.

FRANKFURT—The office market in Germany's financial capital is emerging as one of the winners from Brexit less than a year after the U.K.'s historic vote to quit the European Union.

British Prime Minister Theresa May last week began the process by formally notifying the EU of the U.K.'s intention to withdraw. That began a two-year divorce process.

But major financial institutions with offices in London already have begun to plan for difficulties with doing business across the English Channel. For instance, banks in London currently can sell products to clients in mainland Europe. Brexit is likely to change that.

Competition among European cities and countries to lure business from post-Brexit Britain has been heating up, with Paris, Dublin, Milan and even Wroclaw, Poland, making their cases heard.

But Frankfurt appears to be in pole position: About 15 major banks from the U.S., Japan, China and Britain are in talks with German officials about relocating to Frankfurt, according to people familiar with the matter.

Banks could shift up to 900 staff each from London to Frankfurt to ensure they can continue operations when the U.K. quits the EU, as soon as 2019.

Russia's second-largest bank, **VTB**, in February said it would establish a new headquarters in Frankfurt, which it said will likely gain in importance after Brexit. Deutsche Bank AG and Goldman Sachs Group Inc. said they could relocate staff to Frankfurt.

Additionally, other tenants in Frankfurt's market have been getting more aggressive in leasing space, partly with an eye toward coming competition from across the English

Channel—is also negotiating to lease office space in a new London development from Land Securities PLC.

London still has advantages over Frankfurt. While leasing trends are less favorable, London's vacancy rate remains lower: 4.2% compared with 9.1% for Frankfurt, JLL says.

Meanwhile, it is easier to build in Frankfurt than in London, partly because there is more available land and other redevelopment opportunities, analysts say. More Frankfurt projects are moving off the drawing board, raising the likelihood of more competition.

—Peter Grant contributed to this article.

THE WALL STREET JOURNAL.

EUROPE

NOTABLE COMMERCIAL PROPERTIES

EVERY WEDNESDAY

LIST YOUR PROPERTY TODAY

Call (44) 207-572-2124

For more information visit:

wsj.com/classifieds



The Berlin Brandenburg Airport's opening ran into multiple delays.

cies of companies working on the construction site caused delays. For ECE Projektmanagement GmbH, owner of the Steigenberger hotel, and other local investors who are nursing losses caused by the airport's delayed opening, it is a cautionary tale about tying one's fortunes to a prestigious but troubled project.

"The hotel will open only when the airport assumes operations," said Lukas Nemela, spokesman for ECE.

Some investors resisted the urge to take the plunge before 2012, when it seemed BER's opening was around the corner, as advertised on billboards around the city. They have been standing on the sidelines ever since but haven't put away their wallets, said Jürgen Kuse, head of the regional committee of property valuation experts. "One

eventually, the state-owned company in charge of the airport, Flughafen Berlin Brandenburg GmbH, stopped announcing new launch dates.

The company said recently it could provide a date only when the BER building was completed.

Berliners and visitors have had to make do with two smaller airports—Berlin-Tegel Otto Lilienthal Airport, a 1960s concrete hexagon in the northern district of Tegel, and Schönefeld Airport to the southeast of the capital.

A steady increase in visitors to Berlin—overnight stays doubled in the past 10 years—and the closure of the city-center Tempelhof airport in 2008 have pushed Tegel and Schönefeld to capacity.

New problems with BER's automatic doors and sprinklers mean there is a 73% chance the airport will open by the fall of 2018, a recent study by consulting firm Roland Berger concluded.

—Peter Grant contributed to this article.

© 2017 Dow Jones & Company, Inc. All Rights Reserved.

MARKETS

Trades Change With Political Tide

Biotech loses favor but retail stocks find new fans as traders assess policy currents

By GUNJAN BANERJI

As the White House works to enact policy changes, investors have shifted positions, dropping more bullish stances on financial and midcap stocks and adopting more bearish views on investment-grade bonds and biotechnology companies.

Derivatives and short positions on exchange-traded products that track stock sectors and asset classes compiled by Société Générale SA depict fluctuating views on future growth and potential changes to tax, trade and health-care policies. The data compare positioning two weeks after the election, as the so-called Trump trade was getting into full swing, with positioning on March 28, about four months later.

"We've seen a rotation of market sentiment," said Ramon Verastegui, the New York-based head of flow strategy and solutions at Société Générale. "We've moved from the optimism of the campaign message into the reality of governing." Investors have realized the difficulty of passing new laws, he said.

Options give investors the right to buy or sell securities at an agreed-upon price at a later date. They can be used to place outright bets that an asset will go up or down, but also as a protective hedge on existing holdings.

Options traders displayed bullish views on some corners of the market, such as the euro currency and Canadian equities.

Mr. Verastegui examined the ratio of bearish put options versus bullish call contracts, the relative cost of op-

Shifting Sentiment

Options traders and short sellers have repositioned themselves across asset classes since the election's wake. They are more bullish on exchange-traded products that track retail and agriculture stocks and more bearish on biotechnology shares and investment-grade bonds.

Nov. 22, 2016

The 10 most bullish

Assets	Options put-call ratio	Cost of puts vs. calls	Bearish short bets against ETF
1. REITs	Blue	Blue	Blue
2. Financials	Blue	Blue	Blue
3. Retailers	Blue	Blue	Blue
4. Industrials	Blue	Blue	Blue
5. Regional banks	Blue	Blue	Blue
6. Health care	Blue	Blue	Blue
7. Midcap stocks	Blue	Red	Blue
8. DJIA	Blue	Blue	Blue
9. Discretionary	Blue	Blue	Blue
10. Gold miners	Blue	Red	Red

The 10 most bearish

45. Japanese stocks	Red	Red	Red
46. Euro Stoxx 50	Red	Red	Blue
47. Small-cap miners	Red	Red	Blue
48. Materials	Red	Red	Blue
49. Emerging markets	Red	Red	Blue
50. Technology	Red	Blue	Red
51. Japanese yen	Blue	Red	Red
52. Home builders	Red	Red	Red
53. High yield	Red	Red	Red
54. Oil and gas stocks	Red	Red	Red

Note: Options can be used to make bets that an asset will go up or down or to hedge an existing holding.

*All options and short positions are on exchange-traded products tracking the stock group, except in the case of the CBOE Volatility Index, or VIX.

Source: Société Générale

As retail shares have fallen, investors sought bullish positions.

Financials, a postelection favorite, have fallen from the most-bullish list.

Materials stocks had a reversal in sentiment.

Biotech stocks have rallied in 2017, pushing investors to hedges.

March 28, 2017

The 10 most bullish

Assets	Options put-call ratio	Cost of puts vs. calls	Bearish short bets against ETF
1. Retailers	Blue	Blue	Blue
2. Euro currency	Blue	Blue	Blue
3. Agriculture stocks	Blue	Blue	Blue
4. Transportation	Blue	Blue	Blue
5. Materials	Blue	Blue	Blue
6. Consumer staples	Blue	Red	Blue
7. Gold miners	Blue	Blue	Blue
8. Hong Kong stocks	Blue	Blue	Blue
9. Canadian stocks	Blue	Blue	Blue
10. Health care	Blue	Red	Red

The 10 most bearish

45. Oil and gas stocks	Red	Red	Red
46. VIX index	Red	Blue	Red
47. Energy stocks	Red	Red	Red
48. Developed markets	Red	Blue	Red
49. Natural gas	Red	Red	Red
50. Emerging markets	Red	Red	Red
51. Japanese stocks	Red	Red	Red
52. Investment grade	Red	Red	Red
53. High yield	Blue	Red	Red
54. Biotech	Red	Red	Red

Positioning scale
Percentile groupings
Most bullish (Blue)
Most bearish (Red)

Chinese Shun Debt In Europe's Currencies

By NINA TRENTMANN

Chinese corporate bonds issued in European currencies lag far behind their dollar counterparts, a trend expected to continue as the U.K.'s exit from the European Union threatens to shake financial markets on the Continent.

During the first quarter, Chinese companies issued five internationally marketed euro-bonds valued at \$3.8 billion, giving the common European currency a 7% market share, according to Dealogic.

About 90% of all Chinese overseas bonds during the first quarter were issued in dollars, the data show.

Issuance in U.K. pounds was even more limited, with a single bond valued at \$322 million. The pound represents only 1% of Chinese internationally marketed bonds. There was no issuance in Swiss francs or other European currencies during the first quarter.

Raising capital overseas is one of the solutions that Chinese companies have come up with amid increased regulatory scrutiny on capital transfers out of China. The Chinese government at the end of 2016 introduced tighter rules on capital outflows, targeting both transactions by subsidiaries of foreign companies as well as those by Chinese firms attempting to acquire overseas M&A targets.

There are more advantages to greenback debt. "Issuing a U.S. dollar-denominated bond lets the issuer tap a larger investor base, making these bonds more attractive than euro-denominated bonds," said Chunsek Chan, head of M&A research at Dealogic.

THE WALL STREET JOURNAL.

Email: heard@wsj.com

WSJ.com/Heard

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

New President, Same Economy

When it comes to the U.S. economy, investors might be best off expecting more of the same, only less so.

Until recently, it appeared that President Donald Trump was destined to engineer a boost. Even if he wasn't able to entirely deliver on his campaign pledges, with Republicans controlling Congress, a meaningful tax-cut and infrastructure-spending package seemed like a gimme. That should have been good enough for at least a temporary bump and many envisioned a lasting lift to the economy's growth trajectory.

After the failure of the health-care bill and the rifts it exposed among Republicans, the chances of meaningful tax reform—much less an infrastructure bonanza—are looking lower. An easy-to-pass, low-bore tax cut that doesn't do much to move the needle on the economy looks more likely.

A good exercise in what to expect is to consider what things might look like without a tax cut and spending boost with a further assumption that any salutary effects

Two-Speed Economy

Gross domestic product, change from a year earlier*



*Fourth-quarter GDP

Sources: Commerce Department (GDP); Labor Department THE WALL STREET JOURNAL.

Nonfarm payrolls, change from a year earlier

6 million jobs



growth will cool again in 2018.

The risk is that as the job market tightens, the economy won't even be able to sustain its recent pace for very long. Consider that, despite mediocre growth, the economy has added an average of 225,000 jobs a month over the past three years. If that were to continue, it wouldn't take long for the job market to get very tight, prompting the Federal Reserve to pick up the pace on rate increases.

True, there might still be a little wiggle room on jobs. Even though the unemployment rate is at a low 4.7%, there are probably still some people who have been out of the labor force (and therefore aren't counted in the unemployment rate) who might still be enticed into the job hunt. And with some efficiency gains, the economy might not need as much job growth to meet demand.

But those are things that count more as wishes than things upon which to base a forecast—sort of like tax-cuts and spending pledges.

—Justin Lahart

OVERHEARD

Talk about laughing all the way to the bank.

Tesla shareholders were all smiles Monday after better-than-expected first-quarter deliveries pushed the stock up by 5% to a record. Tesla's market value moved past that of Ford Motor, which has more than 20 times its revenue.

CEO Elon Musk certainly noticed his stock's performance. "Stormy weather in Shortville..." he said in a Monday afternoon tweet. The post was retweeted more than 300 times within minutes.

That should ring a bell for Tesla watchers.

Mr. Musk posted a message with almost the identical wording to his account in April 2013.

Shareholders will certainly forgive Mr. Musk for recycling an old joke. The stock is up nearly sixfold since the original post.

A sizable portion of Wall Street likely wasn't laughing as 27% of Tesla shares available were sold short as of last count, according to FactSet.

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 announced 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 multiple sclerosis drug, Copaxone, is looming, and a 2015 acquisition of Allergan'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 just about \$8 billion a year earlier.

Reducing that debt burden will be necessary to get the stock price 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 it costs less than existing treatments and has a less onerous side-effect profile.