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EUROPE EDITION

DJIA 20651.30 ▼ 0.03%

NASDAQ 5866.77 ▼ 0.24%

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STOXX 600 381.18 ▼ 0.02%

BRENT 56.23 ▲ 0.45%

GOLD 1271.20 ▲ 1.61%

EURO 1.0614 ▲ 0.17%

What's News

Business & Finance

Toshiba expressed doubt for the first time that it can survive in light of huge losses at its U.S. nuclear subsidiary, which filed for bankruptcy last month. **B1**

◆ **After a video** of a man being dragged from a flight went viral, United's CEO said he regretted the need to "re-accommodate" the passenger. **A1**

◆ **China's regulators** warned banks not to engage in speculation that creates unhealthy asset bubbles. **B6**

◆ **Under new draft rules**, companies with business operations in China will be required to apply for permissions to transfer data out of the country. **B3**

◆ **Altice USA** filed paperwork to go public, in an offering that would raise more than \$1 billion. **B1**

◆ **The Fed's Yellen** indicated that the era of extremely stimulative monetary policy is coming to an end. **A7**

◆ **Pon Holdings** proposed to buy Accell for about \$898.2 million, forming one of the world's biggest bicycle makers. **B3**

◆ **Growth in China's** car sales slowed to 1.7% during March. **B2**

◆ **Saudi Arabia** told OPEC officials it wants to extend the cartel's agreement to cut crude-oil production for another six months. **B6**

◆ **U.S. stocks** and government bond yields slid Tuesday as investors piled into haven assets. **B10**

World-Wide

◆ **Far-left firebrand** Mélenchon has surged into contention in France's presidential election, making the contest a four-way race. **A1**

◆ **Trump said he would** take unilateral action to blunt the threat of North Korea if China doesn't take steps to do so. **A3**

◆ **South Korean** officials sought to tamp down concerns over the possibility of a pre-emptive U.S. military strike on North Korea. **A3**

◆ **Secretary of State** Tillerson arrived in Moscow seeking to convince Russia to back away from its support of Syria's Assad. **A1**

◆ **At least eight people** were killed on a tourist island in the Philippines during a gunbattle between suspected militants and government forces. **A3**

◆ **Obama will take part** in a panel discussion in Berlin next month with Merkel in his first official overseas appearance since leaving the White House. **A4**

◆ **Government** restrictions on religion increased across the globe in 2015, reversing a downward trend, a Pew study showed. **A4**

◆ **Greece handed over** control of 14 regional airports to German airport operator Fraport, receiving \$1.27 billion. **A5**

◆ **A blasphemy case** brought against Jakarta's Christian governor for allegedly insulting Islam was put on hold. **A5**

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U.S. Accuses Russia of Cover-Up

Officials suggest Moscow may have known of Syria's plans to use sarin in attack

WASHINGTON—Russia has been carrying out a "disinformation campaign" to try to

By *Dion Nissenbaum, Carol E. Lee and Felicia Schwartz*

cover up for the suspected Syrian chemical attack last week, senior White House officials said Tuesday, adding the

U.S. has concluded the Syrian military used banned sarin gas in the assault.

As Secretary of State Rex Tillerson arrived in Moscow for high-level talks, White House officials on Tuesday added to pressure against Moscow by questioning Russia's role in the attack and suggested that it may have known that its ally Syria was preparing to use sarin.

Officials said there is no U.S. intelligence consensus on whether Russia had advance knowledge of the attack. But they also said it seems implausible that Moscow wouldn't

Aide Says Attacks Worse Than Hitler

A White House spokesman argued Syria's Bashar al-Assad has committed worse atrocities than the Nazi leader. **A7**

have known, given the close military cooperation between the two countries.

Russian and Syrian forces work side-by-side at the airfield used to launch the attack, raising suspicions among White House and Pentagon officials that Russia may have

known what was coming.

"We do think that it is a question worth asking the Russians about: How is it possible that their forces were co-located with the Syrian forces that planned, prepared and carried out this chemical weapons attack at the same installation and did not have foreknowledge?" said one of the officials.

The chemical attack April 4 killed at least 85 people.

Syria repeatedly has denied using chemical weapons in the attack, and Moscow has suggested that the Syrian airstrike hit a chemical weapons

depot used by rebels.

On Tuesday, the White House dismissed the Russian allegation as baseless disinformation meant to obfuscate Syria's culpability in the attack.

"It's clear that the Russians are trying to cover up the attack," said one senior White House official.

U.S. officials say a Syrian SU-22 warplane dropped one bomb filled with sarin gas on the rebel-held village of Khan Sheikhoun. After the attack, Pentagon officials said they saw a Russian drone flying over the area, then a second

Please see RUSSIA page A4

Trump Cautions a Defiant Pyongyang



IN COMMAND: North Korean leader Kim Jong Un, top, raises his party membership card as he presides over parliament, above. U.S. President Donald Trump said he would take unilateral action to blunt the North Korean threat if China didn't take steps to do so. **A3**

French Far-Left Crusader Joins Fray

By *JOSHUA ROBINSON AND WILLIAM HOROBIN*

FENAIN, France—Far-left firebrand Jean-Luc Mélenchon, campaigning as an anti-globalist champion of a forgotten working class, has surged into contention in France's presidential election, transforming the contest into a four-way race.

Strong performances in TV debates and an ability to draw massive crowds with his promises of higher wages and fewer working hours has propelled Mr. Mélenchon into third place in some polls, ahead of conservative François Fillon and within striking distance of Na-

Please see FRANCE page A2

ENERGIZED LIBERALS POUR PASSION INTO LOCAL RACES

Upset over Trump's victory, Democrats focus on House and state contests

By *JANET HOOK*

ALPHARETTA, Ga.—For years, Rachel Paule didn't have much to do with politics. That changed abruptly after Election Day.

The 23-year-old Georgian attended the women's march in Washington after President Donald Trump's inauguration. She became a local captain for Sister District, a new online group that directs donors to legislative races around the country. She contributed \$15 to a Delaware state senate candidate running in a special election more than 700 miles away.

Now she is spending 40 hours a week on a special election in her own backyard, campaigning for Democrat Jon Ossoff in his bid for an open House seat in the suburbs north of Atlanta—the seat once held by Newt Gingrich, the former House speaker, and recently vacated by Tom Price, the Republican picked to be Mr. Trump's secretary of the Department of

Health and Human Services.

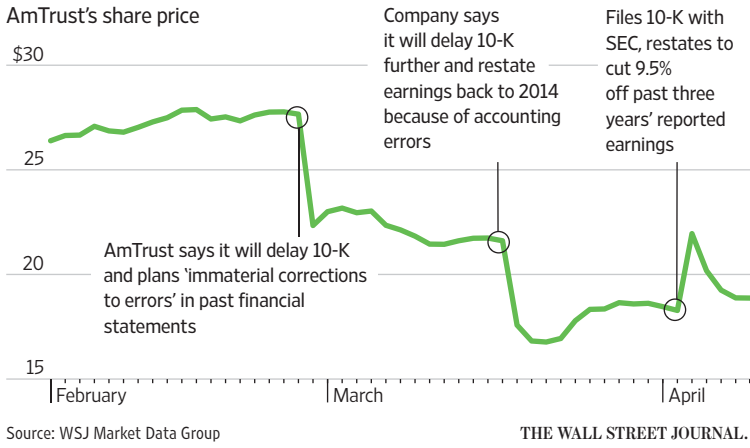
Ms. Paule is one of the new foot soldiers of the Democratic Party—a surging wave of activists who are pouring money and energy into anti-Trump causes wherever they can find them.

"In the weeks after the election, we got inundated with emails and phone calls from people not involved before: 'How can we help?'" said Adam Bartz, executive director of the Washington Senate Democratic Campaign, a statewide group that is already organizing volunteers for a November special election that could flip control of the Washington state Senate in Olympia.

Much of the grass-roots energy is being channeled not by Democratic leaders but by virtual political organizers who have proliferated online in the wake of Democrat Hillary Clinton's loss to Mr. Trump last year. Liberal

Please see PARTY page A8

Trust Issues



Source: WSJ Market Data Group

Secret Taping Aided SEC Probe

UNDERCOVER: Clandestine recordings were part of a probe led by the Securities and Exchange Commission into the practices of AmTrust, a fast-growing New York-based insurance company. **B1**

An Awkward Problem at Tesla: Employee Parking

◆ With more employees competing for spaces, cars are often jammed ◆

By *TIM HIGGINS*

Billionaire entrepreneur Elon Musk is reimagining the future of transportation by attempting to build self-driving cars, invent a supersonic railway and launch private citizens into outer space.

What keeps him up at

night, though, is the parking lot outside his office window.

"Parking is, like, one of my biggest nightmares—like, where do we park everyone?" said the Tesla Inc. chief executive, on a recent earnings call with analysts who were trying to probe concerns about the electric-car maker's year ahead.

At Tesla's Palo Alto, Calif., headquarters, valets dashed about on a recent morning directing traffic and cramming in as many cars as possible. A bumper-to-bumper formation of parked cars snaked through the lanes of the lot, boxing in other vehicles.

Please see PARK page A8

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WORLD NEWS

Long Wait for Houses Tests South Africa

Corruption allegations, infighting and slow delivery on promises undermine poor people’s support for ruling ANC

By GABRIELE STEINHAUSER
AND NTHABISENG GAMEDE

BLOEMFONTEIN, South Africa—When construction trucks laden with bricks and mortar rolled up her dirt road on a sunny fall day, Patricia Makhetha thought she was about to receive something that has eluded generations of black South Africans: her own house.

That day was 5½ years ago. Today, the gray facade of what Ms. Makhetha hoped would be a home for her and her two children stands crumbling. During daylight hours, children use the rubble as a playground; after dark, teens gather to smoke nyaope, a concoction of heroin, rat poison and other chemicals.

The local housing department hasn’t told her if the builders will return. “They just tell me to be patient,” she said.

Ms. Makhetha’s little-house-that-wasn’t is a symptom of the crisis now enveloping South Africa’s ruling African National Congress and roiling the continent’s most developed economy 23 years after the end of white minority rule.

The party of Nelson Mandela has sought to radically transform the South African economy through affirmative action and extensive social policies, including a housing program whose annual budget has climbed above 30 billion rand (\$2.3 billion).

But the ANC’s ambitions have been undermined by allegations of corruption and patronage and controversies have consumed the presidency of ANC leader Jacob Zuma, including an internal revolt and debt downgrades triggered by his dismissal this month of his popular finance minister.

In December, the Free State housing department in Bloemfontein accused 106 contractors and materials suppliers of embezzling as



Patricia Makhetha at her unfinished RDP home outside Bloemfontein. She said she no longer believes the ANC’s promises of a better life.

much as 631.4 million rand meant for the construction of low-cost houses, according to documents seen by The Wall Street Journal.

A motion filed by the department with the state’s High Court says its own investigation found that the majority of the 14,769 houses contracted to those named were never begun or, like Ms. Makheta’s home, never completed.

Such allegations of fraud are sapping the trust of the ANC’s base of mostly black, and mostly poor, voters. In local elections in August the party’s support in Bloemfontein dropped to 57% of the vote, from 66% in 2011.

A spokeswoman for the ANC declined to comment on the examples cited in this article, but said that “as the ANC, we have a standing po-

sition of zero tolerance against corruption.” Mr. Zuma’s office and the national Department of Human Settlements, which runs the housing program, didn’t respond to requests for comment.

RDP houses—named after the Reconstruction and Development Program that conceived them in 1994, just as South Africans were negotiating their new democracy—are the most visible among the country’s postapartheid social policies.

Since then, for a population now at around 54 million, some 4 million rudimentary, one-story homes, often with solar panels on top, have transformed cities and townships and handed many of the poorest South Africans a durable asset to pass on to younger generations. A right to ade-

quate housing was enshrined in the 1996 constitution.

Yet many households are still waiting for RDP houses, some for over 20 years: The housing department says it aims to build 1.5 million housing units by the end of 2019 in an effort to clear the backlog.

Ms. Makhetha said she no longer believes the ANC’s promises of a better life, and has stopped voting.

“When it is election time, the ANC is visible. They come to us and make empty promises just to get our votes and then they forget about us after the elections,” she said.

In the Diepkloof section of Johannesburg’s Soweto township, Rina Mohlala, 66, has been waiting for her RDP house since 1996.

Two years ago, when she inquired about her house at

the local housing department, an official pulled Ms. Mohlala aside and made her an offer: “He said if we give him 30,000 rand he will make things fast for us,” said her granddaughter, Tshepiso, 29.

“I told them I don’t have money to give you,” Ms. Mohlala said.

Ms. Mohlala still votes for the ANC, she said, because she would starve without her monthly pension of 1,510 rand. But her granddaughter says she is done with the party of liberation. “Now they say we have freedom,” she said, “but freedom for what? We have nothing.”

Notice to Readers

Andrew Browne’s China’s World column is on hiatus.

Little Legal Relief For Home Seekers

Suit alleges previous housing department ignored rules

Many South Africans believe corruption within the African National Congress has slowed the construction of homes or transferred houses to the wrong people. Legal follow-up to such suspicions is rare, and when it happens, it can quickly be quashed.

A suit filed in December by the Free State housing department says the department’s previous administration ignored federal rules by failing to open a proper bidding process for contracts and paying contractors before work was completed. The earlier administration, it says, facing an order by South Africa’s finance ministry to return unspent funds, rushed out fraudulent housing contracts in 2010 and 2011. The department estimates damages of around 500 million rand.

Mosebenzi Zwane, the politician in charge of the department at the time the contracts were written, was appointed by President Jacob Zuma in 2015 as South Africa’s mining minister. The office of Mr. Zwane, who wasn’t named in the filings, didn’t respond to a request for comment.

A spokeswoman for the Free State’s housing department declined to comment on the lawsuit, citing continuing legal proceedings. She said that increasing unemployment and urbanization had contributed to the backlog in the provision of houses and that the department was following strict procurement rules and quality-assurance processes in the construction of new homes.

—Gabriele Steinhauser and Nthabiseng Gamede

FRANCE

Continued from Page One

tional Front leader Marine Le Pen and upstart centrist candidate Emmanuel Macron.

“He brings something new, new ideas, compared to the candidates we’ve had for a number of years,” said Bruno Bastin, a 25-year-old working in his family’s funeral parlor in Fenain, a town in France’s deindustrialized north where Mr. Mélenchon is hunting for votes.

The surge in support for Mr. Mélenchon, who dons a Mao jacket on the campaign trail, is scrambling the math of an already erratic French presidential election campaign that has sidelined traditional political parties.

The changing landscape has spooked investors. On Tuesday, the extra yield investors demand to hold 10-year French government debt over safe-haven German bonds rose to nearly 0.75 percentage point, nearing a 2017 high reached in mid-February, as they fled French assets.

At a rally in Marseille on Sunday, Mr. Mélenchon told a crowd of about 70,000 that his rising popularity means he might advance beyond the April 23 first-round vote to the

decisive runoff on May 7.

“You can hear it. You can feel it. Victory is within reach of our efforts,” Mr. Mélenchon said.

A nationally representative poll by Kantar Sofres-Onepoint published Sunday showed Mr. Mélenchon at 18%, overtaking Mr. Fillon at 17% and only 6 points behind Ms. Le Pen and Mr. Macron. The previous comparable poll in mid-March had Mr. Mélenchon at only 12%.

Benoît Hamon, candidate of the ruling Socialist Party, has fallen so far out of contention that over the weekend he said he would vote for Mr. Mélenchon in the second round of the election.

In a runoff against Ms. Le Pen, Mr. Mélenchon would win with 57% of the vote, the Kantar Sofres-Onepoint survey projected.

“Given Mélenchon’s momentum he could well become the biggest surprise of this volatile election,” said Antonio Barroso, an analyst at political-risk consultancy Teneo Intelligence.

Mr. Mélenchon is seeking to build momentum at his next major rally Wednesday in Lille, the northern bastion of the French left 25 miles north of Fenain. His message of restricting layoffs and handing power from shareholders to



Jean-Luc Mélenchon visited Marseille, where he said Sunday he might advance to the runoff vote May 7.

workers is expected to resonate in an area suffering from plant closures and deindustrialization.

Mr. Mélenchon ran for president in 2012 after quitting the Socialist Party in 2008. Polls at the time also showed a surge in the closing weeks of the campaign, although he scored only 11% in the actual vote.

This time, the far-leftist who rails against austerity and the European Union has led a more innovative election cam-

paign, using a hologram of himself in February to stage a rally simultaneously in Paris and Lyon. He plans to repeat the stunt in seven locations at once for one of his final rallies before the first round of voting.

The plan is aimed at bringing back voters who had written him off. Thibault Ducrot, an unemployed 31-year-old from Lyon, said he planned to vote for the centrist Mr. Macron for practical purposes, despite his natural inclination

to vote for Mr. Mélenchon. But now, “if he has a chance to get through, I’d think about it,” Mr. Ducrot said.

Mr. Mélenchon is running on a similar soak-the-rich program as five years ago. He has pledged to raise taxes on inheritance and capital, outlaw stock-options and create a maximum wage by taxing all income over the level of €400,000 (\$423,000) a year.

For workers, Mr. Mélenchon says he would grant a sixth week of annual vacation, encourage a four-day, 32-hour workweek, raise the minimum wage and reduce the retirement age. He would also abolish the labor law socialist President François Hollande

introduced last year that gives more power to companies to negotiate conditions with workers.

Mr. Mélenchon wants to pull France from the North Atlantic Treaty Organization and radically overhaul Europe—points that overlap with the anti-Europe platform of Ms. Le Pen.

Mr. Mélenchon says he would devalue the euro, restructure public debts, increase protectionism and authorize the European Central Bank to lend directly to states. If he doesn’t achieve those aims in negotiations, Mr. Mélenchon says he would implement a “Plan B” to pull France out of the euro, impose capital controls and stop contributing to the EU budget.

Mr. Mélenchon’s surge has surprised his own supporters. Mohamed Ben Nasr, a Mélenchon-backing truck driver from Lyon who has voted for the left in every election since 1981, said last week he hated that the election “seems decided in advance. The ones we all like are in last place.”

But even as he spoke, the situation was changing. Mr. Ben Nasr’s vote for Mr. Mélenchon no longer looks like a first-round footnote. “He’s the one who tells the truth,” Mr. Ben Nasr said.

Storm Gives Bangkok a Charge



LIGHTING UP THE SKY: An electrical storm passed after sunset in the Thai capital on Tuesday.

CORRECTIONS & AMPLIFICATIONS

The first round of the French presidential election will be on April 23. Monday’s Europe File column about candidate Emmanuel Macron incorrectly said the first round will be held on April 27.

Nintendo Co. spokesman
Charlie Scibetta’s name was incorrectly given as Charlie Scibetta Sr. in a Page One article Tuesday about outside workers in the videogame industry.

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

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Thorold Barker, Editor, Europe
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Cicely K. Dyson, News Editor, Europe
Darren Everson, International Editions Editor

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Jonathan Wright, Commercial Partnerships

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Global Managing Director & Publisher

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WORLD NEWS

Trump Sends New Warning to North Korea

Pyongyang says nation is 'unfazed' by the prospect of any U.S. military action

By CAROL E. LEE

WASHINGTON—President Donald Trump said he would take unilateral action to blunt the threat of North Korea if China doesn't take steps to do so, a new warning that comes as a U.S. aircraft carrier makes its way toward the western Pacific.

Mr. Trump also on Tuesday linked the U.S. demand for China's help on North Korea to trade negotiations between Washington and Beijing.

Writing on Twitter, Mr. Trump said he had explained to Chinese President Xi Jinping during their meetings in Florida last week "that a trade deal with the U.S. will be far better for them if they solve the North Korean problem!"

"North Korea is looking for trouble," Mr. Trump wrote. "If China decides to help, that would be great. If not, we will solve the problem without them! U.S.A."

Also on Tuesday, a spokesman for North Korea's Foreign Ministry said the country was



Crew work on the flight deck of the aircraft carrier USS Carl Vinson, which, along with its strike group, is nearing the Korean Peninsula.

"unfazed" by the prospect of U.S. military action, despite the deployment of the aircraft carrier.

"We will hold the U.S. wholly accountable for the catastrophic consequences to be entailed by its outrageous actions," the spokesman said, according to Pyongyang's Korean Central News Agency, warning

that the country "is ready to react to any mode of war desired by the U.S."

Rodong Sinmun, North Korea's biggest newspaper, warned that the country, too, could launch a pre-emptive strike on the U.S. and warned Mr. Trump's administration to give up any plans for such a strike.

Separately on Tuesday, North Korea and Syria reaffirmed their close ties.

North Korea and Syria are "conducting a war against big powers' wild ambition to subject all countries to their expansionist and dominationist policy," Syrian President Bashar al-Assad said in a message to North Korean leader

Kim Jong Un, according to a KCNA report published early Tuesday.

North Korea has carried out three missile tests in the past month, including the launch of a midrange missile on April 5 that triggered a terse response from Mr. Trump's administration.

"The United States has spo-

ken enough about North Korea," Secretary of State Rex Tillerson said after that test. "We have no further comment."

Mr. Trump's decision to launch airstrikes against a Syrian air base last week, in response to the Assad regime's suspected use of chemical weapons in the conflict there, was meant to send a signal to China and North Korea of his willingness to use force, according to administration officials.

Over the weekend, top officials in Mr. Trump's administration strengthened their warning to North Korea, with National Security Adviser H.R. McMaster saying the president had ordered him to prepare "a full range of options" for North Korea.

Mr. Tillerson outlined the administration's approach toward Syria following U.S. airstrikes there last week in comments that also appeared aimed at other countries.

"If you violate international agreements, if you fail to live up to commitments, if you become a threat to others, at some point a response is likely to be undertaken," he said on ABC.

—Dion Nissenbaum and Jonathan Cheng contributed to this article.

South Korea Minimizes Rising Tension on Peninsula

By JONATHAN CHENG

SEOUL—South Korean officials sought to tamp down concerns over the possibility of a pre-emptive U.S. military strike on North Korea as a U.S. aircraft carrier headed toward the Korean Peninsula.

"Be careful not to be fooled by exaggerations about the security situation on the Korean Peninsula," Moon Sang-gyun, a spokesman for South Korea's Ministry of Defense, said at a regular briefing Tuesday.

The remarks came a day after Lee Duk-haeng, a spokesman for the South Korean Ministry of Unification, told the public not to worry about a pre-emptive strike by the U.S., adding that Washington had signaled its support for Seoul's pursuit of peaceful Korean unification.

"Our government doesn't want to encourage military tensions and confrontation on the Korean Peninsula, so there is no need to be too worried about that," Mr. Lee said.

On Sunday, Washington re-

directed the USS Carl Vinson aircraft carrier toward the Korean Peninsula, in what President Donald Trump's national security adviser, Lt. Gen. H.R. McMaster, called a "prudent" move given the North Korean threat.

Recent satellite imagery has suggested activity is taking place at North Korea's nuclear test site ahead of the April 15 birth anniversary of North Korean leader Kim Jong Un's grandfather, state founder Kim Il Sung, the biggest holiday on the country's calendar.

On Monday, China and South Korea's top negotiators on the North Korea nuclear issue told reporters after a meeting in Seoul that Beijing and Seoul had discussed the possibility of other measures in the event of further escalation in tensions by Pyongyang, such as a nuclear test or the test launch of an intercontinental ballistic missile.

"We shared the view that strong, additional measures should be taken if North Korea pushes ahead with strategic



A police officer directs traffic in central Pyongyang, North Korea.

provocations like a nuclear test or an ICBM launch in defiance of international warnings," Kim Hong-kyun, South Korea's point person on the North Korea nuclear issue, said to reporters in remarks confirmed by the Ministry of

Foreign Affairs in Seoul.

Mr. Kim didn't elaborate on what types of additional measures were discussed or whether such measures would take place within the framework of United Nations Security Council resolutions. Wu

Dawei, Beijing's special representative for Korean Peninsula affairs didn't comment. China's foreign ministry also didn't comment.

Shi Yuanhua, international studies professor at Shanghai's Fudan University, said

that Mr. Wu's visit seemed prompted by the news that the U.S. had redirected the aircraft carrier toward the Korean Peninsula. Mr. Shi said that any military action against North Korea could be extremely costly for the U.S. and that Beijing hoped dialogue can help resolve the issue.

Relations with North Korea tend to be particularly tense this time of the year, as Seoul and Washington conduct their largest annual joint military drills in the spring. Pyongyang regularly complains about the exercises and calls them a prelude to invasion, a charge the U.S. and South Korea deny.

North Korea's Supreme People's Assembly is due to gather Tuesday in Pyongyang, though it was unclear whether Mr. Kim would attend the legislative session. Mr. Kim said in his New Year's speech that the country was close to being able to test an ICBM capable of reaching the U.S.

—Min Sun Lee in Seoul and Te-Ping Chen in Beijing contributed to this article.

Shootout Shatters Philippine Resort

By JAKE MAXWELL WATTS

At least eight people were killed on a popular tourist island in the Philippines during a gunbattle between suspected militants and government forces, far from territory where insurgent groups normally operate.

Two soldiers, a policeman and at least five suspected Abu Sayyaf militants were killed in the shootout on the central Philippine island of Bohol, a police spokesman confirmed.

Filipino troops recovered four rifles and a homemade bomb from the slain gunmen, who took cover in three houses as the fight broke out, the Associated Press said.

The attack took place dur-

ing Holy Week, a busy period in the days before Easter when many Filipinos travel home to be with family.

A Philippine Armed Forces spokesman confirmed the assault had taken place after local residents alerted authorities to 10 armed men with three small boats along the riverside near the town of Inabanga. Armed police and soldiers assaulted the men, who took shelter in three houses and returned fire.

If the men are confirmed to be from the Islamic State-linked Abu Sayyaf group, their presence in Bohol would mark an unusual move farther afield. Abu Sayyaf fighters rarely venture far from the mountainous area they control in the southern island of

Mindanao.

Bohol, known for its rolling "chocolate" hills and coral reefs, is close to Cebu, one of the most-visited islands by tourists in the Philippines. On Sunday, the U.S. Embassy in the country said it had received unsubstantiated yet credible information of a possible kidnapping attempt in the Cebu and Bohol area. It didn't elaborate.

Abu Sayyaf, a radical Islamic State-linked group, has made a lucrative business out of abducting foreigners, sometimes tourists, for ransom. In February, militants beheaded a German hostage after a ransom deadline expired.

Kidnappings and execu-

tions by the group—designated a foreign terrorist organization by the U.S.—have surged after a relative lull for most of a decade. According to the Global Terrorism Database, there have been more than 20 kidnappings annually since 2014, when the group's main leader, Isnilon Hapilon, swore allegiance to Islamic State.

Philippine President Rodrigo Duterte, a longtime mayor of the southern city of Davao, has often expressed frustration at how entrenched Islamist groups have become in the region. Last year he ordered the military to crush Abu Sayyaf following a spate of kidnappings. His government is negotiating peace agreements with other long-standing militant groups.



Exercisers marked Japan's 'Respect for the Aged Day' in the fall.

Mom, Dad Most Targeted In Japan's Family Murders

By ALASTAIR GALE

TOKYO—Parents were the most frequent victims of killings within families in Japan, according to the first study by police of annual intra-family murder, highlighting the burden placed on caregivers in a rapidly aging society.

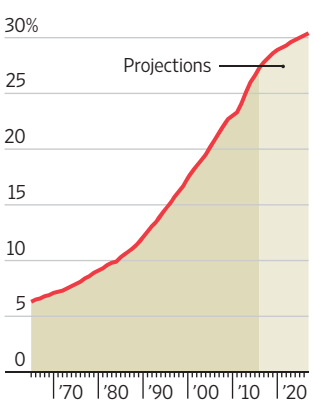
The study of cases reported in 2014, released Tuesday, showed a third of 272 murders or attempted murders within family groups that year involved an attack on a parent by their offspring. Attacks on spouses or children each accounted for around a quarter of cases.

The most commonly cited motive: "concern about the future," accounting for a third of all cases. Reasons given within that category included caregiving and financial worries.

Japan is one of the world's fastest-aging nations, a phenomenon that creates social and economic stresses as pension and welfare demand rises. Japanese longevity adds to the burden, with around 300,000 elderly waiting for places in nursing homes, according to latest government data.

Graying Populace

Percentage of Japanese who are 65 or older



Source: National Institute of Population and Social Security Research

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Prime Minister Shinzo Abe has promised to build more elder-care facilities.

Accounts of caregivers killing a parent or spouse occasionally make national news headlines. This month, a 73-year-old man in southern Japan confessed to killing his 74-year-old wife, saying he was exhausted by providing her with nursing care at home.



Police and soldiers take positions in a deadly gunbattle with suspected Abu Sayyaf militants on the central Philippine island of Bohol.

WORLD NEWS

Obama to Meet Merkel In Berlin

By RUTH BENDER

BERLIN—Former U.S. President Barack Obama will visit Germany in May for his first official overseas appearance since leaving the White House.

Mr. Obama will take part in a panel discussion May 25 in Berlin with German Chancellor Angela Merkel at an annual gathering of the Protestant churches, the organizers said Tuesday. **The Obama Foundation** will co-host the event.

The former president's appearance will be a coup for the Protestant churches and Germany, which are hoping for a high-profile celebration to mark the 500th anniversary of the Reformation (the split from the Roman Catholic Church) in 16th-century Europe.

Mr. Obama and Ms. Merkel's panel discussion is expected to cover Christian values in politics and the meaning of democracy, and to take place in front of the

iconic Brandenburg Gate. The event will be part of the German Protestant Kirchentag, a large assembly of senior figures from the Protestant churches, politics and charities. Twenty Lutheran, Reformed and United regional churches form the Evangelical Church in Germany, the group that organizes the congress each year.

"Two people will be talking to each other who stand behind their Protestant background and for whom Christian values were always guiding in their politics," Kirchentag President Christina Aus der Au told reporters in Berlin.

Mr. Obama's appearance with Ms. Merkel coincides with the attendance of U.S. President Donald Trump at the summit of North Atlantic Treaty Organization leaders that same day in May, in Brussels.

Mr. Obama was invited by Heinrich Bedford-Strohm,



Former President Barack Obama, with German Chancellor Angela Merkel, after speaking at the Brandenburg Gate in Berlin in 2013.

chair of the Council of the Evangelical Church in Germany. The bishop said Ms. Merkel helped secure Mr. Obama's attendance, highlighting the strong relationship between two of the world's most famous politicians. He said Mr.

Obama wouldn't be paid for attending.

The former president is a popular figure in Germany. Some 200,000 people gathered to hear him speak in Berlin when he was candidate for U.S. president in 2008, and

polls show two-thirds of Germans were sad to see him leave office.

He made his last presidential trip to the country in November, when he said he would like to return soon in a private capacity.

Mr. Trump is far less popular among Germans, polls show. Ms. Merkel's acceptance of refugees into Germany and the European Union resulted in frequent criticism from Mr. Trump during his presidential campaign in 2016.

Reports of Official Curbs on Religion Rise

By IAN LOVETT

Government restrictions on religion increased around the globe in 2015, reversing a downward trend—a sign of growing religious tensions in many parts of the world.

In a study from the nonpartisan **Pew Research Center** released on Tuesday, restrictions on religion—resulting either from government policies or social hostility—were rated “high” or “very high” in 40% of countries world-wide in 2015, up from 34% in 2014.

Government harassment of religious groups remained most common in the Middle East and North Africa, where religious hostilities are currently fueling armed conflicts.

But the sharpest increase came in Europe, where an influx of refugees fleeing wars in the Middle East has led to political turmoil across the continent.

Religious groups faced government harassment in most European countries in 2015. Muslims faced social hostilities in 71% of European countries, the highest total in any region.

“These incidents had to do with the incoming flow of refugees,” said Katayoun Kishi, the lead researcher on the study. “Muslims in Europe, in



Uniformed Slovaks detained a man playing the role of an illegal migrant in a 2015 exercise.

particular, were subject to government use of force.”

Use of force, as defined in the study, includes arrest and detention, damage to personal property, displacement and death.

Roughly 1.3 million migrants applied for asylum in Europe in 2015, nearly double the previous record for asylum applications in a single year, the study said. More than half

of those seeking asylum came from just three Muslim-majority countries: Syria, Afghanistan and Iraq.

In some cases, Ms. Kishi said, government officials specifically questioned whether Muslims belonged in Europe. Slovakia ignored **European Union** refugee rules and agreed to accept only Christian refugees, the study's authors said.

This is the eighth year that Pew has tracked world-wide restrictions on—and hostility toward—religion.

Since 2012, the trend had been in a downward direction. But that trend changed in 2015, which brought an increase in government restrictions on religion in almost every region.

Christians and Muslims, the world's most populous reli-

gions, faced harassment in the highest number of countries. Meanwhile, 99% of Jews, whose population is concentrated largely in Israel and the U.S., lived in countries where Jews faced some harassment, from either the government or private citizens.

In many countries, rising fears of terrorism have fueled greater restrictions of religious groups.

In sub-Saharan Africa, attacks by **Boko Haram**, an Islamist terrorist group based in Nigeria, have prompted bans on Muslim religious garb, Ms. Kishi said. Boko Haram fighters, she said, had at times disguised themselves in religious attire before attacks.

France, which was hit by two major terrorist attacks in 2015, was one of only two countries in Europe where the government used force against religious groups more than 200 times.

The other was Russia, which has been cracking down on a variety of religious groups in recent years, including Muslims, Scientologists and Jehovah's Witnesses.

The Russian supreme court banned Scientology's Moscow branch in 2015 and blocked the website of the Jehovah's Witnesses, deeming it extremist material.

Blasts Strike German Soccer Bus

By ANTON TROIANOVSKI AND JOSHUA ROBINSON

BERLIN—Three explosions outside a prominent soccer team's bus just ahead of a major game injured one of its players Tuesday evening in the German city of Dortmund, police and the team said.

The Borussia Dortmund team's chief executive, Hans-Joachim Watzke, said three bombs hidden in a hedge went off as the bus carrying the players pulled out of the team hotel. Marc Bartra, a Spanish defender on the roster, suffered injuries to a hand and arm as a result of the blast that shattered the bus's windows, Mr. Watzke said.

“It's not anything that is life-threatening in any way,” Mr. Watzke said. “The team is, of course, completely in shock.”

Borussia Dortmund's scheduled game against AS Monaco Tuesday evening was postponed to Wednesday. The explosions took place roughly 6 miles from the stadium where the game was to be played.

A police spokesman said while authorities were still analyzing the cause of the blasts, their initial conclusion was that it was a “serious attack” that could have cost lives.

“These weren't fireworks or something like that,” the spokesman said in a phone interview. “We are now analyzing what exactly it was that exploded.”

Dortmund is one of the most successful clubs in the country and was playing at its home, the 80,000-capacity Signal Iduna Park, the largest stadium in Germany. At the time the blast went off, fans were already flooding into the stands until several announcements over the loudspeaker apprised them of the situation.

As the fans who had already gathered for the game filed out, Dortmund police said on Twitter that there was no indication of a threat to people at the stadium.

Dortmund was set to face off against AS Monaco in the quarterfinals of the UEFA Champions League, the most prestigious tournament in club soccer.

After postponing the game, Dortmund began making arrangements for the several thousand Monaco fans who were now stranded in Germany. Using the hashtag #bedforawayfans, the club called on its own supporters to house Monegasques for the night.

Borussia Dortmund has gained attention in the U.S. as the team of 18-year-old Christian Pulisic, the U.S.'s most promising international player. He had been expected to start Tuesday night's game.

Holiday Update

The Europe edition of The Wall Street Journal will not be printed on Friday, April 14 and Monday, April 17 in observance of Good Friday and Easter holidays.



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Secretary of State Rex Tillerson arriving in Moscow. He has been bluntly critical of Russia recently.

RUSSIA

Continued from page A1

Russian-made plane carried out an airstrike on a field hospital where many victims were taken for treatment.

It is unclear if a Russian or Syrian pilot carried out the second attack, White House officials said.

After seeing graphic images of children killed in the chemical attack, President Donald Trump ordered a cruise missile attack Friday on the Shayrat airfield, believed to be home to the pilots who carried out the airstrikes.

The U.S. military launched nearly 60 missiles in an attempt to deter President Bashar al-Assad from using chemical weapons again.

The strike didn't damage the airfield runways or target

suspected sarin gas storage sites at the base, making it possible for Syria to keep using the banned chemicals.

White House officials said Syrian personnel associated with the regime's chemical weapons program were at Shayrat airfield in late March, and on April 4.

On the day of the American cruise missile strikes, U.S. officials warned Russians that an attack on Shayrat airfield was coming, giving them an opportunity to get their personnel at the base to safety.

The U.S. didn't strike parts of the base where Russians work, an intentional move designed to focus attention on Syria.

White House officials said there was no evidence to back up Russia's contention that a rebel chemical weapons storage site was hit in the strike and called on Moscow to stop

obfuscating, work with the U.S. and ensure that Syria follows through on its commitment to get rid of all of its chemical weapons, sometimes known as WMDs, or weapons of mass destruction.

“This is an opportunity for the Russians to choose to stop the disinformation campaign...and eliminate WMDs together,” said one of the White House officials.

Mr. Tillerson's Moscow visit, his first as secretary of State, follows a two-day stop in Italy for a meeting with top officials Group of 7 member countries—the U.S., U.K., France, Germany, Italy, Canada and Japan. Before leaving Italy, he issued a new U.S. demand for the eventual removal of Mr. Assad.

“It is clear to all of us that the reign of the Assad family is coming to an end,” Mr. Tillerson said after a two-day meeting of foreign ministers.

WORLD NEWS

Tattered U.S.-Mexico Ties On the Mend

Earlier this year, U.S.-Mexican relations hit their worst crisis in decades when Presidents Donald Trump and Enrique Peña Nieto quarreled over who would pay for a proposed border wall, prompting the Mexican president to call off a trip to Washington.

*By David Luhnow
in Mexico City and
Jacob Schlesinger
in Washington*

But then a funny thing happened: Mr. Trump, at the urging of senior aides, stopped attacking Mexico on Twitter and in public statements, opening up space to officials from both countries to markedly improve ties since then, U.S. and Mexican officials say.

“The relationship is much more constructive,” a senior Mexican government official said. A senior U.S. official agreed, saying the greater contact between the sides had improved ties.

Mexican officials say they are more confident that the two countries can renegotiate the North American Free Trade Agreement, which Mr. Trump attacked on the campaign trail as the worst trade deal the U.S. ever signed.

“We’ve gone from panic to concern,” another top Mexican official said. The White House declined to comment.

At a meeting with U.S. chief executives on Tuesday, Mr. Trump promised “some very pleasant surprises” on Nafta, but offered few specifics. He is expected to seek mainly modest changes to the accord in negotiations with Mexico and Canada.

Financial markets are also more sanguine. Mexico’s peso has been the world’s best-performing currency since Mr. Trump’s Jan. 20 inauguration, up nearly 16%. And the country’s stock market set a record



Mexicans demonstrating against U.S. President Donald Trump at a rally in Mexico City in February, when relations were at a low ebb.

on Monday.

“The radio silence from the president’s Twitter feed has been extremely important to provide breathing room [to both sides],” said Arturo Sarukhán, Mexico’s former ambassador to the U.S., who advises the Mexican government.

Many people in Mexico City remain nervous about Mr. Trump’s trade stance. But the cautious sigh of relief there that his administration may not disrupt the world economic order as much as once feared is echoed in capitals around the world, and in Washington. Mr. Trump had, by public accounts, a calm two-day summit with Chinese President Xi Jinping, where the American leader raised concerns about Chinese behav-

ior but didn’t repeat the stinging public rhetoric he has had previously launched at Beijing.

Mr. Trump’s strike on Syria also signaled a turn from his rhetoric of isolationism, while his action on trade has mainly revolved around calls for more study of the U.S. trade deficit rather than urgent, radical action to shrink it.

Government and business officials on both sides of the Rio Grande credit the improved mood over U.S.-Mexican ties to a variety of factors. They cite face-to-face meetings between top officials, a behind-the-scenes pro-Nafta lobbying effort from big U.S. firms and farmers, and the administration’s progress along the learning curve facing any new crew in Washington.

At least seven top-level meetings between various cabinet members of both governments have occurred in the past eight weeks, U.S. and Mexican officials say. Mexican Foreign Minister Luis Videgaray and Economy Minister Ildefonso Guajardo have met repeatedly with Secretary of State Rex Tillerson, Homeland Security Secretary John Kelly and Commerce Secretary Wilbur Ross.

The sides are also getting better acquainted personally. Mr. Videgaray has cultivated a close relationship with Mr. Trump’s son-in-law and key aide, Jared Kushner. And after a recent meeting between Mr. Guajardo and Mr. Ross, the men met for dinner, joined by Mr. Ross’s wife, at a Georgetown restaurant.

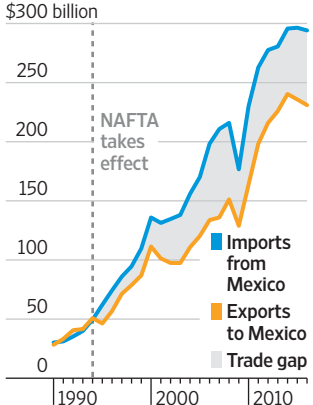
At the same time, big American companies—in consultation with Mexican and Canadian officials—have launched an aggressive, behind-the-scenes effort to explain what they consider to be Nafta’s benefits to the White House and trade-related agencies.

Union Pacific CEO Lance Fritz published an op-ed in the Journal of Commerce in March titled “U.S. must modernize Nafta, not withdraw,” and Cargill Inc. CEO David MacLennan defended the pact in a February speech in St. Paul, Minn.

U.S. farm groups have lobbied against changes to the pact that could restrict access to their No. 1 market for exports like corn, grown mostly in states that voted for Mr. Trump. Upping the ante, Mex-

Trade Gap

Mexico’s trade surplus with the U.S. reached \$63 billion last year.



Source: U.S. Census Bureau

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ico has threatened to buy more grain and corn from producers such as Brazil and Argentina.

The lobbying could be paying off. A recent draft memo from the U.S. Trade Representative’s office to Congress outlined mostly modest changes to the 23-year-old trade pact, although the White House later distanced itself from the memo.

Members of Congress have also begun to defend Nafta and ties to Mexico. In a bipartisan move, six senators—three Republicans and three Democrats—introduced a resolution “recognizing bilateral cooperation that advances the national security and national interests of both countries.”

A realization has grown within the administration that attacking Mexico was prompting a nationalist backlash south of the border. Analysts say Mr. Trump’s rise has aided the fortunes of leftist Andrés Manuel López Obrador, who has vowed to take on Mr. Trump more forcefully if he wins 2018 presidential elections.

—Louise Radnofsky
contributed to this article.

More Than 100 Candidates Register to Run in Iran’s Presidential Election



More than 100 prospective candidates signed up on the first day of candidate registration for Iran’s May 19 presidential elections, according to the official IRNA news agency.

Registration will remain open until Saturday, and any Iranian national man apply. The applicants will be vetted by the Guardian Council, a clerical body that will announce a final list of candidates by April 27. The council normally does not approve dissidents or women for the formal candidate list.

President Hassan Rouhani, a moderate, is eligible to run for another term. Ebrahim Raisi, a hard-line cleric close to Supreme Leader Ayatollah Ali Khamenei, and Hamid Baghaei, a close ally of former hard-line President Mahmoud Ahmadinejad, have announced plans to run. Both have vowed to fight poverty and corruption. (At left, photographers waited for the arrival of conservative politician Mostafa Mir-Salim to register at the Interior Ministry.)

The vote is seen as a referendum on the 2015 agreement with world powers, under which Iran agreed to curb its uranium enrichment in exchange for the lifting of international sanctions.

The nuclear deal was engineered by the Rouhani administration and went into practice in 2016.

—Associated Press

WORLD WATCH

GREECE

German Firm Takes Control of 14 Airports

Greece handed over control of 14 regional airports to German airport operator **Fraport** on Tuesday, receiving €1.2 billion (\$1.27 billion), the biggest payment yet under the country’s privatization program.

The German company took over the operation, maintenance and development of the regional airports for the next 40 years and plans to invest more than €1 billion during this period, €400 million of which in the next four years.

Privatization of state assets is a key element in the three bailout packages the country has received.

Conflicting interests in the Greek government have threatened to derail attempts to sell state assets to pay down debt and to bring in foreign investment.

—Nektaria Stamouli

EUROZONE

Industrial Production Fell in February

Industrial production in the eurozone dropped unexpectedly in February from the month before, led by falling energy output, the European Union’s statistics agency said Tuesday.

Weak industrial activity at the start of the year is raising doubts about whether the eurozone’s recovery is really gathering speed in a way suggested by upbeat sentiment indicators.

Output of the eurozone’s factory, mines and utilities decreased by 0.3% from the month before, but rose by 1.2% from February last year, Eurostat said. Economists polled by The Wall Street Journal had forecast a monthly rise of 0.2%.

In addition, the statistics agency revised its figures for January, reporting a much smaller production gain for that month.

—Nina Adam



Basuki Tjahaja Purnama, the Christian governor of Jakarta, in court Tuesday in his trial on blasphemy charges.

BRITAIN

Consumer Price Rise Exceeds BoE’s Target

U.K. consumer prices continued to rise above the Bank of England’s 2% target in March as official data showed increases in food, alcohol and clothing prices offset by a fall in airfares.

The data suggest Britons are facing a squeeze on living standards as the U.K. enters two-year exit negotiations with the European Union. The British economy, which defied gloomy predictions of an immediate Brexit hit last year, relies heavily on domestic demand.

Annual inflation in the U.K. stood at 2.3% in March, un-

changed from the previous month, said the Office for National Statistics, the fastest rate of inflation since September 2013. Prices rose 0.4% compared with February, when they rose 0.7%.

—Wiktor Szary
and Jason Douglas

INDONESIA

Blasphemy Case Is Postponed in Jakarta

A blasphemy case brought against Jakarta’s Christian governor for allegedly insulting Islam was put on hold Tuesday amid tensions surrounding a runoff election next week in which he is facing a candidate backed by hard-line Islamic groups.

The court hearing the case against Gov. Basuki Tjahaja Purnama postponed further proceedings until the day after the April 19 vote, the climax of an election that has roiled the world’s largest Muslim-majority country for months.

Police had expressed security concerns about the court proceedings being held so close to the vote.

Around 300 people gathered outside the courtroom in Jakarta Tuesday and demanded that Mr. Purnama be jailed, local police said.

The gubernatorial election has been marked by the largest rallies in the capital in decades comprising hundreds of thousands of Muslim hard-liners, reflecting their growing strength as a political force. President Joko Widodo, an ally of Mr. Purnama, has been rallying moderate religious leaders to counter their rise.

Mr. Purnama, who is also a member of the long-persecuted ethnic Chinese minority, is accused of insulting Islam by lightheartedly referring to a verse in the Quran that some religious leaders interpret to mean Muslims shouldn’t elect leaders of other faiths. Mr. Purnama has said he intended no offense and apologized.

—Anita Rachman

U.S. NEWS

Chicago Lures Firms Back to City Center

Younger workers are more likely to want to work downtown as talent gets scarcer

By SHIBANI MAHTANI
AND ANDREW TANGEL

CHICAGO—The tide of companies moving back to big cities in search of talent and better transportation links is rising, reviving many downtowns at the expense of suburbs and smaller communities. Chicago's resurgence has been especially sharp. Nearly 90% of the more than 330,000 jobs created in Illinois from 2011 through 2016 were added in the Chicago metro area, the Bureau of Labor Statistics said.

More than 80 companies have moved their headquarters to or expanded in the Chicago area since 2008, including **Archer Daniels Midland Co.**, **Kraft Heinz Co.**, **ConAgra Foods Inc.** and **Motorola Solutions Inc.**, most of them from elsewhere in Illinois. **Caterpillar Inc.** recently announced plans to relocate its headquarters to the Chicago area from its longtime home three hours away in Peoria, Ill., while McDonald's says it will move from suburban Oak Brook, Ill., to the city's downtown area.

These companies have leased 5.7 million square feet of office space, the biggest corporate relocation rental binge in any city in the U.S., according to real-estate firm Jones Lang LaSalle. Chicago's prime office rents rose 20% last year, the highest rate in the nation, according to commercial real-estate brokerage CBRE Group Inc.

"We had to be in a city



RINGO CHU/ZUMA PRESS

Companies moving their headquarters to Chicago often cite the need to attract and retain employees who shun suburbia.

where we could attract talent," said Diane Pearse, chief executive of food company Hickory Farms LLC, which moved to Chicago last month after 65 years in Toledo, Ohio. "Staying in Toledo was just not an option."

As with other major cities, many companies left Chicago decades ago as suburbia expanded and crime rose in urban centers. Big companies built sprawling campuses far from downtown. Now the need to attract new employees as baby boomers age out of the workforce is pulling some back, said Darin Buelow, head of Deloitte Consulting's real estate and location strategy practice.

"The pain that companies

have been experiencing in talent recruitment has outweighed the inconvenience and expense of picking up and moving to the city," he said.

Companies, he added, are seeing their employees leave the suburbs for city jobs and are unable to backfill those, as they find it harder to persuade talent to move to suburban campuses.

More young people are living in the biggest U.S. cities than anytime since the 1970s. And 35 of the country's largest metropolitan areas had lower unemployment than the nationwide rate of 4.9% in February, according to the Bureau of Labor Statistics.

That is bad news for the communities that companies

leave behind, like Caterpillar's longtime home of Peoria. With a population of about 115,000, Peoria lacks the cultural and sporting events available in Chicago, as well as the quick travel links via the city's two major airports.

The maker of construction and mining equipment last year opened an office for data analysts in downtown Chicago. Months later, Caterpillar shocked residents of Peoria with plans to move its headquarters and about 300 employees to the Chicago area. The company hasn't said whether it will move to the city or its suburbs.

Recruiting in Peoria was too difficult, said Amy Campbell, Caterpillar's director of

investor relations.

"Our customers, our employees, our shareholders, our potential investors are all global and outside Illinois," she said. "It's so much easier to get into Chicago than...to drive or connect down to Peoria."

U.S. Rep. Darin LaHood, the Republican whose district includes Peoria, called the move a betrayal. Some residents fear that Caterpillar will move more of its remaining 12,000 workers from the Peoria area. Others worry that the chunk of downtown where Caterpillar was planning a new headquarters will remain vacant.

Peoria Mayor Jim Ardis said developers already have expressed interest in the site.

He said health care, medical research and higher education are growing in the city. "It's not the end of the world for us," Mr. Ardis said.

In Chicago, the relocations are giving Democratic Mayor Rahm Emanuel a boost while he battles a surge in violent crime. Homicides were up 58% in 2016, a bigger single-year increase than any major U.S. city has seen in a quarter-century. Republican President Donald Trump has claimed Chicago's crime wave is the result of failed Democratic policies.

Mr. Emanuel has taken a personal role in recruiting companies. Ms. Pearse of Hickory Farms said the mayor called her early last summer. Motorola Solutions decided to move to Chicago after Mr. Emanuel made a pitch to Chief Executive Greg Brown during a 2011 Bulls game.

"I said, 'Rahm, you know it might be possible to move a couple of hundred jobs downtown,'" Mr. Brown said. "Every time I threw out one number, he would raise it."

Chicago gives tax breaks to businesses on the West and South Sides where crime has surged, but not to companies moving downtown.

Mr. Emanuel makes unsolicited calls to executives at companies he believes might consider a move to Chicago. He recently emailed 100 chief executives in the San Francisco Bay Area a report citing Chicago's lowest cost of living among the 10 biggest U.S. cities.

But the mayor says the attention he gives employers is as valuable as the city's low residential rents. "If you move here, you know that this isn't the last time we're talking," he said.

Curbing Risk of Being Bumped From a Flight

By SCOTT MCCARTNEY

Getting bumped from a flight is a huge inconvenience. Fliers have few rights in these situations, but there are some protections. And there are some things you can do to reduce your risk.

Reduce the Chances of Getting Bumped

There are steps you can take to lessen your chances of getting bumped from a flight. It's not absolute. All you can do is make yourself less of a target than other passengers.

THE MIDDLE SEAT

1. Book a seat assignment. Not having a seat assignment, even a middle seat, means you may end up in the nomad category—waiting for a seat to open up. You're at high risk of getting bumped if you get the dreaded "Assigned at the Gate" on your boarding pass.
2. Check in early. Some airlines will consider check-in time in deciding who gets bumped.
3. Follow the airline rules. If check-in is required at least 40 minutes before de-

parture, don't be late or you go to the head of the bumping queue, and you won't be eligible for compensation. If you have to be in the gate area by a certain time, comply.

4. If you're traveling with family members, make sure you're all on the same reservation. If not, call the airline ahead of time and ask to "link the PNRs" so the passenger records are handled together. Airlines try to avoid bumping families with children.

Your Rights as a Passenger

Airplanes are dictatorships, for safety reasons. Passengers are required by federal law to comply with crew instructions. That's important especially in the air, where arguments can distract crews and boil into altercations that lead to injuries, diversion of flights and arrests.

Airline crews are particularly sensitive to noncompliant customers on the ground, where they can easily boot someone off a flight. Passengers have complained in many incidents of crews

abusing that authority and having passengers removed for the slightest disagreement. Bottom line: If a crew member says you have to get off a plane, federal law says you have to comply.

Your Rights as a Customer

An airline ticket is really a contract that the airline will transport you from one city to another. You actually haven't purchased a specific flight or a specific seat; the airline can change all that on you. When the airline bumps you to a different flight, you are entitled to compensation, but only in certain circumstances.

If a Flight Is Overbooked

Airlines are required to offer vouchers to volunteers to give up their seats. If an airline denies boarding to a ticketed passenger, it must put the passenger on the next available flight and cover any hotel costs. The key is "available." If flights are booked for three days, you'll have a long wait.

What Compensation Can You Get?

If the airline gets you to



ANNA BRUYKHANOVA/GETTY IMAGES

Passengers at Miami's airport waiting to board an Air France flight to Paris.

your destination within...

... **one hour** of scheduled time, no compensation is required.

... between **one and two hours** domestically or **one and four hours** on international flights, the airline owes you 200% of your one-way fare up to \$675.

... more than **two hours** on domestic flights and **four hours** on international flights, 400% of your one-way fare up to \$1,350.

Cash or Check?

Airlines are required to pay cash to fliers they bump

involuntarily who are owed compensation. Some may try to pay in a voucher, which can carry restrictions and may have an expiration date. But customers can demand cash.

If you paid for extras such as premium seating or checked bag fees, a refund is required for services you didn't receive.

There Are Exceptions

If the airline has to substitute a smaller plane, for example, it isn't required to pay compensation.

If bumping is required for

weight-and-balance issues on planes with 30 to 60 seats, compensation isn't required. Planes with fewer than 30 seats are exempt from bumping rules.

If You Are Still Really Worried...

Try to avoid regional jets. They have much higher rates of involuntary bumping. Avoid the last flight of the night. People are less likely to voluntarily give up seats. Buy a premium seat. You make yourself less of a target, and you might enjoy the legroom.

UNITED

Continued from page A1
apologies for what happened...No one should ever be mistreated this way."

A person familiar with the altercation identified the passenger as David A. Dao, a doctor who practices in Elizabethtown, Ky., south of Louisville. Dr. Dao graduated from Vietnam's University of Medicine of Ho Chi Minh City in 1974 and was licensed in Kentucky in 1983, according to records from the Kentucky Board of Medical Licensure.

The board's records also show Dr. Dao was sentenced in 2005 to five years of probation following convictions on felony counts of obtaining drugs by fraud and deceit. Dr. Dao provided someone he had previously hired as his office manager with prescription

drugs "in exchange for sexual acts," the records say.

Attempts to contact Dr. Dao and attorneys who have represented him weren't immediately successful. A woman who answered the phone at his office said he wasn't available.

Public anger grew on Tuesday against United's treatment of Mr. Dao and the airline's public response, spilling over into the stock market. United's shares fell more than 4% at one point Tuesday in very heavy trading; late afternoon the stock was off 2.7% at \$69.62.

Public-relations executives and some lawmakers said Mr. Munoz's response misjudged the public outcry against the airline's treatment of the passenger. "Dragging your customer down an aisle is disturbing," Sen. Bob Menendez (D., N.J.) wrote on Twitter. "You need a better explanation than an empty apology for 're-



LUCAS JACKSON/REUTERS

United CEO Oscar Munoz called Sunday's incident 'horrific.'

accommodating.' "

Chicago' aviation department suspended an officer involved in Sunday's incident.

The situation came to light after fellow passengers took videos of the man's removal and posted them to social media, which exploded with more than 937,000 Twitter conversations on Monday alone.

The backlash spread to

China, where United is the leading U.S. carrier and has a code-sharing relationship with Air China Ltd., one of the country's biggest airlines.

The incident was the top trending topic on China's Twitter-like microblogging service, Weibo, drawing more than 160 million views and about 100,000 comments.

United has recently added

nonstop routes from San Francisco to internal Chinese cities including Chengdu, Xi'an and Hangzhou. China is a profitable and promising market for United due to the nation's huge population and large, interior cities that lack direct flights to the U.S.—a niche United has pioneered there.

Mr. Dao's rough treatment is fast becoming the biggest 18-month tenure.

He came to the job pledging to repair United's often-fractious labor relations. He said his experience as president of railroad giant CSX Corp. had helped prepare him for the role.

"I have a much more in-depth sense of operational issues than anyone at this company in a long time," he said in an interview at the time. He acknowledged that air travelers made for more finicky cargo than railcars full of coal.

"If customers get pissed, people go elsewhere," he said in an interview at the time.

Mr. Munoz visited employees across the country and launched an outreach program aimed in part at improving a reputation for poor customer service. He won some new contracts with organized labor.

Then in Oct. 2015 Mr. Munoz, then 56, suffered a heart attack. In January 2016, he received a heart transplant.

He returned to work full-time in March 2016 to deal with a proxy fight by investors. The company and the investors settled, and the board was reinvigorated by six new directors. Mr. Munoz reached contracts with all of its employees, an expensive bargain that he was betting would let him turn his focus to customer service.

—Andrew Tangel contributed to this article.

U.S. NEWS

Trump Urges Aides To Cease Infighting

By MICHAEL C. BENDER
AND ELI STOKOLS

WASHINGTON—President Donald Trump has told his senior advisers to prioritize his agenda over infighting as the White House focuses on what accomplishments it can tout during the president's first 100 days in office, administration officials said.

Less than three weeks before the April 29 milestone—a largely media-driven moment that all modern administrations face—Mr. Trump is seeking to project himself less as a disruptive force in the capital and more as a leader who can minimize the tumult in the West Wing and work constructively with the powers that be in Washington, the officials said.

After weighing a staff shake-up last week, he told chief strategist Steve Bannon and senior adviser Jared Kushner, Mr. Trump's son-in-law, to find a way to work together, aides said. The two men have agreed to put aside their differences to try to implement the president's agenda, a senior administration official said.

"That's the plan," the official said, while cautioning that it is unclear whether the detente will hold.

Aides said the 100-day mark is taking on significant importance for the president, who has already referenced coming cable television spe-

cials in conversations with aides.

The milestone moment comes as some White House officials privately note that the first months have been chaotic internally and that many early policy goals have missed the mark, including two versions of a travel ban that were quickly struck down by the courts and an 18-day effort to repeal the Affordable Care Act that never reached a vote.

Mr. Trump, a Republican, hit the lowest approval rating, 38%, in modern history for a president so early into his tenure, according to polling firm Gallup. It rose to 40% on Monday.

Multiple investigations continue into Russia's alleged interference in the 2016 presidential election and whether any associates of Mr. Trump colluded with the Russian government. Russia has denied meddling in the election, and the White House has denied any collusion.

Mr. Trump initially believed he could bend the presidency to fit his pugnacious, freewheeling style, aides and friends said. And he at times has reveled as a manager surrounded by deputies fighting for favor, his friends said.

Now, Mr. Trump is slowly conforming to a more traditional approach to the office after recognizing that the infighting has been detrimen-

tal, they said.

"He loves chaos when it's beneficial to him, but not so much when it's to his detriment," one friend said of Mr. Trump.

At the same time, the president understands that signature achievements so far have relied on Washington's traditional pillars, friends say.

It was the Republican-controlled Senate that changed the rules last week to confirm the president's nomination of Neil Gorsuch to the Supreme Court. And last week's missile strikes on a Syrian air base, which garnered rare support from centrist members of both major parties, were overseen by Mr. Trump's senior military appointees, who are taking on an increasingly powerful role in the administration, according to aides.

"He's seeing that you have to work with people," said one White House official, who described how Mr. Trump and his small inner circle of advisers remained in the combative mode of last year's campaign after taking office in January. "That is sort of passing."

Still, White House press secretary Sean Spicer said Monday that the president continues to be a "disruptive figure" in Washington.

Spokeswoman Sarah Sanders pointed to Mr. Trump's ban on administration officials from ever lobbying for a foreign government and a



Presidential aides Steve Bannon, left, and Jared Kushner have agreed to put aside their differences.

five-year prohibition on other lobbying as examples in which Mr. Trump has shaken up the status quo.

"He's doing what he can to take steps to drastically change the way Washington operates," she said.

Whether Mr. Trump can minimize internal friction and work the levers of power in Washington but also maintain support from those who voted for radical change remains to be seen. Mr. Trump has regularly shifted focus from his governing record to explosive controversies. And internal divisions within the White House—and with the GOP establishment—are likely to resurface as new policy battles loom.

A case in point: changes to the tax code.

Mr. Trump's aides hope legislation on taxes can pass Congress by August. They say the

date could slip but said that if the effort spills into 2018, it could fail as midterm congressional elections approach.

The White House has said it would like to take a lead role in managing the tax overhaul effort. But one Republican lawmaker who met with administration officials last week said there appeared so far to be no detailed proposal, though Hill Republicans have a blueprint.

Some Republicans on Capitol Hill said they are uncertain who is leading the effort: Treasury Secretary Steven Mnuchin, or Gary Cohn, director of the National Economic Council, or someone else.

At a meeting with members of the Senate Banking Committee last week, Mr. Cohn appeared amenable to the idea of using \$200 billion from foreign profits to be re-

patriated by U.S. companies as a way to pay for new infrastructure and attract as much as \$1 trillion in private investment. Some Republicans are cool to this idea and would rather see repatriated money used to lower corporate-tax rates.

A White House spokeswoman, Natalie Strom, said Monday that, with respect to using repatriated funds, "Gary was merely saying, as we have been throughout this process, that we are looking at a variety of options for tax reform."

She added that at this point, Mr. Trump's administration is in a "listening mode on the tax reform plan" and that officials are approaching it "thoughtfully and deliberately."

—Peter Nicholas
and Carol E. Lee
contributed to this article.

Illegal Migrants Face More Charges

By ARUNA VISWANATHA

Attorney General Jeff Sessions directed federal prosecutors to pursue harsher charges against undocumented immigrants who commit crimes, or repeatedly cross into the U.S. illegally, and he promised to add 125 immigration judges in the next two years to address a backlog of immigration cases.

The moves are part of the administration's efforts to deter illegal immigration and meant to target gangs and smugglers, though nonviolent migrants could also face more severe prosecutions.

In a memo issued Tuesday, Mr. Sessions instructed prosecutors to make a series of immigration offenses "higher priorities," including transporting or harboring illegal immigrants, illegally entering or re-entering the country, or assaulting immigration-enforcement agents.

In remarks Tuesday to border patrol agents at the U.S.-Mexico border in Nogales, Ariz., Mr. Sessions spoke in stark terms about the threat he said illegal immigration posed.

"We mean criminal organizations that turn cities and suburbs into war zones, that rape and kill innocent citizens," Mr. Sessions said, according to the text of his prepared remarks. "It is here, on this sliver of land, where we first take our stand against this filth."

"This is a new era," he said. "This is the Trump era."

Former prosecutors said they didn't expect the memo to dramatically affect U.S. at-



A U.S. Border Patrol agent scans the Rio Grande in Roma, Texas.

torneys offices along the southern border, which already bring thousands of such cases each year. They said it could have an impact on those farther inland, which haven't historically focused on immigration violations.

In the fiscal year that ended in September, 52% of all federal criminal prosecutions involved immigration-related offenses, according to Justice Department data analyzed by Transactional Records Access Clearinghouse at Syracuse University.

The largest number of cases—24,549—came from the Southern District of Texas, whose border with Mexico stretches from Brownsville to Laredo, Texas.

"Those cases are brought and prosecuted on a daily basis in all those border districts," said Jeffery Vaden, who worked as a prosecutor in that office from 1999 to 2011 and is now a lawyer at Bracewell LLP in Houston.

The memo did instruct prosecutors in the border offices to develop guidelines for prosecuting "improper entry" cases, which Mr. Vaden said his former office had not prioritized as much, given the number of such violations.

"That might be a more aggressive push. If you start filing those, there will be a lot more cases to deal with," he said.

According to the Trump administration, its broader crackdown on illegal immigration through raids and deportations has led to a dramatic drop in illegal crossings at the border.

In February, the government reported the lowest monthly total of illegal crossings in at least five years, according to the Department of Homeland Security.

In his remarks, Mr. Sessions said the March tally showed a 72% drop from December.

The memo also instructed every district to designate a

"border security coordinator" by April 18, who would be responsible for overseeing immigration-related prosecutions.

Immigration advocates said they worried that the memo and tone set by the administration was describing a closer link between criminal behavior and immigration than statistics show.

"We are seeing an overemphasis on prosecuting, at the federal level, immigration, illegal entry and re-entry cases, and far less paid to criminal violations that implicate public safety," said Gregory Chen, director of advocacy for the American Immigration Lawyers Association.

Troy Eid, a former U.S. attorney in Colorado during President George W. Bush's administration, said Mr. Sessions was "spot-on" to focus on illegal immigrant crimes, citing data from the U.S. Sentencing Commission that found that one in every four criminals sentenced to federal prison is an unlawful immigrant who was deported but returned illegally to the U.S.

Mr. Sessions also said the agency would put in place a "streamlined hiring plan" that he said would get immigration judges on the bench at a quicker pace.

The Trump administration previously announced a boost in hiring judges as part of its budget proposal for 2018; funding must be approved by Congress.

The Obama administration had tried to hire more judges, Mr. Chen said, but that process was slowed by vetting.

—Dan Frosch
contributed to this article.



Janet Yellen said the Fed is focused on maintaining economic gains.

Yellen Signals Shift In Monetary Policy

By DAVID HARRISON

ANN ARBOR, Mich.—Federal Reserve Chairwoman Janet Yellen indicated that the era of extremely stimulative monetary policy was coming to an end.

In a public discussion at the University of Michigan on Monday, Ms. Yellen said the Fed was moving away from its efforts to revive a recession-scarred economy and focusing instead on maintaining the gains of the past few years. That will change the central bank's policy-making stance, she said, noting that Fed officials plan to continue gradually raising interest rates unless the economy begins to deteriorate.

"Where before we had our foot pressed down on the gas pedal trying to give the economy all the oomph we possibly could, now [we're] allowing the economy to kind of coast and remain on an even keel," she said. "To give it some gas, but not so much that we're pressing down hard on the accelerator."

That means the Fed's benchmark short-term interest rate will continue to move up to its long-term average, she said.

Fed officials raised rates in March for only the third time since the financial crisis, to a range between 0.75% and 1%. They have penciled in two more rate increases this year, followed by three in 2018. They are also considering reducing the Fed's \$4.5 trillion portfolio of cash and securities, acquired during three rounds of asset purchases aimed at lowering long-term borrowing costs after the recession.

Ms. Yellen said the Fed is "doing pretty well" in meeting its congressionally mandated goals of low and stable inflation and a full-strength labor

market.

In February, inflation rose 2.1% over the previous year after running below the Fed's 2% target for almost five years. Meanwhile, the unemployment rate fell to 4.5% in March—below what the Fed considers a sustainable long-term average.

Overall, Ms. Yellen said the economy had been growing "at a moderate pace."

Fed officials expect it will take until 2019 for interest rates to rise to their long-term sustainable level. But even then, the bank's benchmark federal-funds rate will end up only at around 3%, lower than in the past because of long-term changes to the U.S. economy.

Federal Reserve officials plan to continue gradually raising interest rates.

Spicer Says Syria's Assad Worse Than Hitler

By CAROL E. LEE

WASHINGTON—The White House's top spokesman argued that Syrian President Bashar al-Assad has committed atrocities worse than Nazi leader Adolf Hitler, saying Tuesday that even the man whose genocidal regime instigated a world war and killed millions of people didn't use chemical weapons.

"We didn't use chemical weapons in World War II," press secretary Sean Spicer told reporters. "You had someone as despicable as Hitler who didn't even sink to using chemical weapons."

Mr. Spicer was referring to the suspected chemical attack in Syria on April 4 that killed at least 85 people. The U.S.

has concluded the Syrian military used banned sarin gas in the assault, and the U.S. military launched nearly 60 Tomahawk cruise missiles against a Syrian air base Friday.

Asked later if he wanted to clarify his statement, given that Hitler and the German Nazi state killed millions of European Jews in gas chambers, Mr. Spicer said, "He was not using the gas on his own people the same way that Assad is doing."

"He brought them into the Holocaust center," Mr. Spicer said, in an apparent reference to the death camps where millions, including most of Germany's Jewish population, were killed.

Mr. Assad, Mr. Spicer said, used chemical weapons "in



White House press secretary Sean Spicer on Tuesday

towns, dropped them down—into the middle of towns."

Shortly after Tuesday's news briefing ended, Mr. Spicer released another statement further clarifying his earlier remarks.

"In no way was I trying to

lessen the horrendous nature of the Holocaust," he wrote. "I was trying to draw a distinction of the tactic of using airplanes to drop chemical weapons on population centers. Any attack on innocent people is reprehensible and inexcusable."

Steven Goldstein, executive director of the Anne Frank Center for Mutual Respect, called on President Donald Trump to fire Mr. Spicer over his comments.

Mr. Goldstein said in a statement that Mr. Spicer's remarks amounted to denying the Holocaust. "Spicer's statement is the most evil slur upon a group of people we have ever heard from a White House press secretary," Mr. Goldstein said.

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JOHN MOORE/GETTY IMAGES

ANDREW HARRIS/BLOOMBERG NEWS

IN DEPTH

PARTY

Continued from Page One
advocacy sites like The Daily Kos and Moveon.org are breaking political fundraising and participation records.

ActBlue, an online fundraising conduit for Democratic campaigns, handled four million donations totaling \$111 million in the first quarter of 2017—more than four times as much as in that period in 2015.

Republicans counter that Democrats’ performance so far this year is more bark than bite. In a series of special elections for state legislative seats in Virginia, Connecticut and Minnesota, Democrats failed to win Republican seats they had targeted. In a late-March Louisiana special election, Republicans picked up a state legislative seat that Democrats had held since 1972.

And in the Chicago suburb of Bolingbrook, Roger Claar, the 30-year mayor who held a Trump fundraiser last year and ran for re-election on the motto, “Bolingbrook First,” squeaked through this month after an aggressive challenge from an opponent supported by political allies of Sen. Bernie Sanders of Vermont, who unsuccessfully ran for the 2016 Democratic presidential nomination.

“Democrat ‘momentum’ has not actually flipped a single seat from red to blue,” said Adam Temple, spokesman for Republican State Leadership Committee, a GOP group that promotes Republicans in state races.

Still, Democrats came closer to winning than they usually do in those early state precincts. And Republican leaders are clearly concerned about the enthusiasm gap between the fired-up Democratic base and some GOP voters.

In Tuesday’s special election in Kansas for the seat vacated by Mike Pompeo, the new director of the Central Intelligence Agency, the GOP made a significant 11th-hour investment—including robocalls by Mr. Trump and Vice President Mike Pence. That race had long been considered a slam dunk for the party.

The wave of grass-roots liberal activism on the left is reminiscent of the emergence of the tea party in 2009, a conservative populist movement that arose to challenge the Democratic policies of former President Barack Obama’s administration as well as the GOP establishment. A key question for the Democratic Party now is whether newly energized liberal activists will work with the party establishment, push it hard to the left, or challenge it in future primary elections.

In Delaware, where the February special election could have given Republicans control of the state Senate in Dover, Sister District and another new grass-roots political group, Flipable, directed nearly \$140,000 in donations from all 50 states to the Democratic candidate, Stephanie Hansen. That amounted to almost one-third of her fundraising income, helping Ms. Hansen’s campaign and the PAC supporting her outspend her Republican opponent by about six to one, according to campaign staff and state finance reports.

She won handily. “Her seat was very important to keep Delaware blue,” said Laurie Hardjowirogo, 65 years



Rachel Paule, campaigning for John Ossoff's bid for a vacant U.S. House seat in Georgia, got involved in politics after the presidential election.

old, an audio book designer in New York who took a bus to Delaware to campaign for Ms. Hansen, a candidate she had never met.

The new wave of Democratic activism isn’t just on the Democratic-leaning coasts. In Omaha, Neb., the mayor’s contest is drawing national attention from progressives and being framed as a referendum on Mr. Trump. “America is watching Omaha,” said a flier for Heath Mello, a Democratic candidate who will be joined by Democratic National Committee Chairman Tom Perez and Mr. Sanders at an April 20 rally in Omaha, part of a multistate DNC tour. “You can send a message and stand up to Trump.”



Democrat Jon Ossoff, above, faces an uphill fight in the affluent district.

In Montana, another special U.S. House election is also drawing money and support from activists across the country for Democrat Rob Quist, who is running to fill the seat vacated when Mr. Trump tapped Rep. Ryan Zinke to be secretary of the Interior Department.

“It seemed important right now to send a message to Republicans that, at a grass-roots level, Americans are not happy,” said Sarah Kupferberg, a Berkeley ecologist who donated to Mr. Quist as well as to Ms. Hansen and Mr. Ossoff. But she added, “I’m very disaffected with the Democratic Party. I think the future is in grass-roots organizations.”

Many of the new grass-roots

groups have encouraged activists to direct their money and attention to state legislative races—an important source of power in upcoming congressional redistricting battles and a political front that Democratic leaders concede they neglected over the past decade with calamitous political results.

Democrats have majorities in 31 of 99 legislative chambers, having lost 958 of the nation’s roughly 7,300 state legislative seats since Mr. Obama took office. Republicans now control both chambers of the legislature and the governorship of 25 states; Democrats hold that much power in six states.

Mr. Perez, who was elected DNC chairman in February, said he is committed to reversing that trend and believes the anti-Trump groundswell will help the party do it. “We want to make sure we are tapping into this energy,” he said. But he said the DNC needs to do a “better job of partnering with others in the progressive movement.”

The DNC is trying to reach out to the patchwork of new online political organizers that popped up after the presidential election, most of which support only progressive candidates. But many of them try to identify winnable seats, not just ideologically pure candidates.

“We need to channel the energy we have in deeply blue areas and send it to anywhere in the country where a progressive candidate needs help,” said Rita Bosworth, 38, a public defender in California who launched Sister District a week after the election. The site, which aims to connect people in solidly Democratic communities to competitive state legislative races elsewhere, has about 100 volunteer teams in all 50 states. “People were just clamoring for something to do after the election.”

Flipable, a similar site with 46,000 current users founded by Catherine Vaughan, who worked on Mrs. Clinton’s campaign, also identifies state races prime for flipping and had a hand in organizing support for the Delaware state Senate race.

Other new sites include Swing Left, which directs people to the nearest competitive congressional district. It got

Uneven Field

Campaign contributions in first quarter of 2017 for major candidates in the House special election in Georgia’s 6th district.

Candidate	Total contributions	Out-of-state contributions*
Jon Ossoff, Democrat	\$8.3 million	97%
Judson Hill, Republican	\$473,029	17%
Karen Handel, Republican	\$463,744	11%
Bob Gray, Republican	\$217,500	39%
Dan Moody, Republican	\$107,900	17%
Bruce LeVell, Republican	\$55,306	30%

*Percentage of contributions over \$200
Source: Federal Election Commission filings

THE WALL STREET JOURNAL.

200,000 sign-ups in three days after its launch in January and now has more than 5,000 people registered to help in Georgia. Code Blue promotes progressive candidates at all levels of government, from a county court clerk in Virginia to Mr. Ossoff in Georgia.

“If there is a silver lining to the reaction to the Trump win it’s that Americans are getting more involved than ever in politics,” said M.J. Loheed, a television producer in California and political novice who launched Code Blue after the election.

The Democratic Legislative Campaign Committee, the Democratic Party arm that supports state legislative campaigns, convened in March a meeting of the growing band of online organizers to coordinate the sprawling, potentially overlapping efforts.

For now, most activists’ energy is pouring into the House special election in Georgia’s 6th congressional district, which is widely seen as an important early test of whether anti-Trump resistance can produce concrete political gains for the Democratic Party.

Mr. Ossoff, a mild mannered and young-looking 30-year-old with the provocative slogan “Make Trump Furious,” is an unlikely figure for becoming an internet sensation and national hero of Democratic activists.

As dozens of volunteers

packed his campaign office here one Saturday morning, he stood out for sporting a jacket and tie. He steered away from fiery anti-Trump rhetoric, even though the president is a big motivation for many of the people who turned out to canvass for Mr. Ossoff on a cloudy weekend.

There are 18 contenders—including five Democrats and 11 Republicans—for the all-party “jungle primary” on April 18 in which the top two finishers go on to a June 20 runoff, unless one candidate wins more than half the vote.

With Mr. Ossoff the clear Democratic favorite, Republicans started attacking early by portraying him as too immature and inexperienced for the job. A super PAC affiliated with House GOP leaders has spent more \$3 million against Mr. Ossoff, a PAC official said, including an ad that tried to discredit him with YouTube footage of antics while he was a college student, such as when he dressed up in a Star Wars costume.

This is Mr. Ossoff’s first run for elective office. A native of the 6th district, he was educated at Georgetown University and the London School of Economics. He worked on Capitol Hill for Rep. Hank Johnson, a Georgia Democrat whose membership on the House Armed Services Committee gave him national security experience

that he touts.

One of Mr. Ossoff’s first television ads took direct aim at Mr. Trump: “He’s not only embarrassing us on the world stage, he could start an unnecessary war,” Mr. Ossoff said in the ad. “We can’t let Donald Trump put us at risk.” Last week, he appeared in a new ad, tweeting at Mr. Trump on camera: “Anyone can send a tweet....He should act like a president.”

Mr. Ossoff has been one of the most prolific fundraisers for a House candidate, raising more than \$8.3 million in one quarter as of March 31. That included \$1.3 million from Daily Kos readers—a record amount that is three times what the site raised for national liberal icon Sen. Elizabeth Warren of Massachusetts in 2012, said David Nir, the Daily Kos’ political director.

Mr. Ossoff’s campaign-finance report illustrate his national appeal: 97% of his donations are from out of state. That has opened him to GOP complaints that his support wasn’t homegrown.

“He’s a far-left Washington insider whose campaign is propped up by [Democratic leader] Nancy Pelosi, Bernie Sanders and the like,” said Maddie Anderson, spokeswoman for the National Republican Congressional Committee.

Most of his money is coming from small donors. The average contribution was \$42.52, the campaign said.

Among Mr. Ossoff’s long-distance fans is Andy Diaz, a wine bar owner in Portland, Ore., who in late March held a sold-out fundraiser for Mr. Ossoff. He hosted a “Southern feast” with Smithfield Ham and grits imported from Athens, Ga.

“We are frustrated about politics,” said Mr. Diaz, who said he had never before gotten involved in a political campaign. “Complaining about it doesn’t get us anywhere. I’d rather be active. Being on the other side of the country doesn’t matter.”

The campaign is getting so much outside help, it assigned a full-time staff person to manage out-of-state volunteers and contributions. They have lined up local housing for hundreds of visiting campaigners.

“They are coming from all over,” Ms. Paule said.

But for all the national attention being showered on Mr. Ossoff, he faces an uphill fight in the affluent, conservative district that has been represented by a Republican for nearly four decades.

Democrats are banking on more recent indicators that the district may be changing. In the 2016 general election, Mr. Trump barely beat Mrs. Clinton; by contrast, in 2012, GOP presidential candidate Mitt Romney won the district by 23 points.

The National Republican Congressional Committee, the party’s House campaign arm, in late March moved to counter the unexpected strength of Democrats in the Georgia House district by sending an infusion of manpower and money to increase GOP turnout.

Mr. Ossoff tries to focus on his plans for economic development in the district, but it is a message often lost on his own supporters.

“Anybody who is anti-Trump is fine by me,” Fran Mintz, a financial analyst in Alpharetta said recently when a volunteer for Mr. Ossoff knocked on her door. “I am so fed up with him.”

PARK

Continued from Page One

At the Tesla factory 30 miles away in Fremont, which has 6,000 employees over the course of various shifts competing for 4,500 vehicle spaces, photos show parking is a free-for-all. Cars are jammed diagonally in spots, propped up on curbs or resting on gravelly medians.

One employee documents the worst offenders at both locations on Instagram, using photos sent in by co-workers and including snarky and often profane comments.

In one, an old Cadillac is parked in spaces marked for motorcycles—“He thought it said boat parking.” Another shows an assortment of cars completely outside the lines—“parking spot lines are just a suggestion.” A truck fully on the median—“This one is called: despair.”

There is even a shot of the plentiful parking at an office of SpaceX—the rocket company also run by Mr. Musk—with the comment, when “you realize Papa Elon picked a favorite child....and it wasn’t you.”

The Instagramming employee said the account began a year ago out of frustration. Tesla recently tried to improve parking in Fremont by repainting the lines to clarify spaces, the employee said, adding that before, “They used to have two sets of faded lines.”

Tesla says its taken steps to improve parking, such as offering Wi-Fi-enabled shuttles to both locations, and that the Palo Alto situation has improved in recent months while Fremont has more spaces than employees when factoring in overflow parking and shift work.

In Silicon Valley, parking is a classic barometer of booms and busts. Desolate lots at sprawling office complexes symbolized the dot-com implosion in 2000. Today, shuttle buses from Tesla, Alphabet Inc.’s Google and Facebook Inc. rumble across San Francisco and down Highway 101 to relieve congestion at ever-expanding corporate campuses. Yahoo Inc.’s empty parking spaces in recent years were said to illustrate its troubled times.

Tesla’s parking hell reflects a hiring binge that has ex-



The lot at Tesla's headquarters, in Palo Alto, Calif.

panded its head count by about 75% over the past two years to more than 17,000, not including employees of SolarCity Corp., which it acquired late last year.

When Tesla announced in 2009 it was leasing the former Hewlett-Packard facility in Palo Alto for its headquarters,

it said it planned to have about 350 employees there, with room for as many as 650. Tesla won’t disclose how many people work there now, but says it has 600 striped parking spots.

The chaos has forced employees to come up with clever workarounds, including secret deals at the factory to share

spots with workers on opposite shifts. “Employees would enter into exclusive relationships, and payment would be made in the form of cash or a barter deal,” such as cigarettes or help rebuilding a car on the weekend, said Marissa Peretz, who spent five years as a recruiter for the auto maker until 2015.

Some workers arrive early to find spaces, and then go back to sleep in their cars until work begins, employees said. Others idle in their cars waiting for co-workers to leave, so they can pounce when spaces come open.

Getting out of the parking lot is a mess, too. Double-parked cars often box others in, causing employees to blow a gasket. The Instagram account captured a photo of a note left on a windshield that read, with some pointed expletives: “Next time you block 100+ people from getting out of the parking lot you’re getting your tires slashed”—signed, “Everyone.”

Tesla is trying to build self-driving cars that could in theory help alleviate parking headaches, since they might one day be able to drive away and park themselves at distant

lots, an irony that isn’t lost on employees. One Instagram commenter theorized the disarray was a plot by Tesla management: “It provides motivation to achieve [fully] autonomous driving as soon as physically possible.”

Palo Alto’s deputy fire chief, Catherine Capriles, calls Tesla’s parking situation a “nightmare.” The Palo Alto fire department has responded to at least three medical emergencies at the headquarters in the past year and ran into trouble when parked vehicles blocked the fire engine from turning or backing out, Ms. Capriles said.

Tesla says it works closely with the fire department to maintain pathways in case of emergencies.

Tesla has tried to encourage alternatives to driving, such as biking, public transportation and the shuttle buses provided from around the Bay Area, and the company also tickets the scalawags.

A favorite topic of conversation, employees said, is how Mr. Musk manages parking. “We joked about him coming in on a helicopter,” said the Instagramming employee. Tesla says Mr. Musk parks in the lot.

LIFE & ARTS

WORK & FAMILY | Sue Shellenbarger

Teen Girls: How to Help

Psychologists and others weigh in on navigating through critical stages

SCREAMING, slamming doors and careening from one emotional outburst to the next—all can be part of life with a teenage girl. Although girls approaching their teens are often years ahead of boys in gaining height, language and social skills, those

strengths mask some important vulnerabilities. Questions about helping teen girls thrive are a source of interest for psychologists and neuroscientists, sparking more than three dozen studies in the past year. Here's a guide to the findings:



Ages 10 to 11

Early signs of puberty set in sooner than many parents expect. Girls begin staying up later and having their first crushes. Many are beset by strong, volatile emotions, ending a period of relative calm from ages 6 to 11, says Lisa Damour, a psychologist and director of the Laurel School's Center for Research on Girls in Shaker Heights, Ohio.

Some girls mature faster and begin menstruating at age 10 or 11, compared with an average of 12 to 13. Early-maturing girls are at higher risk of behavior problems and depression. Girls who look older than their years often attract older peers who may lead them into risky behaviors.

Early-maturing girls who hang out with school friends the same age, rather than older friends from outside school, fare better. Also, those who say they're close to parents and can talk with them about many things have a better chance of thriving, research shows.

Ages 14 to 15

Girls' interactions with parents can take a negative turn, and some become pessimistic in the face of challenges. Boys offered a chance to win rewards in a Wheel of Fortune-like game became excited and motivated, while girls said the challenge made them anxious, says a 2017 study of 167 teens with an average age of 14.

Girls tend to have more negative conflicts with parents than boys. A certain amount of arguing helps teens learn to control themselves and negotiate differences, Mr. Simon says. Parents who can listen with respect and disagree calmly make teens feel as if their opinions matter, helping build a sense of identity.

Some teens, however, unconsciously dump negative feelings on a parent so Mom or Dad will feel bad in their stead, says Dr. Damour, author of "Untangled," a best-selling book on raising adolescent girls. They also tend to make bad feelings worse by ruminating or brooding over them. Rumination is linked to depression in teen girls, who suffer the malady at nearly twice the



rate of boys.

If a girl is ruminating on a problem she can do something about, help her get started on working toward a solution, Dr. Damour says. If it's something she can't change, help her find a happy distraction.

Preteen and teenage girls posted lasting improvements in feelings of mastery and closeness with others after taking part in a one-week mountain-biking program where they were also coached on goal-setting, self-expression and team-building, according to a 2016 study of 87 girls.



Ages 12 to 13

Girls typically are more skilled than boys at expressing their emotions and interpreting others' moods at this stage. They're quicker to grasp nuances of humor.

Girls are also more vulnerable to stress than boys. A stress hormone that has a calming effect on teen males and adults may make teen girls more anxious, based on research on female rats. And teen girls are more sensitive to rejection, showing a sharper rise in stress hormones when trained peers in laboratory simulations exclude them from conversations, according to a 2017 study of 59 children and teens led by Laura R. Stroud, a senior research scientist at Brown University's Warren Alpert Medical School.

Girls whose parents give them strategies for solving social problems—by suggesting they join a school club to meet peers with similar interests, for example—have stronger friendships, according to a 2017 study which surveyed 123 middle-schoolers and their parents and teachers twice over 10 months.

Girls also need help managing strong emotions, Dr. Damour says. One eighth-grade girl screamed in distress after finding out about a bad grade online, as if "she walked into a mass-murder scene," the girl's father told researchers in a 2016 study.

Parents should avoid overreacting. "The No. 1 mistake parents make when their kid is in distress is to jump in to solve the problem," says Michael Y. Simon, an author and school counselor in New Orleans.

Simply helping a girl name what she's feeling and talk about it can have an almost mag-

ical calming effect, Dr. Damour says. Teens who are able to ask for and receive support and problem-solving help from their mothers at age 13 tend to be more independent and better educated at 25, according to a 12-year study of 184 subjects.

Some girls try to cope by sharing too much or attacking others on social media, which tends to amplify bad feelings. Dr. Damour advises curbing social-media use and guiding girls toward face-to-face activities instead.



ILLUSTRATIONS BY ROBERT NEUBECKER

YOUR HEALTH | Sumathi Reddy

THYROID CANCER RATES RAISE NEW CONCERNS

TWO NEW STUDIES show that the high incidence of thyroid cancer may be more dangerous than previously thought.

A study published in The Journal of the American Medical Association (JAMA) last month raises new questions about why thyroid cancer cases are on the rise. Data from a separate study points to flame retardants as a possible culprit.

The research could cause a shift of doctors' and researchers' long-held beliefs that the fast-growing rate of thyroid cancer cases is solely due to unnecessary diagnoses involving small tumors that don't lead to death.

The JAMA study showed that the incidence of thyroid cancer has more than tripled over the past four decades, and this includes larger tumors and patients with more deadly disease. The Duke University and National Cancer Institute researchers also found that mortality for thyroid cancer patients has been rising slightly for the past two decades. Compared with other cancers, though, survival rates for thyroid cancer are still overwhelmingly high.

"Tumors of all sizes are increasing significantly, which goes against overdiagnosis being the sole explanation for the epidemic of the disease," said Julie Sosa, chief of endocrine surgery at Duke University and co-author on the JAMA study.

Thyroid cancer is the fifth most common cancer in women, often striking young and middle-aged women. Patients don't usually have symptoms until it's in an advanced stage, when they may have trouble breathing or swallowing, feel pressure in the neck or notice a change in their voice.

The NCI and Duke researchers tracked the number of thyroid cancer cases from 1974 to



GETTY IMAGES

2013 and found there was an increase of 3.6% cases a year on average with mortality increasing 1% a year since 1994, said Cari Kitchahara, an investigator at the NCI, part of the federal National Institutes of Health, and a senior author on the JAMA study.

The majority of cases diagnosed during the study period—about 84%—were papillary thyroid cancers. Papillary thyroid cancer is the most-common type of thyroid can-

cer and generally slow-growing.

The researchers speculated that rising thyroid cancer cases could be related to increasing obesity rates and declining smoking rates since smoking is protective against developing thyroid cancer—though medical experts are quick to note they would never advocate smoking as a prevention tool. A third possible explanation is exposure to endocrine-disrupting chemicals commonly found in household

Two new studies could prompt a shift in long-held thinking on thyroid cancer. The thyroid, a butterfly-shaped gland in the neck, produces hormones that regulate functions, such as body temperature, weight, and heart rate.

objects. The chemicals are commonly used to reduce the flammability of many household objects, such as furniture and electronics.

In a separate study, whose results were presented at the Endocrine Society's annual meeting in Orlando, Fla., earlier this month, Dr. Sosa and colleagues at the Nicholas School of Environmental Health at Duke University found that higher exposure to three types of flame retardants was associated with papillary thyroid cancer. The data are currently under review for publication.

Heather Stapleton, an associate professor of environmental chemistry and exposure science at Duke University and co-author of the study, said the use of flame retardants has grown dramatically over the past few decades.

Dr. Sosa also noted that the chemical structure of one of the flame retardants, DecaBDE, is very similar to that of thyroid hormone and can potentially imitate it, confusing the body. DecaBDE, short for decabromodiphenyl ether, is commonly found in furniture and electronics. It is no longer produced in the U.S. but thought to be produced elsewhere, Dr. Stapleton said.

A spokesman for the American Chemical Council, Bryan Goodman, said it was difficult to comment on the research without seeing the full results. "Based on what we have seen, it appears that the study largely focuses on specific flame retardants that were phased out of production years ago," he said.

OPINION

REVIEW & OUTLOOK

Obama’s Debt Interest Bomb

President Obama left his successor many time bombs—think chemical weapons in Syria and the collapsing Affordable Care Act. But a burning fuse that gets less attention showed its first signs of the explosion to come in Friday’s Congressional Budget Office budget review for March: Rising net interest payments on the national debt.

The CBO reported that the federal budget deficit rose \$63 billion in the first half of fiscal 2017 (October-March) to \$522 billion from a year earlier. But here’s the especially bad omen: Net interest payments rose \$7 billion, or 30%, in March from a year earlier.

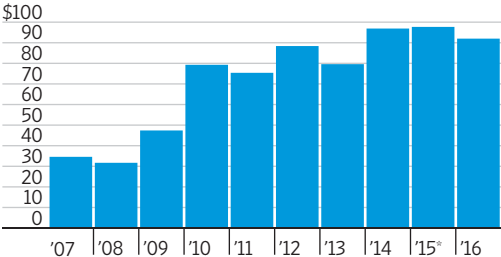
If that seems small, consider that interest payments rose \$28 billion for the six months of fiscal 2017 to \$152 billion. That’s a 22.2% increase, among the biggest in any single spending item highlighted by the CBO. The increases reflect the growing debt but in particular the Federal Reserve’s decision to raise interest rates after years of near-zero rates.

While Mr. Obama was doubling the national debt over eight years, the Fed’s monetary policies spared him from the fiscal consequences. The Fed’s near-zero policy kept interest rates at historic lows that reduced net interest payments even as the overall debt increased. The Fed’s bond-buying programs also earned money that the Fed turned over to Treasury each year, reducing the size of the federal budget deficit by tens of billions of dollars.

Rising interest payments are already showing up in the federal fisc.

The Fed’s Budget Bonus

Federal Reserve remittances to the U.S. Treasury, 2007-2016, in billions of dollars



This not-so-free Fed lunch is starting to end. The CBO estimates that \$160 billion more spending will be required each year over the next decade if interest rates are merely one percentage point higher than in its current projections. As interest rates rise, the Fed will also have to pay banks more to keep excess reserves parked at the central bank. After its latest rate increase in March, the Fed now pays banks 1% on reserve balances or about \$20 billion a year, and that will go up.

Fed officials are also now hinting that this year they may finally stop buying new securities when the current bonds on its balance sheet come due. This is necessary and long overdue, but it will mean smaller Fed contributions to the federal budget than the more than \$90 billion the Fed has turned over in recent years. (See the nearby chart.)

All of this is set to explode on President Trump’s watch, and it will complicate the task for Republicans as they try to reform the tax code within tighter budget constraints.

Mr. Obama didn’t expect a Republican to succeed him but we doubt he regrets this result. He was able to live off the eight years of accommodative Fed policy while seeding the federal fisc with ever-higher spending from interest payments and the Affordable Care Act after he leaves office. Mr. Trump is stuck with the bar tab. It’s one more mess Mr. Obama left others to clean up.

Truth and the Great Libor Fix

The Libor-rigging scandal truly is a gift that keeps on giving. No sooner had courts in London appeared to wrap up the last of the criminal cases related to this pesky interest rate than new evidence emerges to implicate regulators.

Libor—the London Interbank Offered Rate—became a focus of recrimination during and after the 2008 global panic. This average of the interest rates that big banks charge each other for short-term funding was at the time self-reported to the private British Bankers Association (BBA) and used as a benchmark for other lending contracts, from mortgages to credit cards to complex derivatives. Investigators have long insisted that some banks lowballed the borrowing rates they reported to produce a Libor that would help their own trading books.

But in new evidence reported Monday by the BBC, a banker at Barclays is heard on tape in October 2008 telling a colleague that the bank was under pressure from Britain’s central bank and the Labour government to feed lower numbers into the Libor tabulations. “[Y]ou’re absolutely going to hate this . . . but we’ve had some very serious pressure from the U.K. government and the Bank of England about pushing our Libors lower,” a manager tells an employee responsible for submitting Libor readings to the BBA.

The regulators’ motive was to make the financial system appear less risky during the panic by suggesting banks could still borrow from each other cheaply. They also wanted to foster the impression that the government’s crisis controls were working. This tape adds context to the 2012 disclosure that in late October 2008 then-central bank official Paul Tucker suggested to then-chief executive of Barclays Bob Diamond that “it did not always need to be the case” that Barclays report a rate at the upper end of that range.

From the new tape, it’s clear that this statement came to be interpreted within Barclays

as an instruction from the central bank. And a 2012 Parliamentary report on this mess shows that a Barclays employee on the receiving end of these instructions

was sufficiently uneasy that he contacted the bank’s compliance department before acting on this apparent regulatory directive.

That Parliamentary report concluded that the Tucker-Diamond phone call set off “an extraordinary, but conceivably plausible, series of misunderstandings and miscommunications.” Well duh. Messrs. Tucker and Diamond both denied five years ago that Mr. Tucker’s statement was intended, or taken, as a mandate to lowball Libor.

But what did regulators think would happen when such a message was conveyed to a bank from its regulator, and with a hint that officials who already had nationalized two other British banks in the crisis were on board? Libor readings in those days were little more than guesses since the interbank lending market had frozen up.

The lingering mystery remains where the crime is. Prosecutors in Britain and U.S. have enjoyed mixed success prosecuting alleged Libor cheats. The last two British prosecutions from this episode ended in acquittals this month, although others have been convicted for activities outside the depth of the 2008 crisis. Those bankers might not be saints, but it’s hard to tell how they could have directly manipulated a rate that’s an average of different bank inputs.

The biggest winners in all of this have been the governments in Washington and London that have collected more than \$9 billion in fines from banks desperate to put this circus behind them. Those governments know all about rigging interest rates, after their central banks have spent decades distorting monetary signals around the globe. No wonder Barclays employees thought it was so believable that the Bank of England would try to rig Libor too.

established ESAs for students with special needs. In 2015, Nevada passed legislation enacting universal ESAs, though that state’s Supreme Court

last fall rejected the program’s funding mechanism while upholding its constitutionality. Governor Brian Sandoval didn’t impel his GOP legislative majority to finance accounts for the 8,000 parents who signed up, and he now has to contend for funds in the budget with a Democratic-controlled statehouse.

That means Arizona’s universal ESAs become the most expansive choice program in America. Every public-school student would be eligible, though new enrollment each year would be capped at 5,000. Accounts would average about \$5,600, which is enough to cover tuition at about half of the private schools in the state. The legislation also imposes rigorous accountability measures, including mandated standardized testing and public reporting of the aggregate results.

The Goldwater Institute and American Federation for Children deserve special credit for bringing public pressure to bear on lawmakers. Arizona set school-choice precedents by enacting the country’s first tax-credit scholarship and ESA programs. Here’s hoping more states follow its lead.

The state enacts universal education savings accounts.

Arizona’s Grand School Choice

U.S. Education Secretary Betsy DeVos last month gave a rousing speech encouraging all flowers of school choice to bloom. Arizona lawmakers put her words into action on Thursday by enacting universal education savings accounts.

Arizona pioneered education savings accounts (ESAs) in 2011 as a workaround to a state Supreme Court ruling that struck down vouchers. The state deposits 90% of a student’s per-pupil allowance into an account that parents who withdraw their children from public schools can tap for private-school tuition, tutoring, home schooling, curriculum, materials and other education expenses approved by the state. Parents can roll over funds and use remaining money in the account to finance their child’s college education.

The program had been limited to select groups of students, principally those who have special needs or attend failing schools. More than 3,300 kids currently participate, and state fiscal analysts have estimated ESAs save taxpayers about \$1,400 for each special-needs student. In addition, nonprofit organizations award more than 60,000 tax-credit scholarships.

Florida, Mississippi and Tennessee have also

Paying the Deadly Price For Obama’s Mendacity



GLOBAL VIEW
By Bret Stephens

Last week’s cruise-missile strike against a Syrian air base in response to Bashar Assad’s use of chemical weapons has reopened debate about the wisdom of Barack Obama’s decision to forgo a similar strike, under similar circumstances, in 2013.

But the real issue isn’t about wisdom. It’s about honesty.

On Sept. 10, 2013, President Obama delivered a televised address in which he warned of the dangers of not acting against Assad’s use of sarin gas, which had killed some 1,400 civilians in the Damascus suburb of Ghouta the previous month.

“If we fail to act, the Assad regime will see no reason to stop using chemical weapons,” Mr. Obama said. “As the ban against these weapons erodes, other tyrants will have no reason to think twice about acquiring poison gas, and using them. Over time, our troops would again face the prospect of chemical weapons on the battlefield. And it could be easier for terrorist organizations to obtain these weapons, and use them to attack civilians.”

It was a high-minded case for action that the president immediately disavowed for the least high-minded reason: It was politically unpopular. The administration punted a vote to an unwilling Congress. It punted a fix to the all-too-willing Russians. And it spent the rest of its time in office crowing about its success.

In July 2014 U.S. Secretary of State John Kerry claimed “we got 100% of the chemical weapons out.” In May 2015 Mr. Obama boasted that “Assad gave up his chemical weapons. That’s not speculation on our part. That, in fact, has been confirmed by the organization internationally that is charged with eliminating chemical weapons.” This January, then-National Security Adviser Susan Rice said “we were able to get the Syrian government to voluntarily and verifiably give up its chemical weapons stockpile.”

Today we know all this was untrue. Or, rather, now all of us know it. Anyone paying even slight attention has known it for years.

In June 2014 United Nations Ambassador Samantha Power noted “discrepancies and omissions related to the Syrian government’s declaration of its chemical weapons program.” But that hint of unease didn’t prevent her from celebrating the removal “of the final 8% of chemical weapons materials in Syria’s declaration” of its overall stockpile.

The following summer, The Wall Street Journal’s Adam Entous and Naftali Bendavid reported “U.S. intelligence agencies have concluded that the [Assad] regime didn’t give up all of the chemical weapons it was supposed to.” In February 2016, Director

of National Intelligence James Clapper confirmed the Journal’s story, telling Congress “Syria has not declared all the elements of its chemical-weapons program.”

Why did Mr. Obama and his senior officials stick to a script that they knew was untethered from the facts? Let’s speculate. They thought the gap between Assad’s “declared” and actual stockpile was close enough for government work. They figured a credulous press wouldn’t work up a sweat pointing out the difference. They didn’t imagine Assad would use what was left of his chemical arsenal for fear of provoking the U.S.

And they didn’t want to disturb the public narrative that multilateral diplomacy was a surer way than military action to disarm rogue Middle

The consequences of his administration’s lies about Syria are becoming clear.

Eastern regimes of their illicit weapons. Two months after Mr. Obama’s climb-down with Syria, he signed on to the interim nuclear deal with Iran. The remainder of his term was spent trying not to upset the fragile beauty of his nuclear diplomacy.

Now we’re coming to grips with the human and strategic price of the Obama administration’s mendacity. The sham agreement gave Assad confidence that he could continue to murder his opponents indefinitely without fear of Western reprisal. It fostered the view that his regime was preferable to its opponents. It showed Tehran that it could drive a hard diplomatic bargain over its nuclear file, given that the administration was so plainly desperate for face-saving excuses for inaction.

And it left Mr. Obama’s successor with a lousy set of options.

Rex Tillerson and Nikki Haley erred badly by announcing, just days before last week’s sarin attack, that the Trump administration had no plans to depose Assad. They gave the dictator reason to believe he had as little to fear from this U.S. president as he did from the previous one.

But, unlike their predecessors, the secretary of state and U.N. ambassador deserve credit for learning from that mistake—as does the president they serve. The core of the problem in Syria isn’t Islamic State, dreadful as it is. It’s a regime whose appetite for unlimited violence is one of the main reasons Islamic State has thrived. To say there is no easy cure for Syria shouldn’t obscure the fact that there won’t be any possibility of a cure until Assad falls.

Mr. Obama and his advisers will never run out of self-justifications for their policy in Syria. They can’t outrun responsibility for the consequences of their lies.

Write bstephens@wsj.com.

LETTERS TO THE EDITOR

Limits on Authoritarianism in Hong Kong?

In your editorial “Hong Kong’s New Boss” (March 27), you indicate that Beijing may face negative consequences if it decides to continue ignoring democratic and basic human rights in Hong Kong. What consequences? China remains a totalitarian state with imperial ambitions. Such nations only respond to forces that threaten their existence.

Since the British handover of Hong Kong to China in 1997, Beijing has effectively ignored the provisions of the handover agreement, which was to respect the tradition of democracy and basic human rights established under former British rule. Except for moderate public protests from successive U.K. governments and private cajoling, there hasn’t been even the slightest hint of “hard” power from either the

U.K. or the West. Hard power doesn’t have to be military force; it could be economic sanctions initially targeting the rulers in Beijing. But the West and the U.K. have made clear no such force will be forthcoming regardless of how China treats Hong Kong.

As for the negative consequences ensuing from the increasing resentment of the youth population in Hong Kong, Tiananmen Square comes to mind. The real negative consequence will be for any Hong Kong residents thinking of seriously challenging Beijing. If push comes to shove, history shows Beijing won’t hesitate to apply military force to crush the opposition as the West idly watches, voicing empty protests.

S. LEVIN
Philadelphia

Gresham’s Law of Bad Internet Journalism

In “Fake News and the Digital Duopoly” (op-ed, April 6), Robert Thomson describes the effect of a kind of Gresham’s Law of Media: Bad “journalism” drives out good journalism.

Google and Facebook want the controversy to focus on the placement of ads near objectionable content, rather than on the often disgusting and hateful content itself. Their claims that they’re taking the First Amendment high road by not banning or censoring things such as live streams of sexual assaults or incendiary hate speech ring very hollow.

Old media, such as The Wall Street Journal, which Mr. Thomson’s company, News Corp, owns, every day exercise the responsible editorial judgment that Gresham’s Law is relentlessly eroding in the online world. Most of the trash that somehow qualifies as news online would never be allowed to be expressed or presented on a college campus. But it’s perfectly fine to show bomb-building instructions on the “new”

media—as long as it doesn’t run near an equally hypocritical big company’s advertisement.

STEVE NAPOLI
Hilton Head Island, S.C.

The internet and all of its utilities are nothing but an extension of the office rumor mill and grapevine. What’s exceptional is that successful commercial firms would pay to be arbitrarily exposed on YouTube, Facebook and Google. Let it and them go!

Serious journalism is alive and well in spite of it all. Just check out the Journal’s website.

AL HATHEWAY
Pasadena, Calif.

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OPINION

What Comes After the Syria Strikes

By Paul Wolfowitz

Strong American action can dramatically change the attitudes of other countries. It makes enemies more cautious, friends more supportive and fence-sitters more cooperative. It provides leverage in negotiations and improves opportunities for coalition building. Last week, President Trump demonstrated America's resolve by retaliating against the Syrian government after Bashar Assad used chemical weapons. Now Mr. Trump must follow through with a broad diplomatic effort to end the country's bloodshed.

With America's credibility restored, Trump should lead a diplomatic effort to replace Bashar Assad.

Among the most interesting reactions to the American strike were two from Iraqi Shiite leaders. On Thursday Prime Minister Haider al-Abadi, a moderate, and the cleric Moqtada al-Sadr, a firebrand, both called for Mr. Assad to step down. Mr. Sadr predictably denounced the U.S. strike. Mr. Abadi indirectly praised it by noting how Iraqis had suffered from Saddam Hussein's chemical weapons.

These calls for Mr. Assad to step down might seem at odds with the conventional wisdom, which puts the Sunni-Shiite conflict at the heart of everything in the Middle East.

Shouldn't Iraq's Shiites naturally side with Iran's Syrian proxy and approve of Mr. Assad's brutal treatment of Sunni opponents? Yet there are issues more important than the sectarian divisions. The people of Iraq know well that the Assad regime has supported the insurgents and suicide bombers who have killed thousands of Iraqis, and hundreds of Americans, since 2003. The Bush administration largely turned a blind eye to that support, and President Obama did so even more.

In August 2009 then-Iraqi Prime Minister Nouri al-Maliki demanded that Syria hand over two Iraqis in Damascus who were believed to be connected to car bombings in Baghdad. The Obama administration, rather than support the Iraqi government—or even demand an investigation—said nothing for a week. The U.S. State Department then announced that America was officially neutral. Last week's decisive action was a different sort of American signal.

The U.S. can now lead the effort to bring some semblance of stability to Syria. Washington should recognize that peace is impossible with Mr. Assad still in power, but also that millions of Syrians—particularly the Christian and Alawite minorities—may feel endangered by the strongman's departure.

The aim should be to replace Mr. Assad's regime with new governance arrangements that can provide assurance to these minorities while also ending the current government's oppression of the country's Sunni majority.

Fashioning such an outcome would require diplomacy of extraor-



The destroyer USS Porter launches a Tomahawk missile on Friday.

dinary creativity. But the U.S. starts with a distinct advantage. Unlike Iran and Russia, America has no interest in exercising control over or acquiring a military position in Syria. As long as the bleeding stops, the U.S. would be happiest to leave Syria to the Syrians. So how can Washington strengthen its diplomatic effort in Syria and at the same time weaken Iranian influence in Iraq?

First, the U.S. should use public diplomacy to highlight the responsibility of the Assad regime for the suffering of thousands of innocent Iraqis over the past 14 years. This effort should also explain Mr. Assad's efforts to strengthen Islamic State. The dictator has tried to make his regime seem like the only alternative to domination by terrorists. He has done this by attacking Syrian moder-

ates and freeing imprisoned extremists who went on to become Islamic State leaders.

The U.S. should encourage Saudi Arabia to play a constructive role in Iraq by using its considerable economic weight to counterbalance Iranian influence. The Saudis have in the past shown a willingness to treat Iraq as an Arab partner and not a Shiite adversary. That realism, which was evident under an earlier Saudi leadership, seems to be re-emerging. Two months ago Saudi Foreign Minister Adel al-Jubeir visited Baghdad, the first such trip in 27 years.

The Trump administration should also counter the mistaken belief that Saudi Arabia prevented the U.S. from supporting the Shiite uprising against Saddam Hussein after the liberation of Kuwait. Many Iraqis,

and even some reputable historians, still believe this. Yet the truth is exactly the opposite. The U.S. should make public the record of Saudi efforts to persuade the first President Bush and President Clinton to support anti-Saddam Shiite rebels. It will be difficult for Saudi-Iraqi relations to develop without countering the belief that Saudi Arabia is partly responsible for mass graves of Iraqi Shiites.

U.S. diplomats should seek to engage the regional Arab players in addressing the difficult challenge of postconflict reconciliation. This will confront Syria in the aftermath of any peace settlement, and it will become important in Iraq once Mosul is liberated. Reconciliation processes that are suited to local cultures and deal with the horrific legacy of totalitarian Arab regimes cannot be overseen by outsiders. But the diplomatic effort should emphasize their importance regardless.

These political and diplomatic actions could complement and reinforce more-concrete measures to change facts on the ground in Syria, such as creating safe zones or imposing no-fly zones. These efforts won't be simple, nor will they yield immediate results. But this framework would go a long way in addressing the common danger of radical extremism and stemming the flow of refugees that has become a humanitarian disaster and a threat to U.S. interests.

Mr. Wolfowitz, a scholar at the American Enterprise Institute, has served as deputy defense secretary and ambassador to Indonesia.

Land Rights and Justice in South Africa

By Anthea Jeffery

Black South African farmers have long toiled against poverty and inequality, in no small part because the land they till is rarely their own. Now President Jacob Zuma is proposing reforms that would ostensibly put some of this land in the hands of the farmers, but would bring them no closer to actual ownership. It's an excuse for land nationalization, not effective land reform.

In recent years, Mr. Zuma's African National Congress (ANC) party has repeatedly blamed persistent black poverty on skewed land ownership. Historical injustice has played a significant role, as between 1913 and 1991 black people were barred from purchasing farming land in "white" areas of the country. Close to one million blacks whose relatives had managed to buy land before 1913 were forcibly removed from their property in the 1960s and '70s.

Since 1991, black South Africans have bought millions of hectares of farming land on the open market. According to the consulting firm

Agri Development Solutions, working in conjunction with two farming journals, in 2016 black land ownership stood at an estimated 63% in KwaZulu-Natal, at around 48% in both Limpopo and North West, and at some 42% in the Eastern Cape and Gauteng. Only in the Western Cape and two other provinces did black ownership remain below 7%.

The ANC, meanwhile, puts white land ownership across the country at 80% or more. It uses such inflated figures in order to claim that expropriation is the only way to restore land to "the people." Mr. Zuma now speaks of amending South Africa's Constitution to allow expropriation without compensation. A prominent ANC provincial leader, Sihle Zikalala, says "at least 70% of the land must be expropriated and then leased to the people who are going to use it."

The current emphasis on expropriation comes after decades of ANC failures on land reform. Annual budgets generally earmark less than 1% for land acquisition. At least 70% of transferred farms have fallen out of production.

The government also provides too little support for new farmers. Black farmers are generally denied individual ownership of transferred land and cannot use it to raise working capital. Since 1994, some 4.8 million hectares

Correcting historical wrongs requires giving blacks clear title to property, not another expropriation scheme.

have been bought by the state for redistribution. Farmers working this land have repeatedly asked for individual ownership, but the ANC is determined to confine them to leasehold tenure instead.

Under the State Land Lease and Disposal Policy of 2013, black farmers producing mainly for their own subsistence will always be tenants of the state. Those black farmers capable of commercial production must lease their farms for 50 years, after which they may be permitted to buy. In the interim, their leases can be termi-

nated at any time if they don't produce enough to satisfy officials, while fixed improvements then generally go to the state without compensation.

The lack of secure title is crippling, and the situation will persist when the state embarks on expropriation.

The problem of insecure title affects many others too. In the former "homeland" areas, which the apartheid government sought to spin off as independent states, some 17 million black people live on roughly 16 million hectares of land. Much of this is high-quality agricultural land along the well-watered eastern seaboard. But this land remains vested in traditional leaders, in keeping with customary law, and individuals have only limited rights to use their allocated plots. Since these insecure rights fall short of ownership and cannot provide collateral for bank loans, much of this land remains underutilized. Many of the people living there continue to depend almost entirely on state grants and remittances from relatives.

A similar problem is evident in many towns and cities. Here, a massive shift has taken place since the early 1980s, when the prohibition

on black home ownership was finally lifted. Some 7.7 million black people now own their homes, while 7.2 million have houses that are fully paid off. But most of these homeowners cannot prove their ownership or use their houses as collateral because they have never been granted title deeds. South Africa's Constitution promises legally secure tenure to people without title deeds, but this commitment has in practice been overlooked.

The larger problem is that most blacks in rapidly urbanizing South Africa don't want land for farming. They want houses and jobs in the towns and cities. The ANC is nevertheless using their supposed hunger for farmland to tear up the constitutional settlement, crafted so carefully during the country's political transition.

The real aim isn't to provide redress for past injustices. It's to empower the state by mandating a program of nationalization of land and other property.

Ms. Jeffery is the head of policy research at the South African Institute of Race Relations.

The Fed Could Use Less Book Learning and More Street Smarts

By Joe Ricketts

I'll bet pundits and pollsters will forever ponder how Donald Trump got elected. For me, it's straightforward: The American people—or at least enough of them to propel Mr. Trump into office—wanted to infuse practical business experience into the government. To borrow a phrase from my friend, the economist Larry Lindsey, voters rejected the political ruling class in favor of real-world experience.

Which brings me to the Federal Reserve. In 2012 Jim Grant, the longtime financial journalist, delivered a speech at the Federal Reserve Bank of New York. "In the not quite 100 years since the founding of your institution," he said, "America has exchanged central banking for a kind of central planning and the gold standard for what I will call the Ph.D. standard."

Central banking, in other words, is now dominated by academics. And

while I don't blame them for it, academics by their nature come to decision making with a distinctly academic perspective.

The shift described by Mr. Grant has had consequences. Simplicity based on age-old practice has been replaced by complexity based on econometric theory. Big Data has played an increasingly prominent role in how the Fed operates, even as the Fed's role in the economy has deepened and widened.

Rather than enlisting business leaders and bankers to fulfill the Fed's increasingly complex mission, America's political and monetary authorities turned primarily to the world's most brilliant economists, who can be thought of more and more as monetary scientists.

"Central bankers have invited politicians to abdicate leadership authority to an inbred society of PhD academics who are infected to their core with groupthink, or as I prefer to

think of it: 'groupstink,'" argues former Dallas Fed analyst Danielle DiMartino Booth in a new book.

Ten of the 17 current Fed governors and regional bank presidents have doctorates in economics. Few have much experience in the private economy. Most have spent the bulk of their careers at the classroom lectern or in Washington. This is a sea change. In past decades, Fed members and governors frequently had experience in banking, industry and agriculture.

Do the results indicate that the pursuit of intellectual horsepower has produced a stronger economy? Today's labor-force participation rate is lower than at any time since the late 1970s; an oven from Sears that cost \$160 in 1975 would cost more than \$400 today; and despite unprecedented intervention in the economy, America has experienced its worst recovery since the Great Depression.

Given the cumulative genius of the leaders of the Federal Reserve System, and the highly sophisticated quantita-

tive tools and policies the Fed has developed under their direction, why aren't we doing better?

Here's one businessman's answer: Academic genius is great, but it often comes up short when divorced from

Academic economists are fine, but business leaders and bankers would bring an important perspective.

the practical experience of people who have expanded America's economy with new companies, new jobs and new ideas. That's not taking anything away from college professors. The U.S. economy is complicated, but there's a place for practical business experience in the Fed decision-making process.

Those who have actually taken risks in the market—as entrepreneurs, business executives or bank

chiefs—have unique perspectives on the effects of monetary policy that economists necessarily lack. These individuals can tell you how a particular policy might affect their decisions, as well as the decisions of those in related industries, and all the knock-on effects it would produce across the economy.

Intellect is important, but it's not enough. Practical knowledge, experience and wisdom are needed to produce good policy, and good policy is essential for a free-market economy to prosper.

So I humbly suggest that political leaders increase the intellectual diversity of the Federal Reserve Board of Governors by considering candidates with real-world business experience. Academics have my respect, but when their insights are balanced by the lessons of the free market, the Federal Reserve will better fulfill its mission.

Mr. Ricketts founded the financial-services company now known as TD Ameritrade.

Notable & Quotable: Noonan on Trump's Rise

Peggy Noonan, who on Monday was announced as the winner of the 2017 Pulitzer Prize for Commentary, in her Feb. 27, 2016, column for *The Wall Street Journal*, "Trump and the Rise of the Unprotected":

There are the protected and the unprotected. The protected make public policy. The unprotected live in it. The unprotected are starting to push back, powerfully.

The protected are the accomplished, the secure, the successful—those who have power or access to it. They are protected from much of the roughness of the world. More to the point, they are protected from the world they have created. Again,

they make public policy and have for some time.

I want to call them the elite to load the rhetorical dice, but let's stick with the protected.

They are figures in government, politics and media. They live in nice neighborhoods, safe ones. Their families function, their kids go to good schools, they've got some money. All of these things tend to isolate them, or provide buffers. Some of them—in Washington it is important officials in the executive branch or on the Hill; in Brussels, significant figures in the European Union—literally have their own security details.

Because they are protected they feel they can do pretty much any-

thing, impose any reality. They're insulated from many of the effects of their own decisions.

One issue obviously roiling the U.S. and Western Europe is immigration. It is the issue of the moment, a real and concrete one but also a symbolic one: It stands for all the distance between governments and their citizens.

It is of course the issue that made Donald Trump.

Britain will probably leave the European Union over it. In truth immigration is one front in that battle, but it is the most salient because of the European refugee crisis and the failure of the protected class to address it realistically and in a way that offers safety to the unprotected.

LIFE & ARTS

MY RIDE

A Prize-Winning Tribute to Prince

Rebecca Bass, 62, an art teacher at Heights High School in Houston, on the Purple Reign art car, as told to A.J. Baime.

This past weekend, many thousands turned out for the 30th annual Houston Art Car Parade—billed as the biggest art car parade in the world. For the past 28 years, I have worked with students to produce a car for the event. This year our car—called Purple Reign, a tribute to Prince—won the Mayor’s Cup, the top honor.

To start out, I buy the car myself with a budget of \$500. This year, I bought a late 1980s Mercedes-Benz. I had a group of eight kids, age 14 to 17, and we started in January. The kids worked every day after school until dark, on weekends, and all through spring break.

They built a replica of Prince’s Honda motorcycle on top of the car, from the movie “Purple Rain.” (I teach the kids to weld.) They created sculptures of Prince, his drummer Sheila E., and his longtime bass player, out of foam, stucco, marine varnish, and glitter.

I’m good at begging for things for my students. At a local Corvette place, I got the back end of a 1991 Corvette. We zip tied the Corvette piece onto the back of the Mercedes and painted it red, for the Prince song “Little Red Corvette.” A local jewelry store called Charming Charlie gives us all its broken jewelry and we used it to bedazzle the car.

The parade itself is unbelievable. The kids have been working so hard, and now they are put on a stage. They are competing with artists from all over. They realize that their world is so much bigger than their block and their school. Their self-esteem skyrockets.

It’s amazing for me too. I see my old students who have worked on these cars in the past. They’re 20 years old now, or 30 years old, and they come out to give me hugs and see the new car. The experience is priceless.

After the parades, our cars end up in museums and collections, all over the country, even in Europe. This new one I hope ends up in Paisley Park (Prince’s private estate in Minnesota), which has been turned into a museum. We give these cars to places where they will be seen, and where they will be cherished.

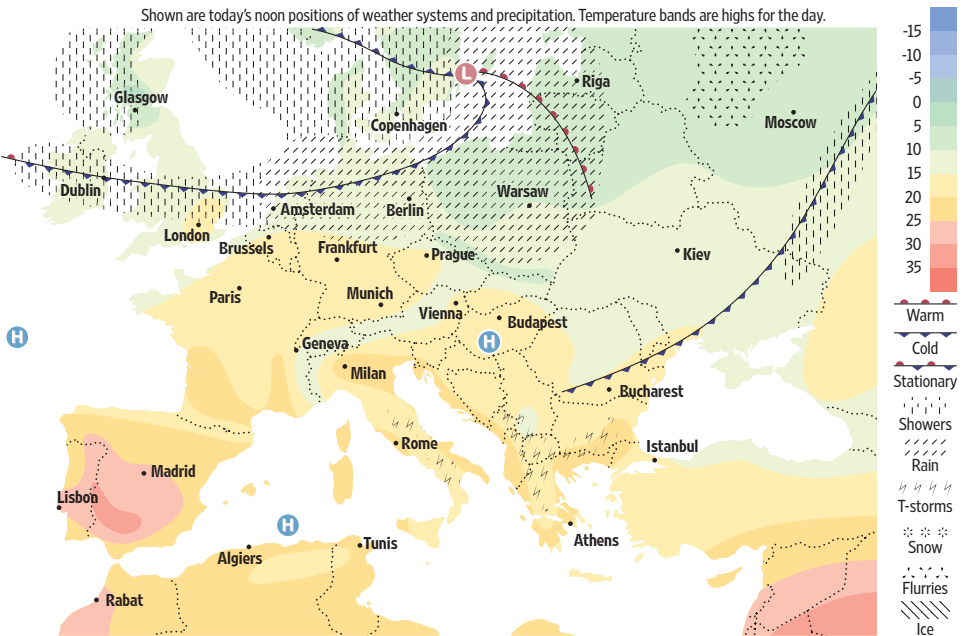


Rebecca Bass and her students with 'Purple Reign,' their prize-winning entry in the Houston Art Car Parade earlier this month. The car, decorated with jewelry and musical motifs, is a tribute to the late performer Prince, who is depicted on a replica of the motorcycle he rode in the movie 'Purple Rain.'



JULIE SOEFER FOR THE WALL STREET JOURNAL

Weather



Global Forecasts

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

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	12	6	r	12	5	sh
Anchorage	7	-2	s	8	-2	s
Athens	21	13	pc	23	13	pc
Atlanta	27	15	pc	27	15	pc
Baghdad	32	22	c	36	23	pc
Baltimore	23	8	pc	21	9	s
Bangkok	36	26	s	35	26	t
Beijing	24	5	s	21	9	c
Berlin	11	6	r	12	5	sh
Bogota	18	10	sh	18	10	c
Boise	20	8	pc	16	4	t
Boston	18	6	t	14	5	sh
Brussels	15	5	c	12	4	s
Buenos Aires	18	8	s	21	10	s
Cairo	31	18	c	26	16	s
Calgary	7	-1	r	3	-2	c
Caracas	31	26	t	30	26	t
Charlotte	26	13	pc	25	13	pc
Chicago	17	8	s	18	10	c
Dallas	26	17	c	27	17	c
Denver	24	6	s	25	9	s
Detroit	16	7	pc	14	7	c
Dubai	36	26	s	37	25	pc
Dublin	11	4	c	11	6	c
Edinburgh	12	4	pc	11	5	pc
Frankfurt	18	8	c	15	5	sh
Geneva	20	5	pc	20	5	s
Hanoi	23	20	t	25	21	c
Havana	28	19	pc	29	18	pc
Hong Kong	23	20	t	23	21	t
Honolulu	30	21	pc	29	22	c
Houston	27	17	pc	28	18	pc
Istanbul	18	8	c	16	8	pc
Jakarta	32	23	c	32	24	sh
Johannesburg	21	12	c	22	12	c
Kansas City	22	14	pc	22	16	sh
Las Vegas	29	16	s	26	12	pc
Lima	26	21	pc	26	21	pc
London	16	6	pc	14	6	c
Los Angeles	23	14	pc	21	11	pc
Madrid	27	10	s	28	10	pc
Manila	35	25	s	34	24	s
Melbourne	21	9	s	23	12	pc
Mexico City	25	8	pc	25	10	pc
Miami	29	23	sh	28	22	pc
Milan	20	9	pc	24	10	pc
Minneapolis	15	7	r	16	8	pc
Monterrey	29	17	pc	27	17	pc
Montreal	11	3	c	13	3	c
Moscow	6	2	pc	8	4	r
Mumbai	36	26	pc	37	27	pc
Nashville	26	12	pc	29	14	pc
New Delhi	39	23	pc	40	24	pc
New Orleans	27	16	pc	28	17	s
New York City	22	9	pc	17	8	s
Omaha	20	11	t	22	14	pc
Orlando	29	18	pc	28	16	pc
Ottawa	9	1	c	13	1	c
Paris	18	7	s	16	6	c
Philadelphia	23	8	pc	19	10	s
Phoenix	33	17	s	34	16	s
Pittsburgh	17	6	pc	18	9	pc
Port-au-Prince	31	20	sh	31	20	pc
Portland, Ore.	14	6	r	12	5	sh
Rio de Janeiro	30	23	t	28	22	c
Riyadh	38	23	pc	38	23	s
Rome	21	10	pc	20	11	pc
Salt Lake City	22	11	s	23	6	pc
San Diego	22	16	pc	20	13	pc
San Francisco	18	11	r	16	8	sh
San Juan	28	23	sh	28	22	sh
Santiago	28	10	s	24	9	pc
Santo Domingo	30	21	sh	32	20	pc
Sao Paulo	21	17	sh	21	17	c
Seattle	14	6	r	11	6	sh
Seoul	15	6	s	18	9	s
Shanghai	18	7	pc	19	12	s
Singapore	31	25	c	31	25	c
Stockholm	6	-2	r	7	-4	c
Sydney	22	16	pc	22	15	r
Taipei	20	17	sh	23	19	c
Tehran	18	13	c	25	17	pc
Tel Aviv	32	18	c	23	16	c
Tokyo	18	7	pc	16	5	c
Toronto	11	1	pc	12	5	s
Vancouver	12	6	r	11	5	sh
Washington, D.C.	25	10	pc	21	10	s
Zurich	18	6	pc	17	5	sh

The WSJ Daily Crossword | Edited by Mike Shenk

1	2	3	4	5	6	7	8	9	10	11	12	13
14					15					16		
17					18					19		
20								21		22		
23							24					
25	26	27				28	29					
30					31				32		33	34
35					36					37		
38			39		40				41	42		
43			44					45				
46	47							48				
49						50	51			52	53	54
55					56		57					
58					59				60			
61					62					63		

MORE PEOPLE | By Nancy Cole Stuart

Across	23 Put away	46 Place for your butt
1 Too-generous Shakespeare character	24 Many summer residents	48 Words with dare or tear
6 Accident site sight	25 Depot worker who's more diminutive?	49 Tollbooth sites
11 Depressed	30 Man of Marseille	55 Put on
14 Big name in home appliances	31 Sleep like ____	56 Church worker who's more unhealthy?
15 Maverick type	32 Flock holders	58 Voltaire's here
16 Farm female	35 Copying	59 Manner of speaking
17 Court worker who's more playfully shy?	36 Share in a business	60 Blow the audition, perhaps
19 NBC staple for more than 40 years	37 Be a contender	61 Play policer
20 Not working, in a way	38 Buckle, e.g.	62 Some private jets
21 Gathered together	40 Major addition?	63 Plea from People
	41 Jack up	
	43 Manor worker who's more artful?	

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

Down	26 Granada greeting
1 It may contain carne asada	27 Golden Globe winner for "Lawrence of Arabia"
2 "That's my cue!"	28 Like a lemon's engine
3 #2 on ESPN's list of the 100 greatest players in MLB history	29 Money-making need
4 Like Jimmy Carter's presidency	33 Sensible
5 Do some documentary work	34 Expert in futures
6 Strong criticism	36 Table
7 Rob of "Code Black"	39 Fool (around)
8 Even one	41 Go long
9 Come out of hiding	42 Unit by unit in succession
10 Misbehaving	44 Name on Rio bank notes
11 Better choice that isn't so good	45 Ill-mannered fellow
12 Title holder	46 Three deuces beats it
13 Joins, in a way	47 Do a deli job
18 Lo-cal	50 Hershey's chocolate-and-toffee bar
22 Instruction sheet unit	51 Sheet edges
24 Michael of "Guardians of the Galaxy"	52 Representative symbol
25 "You Never Can Tell" playwright	53 Statistician Silver
	54 Ballooned
	57 Target of 2017 WikiLeaks dump

Previous Puzzle's Solution

T	O	G	O	M	O	D	E	S	H	A	W
I	H	E	A	R	A	H	O	Y	E	A	S
N	I	N	T	E	N	D	O	S	E	L	E
S	O	X	G	E	E	R	I	S	K	I	T
A	G	E	D	P	O	S	I	T			
D	A	V	I	D	O	S	E	L	Z	N	I
E	R	N	I	E	P	E	L	T	V	E	E
R	A	G	S	B	L	I	P	S	P	I	L
I	C	E	B	E	A	R	I	T	S	I	N
C	O	L	O	R	A	D	O	S	E	N	A
F	R	A	M	E	H	A	N	S			
J	O	A	N	I	E	R	A	A	D	A	
O	R	L	A	N	D	O	S	E	T	I	N
W	E	L	T	U	N	I	T	E	N	N	I
L	O	S	E	P	O	P	S	D	O	S	E

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THE WALL STREET JOURNAL.

Wednesday, April 12, 2017 | B1

Euro vs. Dollar 1.0614 ▲ 0.17% FTSE 100 7365.50 ▲ 0.23% Gold 1271.20 ▲ 1.61% WTI crude 53.40 ▲ 0.60% German Bund yield 0.207% 10-Year Treasury yield 2.298%

Altice USA Files for Public Offer

By Nick Kostov

PARIS—**Altice USA** filed paperwork to go public in the U.S., in an offering that would raise more than \$1 billion, people familiar with the matter said.

The U.S. arm of French mogul Patrick Drahi's cable operator **Altice NV** filed a registration statement Tuesday with the U.S. Securities and Exchange Commission for a proposed initial public offering.

The IPO is likely to value Altice USA at more than \$20 billion, people familiar with the offering said. **BC Partners**

Ltd. and **Canada Pension Plan Investment Board**, which together own 30% of Altice USA, are likely to sell 5% to 10% of the company, the people said.

Altice plans to keep its 70% stake in Altice USA, although the IPO process is likely to take several months, and Altice's approach could change over that time, the people added.

"The number of shares to be offered and the price range for the offering have not yet been determined," Altice NV said.

Altice USA, which has some 4.9 million residential and business customers

across 21 states, hasn't decided whether to list the stock on the New York Stock Exchange or the Nasdaq Stock Market, the people familiar with the matter said.

Some market participants had expected Altice USA to target an IPO of as much as \$2 billion. But analysts say that its plan to raise closer to \$1 billion won't limit its ability to reduce debt and embark on a spending spree. A smaller listing would allow investors to set a price for the company's shares, and Altice USA could then sell more stock quickly if it needs to

fund an acquisition.

"Most investors know that the reason for the listing is mainly that they want to do more deals," said **ING** analyst Emmanuel Carlier.

Altice USA became the fourth-largest broadband provider in the U.S. in 2016 after it completed its \$10 billion purchase of Cablevision Systems Corp. and merged it with Suddenlink Communications. It has pursued a strategy of combining telecom and content: buying sports rights, news channels and entertainment that it can distribute to its subscribers.

While telecom companies continue to struggle for growth in the highly competitive European market, Altice's stock price has risen this year thanks to its U.S. business. Profitability at Altice USA has increased quickly as the company has reduced costs and used scale to improve efficiency, according to earnings reports.

Citigroup Inc., Goldman Sachs Group Inc., J.P. Morgan Chase & Co. and Morgan Stanley are leading the IPO.

♦ Heard: A cable IPO for the risk-hungry..... B10



Harry Markopolos's group aims for a whistleblower reward.

Taping Aided Probe of AmTrust

The auditor at accounting firm BDO USA LLP tried to act casually while wandering around the firm's New York offices, striking up conversations with colleagues about the firm's audit of the large insurer **AmTrust Financial Services Inc.**

By Mark Maremont, Leslie Scism and Michael Rapoport

Unknown to the colleagues, a tiny recording device disguised as an ordinary Starbucks gift card was capturing every word. The auditor was taping on behalf of the Federal Bureau of Investigation and cooperating as a whistleblower with the Securities and Exchange Commission.

The clandestine recordings in 2014, described to The Wall Street Journal by the whistleblower, were part of a continuing federal investigation being led by the SEC, according to people familiar with the matter. The focus of the probe includes accounting practices of AmTrust, a fast-growing, New York-based insurance company that in recent years has attracted skepticism about its results from investors betting against its stock.

The SEC's Fort Worth, Texas, office is leading the inquiry and it isn't clear how far along the investigation is. The agency sometimes closes probes without taking action.

The auditor, who was directly assigned to AmTrust audits for at least three years but has since left the firm, has been working since 2013 with a larger group that includes Harry Markopolos, a forensic accountant who warned the SEC about the Bernard Madoff Ponzi scheme before it became public in late 2008.

The group hopes to profit by collecting a reward under the SEC's whistleblower program if the agency ever successfully brings legal action in the matter.

An AmTrust spokeswoman declined to comment on whether the company knows of any SEC probe, saying the company didn't speak for the agency.

The company said questions about its accounting practices are "fantasies concocted and intentionally publicized by parties who clearly have a self-serving agenda and appear to be trying to profit from misinformation about Please see **PROBE** page B2

INSIDE



SAUDIS WANT OPEC TO EXTEND CUTS

FINANCE & MARKETS, B6

Fear Over French Vote Hides Risks Elsewhere

When it comes to markets, there are risks that are obvious and risks that are disguised. The former lead to more fireworks, but the latter type matter more over time.

France tops the list of obvious risks that are impossible to ignore. That is the case even though the French presidential vote has been

widely recognized as a risk ever since Brexit and the election of President Donald Trump in the U.S. led markets to question just how well they understood politics. March's global fund-manager survey by **Bank of America** Merrill Lynch showed European elections as the biggest risk facing global markets.

Moreover, the French risk has changed shape. Until recently, the main focus was on France's second-round vote due May 7, and the chances of victory for far-right euroskeptic National Front leader Marine Le Pen if she faces centrist Emmanuel Macron. Markets appeared comfortable with the idea that Mr. Macron would emerge the winner, leaving the euro undisturbed.

But with far-left candidate Jean-Luc Mélenchon gaining in the polls, the first-round vote on April 23 has moved into prominence. The second round might yet offer voters a choice between two options that markets are likely to find highly unpalatable. That would hammer sentiment on Europe and intensify worries around whether the euro can hang together; Mr. Mélenchon wants to radically change Europe as much as Ms. Le Pen.

By contrast, a risk that is disguised lies on the other side of the world, in China. It isn't a revival of the fears that China is heading for a financial bust and economic hard landing; the BAML survey pegs a major Chinese devaluation as only the sixth-biggest tail risk for markets. Instead, it is the potential underestimation of how much China's 2016 stimulus has contributed to the recent acceleration in global growth, and how any deviation from that course could undermine markets. UBS cites Chinese import growth of close to 15% over the past year, versus just 3.5% for the U.S., as a signal of how China is at the epicenter of global reflation. Another sign is China's 27% share of global investment relative to its 15% share of the global economy, notes Macquarie. But China's credit-fueled stimulus may be fading; policy has been gently tightened. Hopes of fiscal stimulus elsewhere have yet to turn into hard spending

Please see **HEARD** page B2

Kenyan Tech Hub Recharges

'Silicon Savannah' turns its focus to profits and revenue, going beyond social activism



The iHub, a Kenyan tech incubator, began as a social movement in 2010. It now collaborates with Facebook, Google and Microsoft.

By MATINA STEVIS

NAIROBI, Kenya—After a decade of buzz that brought bold headlines but few profits, Kenya's "Silicon Savannah" technology hub is retooling to put income before activism.

A homegrown African tech community is rising in this city: bootstrapped but profitable businesses using technology and the internet to solve commercial problems connecting the biggest names in tech and finance.

International Business Machines Corp. is training hundreds of Kenyan coders in Nairobi each year; **Visa** and **Mastercard** are turning to Kenyan fintech companies to crack the local market.

Last month, **Facebook Inc.** and **Alphabet Inc.**'s Google started a strategic alliance with the iHub, an incubator and co-working space at the heart of Kenya's tech scene, to

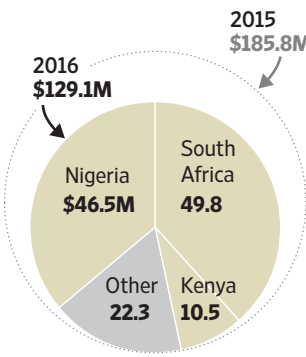
reach and train app developers there. The Silicon Valley companies will tap local talent for coding and product development; they also will train Kenyans in artificial intelligence, cloud computing and machine learning—reinforcing the region's role as the center for technology in Africa.

"It is true we had some companies that were more excited about headlines and about what new widget would solve the problems of the world," said Patrick Njoroge, Kenya's Central Bank governor, in an interview last month. "What we've been pushing is for companies to focus on a particular problem. It's more sustainable."

Since the late 2000s, the startup community in this sprawling East African city welcomed top U.S. and European graduates, who were lured by adventurous opportunities and millions of dollars

Tech Frontiers

African technology and internet hubs continue to draw investment but funding dropped in 2016.



Source: Disrupt Africa THE WALL STREET JOURNAL.

in no-strings-attached grants from Western donors. Newspapers queued up to profile startups using technology to spur African development in sectors as diverse as farming

Toshiba Admits Doubt About Its Survival

By TAKASHI MOCHIZUKI

TOKYO—**Toshiba Corp.** on Tuesday expressed doubt for the first time that it can survive in light of huge losses at its U.S. nuclear subsidiary, which filed for bankruptcy last month.

The company issued the warning alongside its latest earnings report, which came two months late and without the approval of its auditor.

Toshiba, which traces its roots to 1875, is fighting for survival because of two blows: an accounting scandal in 2015 and then cost overruns at U.S. nuclear-reactor projects being built by its Westinghouse Electric Co. subsidiary.

Westinghouse's bankruptcy filing March 29 is likely to push Toshiba into a net loss of ¥1.01 trillion (\$9.1 billion) for its fiscal year ended March 31,

Toshiba reiterated Tuesday.

"[T]here are material events and conditions that raise substantial doubt about the company's ability to continue as a going concern," Toshiba said. But the company said it has a comeback plan that includes selling its semiconductor unit and asking its banks for forbearance.

The semiconductor business, which makes flash-memory chips for smartphones and computer servers, has drawn a bid of up to ¥3 trillion from **Foxconn Technology Group** of Taiwan, people familiar with the bid said this week.

"I believe our financial standing is solid, despite the numbers we put out, if we consider the value of the unit Please see **DOUBT** page B2

♦ Heard: Foxconn's offer looks to overwhelm Toshiba..... B10



CEO Satoshi Tsunakawa, as he left Tuesday's news conference.

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DOUBT

Continued from the prior page for sale,” Toshiba Chief Executive Satoshi Tsunakawa said at a news conference on Tuesday. He declined to comment on the status of the sale.

Analysts say the memory-chip market is likely to keep growing, and Toshiba’s latest results suggested the business is healthy.

Analysts say results suggest Toshiba’s memory-chip business is healthy.

The memory-chip business posted an operating profit of ¥102 billion in the April-December period of 2016, up 9% from a year earlier, Toshiba said, thanks in part to strong demand from Chinese smartphone makers.

Toshiba has the second-largest market share in terms of revenue for widely used NAND flash-memory chips, according to IHS Markit, though it is well behind market leader Samsung Electronics Co.

Westinghouse’s bankruptcy removed the unit from the Toshiba group’s balance sheet, and Toshiba has said it believes it can wall itself off

from any further losses connected to nuclear-reactor projects Westinghouse has undertaken in Georgia and South Carolina.

Toshiba had to postpone the announcement of its nine-month results on two occasions because of differences with its auditors. On Tuesday, it pushed ahead with the release even though the auditors refused to sign off.

The auditors, PricewaterhouseCoopers Aarata LLC, said they couldn’t be certain that earlier accounting for Westinghouse was proper.

Mr. Tsunakawa said Toshiba believes its figures are solid, and he expressed frustration about the standoff.

“They asked us to prove that we didn’t have anything wrong in our bookkeeping process, and that is quite a burden,” he said.

Getting the approval of auditors is customary for an earnings filing in Japan but isn’t mandatory.

A spokeswoman for the Tokyo Stock Exchange said the exchange would look into why auditors didn’t sign off on Toshiba’s results.

The exchange has put Toshiba on a watch list and has been reviewing its governance after the accounting scandal in 2015. That review could result in delisting.

Mr. Tsunakawa said that in May, Toshiba plans to release its results for the full fiscal year ended March 31.

tion acted as an amplifier for markets.

Investors are looking to developed economies for signs that the reflation trade that has pushed bond yields and equity prices higher can be sustained. The French elections could yet upend sentiment and risk appetite. But the longer-term risk to markets lies in whether they are right to be pumped up about global growth. The answer to that question lies more in Beijing than in Paris.

—Richard Barley

China’s Car-Sales Growth Slows

Growth in China’s car sales slowed sharply in March, illustrating the effects of a higher sales tax on the world’s biggest car market.

Sales of vehicles, excluding those typically used for commercial purposes, rose 1.7% to 2.1 million units in March from a year earlier, the government-backed China Association of Automobile Manufacturers said Tuesday.

This marked a slowdown from the 6.3% growth in the first two months of the year. By comparison, sales rose nearly 10% in March 2016 from the previous year.

Industry watchers have paid closer attention to the Chinese auto industry’s pace of growth, as global auto makers become increasingly dependent on the market for revenue and profit.

Car sales in China rose at their fastest pace in three

years in 2016 but are expected to cool this year, as a weaker sales-tax incentive puts pressure on demand. Buyers of cars with engines no larger than 1.6 liters last year paid a 5% purchase tax. This year, buyers of such cars will pay a 7.5% rate.

In January, the car manufacturers’ group predicted a considerably slower 5% rise in China’s car sales this year compared with 15% in 2016. A rush by consumers to benefit from a lower purchase tax drove record-setting monthly sales figures last year but cut into future purchases, dealers and analysts say. Ford Motor Co. has said it expects sales growth in China to slow as the market matures.

The government is playing a role in driving China’s demand. Analysts say sales would gain momentum this year as customers look to

beat an expected sales-tax rise—from 7.5% to 10%—due at the end of 2017.

For the quarter ended in March, sales of passenger cars rose 0.59% to 2.84 million units.

Total motor-vehicle sales in the first quarter, including cars, vans, buses and trucks, rose 7% to seven million units, the government-backed association said Tuesday. Sales rose 4% in March.

While the overall market has grown modestly, the fortunes of individual auto makers have diverged this year.

China’s luxury-car market continued to perform strongly. China sales helped propel Daimler AG’s Mercedes-Benz to the best month in its history, with March sales in China up 32% year-to-year to 49,871 units and quarterly sales up 37% to 144,947 units.

General Motors Co., whose sales declined January through February, also enjoyed a record month, selling 345,448 vehicles in China—up 16% from a year earlier—through its various joint ventures. Cadillac sales rose 63%. Toyota Motor Corp.’s China sales increased 12% in March.

By contrast, South Korean manufacturers suffered from the fallout of a dispute between Beijing and Seoul over the latter’s deployment of a missile-defense system—a step the Chinese government has vehemently opposed.

The dispute has led to a boycott of South Korean products by many Chinese, hitting sales of Hyundai Motor Co. and Kia Motors Corp. in March, analysts say.

—Trefor Moss in Shanghai, Lilian Lin in Beijing and Sean McLain in Tokyo contributed to this article.

PROBE

Continued from the prior page AmTrust.”

On Monday, AmTrust disclosed it has recently beefed up its financial-accounting team with the hiring of a chief accounting officer and other moves.

BDO declined to comment on AmTrust, saying it is “bound by professional standards which prohibit discussing confidential client matters.”

The New York Department of Financial Services, one of AmTrust’s lead state regulators, also is conducting a special, nonroutine examination of AmTrust’s New York unit, according to a person familiar with the matter. AmTrust said it doesn’t comment on any state examinations.

Since its founding 19 years ago, AmTrust has grown, mostly through acquisitions, into the nation’s third-largest workers’ compensation insurer by market share.

It protects millions of U.S. workers by bearing responsibility for their medical care and lost wages from job-related injuries. Its revenue in 2016 was \$5.45 billion.

In early April the company restated its financial results downward back to 2014 due to a range of accounting issues. The restatements, which came after BDO was replaced as AmTrust’s outside auditor by KPMG LLP, sliced more than 9% off AmTrust’s previously reported net income for the past three years.

Even so, investors were encouraged when AmTrust finally filed its annual report, which had twice been delayed, and that the restatements weren’t more significant.

After slumping in recent weeks, the company’s shares rebounded after the restatements were announced, though they later gave back much of those gains.

The Markopolos group claims that AmTrust has overstated its profits and financial health by understating what it may need to pay policyholders in the future.

To mask this, they contend, the company has used complicated financial maneuvers, some involving related offshore companies.

In a 2013 submission to the



The Securities and Exchange Commission is leading a federal investigation into AmTrust.

SEC, which has been reviewed by the Journal, the group claimed it used internal documents gathered by the whistleblower to calculate that \$277 million in losses had been shifted to an offshore affiliate from 2009 to 2012, bolstering AmTrust’s operating income by that amount. This accounted for 38% of net income in 2012 alone, the group calculates.

In a presentation that the group says it gave to the FBI and federal prosecutors in 2014, Mr. Markopolos’s team called one set of alleged accounting moves “The Washing Machine” for its purported cleansing effect on the bottom line, and another “The Loss

less allegation that AmTrust shifted losses off its books through reinsurance transactions.”

KPMG declined to comment. AmTrust has skirmished with critics before. In 2015, a New York federal judge dismissed a shareholder lawsuit against AmTrust based on some of its critics’ allegations, ruling that the complaint failed to support its claims.

The judge cited correspondence between AmTrust and the SEC in which the insurer sought to work out “a difference of opinion” about some reinsurance accounting matters, and noted that AmTrust had changed its accounting approach in one area and

pleting some financial schedules.

The Markopolos submissions also include detailed analyses of AmTrust’s accounting produced by John McPherson, a forensic accountant and insurance consultant who is part of the group.

Many of the claims by the Markopolos group focus on alleged flaws in the audits of AmTrust by BDO, which ranks in the next tier down from the Big Four accounting firms. AmTrust had been among its largest U.S. clients until it was replaced by KPMG a year ago.

The whistleblower alleges that BDO often was rushed during its audits, partly because AmTrust was late or inconsistent in providing figures, or lacked documentation.

At least twice, BDO formally signed off on its AmTrust audit before completing some important checks, the internal whistleblower claims.

The whistleblower claims that BDO staffers allegedly covered for their lapse by loading unfinished documents into an internal software system to show the right time stamp, then returned later to complete some of the work. BDO said such allegations “are not consistent with our firm’s values and the expectations we have for our professionals.”

AmTrust said it relied on BDO’s integrity, and “if there are allegations regarding BDO’s internal procedures, those are the responsibility of BDO and AmTrust would not have visibility into them.”

—Dave Michaels contributed to this article

kesh ALBANIAN POWER CORPORATION	CONTRACT NOTIFICATION FORM
1. Name and address of the Contracting Authority Name: KESH SH.A. / Albanian Power Corporation Address: Blloku "Vasil Shanto", Tirana Tel: +355 4 2232046 E-mail: dervishib@kesh.al Website: www.kesh.al	
2. Type of procurement procedure: Open procedure, over the monetary threshold, by electronic means.	
3. Object of the contract: REHABILITATION THROUGH TECHNOLOGICAL RENOVATION OF THRUST BEARINGS OF 5 HYDROUNITS OF VAU I DEJES HPP.	
4. KESH budget available : <ul style="list-style-type: none">for 3 (three) years: 10,497,951 (Ten million four hundred ninety seven thousand and nine hundred fifty-one) Euros, VAT excludedfor one (1) year (2017): 2,945,291 (Two million nine hundred forty five thousand and two hundred ninety-one) Euros, VAT excluded.	
5. Duration of the contract or time limit for completion: 3 years.	
6. Deadline for submission of tenders or requests to participate: <ul style="list-style-type: none">Date 01/06/2017, at 10:00 AMelectronic procurement www.app.gov.al	
7. Deadline for opening tenders or requests to participate: <ul style="list-style-type: none">Date 01/06/2017, at 10:00AMelectronic procurement www.app.gov.al	
For and on behalf of the Albanian Power Corporation Chief Executive Officer Agron Hetoja	

BUSINESS NEWS

Beijing to Tighten Its Rules for Data

By EVA DOU

BEIJING—Foreign companies with business operations in China would be required to apply for permission to transfer data out of the country under draft rules released Tuesday, in the government's latest move to tighten regulation of digital information.

The rules would affect all so-called network operators, a term that industry experts say likely encompasses technology companies, as well as other firms that do business through computer networks, such as financial institutions.

The rule would apply to companies seeking to move more than one terabyte of data out of China, or that have data on more than 500,000 people.

Some foreign firms would need approval before transferring data out of China.

Consumer companies that have collected a large database of email addresses, birth dates or other information on their Chinese customers would appear to be required to get the permission of both their customers and the Chinese government before transferring that data out of China.

The data would then be reviewed and blocked if the government believes it would hurt China's political system, economy, technology or security.

The Cyberspace Administration of China said the rules were necessary to "secure personal information and the safety of important data, as well as to protect internet sovereignty and national security."

The CAC didn't respond to a request for further comment.

In the past, the government has broadly defined business operations that could affect the national interest, meaning that companies engaged in such disparate areas as health care, construction and finance could come under the rule's purview.

The draft drew some industry criticism Tuesday. Multi-national companies are generally opposed to data localization—keeping data physically stored in the country where it originates—saying that rules mandating the practice lift costs by requiring duplicate infrastructure and impede cross-border business.

"The strongest international standards to protect data privacy are determined by industry consensus, draw on global best practices, and are largely blind to where data is stored or transferred," said Jake Parker, vice president of the U.S.-China Business Council.

The rules would broaden data-localization requirements to all "network operators," versus the narrower set of "critical infrastructure" operators under last year's cybersecurity law, said Bing Maisog, a partner of law firm Hunton & Williams.

"You could say it's a revisiting of the law," Mr. Maisog said. The draft is open for public comment until May 11 and could change in its final form. Other recent Chinese cybersecurity regulations have been weakened in their final version after pushback from companies and foreign governments.

Data localization has also been controversial in Europe, where some countries require local data storage for security. The European Union is seeking public comment on data-localization rules.

Under the draft Chinese rules, smaller companies with data on fewer than 500,000 users could conduct a self-assessment instead of applying for government review.



Pon, whose bicycle division includes the Gazelle brand, is offering \$898.2 million for Accell in a deal that is 'an excellent strategic fit.'

Dutch Deal to Unite Bike Brands

Pon Holdings seeks to buy Accell Group, creating one of world's biggest bicycle makers

By BEN DUMMETT

Pon Holdings, a closely held Dutch conglomerate, proposed to buy **Accell Group** for about €847.4 million (\$898.2 million), creating one of the world's biggest bicycle makers and bringing together well-known brands such as Raleigh, Diamondback, Cervelo and Santa Cruz.

At the same time, the tie-up would potentially create a corporate champion in the Netherlands at a time when some of the nation's biggest companies are under attack from foreign buyers.

Amsterdam-based **Akzo Nobel NV**, a big paints and specialty chemicals company and

one of the world's oldest industrial firms, is currently fighting off a takeover bid from U.S. rival **PPG Industries Inc.** Akzo argues the offer is too low and doesn't sufficiently take into account the company's employees and customers. This year, **Unilever PLC**, the Anglo-Dutch consumer-goods giant, successfully fought off a takeover overture from Pittsburgh- and Chicago-based rival Kraft Heinz Co.

Pon's potential Accell deal, if it proceeds, would create a cycle manufacturing giant with combined revenue of about €1.8 billion from worldwide sales of about 2.3 million leisure, electric, mountain and other specialized bikes. Pon said it expects to generate €700 million in revenue this year from the sale of about 800,000 bicycles. For 2016, Accell, which is based in Heerenveen, Netherlands, re-

ported revenue of €1.05 billion and a profit of €32.3 million. It sold around 1.5 million bicycles.

Accell shares rose almost 20% on news of the offer to €31.73 Tuesday.

Their combined scale could help the companies eliminate duplicate operating costs, broaden their portfolio of bikes to appeal to a larger customer base and help secure better pricing from suppliers.

"There is an excellent strategic fit between the bike activities of both companies with benefits for all stakeholders," Pon said in a statement. The combined company would be based in the Netherlands. Accell said that it has agreed to talks with Pon over the proposal but cautioned that a deal might not result.

Pon's conditional bid is for €32.72 in cash, which includes a €0.72 dividend, for each Accell share. That represents a

31% premium to Accell's closing price on March 16, the day before Pon made its initial approach, Pon said.

Pon is one of the Netherlands' biggest family businesses with roots dating back to 1895 as a trading company selling soap, tobacco and sewing machines. It has since grown into a business with operations that include the importing of high-end car brands like Porsche, Bentley and Bugatti, bike manufacturing and distribution, and the supply of industrial equipment to the recycling and other industries.

Pon's bicycle division encapsulates more than 10 brands including Gazelle, Cervelo and Santa Cruz, the California-based maker of mountain bikes that it acquired in 2015. It has operations in Europe, the U.S., Asia and Australia. Accell operates production facilities in Europe and China.

Chief of Car-Dealership Chain Questions Tesla's Market Value

By MIKE SPECTOR AND CHRISTINA ROGERS

The head of the U.S.'s largest car-dealership chain called **Tesla Inc.**'s market value "inexplicable," a day after investors pushed the Silicon Valley auto maker ahead of **General Motors Co.**

Tesla "is either one of the great Ponzi schemes of all time" or will eventually work out for investors, said **AutoNation Inc.** Chief Executive Mike Jackson during an interview Tuesday at a New York automotive event held by J.D. Power and the National Automobile Dealers Association.

Mr. Jackson, among the auto industry's more outspoken executives, called Tesla overvalued and GM undervalued at roughly \$33 a share, arguing the former will continue to struggle to earn money selling electric vehicles despite a loyal following.

Competition would eventually lead to a correction to the Palo Alto, Calif., company's market value, he said. GM and other auto makers are investing billions of dollars in electric vehicles that are set to hit showrooms in coming years.

A Tesla spokeswoman didn't immediately respond to a request to comment.

Tesla briefly leapfrogged

GM as the most valuable auto maker in the U.S. on Monday when the company's stock price surged to \$313.73, valuing it at \$51.17 billion. Tesla last week also surpassed **Ford Motor Co.** in market value.

Investor enthusiasm for Tesla has continued throughout the year, pushing shares up more than 40% while Detroit auto makers' stock prices have been stuck in neutral. That is despite Tesla's unprofitable operations selling expensive electric cars and sport-utility vehicles, and questions about whether it can successfully deliver on a mass-market Model 3 car for \$35,000, increase production to 500,000 vehicles overall next year and master software enabling self-driving cars.

Mr. Jackson said Tesla Chief Executive Elon Musk deserves accolades for creating a valued brand.

"You have to tip your hat," Mr. Jackson said. "He has created a brand that has a strong cultlike following."

But Mr. Jackson emphasized that Tesla remains unprofitable selling rarefied luxury vehicles that can run \$100,000, so the company's bottom line isn't likely to get a lift from the more-affordable Model 3. "What would impress me about Tesla? Selling vehicles at a profit," Mr.

Jackson said. He said it wasn't a good idea to be "giving away vehicles at below the cost of what you have to make them."

With cheap gasoline, electric vehicles remain a sliver of U.S. sales, while fuel-thirsty trucks and SUVs have surged to a 60% share. "This shift to sport-utility vehicles—it is permanent, it is structural, it is long-term, because customers passionately love these vehicles," Mr. Jackson said.

Mr. Jackson said he voted for Democrat Hillary Clinton in the November presidential election, concerned about Donald Trump's temperament.

He said Mr. Trump's early days in office have validated his determination. "One minute he's a 70-year-old, the next minute he's a petulant 7-year-old," Mr. Jackson said. He criticized Mr. Trump and congressional Republicans for their recent legislative defeat on a health-care overhaul after promising to undo the Affordable Care Act passed under President Barack Obama.

But Mr. Jackson offered a positive view of business under the Trump administration, lauding the president's efforts to curtail regulations and attempts to boost the economy.

—Tim Higgins contributed to this article.



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Google Defends Pay Practices

By GEORGIA WELLS

Google pushed back against allegations it underpays female employees, detailing the methodology it uses to determine equitable compensation.

The move Tuesday came after the U.S. Department of Labor last week said it found a gender-pay gap at the **Alpha-bet Inc.** unit, which is a federal contractor, during a routine compliance probe.

The department is suing Google to compel the company to disclose more compensation data for its investigation.

Silicon Valley tech compa-

nies have been under increasing scrutiny for hiring more white men than women or people of color, along with their pay practices.

Google said each year it suggests compensation based on an employee's role, job level, location and performance ratings. The company said analysts who calculate what each employee should earn don't have access to an employee's gender, and an employee's manager has limited discretion to adjust the suggested amount.

Google's pay-equity model then looks at employees in the

same job categories, and analyzes their compensation to ensure there is no significant differences between men and women. Last year, Google performed the analysis across 52 job categories and found no pay gap, it said.

"Our annual analysis is extremely scientific and robust," Google said a blog post. Its methodology is available to other businesses that want to test their own compensation practices for equal pay, the company said. A spokesman for the Labor Department said he couldn't comment because the case is still open.

TECHNOLOGY

WSJ.com/Tech

Casinos Get Into Esports Matches

By Sarah E. Needleman
And Chris Kirkham

U.S. casinos are turning to videogame competitions to attract younger visitors and improve years of subdued growth.

MGM Resorts International plans to convert a former nightclub at its Luxor Hotel and Casino in Las Vegas into a permanent venue for hosting esports contests starting next year, the company said Tuesday.

Other gambling properties already have built or are leasing space for such events, including Downtown Grand in Las Vegas and Caesars in Atlantic City, N.J.

Casinos are looking for ways to jump-start growth, which has slowed since the recession. From 2001 to 2007, gambling revenue for casinos across the U.S. rose by more than 38%; since then, it has risen 8%, according to data from the University of Nevada, Las Vegas.

Many casinos, particularly on the Las Vegas Strip, have sought growth through other revenue streams, such as restaurants and entertainment. Last year, 34% of casino revenue on the Strip came from gambling, down from 41% in 2007, according to the University of Nevada, Las Vegas.

Casinos view esports as a way to attract younger new patrons who aren't gambling as much as baby boomers or interested in existing forms of entertainment there. The average esports fan is between 21 and 35 years old, according to research firm Newzoo BV.

"This is really about creating another amenity on the property," said Nik Rytterstrom, general manager of the Luxor.

About 191 million people world-wide are expected to watch an esports contest in person or online at least once a month in 2017, more than double the number in 2012, according to Newzoo. By 2020, it expects esports viewership to hit 286 million.

"I don't know of any new casino property that caters to a wide audience that isn't going to do this," said Seth Schorr, chairman of the Downtown Grand, which is owned by real-estate investor **CIM Group**.

Casinos are looking to jump-start growth, which has slowed since the recession.

Downtown Grand began hosting twice-weekly esports tournaments in 2015. It has outfitted some of its hotel rooms with bunk beds that have USB ports built in so team members can practice in between matches.

Casinos have long featured live sports such as boxing and mixed martial arts—with wagering, too—as a way to lure customers. Esports is a natural fit, proponents say. Contests feature highly skilled players competing on stage at games such as **Tencent Holdings** Ltd.'s "League of Legends," with close-ups of their faces and footage of the games displayed on jumbo screens as commentators weigh in on the action over loudspeakers.

Microsoft Corp. this month booked space at Caesars' Atlantic City casino for a three-day "Gears of War 4" contest featuring dozens of teams. Caesars called the attraction, which drew 340 spectators and 525 competitors, an experiment, and said it plans to host larger contests.

Other events have drawn much larger crowds. Last year's League of Legends Championship Series event at MGM Resorts' Mandalay Bay Events Center in Las Vegas drew an estimated 12,000 spectators, the company said.

"It's a way to get exposure to this millennial demographic," said Christian Stuart, executive vice president of gaming and interactive entertainment at **Caesars Entertainment** Corp.

Qualcomm Rebuts Apple's Claims

Chip maker accuses Apple of prodding international antitrust regulators to attack it

By Ted Greenwald

Qualcomm Inc. fired back at **Apple** Inc. in their legal battle, defending its business model and seeking damages from Apple over withheld payments for technology used in iPhones.

Qualcomm, whose chips and patents are widely used in smartphones, accused Apple of mischaracterizing the chip maker's business and encouraging international regulators to attack it.

The filing, which Qualcomm said it made late Monday in a federal court in Southern California, argues that Apple's iPhone business wouldn't exist if Qualcomm hadn't developed essential technologies and agreed to license them fairly.

The iPhone accounted for three-fourths of Apple's estimated \$84 billion gross profit in its latest fiscal year, according to investment bank CLSA.

Apple stood by its statement in January when it said Qualcomm charges excessive royalties and benefits from Apple innovations unrelated to its patents, such as advanced displays and cameras.

Apple opened its legal battle in January by suing Qualcomm in the U.S., and later in China and the U.K.—building on international resistance to Qualcomm's patent-licensing business.

Apple's U.S. suit claimed that Qualcomm abused its monopoly position in cellular chips to impose "onerous, unreasonable and costly" terms on customers and competitors. It also said that Qualcomm charged too much for its pat-



The two companies are engaged in a legal fight over arrangements for the use of Qualcomm chips in Apple iPhones.

ents and refused to sell chips to phone makers that didn't license its patent portfolio.

Qualcomm's filing denies Apple's allegations, and says Qualcomm went out of its way to offer Apple alternatives in its licensing terms, which Apple rejected.

Qualcomm general counsel Don Rosenberg said his company believes Apple's suit was motivated by a need to reduce the cost of making iPhones. Qualcomm's licensing business "is a nice target for them to pursue to get that input cost lower. That's really what this is about," he said in an interview.

The stakes for both Apple

and Qualcomm are high.

Apple, facing competitive pressure from Chinese smartphone makers and others, would benefit from reducing costs. Qualcomm, meanwhile, gets most of its pretax profit from licensing its intellectual property.

Qualcomm typically charges handset makers up to 5% of the selling price of a wireless device to use its patents. Apple charges between \$400 and \$1,000 for an iPhone, meaning it would pay Qualcomm roughly \$20 to \$50 for every unit it sells.

Apple, in its lawsuit, claimed that Qualcomm withheld \$1 billion in payments

that Apple referred to as rebates on royalties paid to Qualcomm by contract manufacturers that build iPhones. Qualcomm's response denies the allegation and charges that Apple caused those manufacturers, which previously had agreed to and complied with Qualcomm's licensing terms, to withhold royalty payments.

Qualcomm didn't specify the amount it believes it is owed by contract manufacturers of iPhones or the amount it seeks in damages.

Apple sued Qualcomm in the U.S. days after the U.S. Federal Trade Commission filed an antitrust lawsuit against the chip maker alleg-

ing anticompetitive behavior. Qualcomm last week filed a motion to dismiss the FTC's case.

Qualcomm is also fighting a judgment by South Korea's antitrust authority, which in December imposed a \$853 million fine, the largest in its history, for alleged violations.

Last year, Qualcomm agreed to a settlement with Chinese antitrust authorities that included a \$975 million fine and required the company to base its royalty rates in that country on a percentage of handset prices rather than the full price.

—Tripp Mickle
contributed to this article.

'Minecraft' Market To Open to Sellers

By Sarah E. Needleman

Microsoft Corp. plans to launch a new marketplace inside its hit block-building videogame "Minecraft," in which other businesses can sell virtual game-related goods to players.

The software company already sells its own virtual goods in "Minecraft," a game in which players construct any object imaginable—the Taj Mahal, even entire worlds—with Lego-style blocks. Different versions of the game allow players to fight zombies with friends and go on other adventures within the "Minecraft" universe.

For the first time, though, Microsoft will open the store to third-party content creators, effectively turning the game into a kind of app store for outside developers. The move creates a moneymaking

opportunity for Microsoft while potentially helping it expand its base of 55 million people who play "Minecraft" monthly.

Microsoft plans to open the store later this spring, the company said Monday in a blog post. At the start, Microsoft is joining with nine privately held sellers, though other businesses—not individuals—can apply to sell goods in the marketplace. Microsoft said it is being selective to ensure only high-quality items are sold in the store.

Players will be able buy a "Minecraft" digital currency, which then can be spent in the game on character costumes, maps, new story lines and other content—a typical experience for games, particularly mobile games such as "Pokémon Go." The "Minecraft Marketplace" will be available on Windows 10 personal comput-



Microsoft already sells its own items within 'Minecraft.' Others will be able to do the same.

ers, mobile devices and virtual-reality headsets. App stores such as **Alphabet** Inc.'s Google Play will take a 30% cut of sales, with content creators receiving an unspecified majority of the balance, Microsoft said.

Notably absent is Microsoft's

own Xbox One console and rival machines such as **Sony** Corp.'s PlayStation 4. Microsoft said the marketplace won't be available on game consoles because "Minecraft" is more popular on mobile devices and PCs. The company declined to say whether it would come to con-

soles at a later date.

Microsoft in 2014 bought Mojang AB, the maker of "Minecraft," for \$2.5 billion. More than 122 million copies have been sold as of February, the company said. An edition was released for schools in November.

KENYA

Continued from page B1

will use the iHub as a center for their training and talent-spotting. The recognition caps a long journey for the incubator founded by the group of activists behind Ushahidi, a

platform created during widespread violence after elections in 2007 and 2008 that cost thousands of lives across the country. Ushahidi collected testimonies, used phones to record incidents and geo-located them using Google Maps.

Both Ushahidi and the iHub were largely funded by grants

from foundations such as the Omidyar Network, the philanthropic fund owned by Pierre Omidyar, founder of online auction company eBay Inc. For the iHub, the model became increasingly unsustainable last year as it faced cash-flow problems, said its former chief executive, Kamal Bhattacharya, who took it over after a

career at IBM and became chairman of the iHub board this month.

The incubator last year received \$2 million in funding from Invested Development, a U.S.-based fund, that allowed the company to reorient its business. Mr. Bhattacharya raised prices for services and added multimonth contracts to the firm's revenue stream. The company has posted \$1.5 million in annual revenue on average for the past three years.

Data collection remains patchy in Kenya, but the iHub reckons more than 100 startups have used its services over the past seven years, and more than 1,000 people have worked at startups during the same time. It now employs about 30 people full-time and has handled more than 50 projects in the past 12 months.

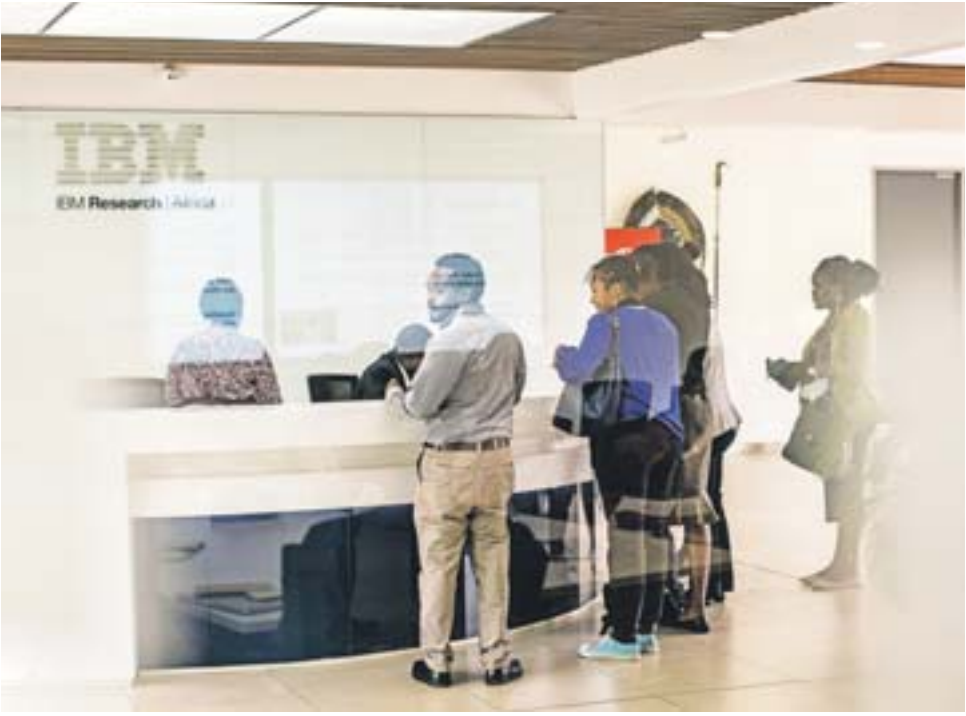
Kenya last year was the second-biggest technology hub in Africa in terms of the number of startups that secured funding, trailing only South Africa. But the average amount raised per startup last year declined 85% compared with the previous year, Disrupt Africa data show, from \$2.6 million in 2015 to just \$402,469 in 2016, relegating it to sixth place by this criterion behind Nigeria, Ghana, Egypt, Morocco and South Africa.

One fundamental change here is the type of investor attracted to Kenyan tech businesses. Angel investors—often themselves successful businesspeople or returned from the Kenyan diaspora—private equity and specialized technology funds are becoming more involved, just as Western donor agencies and charitable foundations are becoming less active, according to investors and technology entrepreneurs.

"The Peace Corps volunteers of the past came back to Kenya as impact-tech investors," says Agosta Liko, founder of the profitable fintech company **PesaPal**, in describing Kenya's tech scene during the initial years.

Mr. Liko, who avoided taking donor grants for his business that helps people pay for anything online using mobile money or credit cards, is hopeful that experienced entrepreneurs and homegrown startups will have more of a role.

"Many of us have been working hard and quietly for many years," Mr. Liko said. "The most important thing is that a number of Kenyan technology businesspeople are now becoming mentors and angel investors for new startups here."

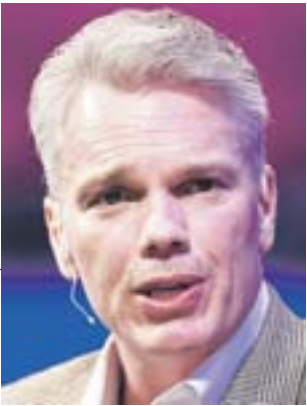


International Business Machines is training hundreds of Kenyan coders in Nairobi each year.

NICHOLE SOBECKI FOR THE WALL STREET JOURNAL

DAVID RYDER/BLOOMBERG NEWS

MANAGEMENT



Intuit CEO Brad Smith says job seekers relay their experiences.

Job Seekers Spread The Word

By Rachel Feintzeig

Judging by the hurdles facing job applicants—endless on-line applications, interviews with no follow-up—companies may have forgotten that candidates are their customers, too. A growing body of research suggests that shabby treatment of job seekers could have a cost.

Nearly two-thirds of workers said they were less likely to purchase goods and services from a potential employer who treated them poorly during the recruiting process, finds a new survey from consulting firm Future Workplace LLC and human-resources software company CareerArc Group LLC.

Realizing that their manner with job applicants can affect their revenue down the line, some employers are beginning to tally the costs of unsatisfied candidates who stop patronizing their businesses or bad-mouth them to friends, said Kevin Grossman, the president of global programs at San Diego-based Talent Board LLC, a nonprofit research organization focused on recruiting.

Talent Board's research—drawn from surveys of 500,000 job candidates over the past six years, some 80% of whom didn't get the jobs they were applying for—found that 41% of those unhappy with their treatment as job seekers said they were inclined to steer clear of the business.

Intuit Inc. is attempting to make the job-search process less painful, ensuring that candidates for most permanent jobs at the company receive updates on the status of their applications.

The maker of TurboTax and QuickBooks informs candidates if they don't get an offer and provides coaching on why they weren't a fit. Since implementing the practice two years ago, new hires are more likely than previous new hires to recommend the company to others, according to candidate surveys.

Job seekers, even unsuccessful ones, can be good promoters, said Intuit's chief executive, Brad Smith. "They'll never forget the experience," he said. "They'll tell their friends, 'Go interview there.' "

When Ability Holds Back Advancement

Companies are taking action to prevent bosses from clinging to top performers

By Joann S. Lublin

Ever feel like you're stuck in place at work? You may be so good at your job that your boss isn't willing to lose you.

It's called talent hoarding, a manager's natural tendency to hold on to top performers instead of working to promote them or transfer them to other areas of the company.

Eric Miquelon felt hoarding crimped his advancement when he was a middle manager at **Avanade** nearly a decade ago. He vividly recalls being "hungry to do more" and join the technology consultancy's North American leadership team.

But his boss's boss's boss, the region's head, "was hoarding a group of high performers" and even resisted letting other colleagues join the team, Mr. Miquelon says. A year later, he got a different executive role at the company.

Now, more companies facing skill shortages are taking aim at talent hoarders. Chiefs at companies such as Avanade consider antihoarding efforts a personal priority.

Lender **Ally Financial Inc.** allows staffers to lobby certain leaders for promotions. Firms including Ernst & Young LLP reward executives for developing lieutenants—even though they may lose their best to different assignments.

In 2013, Avanade Chief Executive Adam Warby decided he and his management team should fight hoarding, recalls Stephen Kelly, chief human-resources officer. The company, jointly owned by **Microsoft Corp.** and **Accenture PLC**, was struggling with rapid business growth because managers didn't want

to let their people take other inside positions, Mr. Kelly says. "Everyone only knew their own people."

Mr. Warby initiated a push to shift leaders to new roles every few years, telling top leaders in early 2014, "This is a team sport."

Clinging to good people is bad for business, a 2016 study concluded. Talent-hoarding managers exist at half of 665 employers surveyed by the Institute for Corporate Productivity, a research group. That proportion rose to 74% for the lowest-performing companies in the survey, as defined by such measures as profit and revenue.

"Hoarding inevitably results in key people leaving—a problem aggravated by today's mobile millennial workers and strong economy," observes Kevin Martin, the institute's chief research officer and co-author of the study. The issue persists because managers are rarely rewarded for moving individuals to different parts of the operation, he adds. "This lack of accountability is a killer," he says.

Avanade's Mr. Warby took several steps to expand internal mobility. He insisted that the company's highest executives identify staffers by their level of readiness for a move, ranging from immediately to three years.

The mandate helped stars like Anna Di Silverio rise faster. Before fall 2015, she managed her native Italy for Avanade and had never lived abroad. She has since been promoted twice and is now area president for growth markets, living in Singapore and overseeing China, Brazil and six other countries.

Ms. Di Silverio views her advancement as "a well-managed process." But within



Technology consultancy Avanade decided to shift leaders to new roles every few years.

her regions, she says, she continues to chastise managers who attempt to hoard and reminds them to make talent rotations "a natural behavior."

Mr. Warby also now spends several days a year discussing the company's executive talent with his management team.

Participants at these talent forums sometimes still resist a subordinate's move by declaring, "I need this person," says Toni Handler, another Avanade human resources executive. Fellow executives quickly object because "it's not OK to hoard talent," she adds.

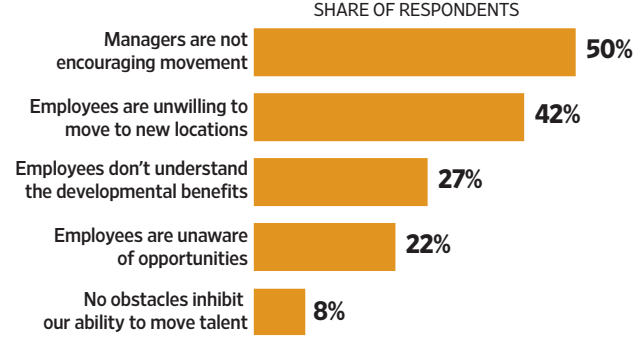
Avanade leaders are evaluated partly on how many of their staffers are ready to move now, according to Mr. Kelly. Between formal meetings, Mr. Warby often asks his lieutenants about "who we haven't moved," Mr. Kelly says.

There is now more job hopping within upper management. Thirty of Avanade's 240 senior executives have switched internal roles since July 2015, an unusually high proportion for such a brief period, a spokeswoman says.

Ally discourages talent hoarding through career roundtables, where executives typically review potential inside prospects to fill

Stuck in the Office

Organizations say these obstacles inhibit the movement of employees to new internal roles.*



*Results from a 2016 study of 665 nonprofits, government agencies and businesses. Source: Institute for Corporate Productivity THE WALL STREET JOURNAL.

vacancies. The lender's corporate financial organization takes roundtables one step further, allowing staffers to pitch their qualifications to senior managers who have immediate or imminent openings.

To take part, employees must be performing well based on recent reviews and must have been in their current role for more than a year. Since 2015, 11 finance employees landed higher jobs or made lateral moves following their roundtable presentations, according to Kathleen L. Patterson, Ally's chief human-resources officer.

Among them is Tony Jef-

erson, hired in 2013 as a first-line supervisor. He says he figured a roundtable pitch might help him move ahead faster because his boss "never set a timeline" for his next Ally role during their career-planning chats. His immediate supervisor did recommend a roundtable appearance as "a good opportunity to get your name and face in front of the senior leadership team," he said.

In June, Mr. Jefferson spent 20 minutes describing his specialized finance training and career aspirations to nearly a dozen financial leaders. Three months later, Ally promoted him to middle manager.

BUSINESS WATCH

ADANI

Australia Hints At Support for Mine

Australia's government has indicated backing for a loan of nearly 1 billion Australian dollars for Indian conglomerate **Adani Group** to build the world's largest coal mine, despite projections of a global glut of the commodity and environmental concerns.

Deputy Prime Minister Barnaby Joyce said a A\$900 million (US\$675 million) concessional loan from a development fund is "a great idea" that would stoke jobs and growth.

Mr. Joyce said that outweighs concerns about the proximity of

the mine to the Great Barrier Reef. The mine would be in Queensland state.

Hours before Mr. Joyce spoke, Prime Minister Malcolm Turnbull met with Adani Chairman Gautam Adani in New Delhi to discuss the Carmichael coal mine, which would be built just inland from the Great Barrier Reef and ship coal to India past its coral banks. Despite projections of a global glut of the commodity and a prolonged downturn in prices, Adani has been pushing ahead with plans to build the mine that would produce thermal coal to generate electricity. The company plans to produce as much as 60 million metric tons of thermal coal a year.

—Rob Taylor

LOEWS

Firm Pays \$1.2 Billion For a Bain Business

Loews Corp. on Tuesday said it reached a \$1.2 billion deal with Bain Capital Private Equity to buy a packaging business it sees as immune to disruption by technology.

Consolidated Container Co., an Atlanta-based maker of rigid plastic such as packaging for household chemicals and beverages, will join a newly created segment. The deal is expected to close in the second quarter. Loews is a holding company with businesses in the insurance, energy and hospitality industries.

—Anne Steele

WAL-MART

Retail Giant Cuts Hundreds of Jobs

Wal-Mart Stores Inc. is cutting hundreds of corporate jobs this month, following similar layoffs earlier this year, as the retail giant looks for ways to save as it spends billions to improve its e-commerce operations and existing stores.

The cuts fell broadly Tuesday and over the past few days on the international side of Wal-Mart's business, as well as its technology group and at its warehouse chain Sam's Club, according to people familiar with the matter.

Wal-Mart Chief Executive

Doug McMillon has told analysts that the company's efforts to compete with Amazon.com Inc. would mean a renewed commitment to low-cost operations, including some layoffs.

The move adds to a string of job cuts and layoffs over the past year. Earlier this year it cut about 1,200 corporate jobs. Since early 2016, Wal-Mart has cut more than 18,000 U.S. jobs.

In a statement, Wal-Mart said "we will continue to find ways to operate more efficiently and effectively, true to our cost-conscious heritage. In order to achieve this, from time to time you'll see the company eliminate positions in an effort to stay lean and fast."

—Sarah Nassauer



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FINANCE & MARKETS

China Government Warns Banks

Beijing seeks to curb speculation, cut risk to financial system; 'severe penalties'

By SHEN HONG

SHANGHAI—China's battle to counter rising stress in its financial system has escalated this week, with regulators making a fresh warning to banks not to engage in speculation that creates unhealthy asset bubbles and prevents money from flowing to more productive parts of the economy.

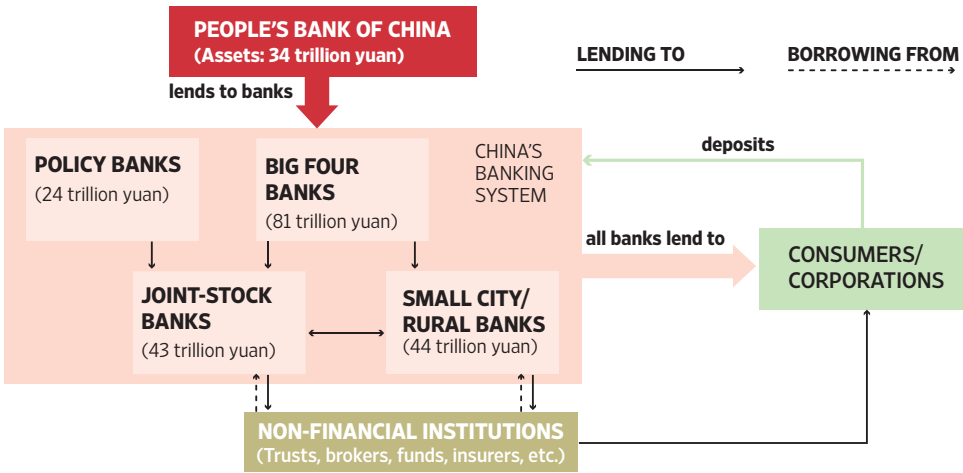
In a directive circulated to banks Monday, the country's banking regulator instructed banks to carry out self-checks by late November on their involvement in what it termed irregularities. The seven-page document, reviewed by The Wall Street Journal, said such actions include making highly leveraged bets on markets via popular investment products and the excessive use of a newly popular form of short-term debt that banks are increasingly relying on for funding.

Without offering details, the banking regulator warned of "severe penalties" for banks found to have committed serious violations of its new guidelines. It criticized behavior it described as "working without bending down" and "sitting there collecting free money," adding that banks should do more to ensure money flowed to China's "real economy."

The regulator's latest broadside follows fresh signs of financial strain in the world's second-

How Money Flows Through China's Financial System

The complexity of financial linkages in China is rising.



Note: 10 trillion yuan = \$1,455 trillion. Assets as of Dec. 2016 (PBOC, policy banks), 3Q 2016 (big four and joint-stock banks), 2Q 2016 (small city/rural banks)
Source: Deutsche Bank

THE WALL STREET JOURNAL.

largest economy. Last month, the nation's interbank lending market—a vital part of the financial plumbing in big economies in which banks borrow from each other to cover daily needs—suffered a cash crunch that drove up borrowing costs to the highest level in two years.

It also came a day after the Communist Party announced a probe into the country's top insurance regulator for suspected graft, the latest indication of Beijing's concern over weak oversight of its rapidly expanding financial sector.

In the past year, Beijing has become wary of a fast-rising debt pile among companies and local governments, as well as periodic investment booms in markets ranging from bonds to sugar. Policy makers have made

the reduction of financial risk and leverage their priority this year: The country's central bank has raised short-term interest rates twice since late January.

But Beijing faces a tricky balancing act as it strives to reduce excessive borrowing and market speculation. If it taps on the brakes too hard, it risks aggravating the slowdown in China's economy, which has become highly reliant on vast quantities of credit to underpin growth. The government has also relied on trying to curtail banks' risky activities through warnings and tighter regulation.

"Given all the monetary tightening and measures like these to deleverage the financial system, I expect rising borrowing costs to put the economy under stronger downward

pressure in the second half of this year," said Zhu Chaoping, economist at UOB-Kay Hian Securities, a Singapore-based investment bank. "Having said that, I don't see any sign of wavering from Beijing."

In its latest directive, the bank regulator singled out of the risks around wealth-management products, the latest sign of Beijing's concern about their rapid rise. The amount of these products in issue has increased to \$3.8 trillion, equivalent to more than a third of China's annual gross domestic product, from \$72 billion in 2007.

Wealth-management products are often sold by banks as a way to raise money, but aren't recorded on their balance sheets. They typically offer cus-

tomers short-term returns that are much higher than ordinary bank deposits, by making highly leveraged bets that have helped fuel bubbles in markets from bonds to soybeans in the past couple of years.

The products' short-term nature means issuers sometimes have to tap China's money markets to secure funds to repay investors if the assets in which they invested fall in value. A sudden need for such funding among wealth-management products contributed to last month's cash crunch in China.

The banking regulator's directive this week also warned banks against investing in their own wealth-management products and in those issued by their peers.

Officials from the China Banking Regulatory Commission couldn't be reached for comment.

The regulator's latest clampdown also focused on negotiable certificates of deposit, a popular new financial tool Chinese banks use to replenish capital. The recent explosion in banks' use of these bondlike loans, whose durations range from a month to a year but which require no collateral, is an example of how creative Chinese banks have become in taking advantage of regulatory loopholes.

Banks, mostly small or mid-size ones, have sold \$639 billion of negotiable certificates of deposit this year, 65% more than in the same period of 2016. They often use the proceeds to buy higher-yielding, longer-term assets like corporate bonds or investment products issued by fellow banks.

Regulator Probes Leak To KPMG

By DAVE MICHAELS AND MICHAEL RAPOPORT

Six employees at KPMG LLP have been fired after the U.S. audit regulator began investigating the leak of its confidential plan to inspect work performed by the global accounting firm, the company said Tuesday.

The fired KPMG employees include four partners and Scott Marcello, who is also a partner and the head of the firm's audit practice, according to KPMG. The firm confirmed the matter after being contacted by The Wall Street Journal. Mr. Marcello couldn't immediately be reached for comment.

The Public Company Accounting Oversight Board, created by Congress after the accounting scandals that took down Enron Corp. and WorldCom Inc. to police audits of listed companies, has hired an outside law firm to probe the breach, according to people familiar with the matter.

KPMG says it told both the PCAOB and the Securities and Exchange Commission about the leak as soon as it was discovered. The KPMG employee who received the leak formerly worked at the PCAOB, according to the audit firm. The PCAOB is investigating the actions of the former employee, according to the people familiar with the matter.

The incident has sparked renewed concern about the management of the PCAOB.

"KPMG has zero tolerance for such unethical behavior," said Lynne Doughtie, KPMG's chairman and chief executive officer. "KPMG is committed to the highest standards of professionalism, integrity and quality, and we are dedicated to the capital markets we serve. We are taking additional steps to ensure that such a situation should not happen again."

A spokeswoman for the board said the organization has taken steps to "maintain and reinforce the integrity of its inspection process" since discovering the leak.

"When the PCAOB recently learned that a registered firm had come into possession of confidential PCAOB inspection selection information, the PCAOB immediately commenced an internal investigation," board spokeswoman Colleen Brennan said. "The investigation identified inappropriate disclosures by an employee, and the employee is no longer with the PCAOB."

Saudis Favor Extending Cuts in Oil Output

By SUMMER SAID AND BENOIT FAUCON

Saudi Arabia has told OPEC officials it wants to extend the cartel's agreement to cut oil production for another six months, people familiar with the matter said.

Saudi support is essential for the Organization of the Petroleum Exporting Countries to renew its agreement at its next meeting, on May 25. The group committed last year to cut about 1.2 million barrels of oil a day in a bid to bring a vast global oversupply of crude back in line with demand and thus raise prices.

The agreement helped raise oil prices about 20% after it was announced on Nov. 30. Russia and 10 other non-OPEC producers pledged to trim another 558,000 barrels a day.

But prices have stalled, and the cuts haven't drained oil inventories as fast as expected, OPEC officials said. That is partly because U.S. oil produc-

ers took advantage of the rise in prices and raised output.

Oil prices, which were trending down on Tuesday, reversed to gains after The Wall Street Journal reported Saudi support for a renewal. U.S. oil closed 0.6% higher at \$53.40 on Tuesday afternoon.

Saudi Arabia is OPEC's biggest producer. It has shouldered the cartel's largest burden, slashing as much as 700,000 barrels a day in some months to make up for shortfalls from other members.

The November agreement came together thanks to Saudi support, but the kingdom's energy minister, Khalid al-Falih, has been unwilling to publicly signal that he would support extending the cuts. The production cuts have been costly to the kingdom as it wages a war in Yemen, and the International Monetary Fund trimmed Saudi economic growth forecasts this year, citing the lost oil revenue.

But Mr. Falih has since de-

cided he would sign off on renewing the agreement, the people familiar with the matter said.

While the underlying goal of the production cuts is to raise prices, OPEC officials say the number they are really watching is global inventories in storage, which soared to record levels when crude was cheap. Such high levels of storage provide a check on forces that could move prices significantly, such as increasing demand.

In an interview, OPEC Secretary General Mohammad Barkindo said global oil inventories had fallen by about 20 million barrels since implementation of the cartel's agreement. Storage levels remain above 260 million barrels above where OPEC wants them, Mr. Barkindo said.

OPEC officials said the cartel is holding a midlevel committee meeting on April 21 in Vienna, where recommendations will be made to the



Saudi energy minister Khalid al-Falih supports the renewal.

group's 13 energy ministers.

The committee is expected to recommend that OPEC's ministers vote to extend the cuts, according to the people familiar with the matter.

Mr Barkindo said it was up to ministers to decide on the extension and was too early to preempt the outcome.

—James Marson contributed to this article.

FINANCE WATCH

MASTERCARD

U.K. Approves VocaLink Purchase

A U.K. regulator cleared the way for Mastercard Inc. to acquire payment-technology firm VocaLink Holdings Ltd., allowing the global card network to expand beyond card payments.

Mastercard in July announced that it entered into an agreement to buy 92.4% of VocaLink for about \$920 million.

But a U.K. regulator, the Competition and Markets Authority, delayed the acquisition. In January, the regulator cited concerns that the deal could stifle competition in the ATM business. The CMA said that VocaLink and Mastercard are two of the three

"most credible providers of infrastructure services" to the primary ATM network operating in the U.K. and that the merger would reduce bidders, among other concerns.

Mastercard and VocaLink offered to allow new companies that want to get into the U.K. ATM market to use some of VocaLink's infrastructure rather than having to build it on their own.

The CMA on Tuesday said it accepted Mastercard and VocaLink's remedies to address competition concerns, effectively clearing the way for the deal to proceed. The deal is now expected to close in coming weeks, according to a Mastercard statement Tuesday.

—AnnaMaria Andriotis

ALTERNATIVE LENDING

Neuberger Buys Into Credit Investor

A unit of investment manager Neuberger Berman is buying a 10% stake in the credit investor TPG Special Situations Partners, a bet that alternative lenders have carved out a lasting niche on Wall Street.

The deal with Neuberger's Dyal Capital Partners values TSSP, as it is known, at \$3.5 billion, according to people familiar with the matter.

TSSP, backed by the private-equity firm TPG, plans to use proceeds from the sale to add staff and to invest more of its own capital in its funds, the people said.

—Matt Jarzemsky



Mastercard is paying about \$920 million for 92.4% of VocaLink, a payment-technology firm.

A Fresh El Niño Threat Looms

By LUCY CRAYMER

An El Niño weather phenomenon will likely occur again this year as the Pacific Ocean heats up, Australia's weather bureau said, bringing potentially bad news for some of the world's poorest regions.

At the start of 2017, forecasters around the world were in general anticipating neutral weather conditions for this year.

Now, all models that Australia's Bureau of Meteorology uses in forecasting the naturally occurring phenomenon indicate an El Niño will form this year or in early 2018.

The agency noted that parts of the eastern Pacific Ocean surface are already 1.8 degrees Fahrenheit warmer than normal.

Government forecasters in the U.S. and Japan also see an increased risk of an El Niño event, putting the likelihood at a minimum of 50%.

The U.S. Climate Prediction

Center will update its forecast on Thursday.

El Niño occurs when winds in the equatorial Pacific slow or reverse direction. That warms water over a vast area, which in turn can upend

Parts of the Pacific Ocean are already warmer than normal, forecasters say.

weather patterns around the world; it typically reduces rainfall in Australia and across parts of southeast and southern Asia.

As probability of a 2017 El Niño rises, analysts have been highlighting the risks for crops, particularly those grown in Asia and Africa such as robusta coffee, sugar, cocoa and palm oil.

Information related to when

exactly an El Niño might form is becoming critical "as it can tighten the supply-demand situation for [agricultural] commodities, especially soft commodities," Société Générale SA recently said.

Yet there remains no way to anticipate how severe the impact will be.

Of the 27 El Niño weather patterns observed since 1900, only 18 resulted in widespread droughts in Australia, according to the country's meteorology bureau. It also cautioned that the models it uses for forecasting the weather phenomenon have a lower accuracy than at other times of the year.

Risks are exacerbated by the fact that much of Southeast Asia is only just starting to recover from the 2015-16 event, which was one of the three most severe on record. It brought widespread drought to large parts of the region, cutting production of coffee and palm.

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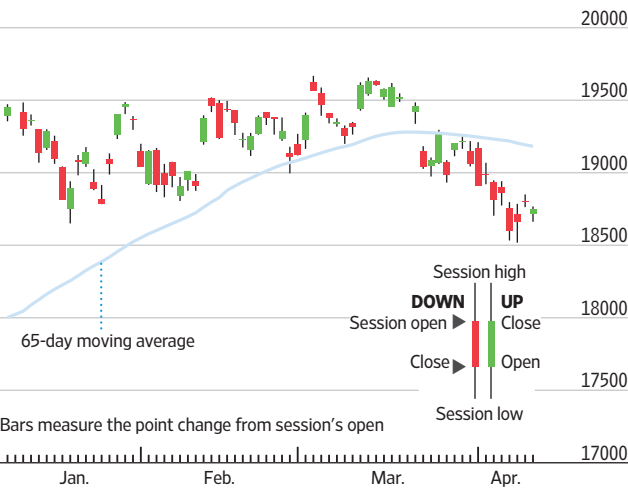
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MARKETS DIGEST

Nikkei 225 Index

18747.87 ▼50.01, or 0.27%
High, low, open and close for each trading day of the past three months.



STOXX 600 Index

381.18 ▼0.07, or 0.02%
High, low, open and close for each trading day of the past three months.



S&P 500 Index

2353.78 ▼3.38, or 0.14%
High, low, open and close for each trading day of the past three months.



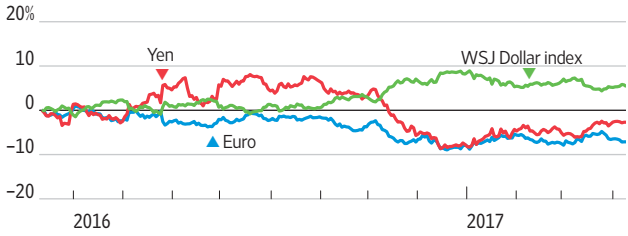
International Stock Indexes

Region/Country		Index	Close	Latest NetChg	% chg	Low	52-Week Range	High	YTD % chg
World		The Global Dow	2677.58	-1.89	-0.07	2193.75		2720.47	5.9
		MSCI EAFE	1785.77	5.60	0.31	1471.88		1956.39	4.0
		MSCI EM USD	954.66	-3.34	-0.35	691.21		1044.05	20.2
Americas		DJ Americas	568.56	-0.41	-0.07	480.90		577.65	5.2
		Sao Paulo Bovespa	64498.18	-151.64	-0.23	48066.67		69487.58	7.1
		S&P/TSX Comp	15707.14	-23.65	-0.15	13444.45		15943.09	2.7
		IPC All-Share	49642.20	101.94	0.21	43902.25		49753.57	8.8
		Santiago IPSA	3763.81	-18.84	-0.50	2998.64		3786.05	16.8
U.S.		DJIA	20651.30	-6.72	-0.03	17063.08		21169.11	4.5
		Nasdaq Composite	5866.77	-14.15	-0.24	4574.25		5936.39	9.0
		S&P 500	2353.78	-3.38	-0.14	1991.68		2400.98	5.1
		CBOE Volatility	15.22	1.17	8.33	9.97		26.72	8.4
EMEA		Stoxx Europe 600	381.18	-0.07	-0.02	308.75		381.26	5.5
		Stoxx Europe 50	3159.71	0.43	0.01	2626.52		3174.79	5.0
	Austria	ATX	2886.35	-24.15	-0.83	1981.93		2913.76	10.2
		Bel-20	3807.60	-14.48	-0.38	3127.94		3827.15	5.6
	France	CAC 40	5101.86	-5.59	-0.11	3955.98		5135.28	4.9
	Germany	DAX	12139.35	-61.17	-0.50	9214.10		12375.58	5.7
	Greece	ATG	680.06	-1.40	-0.21	517.10		683.58	5.7
	Hungary	BUX	32199.15	-269.15	-0.83	25126.36		34334.92	0.6
	Israel	Tel Aviv	1396.06	...	Closed	1372.23		1504.42	-5.1
	Italy	FTSE MIB	20109.06	-92.99	-0.46	15017.42		20540.39	4.5
	Netherlands	AEX	518.40	-0.76	-0.15	409.23		520.31	7.3
	Poland	WIG	58510.03	-602.35	-1.02	42812.99		60631.65	13.1
	Russia	RTS Index	1091.08	6.82	0.63	864.46		1196.99	-5.3
	Spain	IBEX 35	10416.30	-21.40	-0.21	7579.80		10534.50	11.4
	Sweden	SX All Share	561.25	-0.87	-0.16	443.66		564.93	5.0
Asia-Pacific		Swiss Market	8641.55	24.87	0.29	7475.54		8710.26	5.1
		Johannesburg All Share	53535.16	395.20	0.74	48935.90		54704.22	5.7
	Turkey	BIST 100	90904.49	-335.96	-0.37	70426.16		91832.03	16.3
	U.K.	FTSE 100	7365.50	16.56	0.23	5788.74		7447.00	3.1
	Australia	DJ Asia-Pacific TSM	1546.47	3.16	0.20	1308.52		1570.38	8.7
		S&P/ASX 200	5929.30	16.40	0.28	4975.60		5929.30	4.7
	China	Shanghai Composite	3288.97	19.57	0.60	2806.91		3288.97	6.0
Asia-Pacific	Hong Kong	Hang Seng	24088.46	-173.72	-0.72	19694.33		24593.12	9.5
		S&P BSE Sensex	29788.35	212.61	0.72	25101.73		29974.24	11.9
	India	Nikkei Stock Avg	18747.87	-50.01	-0.27	14952.02		19633.75	-1.9
	Japan	Straits Times	3174.75	-6.70	-0.21	2729.85		3187.51	10.2
	Singapore	Kospi	2123.85	-9.47	-0.44	1925.24		2178.38	4.8
	South Korea	Weighted	9832.42	-50.12	-0.51	8053.69		9972.49	6.3
	Taiwan								

Source: SIX Financial Information;WSJ Market Data Group

Currencies

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



Country/currency	Tue in US\$	per US\$	US\$ vs. YTD chg (%)
Americas			
Argentina peso-a	0.0656	15.2349	-4.0
Brazil real	0.3182	3.1425	-3.5
Canada dollar	0.7499	1.3335	-0.8
Chile peso	0.001527	654.90	-2.2
Colombia peso	0.0003489	2866.10	-4.5
Ecuador US dollar-f	1	1	unch
Mexico peso-a	0.0534	18.7404	-9.6
Peru sol	0.3077	3.2495	-3.1
Uruguay peso-e	0.0351	28.460	-3.0
Venezuela bolivar	0.099155	10.09	0.9
Asia-Pacific			
Australia dollar	0.7501	1.3332	-4.0
China yuan	0.1451	6.8922	-0.8

Country/currency	Tue in US\$	per US\$	US\$ vs. YTD chg (%)
Hong Kong dollar			
Hong Kong dollar	0.1287	7.7713	0.2
India rupee	0.0155	64.7100	-4.8
Indonesia rupiah	0.0000752	13304	-1.6
Japan yen	0.009109	109.78	-6.2
Kazakhstan tenge	0.003210	311.49	-6.7
Macau pataca	0.1252	7.9896	0.9
Malaysia ringgit-c	0.2256	4.4335	-1.2
New Zealand dollar	0.6956	1.4376	-0.4
Pakistan rupee	0.0096	104.700	0.3
Philippines peso	0.0201	49.705	0.2
Singapore dollar	0.7128	1.4030	-3.1
South Korea won	0.0008706	1148.58	-4.9
Sri Lanka rupee	0.0065651	152.32	2.6
Taiwan dollar	0.03259	30.685	-5.5
Thailand baht	0.02894	34.550	-3.5

Country/currency	Tue in US\$	per US\$	US\$ vs. YTD chg (%)
Europe			
Bulgaria lev	0.5434	1.8401	-1.0
Croatia kuna	0.1427	7.008	-2.3
Euro zone euro	1.0614	0.9422	-0.9
Czech Rep. koruna-b	0.0398	25.129	-2.2
Denmark krone	0.1427	7.0062	-0.9
Hungary forint	0.003402	293.95	-0.1
Iceland krona	0.008949	111.75	-1.1
Norway krone	0.1163	8.5961	-0.6
Poland zloty	0.2497	4.0043	-4.4
Russia ruble-d	0.01752	57.078	-6.8
Sweden krona	0.1106	9.0478	-0.7
Switzerland franc	0.9922	1.0059	-1.1
Turkey lira	0.2700	3.7042	5.1
Ukraine hryvnia	0.0372	26.8835	-0.7
U.K. pound	1.2482	0.8012	-1.1

Middle East/Africa				
Bahrain dinar	2.6529	0.3770	-0.1	
Egypt pound-a	0.0554	18.0530	-0.4	
Israel shekel	0.2734	3.6579	-4.9	
Kuwait dinar	3.2768	0.3052	-0.1	
Oman sul rial	2.5970	0.3851	0.02	
Qatar rial	0.2748	3.640	-0.02	
Saudi Arabia riyal	0.2666	3.7504	-0.01	
South Africa rand	0.0723	13.8284	1.0	
	Close	Net Chg	% Chg	YTD %Chg
WSJ Dollar Index	90.51	-0.32	-0.35	-2.61

Sources: Tullett Prebon, WSJ Market Data Group

Sources: Tullett Prebon;WSJ Market Data Group

Global government bonds

Latest, month-ago and year-ago yields and spreads over or under U.S. Treasuries on benchmark two-year and 10-year government bonds around the world. Data as of 3 p.m. ET

Country/		Coupon	Maturity, in years	Yield	Latest	Spread Over Treasuries, in basis points	Previous	Yield	Year ago
Australia	2	5.250	2	1.665	41.9	39.1	57.6	116.5	1.665
		4.750	10	2.557	25.6	21.4	41.2	69.6	2.582
Belgium	2	3.000	2	-0.568	-181.4	-184.3	-184.9	-116.9	-0.569
		0.800	10	0.780	-152.1	-159.5	-159.1	-136.2	0.773
France	2	0.000	2	-0.468	-171.4	-175.5	-180.4	-116.0	-0.481
		0.250	10	0.964	-133.7	-144.2	-145.3	-126.4	0.926
Germany	2	0.000	2	-0.853	-209.9	-211.8	-218.7	-122.1	-0.844
		0.250	10	0.207	-209.4	-215.9	-209.0	-161.6	0.209
Italy	2	0.300	2	-0.046	-129.2	-135.2	-132.9	-69.4	-0.078
		1.250	10	2.096	-20.5	-30.6	-20.9	-37.7	2.062
Japan	2	0.100	2	-0.223	-146.9	-149.0	-161.4	-94.7	-0.216
		0.100	10	0.039	-226.2	-231.9	-248.7	-180.9	0.050
Netherlands	2	4.000	2	-0.770	-201.5	-204.8	-218.9	-119.6	-0.773
		0.750	10	0.477	-182.4	-189.3	-183.1	-150.6	0.476
Portugal	2	4.750	2	0.353	-89.3	-91.6	-133.2	-30.6	0.358
		4.125	10	3.833	153.2	143.5	146.4	149.3	3.803
Spain	2	2.750	2	-0.207	-145.3	-149.1	-145.3	-69.4	-0.217
		1.500	10	1.619	-68.2	-76.1	-71.1	-21.9	1.607
Sweden	2	4.250	2	-0.666	-191.2	-191.1	-191.8	-116.8	-0.637
		1.000	10	0.546	-175.5	-182.4	-179.5	-98.4	0.544
U.K.	2	1.750	2	0.101	-114.5	-117.7	-125.3	-30.2	0.097
		4.250	10	1.055	-124.6	-129.0	-134.1	-33.3	1.078
U.S.	2	1.250	2	1.246	...	...	...	...	1.274
		2.250	10	2.301	...	...	...	...	2.368

Commodities

Prices of futures contracts with the most open interest 3:30 p.m. New York time

Commodity		Exchange	Last price	Net	One-Day Change	Percentage	Year high	Year low
Corn (cents/bu.)		CBOT	373.50	-1.00	-0.27%	1	393.75	361.75
		CBOT	942.25	0.50	0.05%	1	1,088.25	929.75
Wheat (cents/bu.)		CBOT	433.00	4.25	0.99	1	477.00	416.25
		CME	113.675	1.375	1.22	1	114.200	103.150
Live cattle (cents/lb)		CME	113.675	1.375	1.22	1	114.200	103.150
		ICE-US	1.976	12	0.61	1	2.270	1.879
Coffee (cents/lb.)		ICE-US	142.50	0.35	0.25	1	161.55	138.55
		ICE-US	16.78	0.16	0.96	1	20.81	16.20
Sugar (cents/lb.)		ICE-US	16.78	0.16	0.96	1	20.81	16.20
		ICE-US	76.35	-0.46	-0.60	1	80.27	71.86
Robusta coffee (\$/ton)		ICE-EU	2176.00	22.00	1.02	1	2,279.00	2,093.00
Copper (\$/lb.)		COMEX	2.6085	0.0045	0.17	1	2.8360	2.4800
		COMEX	1276.40	22.50	1.79	1	1,277.40	1,152.20
Silver (\$/troy oz.)		COMEX	18.305	0.390	2.18	1	18.540	16.000
		LME	1,940.50	-3.50	-0.18	1	1,972.00	1,688.50
Aluminum (\$/mt)*		LME	2,265.00	1.00	0.04	1	2,445.00	2,022.00
		LME	20,350.00	25.00	0.12	1	21,225.00	

THE PROPERTY REPORT

U.S. Commercial-Property Lending Falls

Sales activity has declined after eight years of price gains; 'the banks are hungry'

By PETER GRANT

Commercial real-estate lending by banks, insurance companies and other financial institutions is declining as sales activity slows and regulators voice concern about the sector.

Lenders closed roughly \$491 billion of mortgage loans backed by U.S. property in 2016, down 3% from 2015, according to new statistics from the Mortgage Bankers Association. Most of the decline occurred in the fourth quarter, when volume was 7% lower than the 2015 quarter, according to Jamie Woodwell, the trade group's head of commercial-property research.

Despite the decrease, the new-volume number was the third highest since the association began doing the survey, behind 2015 and the record year of 2007.

The decline from 2015 to 2016 was due partly to a slowing of property sales, meaning fewer buyers needed financing. "There's a very tight correlation" between the two, Mr. Woodwell said.

Buyers, for their part, are getting jittery because values have been rising for eight years and are near records. In all, investors purchased \$493.7 billion of U.S. commercial property in 2016, down 10% from 2015, according to data firm Real Capital Analytics.



KENNETH HUGHES/BLOOMBERG NEWS

ING Groep last year made a \$570 million refinance loan for the Sony Building, a mixed-use skyscraper on New York's Madison Avenue.

Activity has slowed further this year. Investors purchased just \$50.3 billion worth of U.S. commercial property in the first two months of 2017, compared with \$80.1 billion during the period in 2016, according to Real Capital Analytics.

Regulators have been expressing concern about overheated commercial real-estate lending. At the end of the 2016 third quarter there were 521 institutions insured by the Federal Deposit Insurance Corp. with potentially worri-

some concentrations of risk, according to an FDIC report this year. That is up from 474 institutions in the 2015 third quarter, the report said.

Yet banks and insurers are getting more aggressive over deals as investment in the sector declines. New lenders also are emerging on the scene, including investment funds formed by private-equity firms that are focused on real-estate debt.

"It's tougher right now," said Craig Bender, who heads up ING Groep NV's U.S. real-

estate lending business. "The banks are hungry. The life-insurance companies are hungry."

ING Groep two years ago relaunched its real-estate business after shutting it down following the global financial crisis. Last year, it made a \$570 million refinance loan for the Sony Building, an iconic mixed-use skyscraper at 550 Madison Ave. in New York.

Many bank executives view the commercial-property market as healthy, given rising

rents and occupancies. Wells Fargo & Co., the country's largest commercial-property market lender, expects to lend about \$30 billion this year, about the same as in 2016 and 2015, according to Mark Myers, the bank's head of commercial real estate. Those amounts are "high-water marks" for the bank, he said.

Still, the bank recognizes that property values are at record levels after rising for eight years. "I'd say, if I could look back one year ago, we're probably more cautious

[now]," Mr. Myers said.

Some lenders are competing by making riskier loans such as those that finance construction or occupy a "mezzanine" position between first mortgages and equity. In the first quarter of 2017, construction and land loans on bank balance sheets were up 12.8% to \$306.1 billion compared with the year-earlier period, according to loan tracker Trepp LLC.

Lenders and developers have gotten especially aggressive in building rental apartments. More units are under way today than in any period since the mid-1970s, experts said.

"There's no current looming event that regulators are looking to say we foresee a problem," said Matthew Anderson, managing director of Trepp. "It's just the sheer volume and pace of activity and the length of how long it's gone on."

Lenders also have been emboldened because loan performance is doing well. Just 0.59% of commercial mortgages held on balance sheets of banks and thrifts today are more than 90 days delinquent, the lowest rate in more than a decade, according to the Mortgage Bankers Association. By comparison, the delinquency rate was 4.21% at the end of 2010.

The improving loan quality reflects steadily rising prices. A property value index compiled by Green Street Advisors has more than doubled since 2009, when it hit its postcrash low point. But lately that index plateaued. In March, it declined 0.5%.

Greece Plus Malls Equals Risk for a U.S. Investor

By ART PATNAUDE

As risky bets go, Greece ranks right up there. When you add shopping malls to the mix, only the hardest investors need apply.

That is the wager that U.S. private-equity firm Värde Partners LP made last week when it paid €61.3 million (\$65 million) for a stake in two of Greece's biggest shopping malls.

The deal stands out because there have been few commercial real-estate transactions over the past eight years in Greece, once the epicenter of Europe's financial crisis. Of the €255 billion (\$270 billion) of commercial property traded in Europe last year, only \$650 million of deals took place in Greece, mainly in the hotel sector, according to real-estate research firm Real Capital Analytics.

"There are some big question marks hanging over Greece," said Walter Boettcher, director of research at Colliers International, a real-estate broker.

At the same time, the rise of online shopping and changing consumer preferences around the world have led to massive retail bankruptcies and store closures in the U.S., the U.K. and around the world.

Yet Minneapolis-based Värde, a value investor on the hunt for discounted assets, sees opportunity.

"The risk is about the politics," said Tim Mooney, global co-head of real estate at Värde. "The gutsy part of the trade is not at the asset level."

The Greek economy has only started to recover after shrinking by more than 25% during the financial crisis.

The government is finalizing details of a deal struck on Friday with creditors to keep its economic bailout program going. A final agreement will pave the way for talks between European creditors—led by Germany—and the International Monetary Fund on debt relief.

Prolonged bailout negotiations revived uncertainty in Greece. The country's economy shrank faster than expected in the last quarter of the year, and while the Greek government expects growth to clock in at 2.7% this year, several economists believe it will be more modest.

Värde paid the €61.3 million for a 31.7% stake in Lamda Malls SA, a unit recently spun



Lamda Development SA owns the Golden Hall mall in Athens.

out of Lamda Development SA, one of Greece's biggest real-estate companies. Lamda has two assets: Golden Hall in Athens and Mediterranean Cosmos in Thessaloniki, a major city in the north of the country.

Even at the worst point of Greece's recession, occupancy at Lamda Malls never fell below 96%, "and you had no significant decline in tenant sales," said Anthony Iannazzo, a managing director at Värde. "It is rare as a value investor that you have the opportunity to observe how an asset will perform under a Great Depression-level economic crisis, but that is exactly the case here," he said.

While malls in the U.S., U.K. and elsewhere have suffered from consumers shifting online, the Greeks have been slower to change. Last year, less than 70% of Greeks used the internet, while around 35% made a purchase online, according to a report from Deutsche Asset Management. Both figures put Greece with having among the lowest internet penetration in Europe.

Shopping malls like Golden Hall, with air conditioning, restaurants and play areas for children, are also not as common in Greece as they are in the U.S. or other parts of Europe, giving Värde confidence it will remain a popular shopping destination, Mr. Mooney said.

The potential returns also were attractive to Värde. Because the Greek property market is so illiquid, nailing down an average yield in Greece is difficult, analysts said.

"You're not getting paid yields that you would see in Ukraine. But you're getting paid more than Romania or Turkey," said Mr. Iannazzo at Värde, which manages \$12 billion of assets.

This isn't new ground for Värde, which aims to buy assets or take control of companies at a discount to their potential value and then list them on a stock exchange or sell them.

The firm in 2011 bought U.K. home builder Crest Nicholson Holdings PLC, which was listed on the London Stock Exchange in 2013.

Värde in March bought Spanish housing developer Vía Célere for €90 million. The company will be merged with a Spanish developer it already owns, and is being considered for an initial public offering or sale, Mr. Mooney said.

Last year, Värde bought a stake in Trastor, a Greek real-estate investment trust, from Greece's largest lender Piraeus Bank. It now owns 54% of the group, which is focused on office and retail sectors.

"We like housing in Spain. We like retail in Greece," Mr. Mooney said. "As a value investor, we think it's the right time."

Banks Wary of Retail Landlords

By ESTHER FUNG

The retail malaise hasn't stopped shopping-center landlords from getting loans—it is just getting harder.

With an oversupply of malls, changing consumer habits and increasing competition from e-commerce, property owners frequently have to spruce up their assets to make them trendier and draw more foot traffic.

But the process of getting the financing for this reinvestment has gotten more complicated, said analysts, lenders and landlords. Lenders now grill landlords repeatedly about tenants' creditworthiness and exposure to competition from neighboring developments and e-commerce. On top of that, borrowers may have to pay higher interest rates than they are used to, as the perception of risk increases and the Federal Reserve boosts short-term interest rates.

"There is a sea change in attitudes over the last eight months," said Joseph Miller, co-founder of Runyon Group, a real-estate company with offices in Los Angeles and New York. "Everyone is more cautious."

A broad swath of banks, private-equity funds and insurance companies "have a risk-off approach and are more selective," he said.

Loan terms have become more conservative. The average size of a retail real-estate loan was \$8.3 million in 2016, down from \$12.2 million in 2015, according to data from Real Capital Analytics. The average loan-to-value ratio fell to 66% in 2016 from 70% in 2015, while the average occupancy

rate of the underlying properties rose to 98% in 2016 from 92% in 2015.

A steady drumbeat of store closures is escalating concerns about the fate of retail shopping centers, especially lower-tier malls and strip centers. Major retailers such as Macy's Inc., Sears Holdings Corp. and J.C. Penney Co. have said in recent months they plan to close as many as 290 stores, while Payless ShoeSource Inc. last week filed for chapter 11 bankruptcy protection and said it would close 400 stores.

Real-estate executives and financiers said it is more difficult these days to value shopping centers amid the shift in shopping habits.

'There is a sea change in attitudes over the last eight months.'

"Lenders are more forward-looking this time, and question what the property is going to look like five years from now," said Eric Wolf, managing director at Katz Properties LLC, a property investment, development and management firm. "There is more face time with lenders, and you go over things, and go over again," said Mr. Wolf, whose firm owns 27 shopping centers in the U.S.

Mall values can drop more sharply than residential and office properties if anchor tenants close and surrounding tenants then peter out. J.C. Penney and Macy's closed stores at

Hudson Valley Mall in Kingston, N.Y., in 2015 and 2016, respectively, and the value of the mall plummeted 90%. The mall was valued at \$87 million in 2010. Last December, Kroll Bond Rating Agency said it was valued at \$8.1 million.

Not all malls are struggling. Some better-quality properties in affluent coastal cities with a steady stream of tourists continue to boost rents. Larger mall operators still make hefty investments in their best properties to keep them competitive.

"The stronger centers are getting stronger and the weaker centers are getting weaker," said Bill O'Connor, chief executive of O'Connor Capital Partners, a real-estate investment and development firm. "All this is happening faster than the previous cycles. It's a game of musical chairs; when the music stops, you'll find out who has a seat."

But capital for retail real estate isn't drying up. In addition to banks, insurance companies also are extending loans to real-estate owners, and private-equity and hedge funds are on the lookout for deals for their debt funds.

Mr. Miller's Runyon Group recently secured a \$47 million, 10-year securitized loan from Wells Fargo & Co. to refinance a mixed-use, open-air retail and office property in Los Angeles. It started negotiations in October, and over the next two months the 10-year Treasury rate jumped to 2.5% from 1.6%.

"Generally in two to three years, interest rates will be higher," said Mr. Miller. "We're stress-testing our business plans to be successful in an environment like that."



KATIE GIBBS

Runyon Group recently got a \$47 million loan for a retail and office property in Los Angeles.

MARKETS

Investors Say Au Revoir to French Assets

Stocks slide and debt premiums rise on concerns over coming presidential election

By Christopher Whittall

Investors sold French assets, a further sign of jitters ahead of the first round of voting in the country's presidential elections April 23. Shares in French banks slumped for a second day on Tuesday, while the premium investors demand to hold French government debt over haven German bonds rose to its highest level in more than six weeks. Meanwhile, a gauge of how much investors are willing to pay to shield themselves against a sharp move in the euro hit levels not seen since the height of the eurozone sovereign-debt crisis. Some analysts attributed the moves to a rise in the polls of far-left candidate Jean-Luc Mélenchon, transforming the vote into a four-way race that could reduce the likelihood of

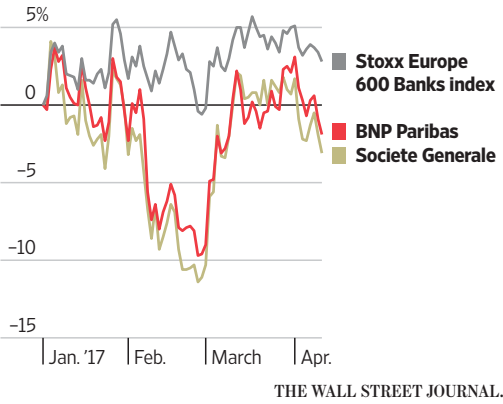
French Twists

Investors have sold French debt in recent months, widening the gap between French and German bond yields... Spread between France's and Germany's 10-year bond yields



victory for a mainstream party. Investors are already nervous at the prospect of far-right, euroskeptic candidate Marine Le Pen clinching the presidency. "It clearly tightens the race a bit. There is some possibility that you end up with a runoff between the far right and the

...while some French bank shares have lagged behind the broader European bank-stock index this year. Changes so far this year



THE WALL STREET JOURNAL.

far left, which I think might unsettle markets," said John Stopford, head of multiasset income at Investec Asset Management. Mr. Stopford said he would look to take profit on a small bet he holds against French government bonds if they weaken much further.

Overall, he said Ms. Le Pen winning the election remains "a long shot," but he still predicts "markets are going to be a bit skittish" in the run-up to the final round of voting on May 7. A gauge of how much investors will pay for protection against a sharp move in the

currency—one-month risk reversals on the euro-dollar exchange rate—slipped from a recent high of minus 0.15% in March to minus 3.9% in late European trading Tuesday, on track for its lowest close since late 2011, according to Thomson Reuters. Negative numbers suggest investors are paying more to hedge risk. France's CAC-40 stock index fell 0.1% Tuesday and has dropped 0.7% in the past two days. Shares in both **BNP Paribas SA** and **Société Générale SA** fell by more than 1% on Tuesday, bringing losses this month to 4.9% and 4.7%, respectively. In bond markets, the extra yield investors demand to hold 10-year French government debt over haven German bonds rose to 0.74 percentage point Tuesday, its highest closing level since Feb. 23. Other riskier government bonds, such as those in Italy and Portugal, were also slightly weaker. Adding to the negative tone in debt markets, recent data showed Japanese investors sold a net ¥1.52 trillion (\$13.74 billion) of French bonds in

February, the most on record, according to Société Générale. Japanese investors have historically been large buyers of French debt. "Investors are just getting cold feet ahead of the French elections," strategists at Société Générale wrote in a note to clients Tuesday. "From a market standpoint, a surprise Le Pen-Mélenchon battle in the second round would be a worst-case scenario, as their policies are seen as threatening both the fiscal outlook and European stability," they added. Investors dumped French government debt in February on concerns over Ms. Le Pen riding high in the polls. Ms. Le Pen favors pulling France out of the euro, meaning her victory could call into question the future of the single currency. But investors have taken heart from a series of polls indicating Ms. Le Pen should face centrist candidate Emmanuel Macron in the runoff vote on May 7—and lose. —Mike Bird contributed to this article.

Geopolitical Worries Hurt U.S. Stocks, Boost Gold

By Akane Otani and Jon Sindreu

U.S. stocks and government-bond yields slid Tuesday as investors piled into haven assets. The Dow Jones Industrial Average fell 6.72 points, or less than 0.1%, to 20651.30, with shares of financial and technology companies posting among the biggest losses. The S&P 500 fell 0.1% and the Nasdaq Composite lost 0.2%. In Europe, the Stoxx Europe 600 fell less than 0.1% to 381.18.

In the U.S., stocks have wavered in recent sessions after posting a series of records in early March. Details on potential U.S. policy changes such as tax reform and infrastructure spending remain scarce, analysts said, giving investors few reasons to place fresh bets on the so-called Trump trade that lifted financial and industrial stocks after Election Day. Others said geopolitical developments across the globe contributed to the risk-off mood, as U.S. Secretary of State Rex Tillerson made his first official trip to Moscow and South Korean officials sought to assuage concerns over the possibility of a pre-emptive U.S.

military strike on North Korea. Haven assets gained, with government bonds and gold climbing. The yield on the 10-year U.S. Treasury note fell to 2.298%, its lowest since Nov. 17, from 2.361% Monday. Yields fall as bond prices rise. Gold for April delivery rose 1.6% to \$1,271.20 an ounce, its highest settlement since Nov. 9. Shares of financial companies fell along with yields, posting a 0.4% decline in the S&P 500 by late afternoon. **Morgan Stanley** lost 0.8% and **Bank of America** fell 0.4%. Technology stocks slid, putting pressure on the tech-heavy Nasdaq. Dow component **Apple** shed 1.1% and **Intel** fell

0.2% by late afternoon. In Europe, investors sold French assets after polls suggested the presidential elections, scheduled for April 23, could become a four-way race. The extra compensation investors demand to hold 10-year French government debt instead of ultrasafe German paper rose to the highest level since the eurozone debt crisis in late 2011. "I would expect, in case of uncertainty over the next 15, 20 or 30 days, to see some risky assets selling off," said Nicolò Carpaneda, fixed-income investment director at M&G Investments, a \$308 billion money manager.



HECTOR GUERRERO/BLOOMBERG NEWS

Tech stocks, such as Intel, were among the weakest in the U.S.

HEARD ON THE STREET

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Altice IPO: Prepare for A Wild Ride

Cable group **Altice's** strategy of buying and turning around weak cable operators has shown remarkably speedy results since its U.S. debut in December 2015. Investors hoping to make big stock-market gains from the U.S. IPO shouldn't ignore the downside risks of the company's high debt level. The European group filed a prospectus Tuesday to list its U.S. assets, Optimum and **Suddenlink Communications**, in New York. The immediate objective is to give their two minority shareholders a way out. Private-equity firm **BC Partners** and the Canadian public pension fund currently own 31.2% of **Altice USA** between them. They want to sell up to one-third of their stakes for roughly \$1 billion, according to The Wall Street Journal. Altice's history suggests there is also a longer-term objective: deals. A local stock-market listing would give Patrick Drahi, the Netherlands-based company's controlling shareholder, a more effective currency to buy more U.S. cable assets. Altice USA should probably also be a more valuable currency for acquisitions than Altice shares. European telecom companies tend to trade at a discount to American ones. Mr. Drahi's taste for leverage—a taste learned from **Liberty Global's** John Malone—is what will make Altice USA, like its parent company, a wild ride. So far Optimum and Suddenlink have reported surprisingly strong sales growth and margin gains under their new owner. But if business turns down, this new cable star will fall as rapidly as it has risen. —Stephen Wilmot

United Has More to Worry About

Dragging one of its passengers off a plane won't win **United Continental Holdings** any customer-service awards. But it hasn't won many anyway, and that hasn't stopped its shares from soaring. For investors, there are other things to be concerned about. Performance issues have plagued the company since the merger of United and Continental in 2010. The incident certainly threatens to undo some progress United has made in repairing its reputation with customers. United tied for fifth place in overall U.S. airline rankings published by The Wall Street Journal last year, after coming in dead last as recently as 2013. The uproar in China because a doctor forcibly removed from a flight appeared to be ethnically Chinese could hurt one of the airline's most important markets. Even though its customers grouse, United has served investors well. United shares have nearly doubled since



DAVID J. PHILLIP/ASSOCIATED PRESS

United trades at over nine times earnings, nearly a five-year high.

last summer and have tripled in five years, though they were down 1.6% intraday Tuesday after holding steady the day after the Sunday incident. March traffic statistics released Monday evening understandably didn't get much attention, but they also paint a brightening operational picture. United said a key measure of profitability, passenger revenue per available

seat mile, would be flat in the first quarter, after falling considerably over the past two years. On-time performance was 67% in the first quarter, a solid improvement from 64.4% a year earlier. One concern was that March capacity growth was 3.4%, higher than investors would like, as too much capacity can harm pricing power. Those improvements aside, the stock trades at

more than nine times forward earnings—nearly a five-year high, according to FactSet. There are risks to that valuation. First, investors have bet that years of airline consolidation have made the industry less sensitive to economic weakness. Lower debt levels help. But that hasn't been put to the test. Second, an end to low fuel costs, a recent benefit for the sector, would hurt. United has stopped hedging its fuel costs. And a sharp fall in oil wouldn't be as good as it might seem. United's significant exposure to the Houston area means the company's results are vulnerable to oil weakness as well. United booted off passengers to make room for crew members so it wouldn't have to cancel a flight the next day. A move like that is good for business, if not for customers. The risk is that the fundamentals catch up with United, and investors no longer get first-class treatment. —Charley Grant

OVERHEARD

"The Most Boring Year Ever !!!" blares a headline on a report from Deutsche Bank's bond strategists. They seem to want equity investors bemused by low volatility to know that they aren't alone: Bonds are boring, too. Whether that is comforting, however, is another matter. Deutsche's strategists base their assessment on the range of moves in corporate-bond spreads over government-bond yields in the iBoxx indexes up to April 9 of each year since 2000. And the tiny moves in 2017 are among the smallest on record. The problem, of course, comes when considering what the competitors are for this crown. The bad news is that they are the years prior to the global financial crisis. In Europe, for instance, only 2006 and 2007 had more boring starts than 2017. Things got very interesting—perhaps too interesting—quickly after that.

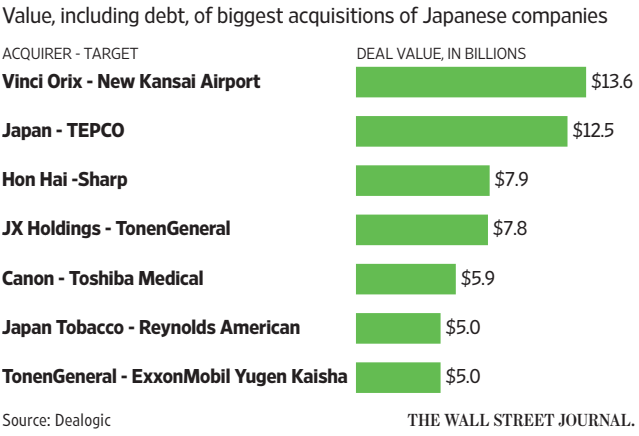
Foxconn's \$27 Billion Offer Looks To Overwhelm Toshiba's Defenses

A \$27 billion bid sounds big in Japan. But there is sense behind **Foxconn Technology's** generous offer for embattled tech giant **Toshiba's** lucrative computer-chip business, which, if completed, would be the biggest foreign acquisition of a Japanese company in recent years, even if it represents a striking 50% premium to analysts' estimates of the unit's fair value. So what gives? After all, Toshiba is desperate for a sale, following the bankruptcy of its nuclear business, Westinghouse. On Tuesday, Toshiba announced

long-delayed results, without the customary auditor's sign-off. The company also expressed doubt about whether it could stay in business. Despite Toshiba's distress, Foxconn will know that to secure a deal, it will have to assuage Japanese concerns about one of its high-tech crown jewels—a big employer to boot—falling into foreign hands. So the Taiwanese company, famed for assembling **Apple** products, is pitching its high bid to Japanese officials and to Toshiba as too good to refuse. Moreover, Foxconn is no stranger to laborious ne-

gotiations in Japan: When it bought money-losing electronics maker Sharp last year, it managed to push the price down by 40% over several months. A similar result this time would help justify its eye-watering opening bid. Ambition is also fueling the premium. Foxconn so far doesn't have a big business producing NAND flash drives, a profitable area in which demand is increasing thanks to the rise of artificial intelligence and cloud computing. Buying Toshiba's business, which has a 20% market share in this technology, according to Nomura,

Big in Japan



Source: Dealogic

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would help Foxconn catch up with leaders like Samsung Electronics. Making a large bid now might help to deter other potential suitors for the business.

Foxconn may still face a tricky time persuading Japanese regulators to approve the sale. But its bid will certainly get their attention. —Anjani Trivedi