

# THE WALL STREET JOURNAL.

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## What's News

### Business & Finance

Boeing agreed to sell up to 60 of its most popular jets to an Iranian airline, despite uncertainty over the Trump administration's tolerance for U.S. business dealings in Iran. **A1**

♦ Gillette, which dominates the global razor business, is slashing prices and putting a new focus on its cheaper products. **B1**

♦ AmTrust revised its last three years' worth of earnings downward by about \$136 million due to accounting errors. **B6**

♦ Exxon Mobil is in talks to gain access to Brazil's prized deep-water resources. **B2**

♦ Ultra's CEO stands to get \$35 million in stock when the firm exits from bankruptcy, due to higher gas prices. **B1**

♦ Fox News contributor Julie Roginsky filed a lawsuit alleging she was sexually harassed by former chairman Roger Ailes. **B3**

♦ J. Crew's creative chief is leaving the apparel firm, which is struggling with soft sales and heavy debt. **B6**

♦ Google unveiled steps to help marketers track where YouTube ads appear. **B4**

♦ Toshiba will buy out partner Engie's 40% stake in a proposed U.K. nuclear power project for \$138 million. **B3**

♦ High-grade corporate bonds surged when the ECB added them to its \$2.45 trillion purchase program last year. **B7**

### World-Wide

♦ Foreigners looking to visit the U.S. may be forced to disclose phone contacts, social-media passwords and other personal information. **A1**

♦ A suspected chemical attack killed at least 58 people in an opposition-held town in northwestern Syria. **A3**

♦ McConnell was expected to use a procedural tool to limit debate on the Supreme Court nomination and set the stage for a final vote by Friday. **A5**

♦ Trump is pushing for a probe into whether Obama administration officials improperly spied on members of his transition team. **A7**

♦ The U.S. government began accepting H-1B visa applications but pledged to target outsourcing firms. **A5**

♦ Russian authorities raised the death toll of the subway blast to 14 and said the suicide bomber, Akbarjon Jalilov, was a native of Kyrgyzstan. **A4**

♦ The U.S. trade gap with China shrank in the first two months of the year but remains far higher than a decade ago. **A7, A1**

♦ Haley said that the U.S. would closely scrutinize the U.N.'s peacekeeping and human-rights functions. **A3**

♦ Trump welcomed Egyptian President Sisi, as the U.S. administration focuses its relationship with Cairo on security cooperation. **A3**

CONTENTS Markets B10  
Business News.... B3 Opinion A10-11  
Crossword..... A12 Streetwise..... B1  
Head on Street.... B10 Technology..... B4  
Int'l Property.... B9 U.S. News..... A5-7  
Life & Arts..... A9,12 Weather..... A12  
Management.... B5 World News..... A2-4

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## Suspected Chemical Attack Kills Dozens in Syria



UNDER CARE: Children receive treatment after a suspected gas attack in the town of Khan Sheikhoun. At least 58 people were killed. **A3**

## U.S. AND CHINA FIND SOFTER TONE

After public posturing, Donald Trump and Xi Jinping prepare for their first summit in Florida

A month after tough talk on China helped win Donald Trump the presidency, Beijing's top diplomat visited Trump Tower and delivered a stern lecture on the need to respect Chinese interests.

By Jeremy Page,  
Felicia Schwartz  
and Carol E. Lee

It didn't go over well. A day later, Mr. Trump challenged Beijing with a veiled threat to bolster U.S. ties to the democratic island of Taiwan.

Since then, both sides have maneuvered, largely behind the scenes, to lower the temperature, setting the stage for Mr. Trump's first meeting with China's leader, President Xi Jinping, later this week.

The summit now offers a test of that strategy and a chance for the two leaders, if



President Xi Jinping of China and President Donald Trump of the U.S.

they choose to take it, to re-calibrate relations and reduce the risk of flare-ups over trade, North Korea or the South China Sea. With both presidents deeply invested in projecting strength and the promise of national rejuvenation, a disappointing

summit could plunge ties back into turmoil.

Mr. Trump's administration in recent weeks has dropped talk of blocking Chinese access to its South China Sea outposts and toned down its attacks on China's currency policy. It didn't join the United

Kingdom, Germany and other allies criticizing China over the alleged torture of human-rights lawyers.

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

In Beijing last month, Secretary of State Rex Tillerson described the basis for U.S.-China ties as "non-conflict, non-confrontation, mutual respect, and win-win cooperation," the exact language used in the past by Mr. Xi. The U.S.

Please see MEET page A8

♦ U.S. trade gap shrinks..... A7  
♦ Opinions of China improve... A8

Please see VETTING page A5

## Boeing Lines Up More Iran Orders

Boeing Co. agreed to sell up to 60 of its most popular jets to an Iranian airline, doubling down on the country despite uncertainty over the Trump administration's tolerance for U.S. business dealings in Iran.

By Robert Wall  
in London  
and Asa Fitch in Dubai

Boeing said on Tuesday that it signed a memorandum of agreement with privately owned Iran Aseman Airlines for the sale of 30 Boeing 737 Max single-aisle planes, with options for another 30. The list price for all 60 jets is \$6 billion.

Even with early consent from Washington, the deal could become a high-profile test case for the Trump administration over how much leeway Washington will allow U.S. companies doing business in Iran. Western powers more than a year ago removed sanctions on Iran in return for the country agreeing to constrain its nuclear program.

Donald Trump, an outspoken critic of closer ties with Tehran. Boeing said it had received permission from the U.S. government to negotiate the sale.

It was unclear if the authorization came from the Trump or Obama administration. Boeing representatives weren't immediately available to comment. A final deal still needs signoff from the U.S. Treasury's Office of Foreign Assets Control. If approved, the first planes would arrive in Iran by 2022.

Even with early consent from Washington, the deal could become a high-profile test case for the Trump administration over how much leeway Washington will allow U.S. companies doing business in Iran. Western powers more than a year ago removed sanctions on Iran in return for the country agreeing to constrain its nuclear program.

Still, the sale is the first major deal between a U.S. company and an Iranian one since the inauguration of President

Please see IRAN page A2

## INSIDE



### THE WEIRDNESS OF WORKING OUT AT WORK

#### LIFE & ARTS, A9



### MONEYGRAM FIGHT GOES TO CAPITOL HILL

#### BUSINESS & FINANCE, B1

## Foragers Draw Outcry, 'Stop Eating My Yard!'

\* \* \*

Demand for wild veggies sparks standoff; 'fry it up and eat it'

By JENNIFER LEVITZ

In late April, Tim Marks's 40 acres of Maine forest land faces an infestation: fiddlehead foragers.

The retired state trooper spots dozens of them traipsing across his property, stuffing burlap sacks with the greens to sell at farmers markets. He has shooed them off, and even put up trail cameras. But they'll go as far as to sneak back in at night, with headlamps.

"I'm a victim of fiddlehead

theft," he sighed. "It's ridiculous."

Such tensions are becoming more common in Maine, where the rise in popularity of wild vegetation like fiddleheads, ramps, mushrooms and seaweed for uses from gourmet cooking to nutritional supplements is causing friction between foragers and landowners. It is also threatening the state's unusual



fiddlehead

and centuries-old tradition of allowing public access to private property.

For Mr. Marks, the fiddleheads on his property if not dug up by foragers can generate as much as \$600 at local markets, which he uses to help pay his property tax. "Some people pickle them, make quiche out of them," he said. "I

Please see FORAGE page A8

## Seoul Denounces China Trade Moves

By KWANWOO JUN

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

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

It marks a shift from South Korea's more-delicate approach of recent months as it balanced ties between the U.S., its longtime ally, and China, its biggest trade partner.

Beijing frequently uses its economic clout to push its foreign-policy goals, but rarely with such a broad set of retaliatory measures.

Among South Korea's recent responses: Its ambassador to China sent China's foreign, commerce and public-security ministries a formal letter last week calling for an end to retaliatory measures against Lotte Group, a South Korean conglomerate that has become the focus of Chinese anger since it leased land to Seoul to deploy the missile shield. Also last week, South Korean lawmakers adopted a rare resolution denouncing Chinese restrictions on tour packages to South Korea and regulatory measures against South Korean companies as breaches of international rules.

The resolution, backed by 188 of 189 lawmakers in attendance in the 299-member legislature, expressed "deep concern and regret" over the Chinese actions, which it

Please see KOREA page A2

## The ECB Effect

Corporate bonds have benefited from ECB stimulus, and could be hurt by its withdrawal. **B7**

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

2.0 percentage points



\*Yield premium to German government bonds

Source: IHS Markit

June 8

Program begins

June 10

ECB announces corporate bond buying program

June 12

June 14

June 16

June 18

June 20

June 22

June 24

June 26

June 28

June 30

July 2

July 4

July 6

July 8

July 10

July 12

July 14

July 16

July 18

July 20

July 22

July 24

July 26

July 28

July 30

July 32

July 34

July 36

July 38

July 40

July 42

July 44

July 46

## WORLD NEWS

# Japan's Next High-Tech Export: Carrots

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

BY ELEANOR WARNOCK

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

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

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

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

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

Agricultural exports could also help offset any rise in imports if Japan yields to pressure from the Washington U.S. Vice President Mike



Carrots developed by Mikado Kyowa Seed Co. in a company warehouse, left. Japanese carrot-seed breeder Taro Takagi, right, hopes to become the world's carrot king.

Pence, who is set to visit Japan as soon as this month for economic talks, is likely to press Tokyo to reduce agricultural tariffs in a new two-way trade deal.

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

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

use any pesticides.

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

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

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

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

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

Early in Mr. Takagi’s career, he apprenticed with a



Miho Inada/The Wall Street Journal (2)

French breeder whom he describes as the original carrot king, and he started experimenting with French-Japanese hybrids.

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

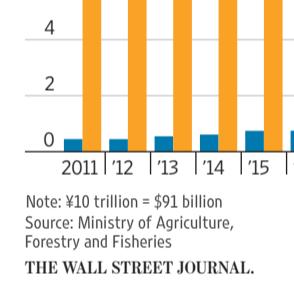
China is by far the world’s biggest carrot grower and an example of a market whose wealthier consumers are a prime target for Japanese agriculture. Already almost 40% of the world’s \$3.6 billion vegetable seed market is in Asia including Japan, accord-

### Farm Gap

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

#### Agricultural, fishery and forestry

■ exports ■ imports



Note: \$10 trillion = \$91 billion

Source: Ministry of Agriculture, Forestry and Fisheries

THE WALL STREET JOURNAL.

ing to Japanese seed maker Taki & Co.

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

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

—Miho Inada contributed to this article.

### Notice to Readers

Andrew Browne’s China’s World column will resume next week.

## IRAN

Continued from Page One

After the nuclear accord, under the Obama administration, Boeing and rival Airbus SE won billion-dollar deals to sell planes to Iran Air, the Islamic Republic’s flag carrier.

Boeing won a \$16.6 billion deal to sell 80 planes to Iran Air in December. Airbus secured a deal for 100 planes. The Toulouse, France-based plane maker has started delivering the first of those planes to Iran Air. Boeing deliveries to the airline aren’t due until next year.

The two plane transactions with the state-owned carrier were among the most high-profile contracts Iran signed after sanctions were removed. They have also been controversial in Washington, where lawmakers critical of the deals have tried to block them. Mr. Trump, during his election campaign, threatened to end

the nuclear agreement.

U.S. government representatives weren’t immediately available to comment on the latest plane deal.

Boeing has emphasized the job-creating potential of any new orders, including from Iran. The company Tuesday said that based on U.S. government data, “an aerospace sale of this magnitude creates or sustains approximately 18,000 jobs” in the U.S. That figure likely would include jobs through the supply chain. It was unclear if the Iran deal, on its own, would justify creating new positions.

Uncertainty over Mr. Trump’s stance on Iran has dogged decision making by U.S. and other Western executives who have considered business in Iran. Western banks have largely refused to handle transactions to Iran for fear of being fined for running afoul of banking sanctions that remain.

American firms have been especially reticent in diving into Iran without clearer guid-

ance from Washington. European and Asian companies, meanwhile, have flocked there since the nuclear deal, in some cases leaving U.S. competitors on the sidelines.

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

### New Customers

Boeing and Airbus have found Iranian airlines eager buyers.



\*preliminary Source: the companies

Boeing so far is the only U.S. company to sign a major deal with Iran since the nuclear accord, and Mr. Trump’s stridently anti-Iran attitude has cast a cloud over the business environment generally.

“Pessimism in comparison with the time before the U.S. election has obviously increased,” said Pedram Soltani, the vice president of the Iran Chamber of Commerce, in a recent interview before the Boeing. But he said deals signed before Mr. Trump took office were largely moving forward, and that businesspeople felt

protected by the multilateral nature of the nuclear deal.

Should Mr. Trump signal support for the Boeing deal—or simply not criticize it—that could encourage other American executives to push ahead in other fields.

The U.S. joined the U.K., France, Germany, Russia and China in reaching the deal with Iran. Mr. Trump during his presidential campaign had promised to rip up the deal, a foreign-policy priority of the Obama administration.

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

Mr. Trump also included

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

Iranian carriers operate among the world’s oldest fleets after years of sanctions, some imposed in the wake of its revolution in 1979.

Aseman Airlines late last year was placed on the European Union’s so-called aviation safety blacklist because of “deficiencies.” The ban blocks the carrier from serving EU cities. The carrier didn’t offer such routes.

The EU aviation safety list imposes limits on airlines that don’t meet standards, either because of their own deficiencies or a lack of government oversight at home. It also is intended to warn citizens when flying overseas which airlines may not be considered safe.

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## KOREA

Continued from Page One called “a big stumbling block” to relations.

“There is an attempt in the Northeast Asia to weaponize its market for political and security purposes,” South Korean Vice Foreign Minister Ahn Chong-ghee said at a seminar in Seoul on interna-

tional trade last week. “It is highly likely that China’s retaliatory measures, related to [the Terminal High-Altitude Area Defense system], run counter to the spirit and regulations of the World Trade Organization.”

The feud centers on South Korea’s plan to deploy the Thaad system to counter the growing nuclear and missile threat from North Korea. The system’s first components ar-

### CORRECTIONS & AMPLIFICATIONS

Korean products including cosmetics and bidets, rejecting visas for Korean pop singers and artists, cutting Chinese tourist flows to South Korea and halting many of the Chinese operations of Lotte Group.

The U.S., which is pushing

strongly for Thaad deployment,

has ramped up the rhetoric,

too. When U.S. Secretary

of State Rex Tillerson visited

the region in March, he called

on China to stop retaliating

against Seoul and instead rein

in its North Korean ally.

Pyongyang’s nuclear and

missile programs are high on

the agenda during meetings

this week between U.S. Presi-

dent Donald Trump and Chi-

nae President Xi Jinping.

South Korea has stopped

short of threatening a formal

WTO complaint against

China—a declaration of a full-

on trade war. South Korean Fi-

nance Minister Yoo Il-ho said

last week that there wasn’t

enough firm proof, but added,

“if solid evidence comes out,

we will act squarely.”

South Korea’s trade minis-

# WORLD NEWS

## Syrians Say Dozens Killed in Gas Attack

Bombs hit town, killing at least 58, doctors rescue workers and residents said

By RAJA ABDULRAHIM  
AND NOAM RAYDAN

BEIRUT—A suspected chemical attack killed at least 58 people in an opposition-held town in northwestern Syria on Tuesday, according to local doctors and rescue workers who said they believed it was carried out by the Syrian regime.

Bombs dropped by warplanes hit the town of Khan Sheikhoun with an unknown chemical gas that caused people to faint, foam at the mouth and suffocate, according to doctors, rescue workers and residents. Among the dead were at least 11 children and some entire families, they said.

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

White House press secretary Sean Spicer condemned the attack, saying it "cannot be ignored by the civilized world."



The body of a child is carried from the site of a suspected chemical attack on Tuesday. Among the dead were at least 11 children, witnesses said.

He added, "These heinous actions by the [Syrian President] Bashar al-Assad regime are a consequence of the past administration's weakness and irresolution."

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

The U.N.'s special envoy on Syria, Staffan de Mistura said there was no "official or reliable information" yet on who was re-

sponsible for the attack. "What we have understood, it was a chemical attack and it came from the air," he said.

Mr. de Mistura urged the international chemical weapons agency to investigate the attack, which he said would likely be raised at the Security Council.

"All pieces of evidence indicate that the raid was carried out by the regime," said Raed Saleh, director of the White Helmets, a civil-defense organization that operates in parts of rebel-controlled Syria.

If the use of chemicals in Tuesday's attack is confirmed, it would be the deadliest such assault in Syria since a 2013 sarin

gas attack by the regime on the Damascus suburb of Eastern Ghouta, which killed 1,429 people, including at least 426 children, according to a U.S. government assessment.

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

Rescuers had to break down doors and windows to pull them out, said Abdulwahab Safar, a member of the opposition pro-

vincial council.

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

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

Following the 2013 sarin gas attack, the Assad regime joined the Chemical Weapons Convention and relinquished its chemical arsenal as part of a deal to avert U.S. military action.

Since then the government has repeatedly been accused of deploying chemical weapons, with a U.N.-led investigation blaming it for at least three chlorine attacks in 2014 and 2015. "The reports we are receiving strongly suggest the use of chemical weapons," Britain's Foreign Secretary Boris Johnson said Tuesday. "And although we cannot yet be certain about what has happened, this bears all the hallmarks of an attack by the regime which has repeatedly used chemical weapons."

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

## Why Trump Spared Baghdad From Travel Ban

President Donald Trump's national-security team had many reasons to be wary of his travel ban aimed at seven majority-Muslim nations, even though it followed through on a signature campaign pledge.

By Tamer El-Ghobashy,  
Peter Nicholas,  
Felicia Schwartz  
and Ben Kesling

for a significantly revised one that could address Mr. Trump's terrorism concerns but align better with national security strategy and stand up in court.

Throughout the process, they kept private their discussions, both with Iraqi leaders and with the mercurial new president, so as not to ratchet up public pressure on Mr. Trump while they prodded him toward action.

Ultimately, Mr. Trump accepted changes to his travel order, including leaving Iraq out of it. For the first time in his short period in office, Mr. Trump moved from his preferred option to something less sweeping.

He immediately complained to his staff that a replacement order was "watered down."

One of many unknowns of the Trump administration is how a president with no governing experience, in particular no military or foreign-affairs experience, would interact with advisers steeped in such matters. The story of the travel ban shows a president who proved willing to defer to a parade of advisers pushing a different line, yet one who remained confident in his own instincts.

Mr. Trump signed the executive order just one week into



CHRIS HONDROS/GT IMAGES

his presidency. It barred Syrian refugees indefinitely and suspended all immigration for 90 days from "terror prone" Iran, Iraq, Yemen, Somalia, Sudan, Libya, and Syria. The seven had been singled out for special treatment by Congress and the Obama administration, imposing stricter rules on certain foreigners looking to come to the U.S.

Mr. Mattis, whose Marine Corps career included overseeing the wars in Iraq and Afghanistan as head of the U.S. Central Command, went to the Pentagon that day expecting to see Mr. Trump sign an order on military readiness. Fifteen minutes before the ceremony

began, Mr. Mattis learned that a second order would be signed, one that suspended travel to the U.S. by Iraqi interpreters, people whose safety is of paramount importance to the U.S. military in Iraq.

The former general hadn't been consulted. He stood by as the president signed the order.

U.S. Ambassador to Iraq Douglas Silliman spent hours on the phone with Iraqi Prime Minister Haider al-Abadi the next day, while also struggling to learn the full scope of the ban.

"The impact of the Executive Order will be felt disproportionately here," Mr. Silliman cabled the State Department. He said Iraqi legislators and

military officers were baffled by the inclusion of Iraq, and said "it would increase resentment of the U.S. throughout the Muslim world."

Mr. Silliman declined to comment on specifics of the discussions, saying only that he was in frequent contact with Iraqi officials and Washington.

A week after the signing, the federal district judge in Washington state's suit blocked implementation of the order nationwide. About a week later, a federal appeals-court panel in San Francisco declined to overrule him and reinstate the ban.

The day of the appellate ruling, Messrs. Trump and Abadi spoke by phone for about 15

minutes. Mr. Abadi brought up the order at the end of the conversation, according to a person familiar with the call, telling Mr. Trump the restrictions would undermine the shared goal of a secure and prosperous Iraq.

Mr. Mattis, visiting Iraq two days later, assured Mr. Abadi the issue would be rectified, said a person familiar with their discussions.

"The good thing is that it became clear that the key American establishment, including defense, foreign and national security sides, were for the decision to remove Iraq," said Abdulbari al-Zebari, head of the foreign-relations committee in Iraq's parliament.

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

BY FELICIA SCHWARTZ

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

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

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

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

confronting terrorism.

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

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

"He has longed for a big hug from Washington as a sign of his broadening international legitimacy and he got that today," said Eric Trager, an Egypt expert at the Washington Institute. "The key question moving forward is whether Trump can translate this big hug for Sisi into better and deeper cooperation with Egypt."

In a meeting in the Cabinet Room, where Mr. Trump was joined by Secretary of State Rex Tillerson, Defense Secretary Jim Mattis, White House strategist Steve Bannon and other officials, Mr. Trump nodded to U.S. concerns with Egypt's human-rights abuses. Experts and former officials say rights conditions have deteriorated significantly over the past several years. "We have many things in common; we

have a few things we don't agree on," Mr. Trump said.

Egypt is one of the largest recipients of U.S. military and foreign aid, getting about \$1.5 billion a year. The Trump administration's budget blueprint doesn't guarantee aid to Egypt, and State Department officials have said aid to every country except Israel is under review.

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

Mr. Sisi's trip is the first state visit of an Egyptian leader to Washington since 2009. He won an election in 2014, several months after the military, then under his command, led a coup to oust Egypt's first freely elected leader, President Mohammed Morsi of the Muslim Brotherhood.

## White House to Review Core U.N. Functions

BY FARNAZ FASSIHI

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

In her first news conference at the U.N., Ms. Haley on Monday appeared softer in tone and more praising of the U.N. and its core mission in her one-hour-long press encounter than when she arrived in January pledging to overhaul the world body.

She said Monday's attack at a subway station in St. Petersburg underscored the importance and role of the U.N. and the Security Council, and she dismissed the perception among many diplomats and U.N. officials that the Trump administration was a threat to the institution. "I want to show that there is value to this place," Ms. Haley said. "The administration is looking at the

U.N. with fresh eyes."

When pressed on a critical challenge facing the U.N.—the conflict in Syria—Ms. Haley said the U.S. priority in the country was to fight Islamic State.

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

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

The UNFPA said the move was based on what it called "erroneous claims" by the Trump administration that UNFPA supports or participates in coercive abortion programs and sterilization in China.



AGENCE FRANCE PRESSE/GETTY IMAGE

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## WORLD NEWS

# Russia Sees Possible Suicide Blast

Death toll rises to 14 in St. Petersburg subway blast thought to have been caused by a bomb

BY NATHAN HODGE

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

The death toll rose to 14.

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

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

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

Earlier Tuesday, the Investigative Committee said that an explosive device could have been detonated by a man whose fragmented remains were found in the third carriage of the subway train.

Rakhmat Sulaimanov, the official representative of the Kyrgyz security agency, said the person responsible was likely a native of Kyrgyzstan who then became a Russian citizen. Mr. Sulaimonov said



A man grieves next to a memorial for the victims of the blast at the Technological Institute station in St. Petersburg.

Kyrgyz security services were in contact with Russian authorities over the matter, but declined to provide further details.

No group has claimed responsibility for the blast.

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

It occurred during a visit to the city by Russian President Vladimir Putin, raising official concerns that the attack was timed to his stay.

"Undoubtedly, the fact that this terrorist act was commit-

ted at the time the head of state was in the city makes one think, and raises questions," said Kremlin spokesman Dmitry Peskov.

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

While details of the apparent attack are still emerging, Russian officials have long said they believe that several thousand citizens from the former Soviet Union have

made their way into the ranks of Islamic State in the Middle East.

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

Mr. Putin estimated in October 2015 that between 5,000 and 7,000 individuals

from Russia and the former U.S.S.R. were fighting alongside Islamic State.

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

The blast around 2:30 p.m. Monday stunned Russia's second-largest city. St. Petersburg, with around five million inhabitants, is known as the country's cultural capital and most European city for its elegant facades and relaxed atmosphere.

# A School Reels From Landslide in Colombia

BY KEJAL VYAS

MOCOA, Colombia—Wilmar Benavides, 37, was one of hundreds of shattered residents milling about outside Mocoa's cemetery on Monday.

Mr. Benavides had come to claim the bodies of his wife and 11-year-old daughter Alison, who were swept away Saturday when this city's three rivers swelled, triggering an avalanche of rocks and trees that killed at least 273 people.

What has been particularly searing here is the loss of so many children, snatched from their beds in the middle of the night. At least 60 of them, like Alison, were students of the same school, the Educational Institute of Mocoa City, according to its administrators.

"Everything has been destroyed in my life and my heart, split in two," Mr. Benavides said.

Like others at the cemetery, he wore a surgical mask, a precaution among so many decomposing bodies in the muggy heat. "Even my clothes are borrowed. Everything is rubble," he said.

Rescue crews on Monday continued to find and retrieve bodies that were taken far downstream. President Juan Manuel Santos, in giving the latest death toll, described the shock of so many dead as torture.

Mr. Santos, who called for food, medicine, and clothing donations to the Red Cross, said he received a call from U.S. President Donald Trump offering his sympathies and support. Mr. Santos didn't

specify what kind of aid the U.S. would provide.

Teachers and administrators at the Educational Institute of Mocoa City have been putting together a registry to confirm the whereabouts of the students. About 80% of the school's 1,200 students—from prekindergarten to high school—have been affected by the disaster, having been killed or having lost a loved one or their home, said vice principal Erwin Ordoñez.

Survivors have found shelter in brick buildings uphill from the school, where volunteers are providing the displaced with food, water and toilet paper. But many are still missing.

"It could be a lot more," Mr. Ordoñez said. "No one could have imagined a tragedy of such magnitude."

The disaster has been a cruel turn of events in this corner of Colombia, where the prospect of peace after decades of armed conflict had given many people hope.

This state, Putumayo, was one of the most battered during a long guerrilla conflict, with armed groups fighting for control of drug crops and poor farmers caught in the middle.

Many of those displaced from the countryside had come to Mocoa, the state capital, and their children had found new possibilities at the school, Mr. Ordoñez said.

"This was a chance for them to rebuild, reconstruct their lives," he said.

Mr. Benavides's family was one of those. They moved to a house built on stilts along the



A girl waits for medical attention at a shelter in Mocoa in southern Colombia. The death toll from the landslides rose to at least 273, with at least 60 of those killed children from the same school.

Sangoyaco River's rocky, muddy banks seven months ago.

Mr. Benavides liked that it was close to the school for his daughter and his 17-year-old son, who also survived the flood. And his salary as an accountant was enough to cover the \$100 monthly rent.

"We thought we had finally made it," Mr. Benavides said, breaking down in tears. "We thought the school would be good for the kids."

Then, on Saturday they were awakened by a thud—the wall of water that slammed into their home. They ran to the second floor. A second wave, this time carrying boulders, knocked out the house's supports.

It was the last time Mr. Benavides saw his wife or daughter.

"She always had a smile on her face," Mr. Benavides said of his little girl, recalling how she liked to dress like a princess.

Former students who now live in the larger city of Popayan to the west were delivering donated food and medical supplies to the school, Mr. Ordoñez said, though much more is still needed as the city tries to dig out and take stock.

Ninth-grader Maria Paula Buenaventura feared her

school would never be the same. "So many people are talking about moving away," she said. "They have nothing left, so why stay here?"

The school, which is on higher ground uphill from one of the city's rivers, Taruca, was spared from the disaster. Families and staff gathered there Monday for shelter and to seek comfort as they grieved. Marta Castañeda, who runs a concession stand on school grounds, was living in a break-room for teachers after her house was destroyed.

"I can't imagine what it will be like coming back to school without all of those children," she said.

# Hungary Targets A Soros Institute

BY DREW HINSHAW

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

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

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

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

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

In the next week, Mr. Orbán will ask parliament—where his party has a commanding majority—to vote on legislation requiring aid agencies to register with the government if they receive significant foreign funding. Virtually all of the agencies that would be affected are at least partially funded by Mr. Soros, a government spokesman said.

**Mr. Soros is being pressed to stop funding charities that advocate for refugees.**

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

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

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

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

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

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

Both fought Communism together: The Open Society Foundation once helped finance Mr. Orbán's Fidesz party and awarded the future prime minister a six-month scholarship at Oxford University. Mr. Orbán printed his early political pamphlets on printers donated by Mr. Soros.

## WORLD WATCH

### SOUTH AFRICA

#### Trade Unions Urge President to Resign

The powerful federation of trade unions called on President Jacob Zuma to step down, becoming the latest ally of the ruling African National Congress to abandon the embattled president.

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

"Cosatu no longer believes

that the president is the right person to unite and lead the movement," the federation's general secretary, Bheki Ntshalintshali, said on Tuesday. "The time has arrived for him to step down and allow the country to be led by a new collective."

—Gabriele Steinhauser

### OECD

#### Inflation Keeps Rising In Developed Nations

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

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

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

—Paul Hannon



ANNUAL RITE: People paid respect to their ancestors at Tomb Sweeping Day at a public cemetery in Shanghai on Tuesday.

# U.S. NEWS

# Debate Over Judge Set to Advance in The Senate

Expected procedural tool by the majority leader sets stage for rule change, full vote

BY BYRON TAU

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

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

*The likely rules change is causing consternation in both political parties.*

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

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

A motion on Mr. McConnell's expected "cloture petition" would be voted on later this week, most likely on Thursday.

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

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

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

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

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

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

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

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

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

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

application stage.

The goal is to "figure out who you are communicating with," the senior DHS official said. "What you can get on the average person's phone can be invaluable."

A second change would ask applicants for their social-media handles and passwords so that officials could see information posted privately in addition to public posts. Homeland Security has already experimented with asking for people's handles so they can read public posts, but not those restricted to friends.

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

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

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

"The real bad guys will get rid of their phones. They'll show up with a clean phone,"

## Where Democratic Senators Stand

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

—Trump vote share in November  
● Senator vote share in most recent election

Gorsuch position: Yes No Reviewing

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

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

### Most others up for election in 2018 are voting no:

Claire McCaskill	Mo.							●		
Jon Tester	Mont.						●			
Sherrod Brown	Ohio						●			
Bill Nelson	Fla.						●			
Robert Casey	Pa.						●			
Debbie Stabenow	Mich.						●			
Tammy Baldwin	Wis.						●			
Amy Klobuchar	Minn.						●			
Tim Kaine	Va.						●			
Angus King	Maine						●			
Thomas R. Carper	Del.						●			
Robert Menendez	N.J.						●			
Christopher Murphy	Conn.						●			
Martin Heinrich	N.M.						●			
Sheldon Whitehouse	R.I.						●			
Maria Cantwell	Wash.						●			
Kirsten E. Gillibrand	N.Y.						●			
Benjamin L. Cardin	Md.						●			
Elizabeth Warren	Mass.						●			
Dianne Feinstein	Calif.						●			
Bernard Sanders	Vt.						●			
Mazie K. Hirono	Hawaii						●			

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

Gary C. Peters	Mich.						●			
Margaret Hassan	N.H.						●			
Jeanne Shaheen	N.H.						●			
Catherine Masto	Nev.						●			
Al Franken	Minn.						●			
Mark R. Warner	Va.						●			
Michael F. Bennet	Colo.						●			
Christopher A. Coons	Del.						●			
Cory A. Booker	N.J.						●			
Richard Blumenthal	Conn.						●			
Tom Udall	N.M.						●			
Jeff Merkley	Ore.						●			
Ron Wyden	Ore.						●			
Jack Reed	R.I.						●			
Richard J. Durbin	Ill.						●			
Tammy Duckworth	Ill.						●			
Patty Murray	Wash.						●			
Charles E. Schumer	N.Y.						●			
Chris Van Hollen	Md.						●			
Edward J. Markey	Mass.						●			
Kamala D. Harris	Calif.						●			
Patrick J. Leahy	Vt.						●			
Brian Schatz	Hawaii						●			

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



Source: House of Representatives Office of the Clerk

THE WALL STREET JOURNAL.

U.S. House of Representatives.

Thursday is likely to be a day of lively debate and political maneuvering debate on the Senate floor. Mr. Gorsuch's ex-pected confirmation on Friday, requiring only a simple majority, could be in a sense anticlimactic after Thursday's debate.

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

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

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

Senate would implement an idea first raised by Mr. Trump as a presidential candidate last August for an "ideological test" for people coming to the U.S. Such tests have been used before—for instance, to screen out anarchists, or members of the Communist Party.

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

The administration is also

# White House Curb On Visas to Affect Outsourcing Firms

BY LAURA MECKLER

WASHINGTON—The federal government began accepting visa applications for a fresh round of high-skilled foreign workers, without the wholesale changes President Donald Trump promised in his campaign.

His administration did, though, announce one shift that could put pressure on outsourcing companies that typically win a large share of the coveted visas.

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

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

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

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

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

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

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

filter out people with contrary thoughts but people who might act on them. That notion draws criticism from civil libertarians.

"It could deprive American citizens with the ability to interact and gain knowledge from the full spectrum of individuals and people who hold diverse beliefs world-wide," said Hugh Handelsman, a staff attorney with the American Civil Liberties Union's national security project.

"Our views and beliefs and opinions are protected," Mr. Handelsman said. "Those same principles should drive our decisions about whether people would be permitted to visit the United States."





## U.S. NEWS

# President Pushes the ‘Real Story’

BY PAUL SONNE  
AND SHANE HARRIS

WASHINGTON—President Donald Trump and his supporters in Congress said they hoped investigators scrutinize whether Obama administration officials improperly spied on members of his team during the transition and requested that the identities of Trump staff members be revealed, or “unmasked,” in intelligence reports chronicling the surveillance.

Mr. Trump said on Twitter Monday that the “real story” is improper surveillance of his team by the Obama administration during the transition.

White House press secretary Sean Spicer said that the administration’s concerns about the Obama administration’s role in unmasking identities in the intelligence reports is moving in a “troubling direction.” He declined to comment further.

Mr. Spicer declined to comment specifically on allegations published by a Bloomberg News columnist and by Fox News that former President Barack Obama’s national security adviser, Susan Rice, requested to unmask the names of Mr. Trump’s associates caught up in incidental surveillance collection. Ms. Rice declined to comment.

Mr. Trump is facing two congressional investigations into Russia’s alleged meddling in the election—one that has faltered amid partisan acrimony in the House and another that is proceeding apace in the Senate. The Federal Bureau of Investigation is also conducting its own investigation.

Russia has repeatedly denied meddling in the election. Mr. Trump and his aides have denied any collusion with Russia. And a representative for Mr. Obama has declined to



White House press secretary Sean Spicer fielded questions Monday about the president’s aides being identified in intelligence reports.

comment on the White House’s allegation that Mr. Obama’s team engaged in efforts to leak sensitive intelligence information for political purposes.

FBI Director James Comey has said there is no evidence backing an allegation last month by Mr. Trump, a Republican, that Mr. Obama, a Democrat, ordered surveillance of Trump Tower. But Rep. Devin Nunes, a California Republican and chairman of the House Intelligence Committee, has alleged that Trump associates were subject to incidental surveillance while talking to foreign officials and in certain cases had their names unmasked improperly.

Mr. Trump said in a tweet

in early March that his campaign was ordered “wiretapped” by Mr. Obama. After the allegation was criticized as baseless, White House staffer Ezra Cohen-Watnick began examining policies on surveillance and started to “stumble on stuff,” said a person familiar with the matter.

Mr. Cohen-Watnick told White House colleague Michael Ellis and others, this person said, but White House general counsel Don McGahn told them to stand down and to give anything they found to Congress, said a second person familiar with the matter.

Soon after, Mr. Nunes went to the White House to examine what he has called new evi-

dence of improprieties under Mr. Obama. He hasn’t produced any of the evidence, while infuriating committee Democrats, who said he undermined the probe. Mr. Nunes has apologized to Democrats, while refusing calls to recuse himself.

The first person familiar with the matter said the documents showed “a lot of incidental information that was unmasked” and seemed to have been done “for only one reason.”

Mr. Nunes has denied White House staffers were his source for the material.

On Monday, Mr. Trump promoted a report on the Fox News morning show “Fox & Friends” saying that Mr. Trump and people close to

him were surveilled for up to a year before the end of the Obama administration.

“Such amazing reporting on unmasking and the crooked scheme against us by @foxandfriends,” Mr. Trump tweeted. “Spied on before nomination. The real story.”

GOP members of the House Intelligence Committee are pushing to find out what role top Obama administration officials played in requesting that names of Trump associates be unmasked from U.S. intelligence reports, according to a Republican lawmaker familiar with the committee’s deliberations.

—Carol E. Lee contributed to this article.

# U.S. Trade Gap Shrinks as Exports Increase

BY JOSH MITCHELL

The U.S. trade gap with China shrank in the first two months of the year but remains far wider than a decade ago, part of a mixed trade outlook that sets the stage for potentially tense talks between President Donald Trump and President Xi Jinping of China this week.

The overall U.S. trade gap with other countries narrowed nearly 10% in February from a month earlier to \$43.6 billion, the Commerce Department said Tuesday. The gap was slightly smaller than economists surveyed by The Wall Street Journal had projected.

Meanwhile, the U.S. trade gap with one of its biggest trading partners, China, has narrowed nearly 5% in the first two months of this year compared with the year-earlier period. Economists cautioned that trade data is particularly volatile and the latest month of figures may have been distorted by the

timing of the Lunar New Year.

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

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

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

The trade outlook in the U.S. has improved slightly

overall this year.

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

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

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

But growth is expected to rebound in the second quarter

## Trade Imbalance

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



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

THE WALL STREET JOURNAL.

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

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

turing activity expanded in March for the seventh consecutive month.

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

## U.S. WATCH

### MEDICARE

#### Insurers to See Rise in Payment Rates

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

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

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

“These programs have been successful in allowing innovative approaches that give Medicare enrollees options that best fit their individual health needs,” CMS Administrator Seema Verma.

Beneficiaries of Medicare can choose to opt for these private alternatives to traditional government-run coverage. The payments are closely watched by insurers, which lobby to keep them from dropping since the plans are a major line of business.

—Stephanie Armour

# Trump Tweaks Health Proposal

BY STEPHANIE ARMOUR  
AND KRISTINA PETERSON

The Trump administration is floating a new health-care proposal aimed at winning over House conservatives that could allow states to opt out of some requirements in the Affordable Care Act.

The administration’s proposal, if it secures the support of the House conservatives, could be turned into legislation that would be part of a broader Republican effort to knock down key parts of the Obama-era health law.

The proposal would let states obtain waivers from some federal requirements that were opposed by the House Freedom Caucus, a bloc of conservative GOP lawmakers, according to a GOP staff member on Capitol Hill.

States could get exemptions from a requirement that most insurers offer specific health benefits such as maternity care, for example. They may also get exemptions from a provision that bans insurers from charging higher premiums to people with health conditions.

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

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

Talks have been under way about rekindling a repeal effort since the GOP on March 24 pulled the bill pushed by House Speaker Paul Ryan of Wisconsin. The White House has been talking to members of both parties.

Any legislation that revives the failed House GOP bill is still going to need more work before coming to the floor, Mr. Ryan said Tuesday. The White House declined to comment on reports of the new proposal.

Several factors are working against a resurrection of the Republican bill. There is little evidence the rifts have healed between the party’s conservatives and centrists. And Congress faces a crowded calendar, including plans to shortly dive into a tax overhaul.

# Agency Acts to Delay Police Oversight

BY ARUNA VISWANATHA  
AND SCOTT CALVERT

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

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

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

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

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

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

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

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

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

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

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

PATRICK SEMANSKY/ASSOCIATED PRESS

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

## VETERANS AFFAIRS

### Agency Says Problems At Crisis Hotline Fixed

The Department of Veterans Affairs told skeptical lawmakers it has already fixed problems with its suicide hotline that were highlighted in an internal watchdog’s report released two weeks ago.

A March 20 audit by the VA inspector general had found that nearly a third of calls to the Veterans Crisis Line as recently as November were bounced to backup centers run by an outside contractor. The rollover calls happen when phone lines are busy, leading to possible waits of 30 minutes or more.

It was unwelcome news for VA Secretary David Shulkin, who has made suicide prevention a signature issue at the troubled agency, riven with scandal since reports of delays in treatment at veterans’ hospitals last year.

Testifying before a House panel, Steve Young, VA’s deputy undersecretary for health for operations and management, pointed to a dramatic turnaround in calls answered by the hotline since November, indicating that the most serious issues have been resolved.

—Associated Press

## IN DEPTH

# MEET

*Continued from Page One*  
has long avoided echoing those words, fearing they amount to an agreement to steer clear of such contentious issues as Taiwan and the South China Sea, one of the world's busiest trade routes. Mr. Tillerson's hosts were delighted. Many U.S. officials were stunned.

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

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

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

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

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

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

"We've moved from a period of great uncertainty, when the Chinese were very insecure about what Trump might do to harm their interests, to the Chinese potentially thinking they've got this guy in their pocket," said Bonnie Glaser, a China expert at the Center for Strategic and International Studies.

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

Some of these specialists feel the summit may be premature. The White House has neither resolved internal disputes over its China policy nor filled key posts to oversee it.

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

Officials in both countries hope the meeting will allow Messrs. Xi and Trump to estab-



Secretary of State Rex Tillerson, above left, with Xi Jinping last month in Beijing. The tone for the coming summit has been set in part by a charm offensive by China's U.S. ambassador, Cui Tiankai, below left, toward Jared Kushner, below right with President Trump.



XINHUA/ZUMA PRESS  
lish a personal rapport. The first ladies are invited, and the two leaders are expected to stroll in the grounds, similar to Mr. Xi's 2013 summit with former President Barack Obama in California.

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

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

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

### Rocky start

During the presidential campaign, Mr. Trump, a Republican, promised to label Beijing a currency manipulator his first day in office and to slap a 45% tariff on imported Chinese goods. His win plunged U.S.-China ties into chaos.

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

A week later, Mr. Xi sent State Councilor Yang Jiechi, China's top foreign-policy official, to meet with members of the future administration at Mr. Trump's signature building in

New York City. Both Mr. Cui and Mr. Kushner attended, said people briefed on the meeting.

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

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

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

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

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

The survey of 1,505 respondents in the U.S. was conducted in February and March and is being released just be-

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

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

China's foreign-policy establishment quickly met to brainstorm a fresh approach, accord-

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

Opinion was divided. One group saw Mr. Trump as a deal maker less interested in maintaining U.S. alliances in Asia and who could work with Beijing. Others regarded him as a serious threat to China's economy and security.

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

Mr. Xi sent a New Year's greeting card to Mr. Trump in early January. Mr. Trump didn't immediately reciprocate. On Jan. 13, Mr. Trump told The Wall Street Journal he considered the one-China policy negotiable.

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

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

### Family ties

Beijing found in Mr. Kushner a more direct line between Mr. Trump and Mr. Xi. Both presidents rely on a small circle of trusted advisers. Since Mr. Kushner became involved, U.S. officials have toned down their language.

"Trump's son-in-law is key," said Wu Xinbo, director of the Center for American Studies at Fudan University in Shanghai. "First, he's our ambassador's main point of contact with Trump. Second, he's the main figure for passing ideas and suggestions on China policy."

On Feb. 1, Mr. Cui persuaded Ivanka Trump, Mr. Kushner's wife and the president's elder daughter, to attend a Lunar New Year party at Beijing's embassy in Washington.

The next day, Ms. Trump posted a video of her daughter, Arabella, singing a New Year's song in Mandarin. The clip went viral in China, helping tamp down public criticism over Mr. Trump's failing to send a Lunar New Year message, an annual White House courtesy.

Mr. Trump sent a holiday greeting to Mr. Xi a week later, in time for the last day of the New Year's festivities.

The following day, Mr. Trump spoke with Mr. Xi by telephone for the first time since his inauguration, and pledged to follow the one-China policy.

Whether Beijing offered anything in return was unclear. When asked that at a news briefing, White House spokesman Sean Spicer said: "The president always gets something."

U.S. policy experts have expressed concern that Mr. Kushner, a 36-year-old former real-estate developer, doesn't have the experience or expertise to effectively negotiate with Mr. Cui, a 64-year-old career diplomat.

The Kushner family's real-estate firm was in advanced talks with a politically connected Chinese insurance firm, Anbang Insurance Group Co., for an investment of as much as \$1.25 billion in a New York real-estate project. Those ended last month after an outcry over possible conflicts of interest. Mr. Kushner had earlier sold his stake in the project and other properties to family members.

Mr. Kushner, who also has been asked to work on relations with Mexico and the Middle East, may be stretched thin. He traveled to Baghdad this week with U.S. officials, where he met the Iraqi prime minister at a military briefing on the fight against Islamic State.

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

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

Mr. Tillerson's use of the phrase in Beijing was a surprise, according to U.S. officials. "It wasn't in the talking points, so I guess it remains a mystery," one official said, adding that Mr. Tillerson had been "warned against the traps when the Chinese try to get you to buy into their formulations."

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

—Lingling Wei in Beijing contributed to this article.

for a summit with Mr. Xi at President Trump's Mar-a-Lago estate in Palm Beach, Fla., on Thursday and Friday.

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

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

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

—Josh Chin

lion from landowners for commercial foraging on private property.

Pushback has sprouted like weeds. "Oh no! That would completely destroy the fiddlehead economy!" wrote one Mainer on the Facebook page for the group "Foraging in Northern Maine."

David Spahr, a farmer and author of "Edible and Medicinal Mushrooms of New England and Eastern Canada," said the bill bothers him as a forager and a landowner who freely lets people pick berries and mushrooms on his 95 acres in Maine. "I don't want people lining up at my door for permission slips," he said.

Robert Richardson, a professional forager in Wytopitlock, Maine, gathers ramps—wild onions—and fiddleheads from private property each spring and said he can make more than \$200 a day selling his haul to markets and restaurants. "There has always been a tradition that people would allow you to go on their land," he said.

Mr. Richardson has finely tuned his foraging techniques.

He pulls on his rubber boots—since fiddleheads sprout along rivers—and ventures out as early as 4:30 a.m., equipped with onion sacks, five-gallon buckets and a few cans of Coke. "You try to get there early when the pickin' is good," he said.

He also has teamed up with other foragers to approach patches by boat. "You can fill a whole canoe right through with fiddleheads in half a day," he said. He notices a lot more pickers wearing earbuds to listen to music, but he prefers to focus on the task and watch the wildlife. "You see geese, ducks, beaver, muskrat, fish jumping."

Such foraging comes across as less peaceful to landowners than to foragers—who didn't seem too worried, he recalls. "Nice dog," he said.

The Pine Tree State has long prided itself on an "open lands" culture, rooted in Colonial-era law giving anyone the right to walk through private unimproved land to reach a pond bigger than 10 acres.

into his four-wheeler with his black lab Vader and rode up to the foragers—who didn't seem too worried, he recalls.

The bill would afford landowners with fiddleheads the same protection awarded to those with rockweed, a brown seaweed draped over the rocks on Maine's coast. Rockweed has become part of a multimillion-dollar industry for organic fertilizer and other products.

In 2015, two brothers whose family has owned coastal property since the 1900s joined with a homeowners association to stop a Canadian company called Acadian Seaplants, Ltd. from harvesting rockweed there without permission.

At the crux of the debate was differing interpretations of an ordinance that dates to the 1600s and granted public access for "fishing, fowling and navigation" in the land that is exposed between low and high tides—where rockweed grows.

On March 14, a Superior Court judge ruled in favor of the brothers. The defendant had argued that gathering rockweed fell into the fishing category, but the judge didn't bite.

Property owners can erect signs to keep out visitors, but it isn't easy because of "onerous" regulations about the number of signs required, said Mr. Saviello. And posting is often

frowned upon because many Mainers cling to the "open" tradition, he said.

The bill would afford landowners with fiddleheads the same protection awarded to those with rockweed, a brown seaweed draped over the rocks on Maine's coast. Rockweed has become part of a multimillion-dollar industry for organic fertilizer and other products.

James Black said that he did post signs asking people who want to visit his family's 700-acre "Black Acres Farm" in Wilton, Maine, to get permission from the owners first—but the foragers think it doesn't apply to them.

They are after chaga, a mushroom species reputed to be an immune-boosting superfood. "Some of them can be pretty pushy," Mr. Black said.

Some forest gleaners say it is sad but understandable that gathering wild plants is facing more regulation. Too many foragers have gotten greedy to keep up with consumer demand, said Michael Douglas, program director of Maine Primitive Skills School, which focuses on outdoor education.

"It's really new and kitsch to go out and order wild leeks," he said, as an example. "Our culture seems to have this superstar- or super-fungus-of-the-week mentality."

# LIFE & ARTS

## FITNESS

# Your Awkward Company Gym

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

BY RACHEL BACHMAN

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

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

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

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

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

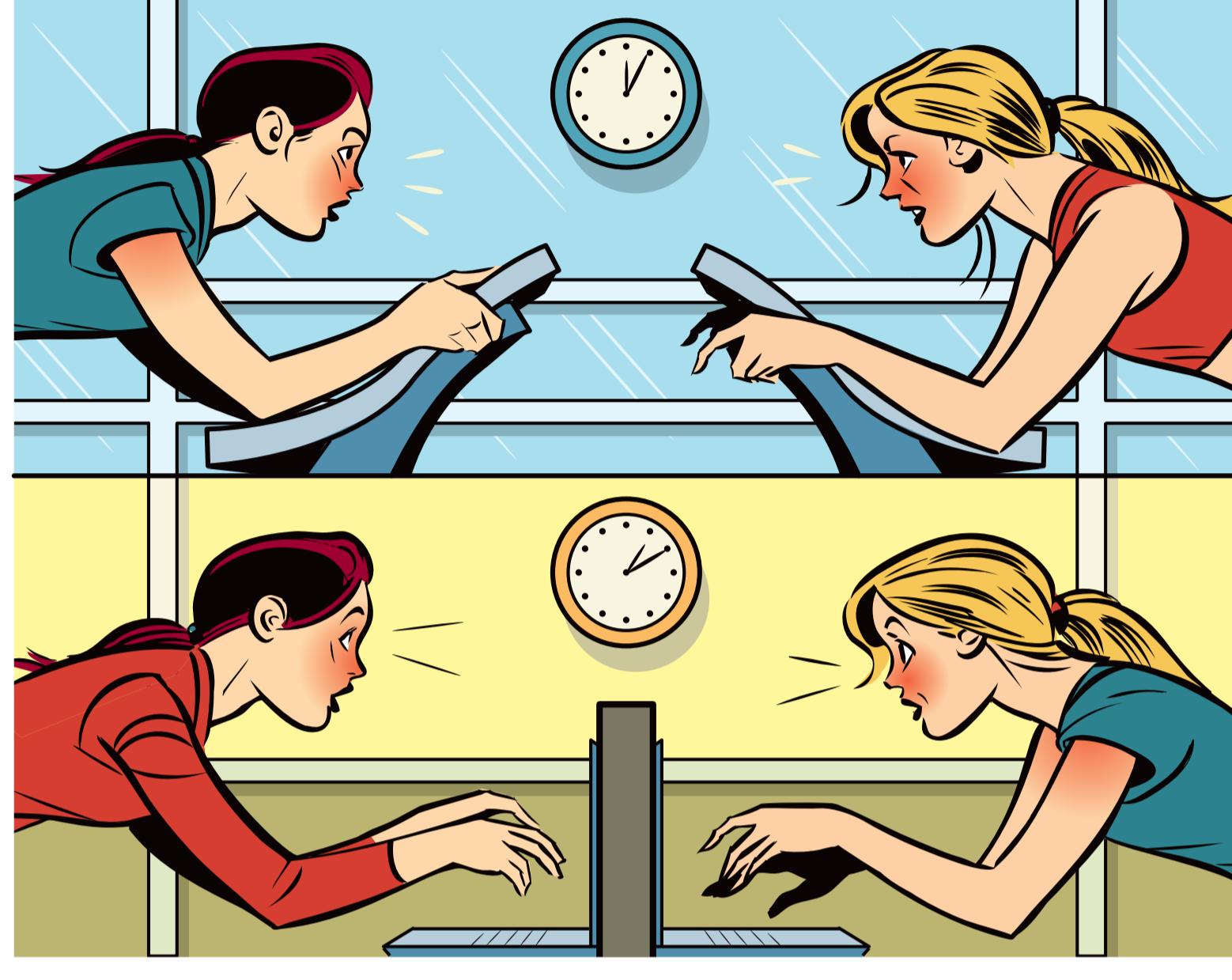
But the upside is big. Office gyms can provide a cheap or free place to squeeze in a workout, often just an elevator ride from your desk.

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

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

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

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



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

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

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

Grant Moos found other re-

wards for stepping out of his comfort zone.

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

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

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

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

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

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

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

"I was kind of flattered," says Mr. Mikalainis, who has since met

Mr. Macchia and developed a friendly rivalry with him. On a recent day at the gym, Mr. Macchia saw Mr. Mikalainis walking toward a bike.

"I kind of waved to him and said, 'Do arms today,'" Mr. Macchia says.

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

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

## BOOKS

# THE WSJ BOOK CLUB TAKES ON 'TUMBLING'

BY CHRISTOPHER JOHN FARLEY

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

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

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

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

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

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

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

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

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

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

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

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

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

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

This is one of those novels I read



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

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

People are always looking for the next "It" writer, and debut novels offer that kind of hope. I also think there is something unique about a debut novel—they are generally written as labors of love.

The focus of the writer is entirely on the work. The results are always fresh and imperfect and bold because the writer isn't writing for an audience or a "market." That said, most great writers are not defined solely by their debut. McKinney-Whetstone's debut was brilliant, but so are the other novels she has written.

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

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

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

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



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

## OPINION

### REVIEW & OUTLOOK

#### Mr. Trump Meets Mr. Xi

President Trump has warned that the Mar-a-Lago summit with Chinese President Xi Jinping this week will be "difficult," and it's hard to know what that means. Mr. Trump likes to stake out tough negotiating positions but back down later, while the Chinese like to offer cosmetic concessions to mollify foreigners while relentlessly advancing their interests over time. The real measure of this summit will be whether Mr. Xi comes away thinking Mr. Trump means what he says or can be pushed around like President Obama.

In that sense Mr. Trump's warning not to expect immediate deliverables is a positive sign. After eight years of the Obama Administration papering over major disagreements between the U.S. and China, Mr. Trump may win Chinese respect with a tougher approach. But subtlety, hardly the U.S. President's strong suit, will be needed to keep the relationship constructive while pressuring Beijing to change its aggressive and mercantilist ways.

On North Korea, the most pressing issue, the two sides are poles apart. Mr. Trump says correctly that China could use its economic leverage to rein in North Korea's nuclear and missile programs but has failed to do so. Beijing believes the U.S. forced Pyongyang to build nuclear weapons by threatening its existence. The Chinese view is that Washington can and should resolve the standoff by making the Kim regime feel more secure.

Mr. Trump is trying to overcome Beijing's reluctance to help by suggesting that if it refuses the U.S. will solve the problem itself—a hint of potential military force. The U.S. will also continue to improve Japanese and South Korean missile defenses and other capabilities, which infuriates Beijing. Mr. Trump is justified in impressing on Mr. Xi that the American people can't accept the North deploying a nuclear missile capable of hitting San Francisco.

It's hard to predict how China will react to this pressure. It could recognize that the risk of war between two nuclear powers in its neighborhood is too dangerous and try to install a more pliable regime in Pyongyang. But even in that case Mr. Xi will avoid the appearance of acting under U.S. duress. He is more likely to push back hard and accuse the U.S. of destabilizing the Korean Peninsula.

On the South China Sea, Trump officials have made hawkish statements about rolling back China's base-building, yet the U.S. Navy is still

having trouble getting approval from the Pentagon to conduct freedom of navigation patrols. Mr. Trump needs to decide on his red lines, communicate them to Mr. Xi and stick to them.

On trade there is greater room for compromise, although an immediate breakthrough is unlikely. Mr. Trump brandished big sticks in the campaign by promising to declare China a currency manipulator and impose punitive tariffs. But this would hurt the U.S. as much as China. U.S. officials now concede that a better approach is to target areas where China fails to grant Americans the market access that Chinese enjoy in the U.S.

So if China declares internet industries off-limits to foreign investors, Chinese companies will be blocked from buying similar American firms. If Tesla is hit with high tariffs on its U.S.-made cars, then Chinese cars will face higher duties in the U.S. Exports from firms that receive state assistance under the "Made in China 2025" industrial-policy plan could be blocked or subject to countervailing duties.

That won't change the bilateral trade balance much, and tit for tat exchanges have a way of escalating. But such a policy would address the reality that after benefitting from access to Western markets, China in the past decade began to harass or close its door to foreign companies. The recent report by the European Union Chamber of Commerce in China is a non-American summary of this systematic bias. The Chinese should recognize that America's political tolerance for such mercantilist behavior is waning, and the resonance of Mr. Trump's protectionist campaign is a warning.

\* \* \*

The Obama Administration often rewarded China's poor behavior, or protested rhetorically without taking credible action. Meanwhile, allies like Japan, South Korea and Taiwan were given too little attention. Mr. Trump has begun to rectify this mistake, for instance, by inviting Japanese Prime Minister Shinzo Abe as his first foreign guest at Mar-a-Lago.

The U.S. goal this week should be to show Mr. Xi that the new Administration will be hard-nosed but constructive. If Mr. Trump masters his briefing books, he could lay the foundation for future deals. But nobody, least of all Mr. Trump, should expect the Chinese to agree to new bilateral terms at the first meeting. The Chinese are impressed by firmness and consistency, not rhetoric.

#### Susan Rice Unmasked

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

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

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

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

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

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

Now we know he is onto something. And we know that Mr. Nunes had to go to the White House to verify his information because the records containing Ms. Rice's un-

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

masking request are held at the National Security Council.

Where are the civil libertarians when you

really need them? These columns support broad surveillance powers for national security, but executive officials need to be accountable if those powers are abused. If congressional oversight of U.S. intelligence operations is going to be worth the name,

then it should include the unmasking of a political opponent by a senior official in the White House.

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

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

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

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

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

#### A World Unsafe For Democracy



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

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

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

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

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

How did the world become unsafe for democracy?

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

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

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

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

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

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

Huntington's thesis suggests that what is happening today is inevitable: that democracy has a way of overextending itself before it later succeeds in sinking deep roots. It also offers the comfort that the current trend can't last forever: that most dictatorships will eventually be undermined by their internal contradictions, while most democracies will bounce back thanks to their ability to correct mistakes through elections.

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

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

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

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

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

#### LETTERS TO THE EDITOR

#### Should Robots Be Subject to Taxes Like Workers?

Regarding Andy Kessler's "Bill Gates vs. the Robots" (op-ed, March 28): Bill Gates has suggested that we tax the robots in proportion to the jobs they displace. It isn't clear if this is intended to compensate for the lost income taxes no longer paid by the workers who were replaced or to discourage the use of robots. Given the consistency of robots' output and their ability to function in dangerous and unpleasant environments, they may still be a better choice in many circumstances. The calculation of a "robot tax" will be complex and will constantly change as the robots take on more and more functions. Likely a whole new Washington building will be needed, filled with bureaucrats calculating the robot tax and imposing more regulations on American industry. Some categories of employment will increase. How far will this go? What about washing machines and dishwashers? Those jobs used to be done by humans.

Rather than making American industry more competitive by reducing business- and corporate-income taxes and regulations, this approach

imposes more taxes and regulations. This will drive out still more manufacturers and further reduce factory employment. This demonstrates the heavy propensity to use taxation and tax breaks as a solution to too many problems while remaining blind to the damage caused. All too often higher taxes lead to lower tax revenue as business and industry are demotivated.

WALTER S. CICIORA, PH.D.

Southport, Conn.

Mr. Kessler rallies around the blessing of robotics in the form of computers, the internet and Microsoft. And so it should be. But robotics have a downside in human impact that Mr. Kessler skims over. Robotics has led to much of the unemployment in the Rust Belt. Donald Trump campaigned to restore the Rust Belt and to "bring back the jobs." But the robots have the jobs. What does that mean for the people who are no longer useful? They are in need, and America's Republican president has come to help those people.

LINDSAY RALPHS  
Oakland, Calif.

Leon de Winter's suggestion that Dutch citizens want "immigrants [to] practice tolerance, work and study hard, and teach their children to be proud and contributing members of this society" seems like a reasonable set of expectations for their newly arrived neighbors ("The Dutch Find Welfare and Immigration Make an Uneasy Mix," op-ed, March 15).

The question is what should governments do when immigrants arrive from war-torn countries that are breeding grounds for terrorists, and European host countries begin to pay a heavy price for those who choose not to assimilate and in some cases bite the generous hand that feeds them.

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

## OPINION

# How Trump Became a Russia Skeptic

By Adrian Karatnycky

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

These are telling remarks, given that only a few months ago Mr. Putin was salivating at the thought of a Trump presidency. Mr. Trump had extolled the Russian leader, declared the North Atlantic Treaty Organization "obsolete" and hinted that the

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

U.S. might accept Russia's annexation of Crimea. A few years ago Steve Bannon, an influential Trump adviser, promoted the idea of a grand alliance between the West and a traditionalist Russia against secularism and Islam. Mike Flynn, a Putin-friendly recipient of Moscow's largess, was appointed national security adviser.

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

As the atmosphere shifts, Russia's state-controlled and state-directed media have begun to turn against Mr. Trump, suggesting that Moscow no longer expects a cooperative rela-

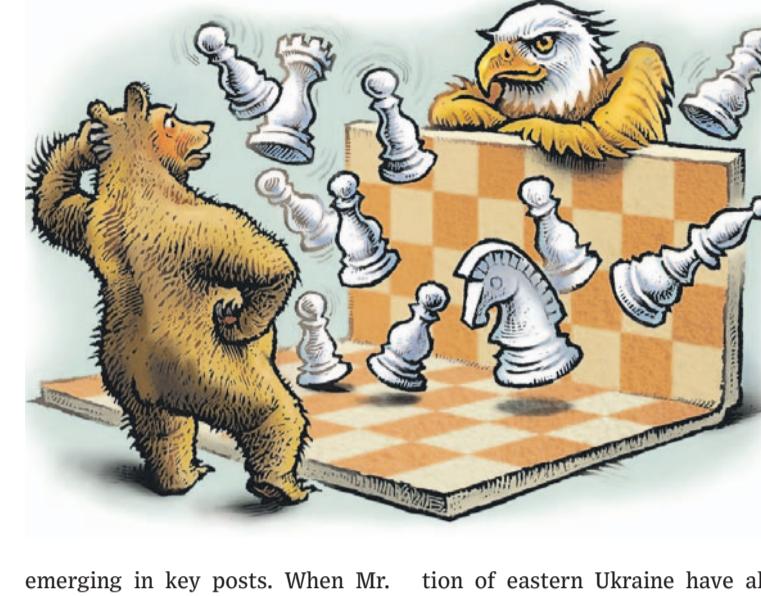
tionship. Gazeta.ru, a Kremlin mouthpiece, called Mr. Trump a narcissist not long after he took office. Another, Lenta.ru, announced in February the "end of illusions" about a warming in relations, reporting that some of President Trump's "most ardent boosters" in the Russian media were turning on him. Prime Minister Dmitry Medvedev told Russian television viewers to expect the international sanctions on their country to remain in place "indefinitely."

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

Mr. Trump's friendly comments toward Mr. Putin have also brought resistance from a unique coalition: Republican hawks, Democrats angry over Russia's election meddling, the national-security establishment and intelligence community, and key European leaders. Together they have applied enough pressure to profoundly shift U.S. administration policy.

For one thing, the president was compelled by the weight of evidence to acknowledge in January that Russian hacking had indeed influenced the American political process, even as he insisted this interference didn't affect the election's outcome.

The expert consensus about Mr. Putin is so negative that Mr. Trump couldn't have put together a Kremlin-friendly national-security team even if he had tried. As a result, serious-minded Russia hawks are



PHIL FOSTER

emerging in key posts. When Mr. Flynn was forced to resign as national security adviser, H.R. McMaster took his place. The appointment of Putin critic Fiona Hill to be the National Security Council's Russia expert is pending.

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

Sanctions against Russia over its annexation of Crimea and occupa-

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

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

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

He tweeted last month: "For eight

years Russia 'ran over' President Obama, got stronger and stronger, picked-off Crimea and added missiles. Weak!"

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

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

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

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

## Push Xi Jinping to Open China's Market

By Eswar Prasad

**D**onald Trump and Xi Jinping are set to meet this week in an informal setting, rightly lowering expectations of any major meeting of minds or concrete outcomes. Yet there's a lot riding on prospects of the U.S. and Chinese presidents smoothing over a war of words that, if it escalated, could hurt both countries' economic interests. The stakes for the global economy are high, as a rocky relationship between the two leading economic powers could prove disruptive to international trade and add to volatility in financial markets.

The key challenge for Mr. Trump will be to pick the right fights with Mr. Xi, rather than revert to talking points from the campaign trail. His continued attacks on China since taking office are not healthy portents.

Mr. Trump seems determined to put China on the back foot, ostensibly giving the U.S. a better negotiating position for the many eco-

nomic and geopolitical tussles that lie ahead. In itself, this strategy may have some merit.

However, Mr. Trump is focusing on high-profile but weak lines of attack, such as his misguided charge of Chinese currency manipulation and the size of the bilateral trade deficit. These issues resonate with Mr. Trump's political base, adding to the temptation to claim a win by getting tough on China, particularly to ease the sting of the recent health-reform debacle. Mr. Trump has repeated the currency-manipulation charge even as his Treasury Department attempts a more deliberate and calibrated approach.

The accusation that China is manipulating its currency to gain an unfair advantage for its exports isn't supported by economic facts. For nearly three years, China's central bank has been intervening in currency markets to prevent the yuan from falling too sharply in value against the dollar. Thus, if anything, China has been doing the U.S. a favor by not letting the yuan

depreciate as much and as fast as the markets seem to want.

China currently meets only one of the three criteria identified by the U.S. Treasury in 2016 as necessary conditions to formally accuse

**Liberalization of foreign investment in key sectors could help American firms set up operations in China.**

a U.S. trading partner of currency manipulation: It has a bilateral trade surplus with the U.S. of more than \$20 billion.

Among America's trading partners, China has the biggest bilateral merchandise trade surplus with the U.S., nearly \$350 billion. This is certainly a big imbalance, but the battle should be fought with the right weapons, rather than with unsupported allegations and protectionist measures. A formal charge of currency manipula-

tion or the imposition of tariffs on imports from China would likely elicit an immediate and aggressive counterstrike.

The risk is that such actions could spiral into a tit-for-tat series of restrictions on bilateral trade and investment that would hurt both economies. China is likely to take overt as well as covert retaliatory actions that could include restricting American companies' access to markets and investment opportunities, as well as disrupting the supply chains of American businesses that rely on Chinese intermediaries. The U.S. economy, especially multinational corporations that operate in China in one form or another, could suffer significant collateral damage if a trade war were to break out.

U.S. economic and business interests would be better served by Mr. Trump's greater attention to issues of real economic significance in the bilateral economic relationship. China could be prodded to provide U.S. exporters greater access to its large and growing markets.

Liberalization of foreign investment in key sectors, including financial services, could help American firms that want to set up or expand operations in China. Soothing other irritants in the bilateral relationship, such as theft of intellectual property, would also benefit U.S. businesses.

Focusing on these issues would garner broader international support for Mr. Trump in wresting from China the narrative about how to structure the global trading system in a way that spreads the benefits more evenly across countries. Taking the high road by pushing for freer trade rather than engaging in a protectionist street fight would better help Mr. Trump expand American jobs and promote a more vibrant and dynamic economy.

*Mr. Prasad, a professor in the SC Johnson College of Business at Cornell University and a senior fellow at the Brookings Institution, is author of "Gaining Currency: The Rise of the Renminbi" (Oxford, 2016).*

## The Minimum Wage Should Be Called the Robot Employment Act

By Andy Puzder

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

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

It's no surprise that restaurants are rolling out the robots.

McDonald's said in November that it would install self-order kiosks in all 14,000 of its U.S. restaurants. Wendy's announced in February it would add kiosks at about 1,000 locations to "appeal to younger customers and reduce labor costs."

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

Taking automation to the next step, Miso Robotics and the owner of CaliBurger announced in March they have developed a robotic arm, called Flippy, that can turn burgers and place them on buns. CaliBurger plans to install them over the next two years in 50 restaurants world-wide.

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

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

These are jobs America cannot afford to lose. In 2014 nearly 40% of

black men age 20 to 24 in Chicago and almost 30% in New York and Los Angeles were neither working nor in school, according to a report last year from the Great Cities Institute.

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

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

Bernie Sanders articulated the solution to this problem in 2013 when he spoke on the Senate floor about the negative effect that entry-level foreign workers have on youth employment. "The best anti-poverty program is a paycheck. Well, let us give the young people of this

country a paycheck. Let's put them to work," Mr. Sanders said. "But even more importantly, let us allow them to gain the job skills they need so that they know what an honest day's work is about, and can move up the economic ladder and get better jobs in the future." I couldn't have said it better.

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

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

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

*Mr. Puzder is a former CEO of CKE Restaurants.*

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We need to call out these filibusters for what they are—naked attempts to nullify the results of the last Presidential election, to force us to govern as though President Obama had not won the 2012 election.

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

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

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

*From a floor speech by Sen. Elizabeth Warren (D., Mass.), Nov. 13, 2013:</*

## LIFE & ARTS



MY RIDE

# The Star of the Family? Grandma's Corvette

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

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

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

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

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

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

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

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

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

When the photographer came to take the

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

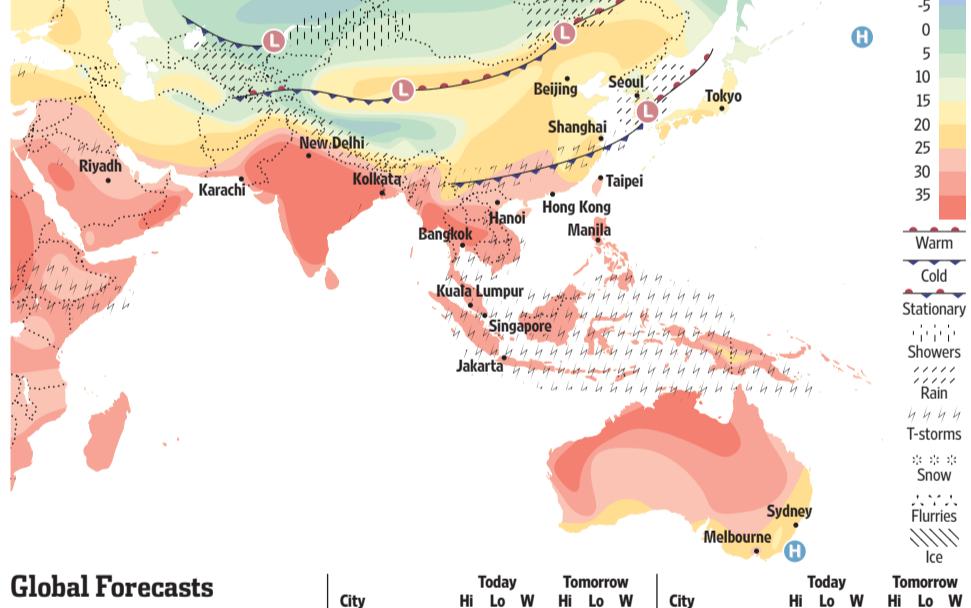
Contact A.J. Baime at [Facebook.com/ajbaime](http://Facebook.com/ajbaime).

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



ADRIENNE GRUNWALD FOR THE WALL STREET JOURNAL

## Weather



## Global Forecasts

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

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	11	6	pc	11	6	c
Anchorage	9	4	c	9	0	c
Athens	19	12	pc	20	13	c
Atlanta	23	9	t	14	6	c
Bahrain	28	12	s	29	17	s
Baltimore	21	11	s	19	7	r
Bangkok	33	26	t	33	26	pc
Beijing	20	8	c	25	11	s
Berlin	13	4	c	13	6	c
Bogota	22	8	pc	21	8	pc
Boise	20	10	pc	19	9	c
Boston	8	3	pc	7	6	r
Brussels	13	4	pc	11	4	c
Buenos Aires	26	10	s	23	16	s
Cairo	31	17	s	30	16	s
Calgary	13	1	c	15	2	c
Caracas	32	25	s	32	26	s
Charlotte	24	13	t	16	5	pc
Chicago	6	2	r	8	1	c
Dallas	22	8	s	24	10	s
Denver	12	-1	s	18	3	s
Detroit	12	5	r	6	1	sn
Dubai	29	22	s	32	23	s
Dublin	12	3	c	12	3	pc
Edinburgh	12	4	c	13	5	pc
Frankfurt	16	5	pc	13	5	c

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Geneva	16	5	c	13	3	pc
Hanoi	27	10	c	30	23	t
Hong Kong	32	20	s	31	19	pc
Honolulu	26	21	pc	25	22	c
Houston	24	10	s	25	11	s
Istanbul	16	10	pc	17	9	s
Jakarta	31	26	t	30	25	t
Johannesburg	29	15	s	26	11	t
Kansas City	12	3	r	13	0	pc
Kuala Lumpur	25	14	pc	29	16	pc
Khartoum	27	21	pc	26	21	pc
Kolkata	14	5	pc	15	6	c
Laos	28	13	s	25	12	c
Madrid	18	6	pc	22	6	s
Manila	33	25	pc	34	25	s
Melbourne	25	13	pc	25	14	pc
Mexico City	30	13	pc	26	11	pc
Miami	31	25	pc	32	17	pc
Minneapolis	13	2	pc	11	0	sh
Montevideo	28	13	pc	27	12	pc
Montreal	8	1	r	7	2	r
Moscow	11	7	c	14	6	c
Mumbai	32	25	pc	32	26	pc
Nashville	26	6	t	14	5	sh
New Delhi	37	23	pc	38	19	pc
New Orleans	27	13	t	22	12	s
New York City	18	7	s	12	7	r
Washington, D.C.	22	13	s	19	8	r
Zurich	15	5	c	11	1	pc

## The WSJ Daily Crossword | Edited by Mike Shenk



# BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Wednesday, April 5, 2017 | B1

Yen vs. Dollar 110.7570 ▼ 0.13%

Hang Seng 24261.48 Closed

Gold 1253.10 ▲ 0.18%

WTI crude 50.99 ▲ 1.49%

10-Year JGB yield 0.065%

10-Year Treasury yield 2.354%

## Bankruptcies Enrich Energy CEOs

By RYAN DEZEMBER

When Ultra Petroleum Corp. emerges from bankruptcy protection in coming weeks, as expected, the natural-gas producer's chief executive is on track to be rewarded with roughly \$35 million of its stock, more than 10 times his annual compensation in recent years.

Michael Watford, the CEO, and other employees at the Houston company are sharing 7.5% of Ultra's new shares, a fairly typical cut awarded to managers of companies emerging from bankruptcy protection to incentivize them

to stick around. Companies usually issue new stock when they emerge from bankruptcy, replacing the old shares.

What's unusual in Ultra's case is the size of the pie from which that slice is coming: The company's postbankruptcy equity value has been set at about \$4 billion, meaning that its employees are due some \$300 million of stock, 40% of it to be doled out the day its new shares are launched, according to court filings and people familiar with the matter.

The rest would be distributed at the discretion of its board.

"In a surprising number of cases, the most lucrative job in the oil-and-gas industry in the last year is a senior executive at a bankrupt company," said Brian Williams, managing director at investment banking and restructuring advisory Carl Marks Advisors.

It is rare for an equity pot that size to exist after bankruptcy. It resulted largely from gas prices roughly doubling from a year ago.

Ultra filed for bankruptcy protection in April last year after historically low gas prices pushed its earnings relative to debt below thresholds

spelled out in agreements with creditors.

Mr. Watford declined to comment through a spokeswoman. Ultra has said it expects to emerge from bankruptcy by mid-April.

In 2015, the latest figures that are available and before the company filed for bankruptcy, Mr. Watford received compensation valued at \$3.06 million.

Similar scenarios are playing out among producers of oil, which also is fetching about twice what it did early last year, and at companies

Please see ULTRA page B2

## The Dollar Gets Its Flow Back—Almost

A global shortage of dollars that distorted the money markets for the past two years is easing, even as the Federal Reserve is trying to tighten monetary policy.

The money markets are the plumbing of the financial system, and they sprang a leak in 2015 when banks began to limit balance sheet-intensive activities to satisfy new regulatory requirements. The shortage of dollars was made even worse by restrictions introduced last fall on money-market funds, as these "shadow banks" are used by Japanese and European banks to finance themselves overnight in dollars.

Dollar shortages are now going away, helped by expectations that U.S. regulation will be relaxed, the success of overseas banks in finding alternative sources of finance and greater appetite from investors to pick up what looks like free money left lying around by the global financial system.

The lack of stress in the dollar money markets was evident Friday when the quarter ended: More or less nothing happened.

Contrast that with December, when there was a rush for dollars as foreign banks tried to dress up their balance sheets to meet regulatory demands, and the cost of the standard hedging instrument, the cross-currency basis swap, soared. The extra payment—on top of already stressed levels—meant those willing to supply dollars could earn much more by holding Japanese T-bills and hedging the yen risk than by buying U.S. T-bills, even though Japanese interest rates are negative.

The easing of money-market stress this year has almost halved the cost of cross-currency basis for Japanese borrowers of dollars, and the change at quarter-end on Friday was minuscule.

The Bank of Japan's decision to soak up some excess yen liquidity helped, reducing the pressure on Japanese banks to find yield in the U.S.

But the flow of dollars around the system is working better elsewhere, too. The cross-currency basis against euros has also almost halved, taking it back to where it was a year ago. The extra cost over Treasury yields of swapping fixed for floating interest rates—used for hundreds of billions of dollars of corporate deals a year and known as the swap spread—is almost back to normal after two years of being deeply negative. Even the willingness of banks to lend to each other has improved: The spread between

Please see STREET page B2

MATTHEW STAVEN/BLOOMBERG NEWS

Ultra CEO Michael Watford

## How the Sausage Is Made

A Chinese pork factory adopts Western food-safety practices to cut any fears of the worst



MENGLIN HUANG/THE WALL STREET JOURNAL

The pork plant run by China's WH Group. The factory can produce over 90,000 kilograms of bacon, sausages and ham each day.

By KATHY CHU

ZHENGZHOU, China—A poster at the entrance to this meat factory in central China shows American families eating ham sandwiches beneath the slogan, "Enjoy an American-style life."

Inside the plant run by China's **WH Group**, a similar principle applies.

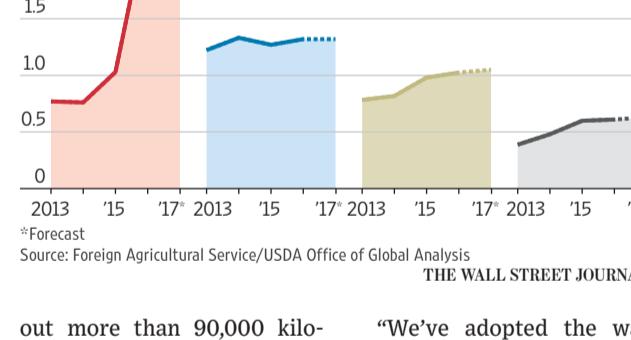
Steel vats mix pork while industrial-strength microwaves unfreeze blocks of meat in 20 minutes, a task that takes eight to 16 hours at other Chinese pork factories. It is about 18 degrees colder than other meat plants and the ceilings are one-third higher, helping to control condensation and limit the spread of bacteria. And the facility uses only U.S. meat imported from **Smithfield Foods** Inc., which WH bought in 2013 for \$4.7 billion.

The plant, which can churn

### Appetite for Pork

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

#### Pork imports, in million metric tons



\*Forecast  
Source: Foreign Agricultural Service/USDA Office of Global Analysis

THE WALL STREET JOURNAL.

out more than 90,000 kilograms of bacon, sausages and ham every day, is at the forefront of a shift in how China is using Western practices and technology to advance its economy.

"We've adopted the way that Smithfield approaches food safety," said Wan Long, chairman of WH, formerly known as **Shuanghui International Holdings** Ltd.

For years, Chinese compa-

nies struck partnerships to gain Western expertise. Increasingly, they are looking to buy foreign technology outright as Beijing tries to transform its export-dependent economy into one powered by research and innovation.

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

Even as China scrutinizes overseas investments because of concerns about outflows, deals that modernize the agricultural industry will remain a priority for now, according to Danian Zhang, chief representative of the **Baker & McKenzie** law firm's Shanghai office.

In January, WH Group's Smithfield unit purchased California

pork processor **Clougherty Packing** LLC and two affiliates

Please see PORK page B2

## Gillette, in Change of Tactic, Cuts Prices

By SHARON TERLEP

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

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

New data show Gillette has lost U.S. market share for six straight years. Its share of the men's-razor business fell to 54% in 2016, down from 59% in 2015 and more than 70% in 2010, according to figures released Tuesday by data-track-

ing firm Euromonitor. P&G says its internal numbers show a lesser decline.

Gillette razors and blades are important, high-margin products for P&G, which bought the business for \$57 billion in 2005. The Cincinnati

giant finds itself under the microscope after Trian Fund Management, one of the biggest activist investors, announced in February it had built up a \$3 billion stake in the company. Trian has yet to say what changes, if any, it

will push for at P&G.

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

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

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

Even as lower-cost shave clubs entered the scene, P&G continued to roll out new, pricier products, such as a ra-

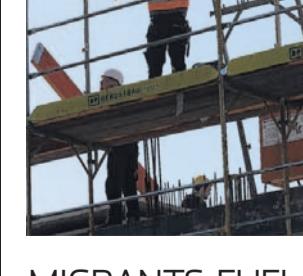
Please see RAZORS page B2



Gillette is putting a new focus on its cheaper products.

DANIEL ACKER/BLOOMBERG NEWS

## INSIDE



MIGRANTS FUEL HOUSING BOOM IN GERMANY

PROPERTY, B9

## INDEX TO BUSINESSES

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

A	Green Street Advisors.....B9
Airbnb.....A6	I
Alibaba Group Holding.....B2	Inkling Systems.....A6
Alphabet.....A6,B4	Iran Air.....A2
Ant Financial Services Group.....B1	Iran Aseman Airlines.....A1
Aurizon Holdings.....B7	J
B	J. Crew Group.....B5
Baker & McKenzie.....B1	Jones Lang LaSalle.....B9
Barclays.....B10	K
Barclays Africa Group.....B10	KKR.....B5
Blackstone Group.....B9	L
Boeing.....A1,B3	Lockheed Martin.....B3
C	Lonergan Partners.....A6
CG Gruppe.....B9	Lotte Group.....A1
Clougherty Packing.....B1	M
E	Mickey Drexler.....B5
Euronet Worldwide.....B1	Morgan Stanley.....A6,B2
F - G	N
Facebook.....A6	News Corp.....A6
Fifth Third Bancorp.....B5	New York Times.....A6
Fitbit.....A6	O
Ford Motor.....A6,B3	Odin Wave.....B4
Goldman Sachs Group.....A6	P
Google.....B4	Zillow Group.....A6
	Palantir Technologies.....A6

## INDEX TO PEOPLE

A	L
Ailes, Roger.....B2	S
Brin, Sergey.....A6	Levandowski, Anthony.....B4
C	Long, Wan.....B1
Carlson, Gretchen.....B2	Lyons, Jenna.....B5
E	M
Ernst, Dan.....A6	McSweeney, Terrell.....B4
Estrich, Susan.....B2	Murdoch, Rupert.....A6
G	Murphy, Bobby.....A6
Gibeau, Frank.....A6	Musk, Elon.....B3,B10
Gonzalez, Arturo.....B4	N
I	Ohlhausen, Maureen.....B4
Icahn, Carl.....A6	P
K	Page, Larry.....A6
Kang, Steve.....B2	R
Kelly, John.....A3	Rascoff, Spencer.....A6
Koh, Lucy.....B4	Roginsky, Julie.....B2
	Ron, Lior.....B4
	Rosenberg, Don.....B4
	Zhang, Danian.....B1
	Zuckerberg, Mark.....A6



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

## PORK

Continued from the prior page  
for \$145 million.

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

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

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

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

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

In a country where cadmium-tainted rice, melamine-infused milk and other food scares have alarmed consumers, imported products are seen as safer, according to the elder Mr. Wan.

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

In 2011, Chinese state-owned TV revealed that pigs purchased by a Shuanghui subsidiary had been fed a chemical that increased the animals' lean-meat content. One such additive, ractopamine, has been deemed safe by U.S. regulators but has been restricted by more than 100 countries, including China, because of safety concerns. The European Food Safety Authority found that ractopamine causes elevated heart rates and heart-pounding sensations.

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

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

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

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

The company has a powerful supporter: the Chinese government.

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

—Lucy Craymer,  
Jacob Bunge  
and Junya Qian  
contributed to this article.

Source: OECD

THE WALL STREET JOURNAL

World 118.4 million metric tons

Others 39%

China 47%

U.S. 8%

Vietnam 3%

Russia 3%

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## BUSINESS NEWS

# U.S. Explores Scaled-Down Plans

NASA and companies recalibrate strategy to reflect push for public-private partnerships

BY ANDY PASZTOR

COLORADO SPRINGS, Colo.—With European and Russian space agencies looking to bow out of the international space station, the U.S. is stepping up plans for a smaller-scale replacement intended to be a base for planetary exploration after the mid-2020s.

At the space industry's premier global conference here, Boeing Co. unveiled this week a proposal that partly reflected these scaled-down ambitions.

The company's concept, smaller and simpler than a previous proposal, includes a crew module serving as a jumping-off point for a reusable vehicle able to reach Mars. It also features solar-electric powered propulsion based on technology developed for commercial satellites; and envisions some manufacturing activities in space to maintain the habitat.



A nighttime view of Western Europe captured by crew aboard the international space station.

The announcement, which largely mirrors the National Aeronautics and Space Administration's latest strategy, highlights that Boeing, NASA and industry leaders are all seeking to recalibrate expectations to reflect new agency budget constraints and the principle of public-private partnerships championed by President Donald Trump's administration.

The goal is to "fit within a funding curve and try to get something up there that's operational" by roughly 2025, according to Peter McGrath, a senior Boeing exploration executive.

The Trump administration has signaled that NASA's total budget is likely to stay flat or decline somewhat, with significant cuts in earth-observation and climate change programs.

Under a previous NASA study contract, Boeing, Lockheed Martin Corp. and other companies are devising alternate plans for what are called deep-space gateways. Experts say that a number of contractors are likely to participate in the final program to deploy a functioning gateway.

The ultimate goal of the full-fledged program is putting the technology in place to safely send astronauts on the dangerous journey to Mars.

The orbiting international

laboratory, which was assembled over many years at a cost of some \$100 billion, is slated to continue operations until at least 2024.

There is no international consensus to go beyond that, though NASA and Boeing, among others, are pushing to keep it open until 2028. Meanwhile, Russia and Europe are considering an end to their partnership in the space station to save money and partly because they want to concentrate on exploring the moon.

But with NASA expected to firm up its post-space station strategy by 2019, there also are considerations of recruiting foreign countries and commercial partners for a follow-on program envisioned to cost \$1 billion or more annually.

William Gerstenmaier, who heads NASA's manned exploration efforts, emphasized the importance of international cooperation on a replacement platform. Striving to take humans to Mars entails "a scale that's more than a single country" can handle, he said during one panel.

NASA currently spends roughly \$3 billion a year supplying, manning and otherwise operating the space station.

## Toshiba's Nuclear Load Gets Heavier

BY TAKASHI MOCHIZUKI

TOKYO—Toshiba Corp. said Tuesday it would buy out partner Engie SA's 40% stake in the operator of a proposed U.K. nuclear power project for ¥15.3 billion (\$138 million) after Engie asked for the step under the terms of their contract.

The purchase means that for now Toshiba will be more deeply involved in a business it is hoping to exit—nuclear power projects outside Japan.

Last week, Toshiba's U.S. nuclear unit, Westinghouse Electric Co., filed for bankruptcy protection following huge cost overruns at nuclear-reactor projects in the U.S. Southeast. Toshiba said the filing triggered a clause in its contract with Engie that gave the France-based company the right to sell its stake in Nu-Generation Ltd. or NuGen. Toshiba already owns 60% of the U.K. joint venture. The timing of the deal is under discussion, Toshiba said.

NuGen has been trying to build three reactors using Westinghouse's AP1000 model in West Cumbria, in northwest England. On March 30, NuGen said U.K. nuclear regulators approved the AP1000 design.

However, it is unclear whether the reactors will be built. Toshiba said that despite taking full ownership of NuGen, it ultimately wants to sell the company. Toshiba's chief executive has made clear that it wants to withdraw fully from the nuclear power plant business overseas to guard against further losses.

Toshiba said after the Westinghouse bankruptcy that it expects to record a loss of \$9 billion in the year ended March 31. The firm is trying to sell its computer memory-chip business to fill the hole created by the nuclear losses.

## Fox News Faces Another Sex-Harassment Claim

BY JOE FLINT

Fox News contributor Julie Roginsky filed a lawsuit alleging she was sexually harassed by the cable-television network's former chairman, Roger Ailes, and that he and other executives retaliated when she rejected his unwanted sexual advances.

The gender-discrimination suit, filed Monday in New York state court, claims Mr. Ailes repeatedly harassed her and that because she refused to engage in a sexual relationship with him, she didn't receive a promised promotion to host the afternoon show "The Five."

Ms. Roginsky alleges the

network retaliated against her further when she refused to join other on-air Fox News talent in defending Mr. Ailes after a sexual-harassment suit was filed against him by former anchor Gretchen Carlson.

Ms. Roginsky's suit names as defendants Mr. Ailes, Fox News and Bill Shine, the network's current co-president.

In a written statement, a lawyer for Mr. Ailes, Susan Estrich, denied the allegations, describing Ms. Roginsky's characterizations of her meetings with Mr. Ailes as "total hogwash" and an attempt at "character assassination."

"The idea that Mr. Ailes would pressure Ms. Roginsky

or any other women to have sexual relations with him is total nonsense," Ms. Estrich said. Mr. Ailes resigned from Fox News in July in the midst of a probe by parent company 21st Century Fox into claims he harassed multiple women. He has denied all such allegations.

Representatives of Fox News and 21st Century Fox declined to comment. 21st Century Fox and Wall Street Journal parent News Corp share common ownership.

Ms. Roginsky, who last appeared on Fox News this past Saturday, has the same attorney as Ms. Carlson, who settled her case for \$20 million.

On Monday, Kevin Lord, Fox

News executive vice president of human resources sent an email to staff noting that "in light of some of the accounts published over the last few days," he wanted to re-emphasize what the company has said in internal training sessions: that employees concerned about workplace behavior should contact him or other designated individuals.

Ms. Roginsky's suit adds to mounting legal and workplace drama at Fox News. In a November filing, 21st Century Fox said it had costs of about \$35 million in the quarter ended in September related to "settlements of pending and potential litigations" related to Mr.

Ailes. Federal prosecutors are investigating if the company made insufficient financial disclosures about settlements.

And the controversy has extended to star anchor Bill O'Reilly, who is now under increased scrutiny after a New York Times report that he or 21st Century Fox have paid \$13 million to women who claimed they were sexually harassed by him. Fox said in a written statement in response to that article that it takes "workplace behavior very seriously" and that Mr. O'Reilly denies the merits of the claims against him but "has resolved those he regarded as his personal responsibility."

JOHN CARREYROU INVESTIGATIVE REPORTER

## The Face of Real News

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

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

Watch the film illustrating this story  
at [WSJ.com/John](http://WSJ.com/John)

#TheFaceOfRealNews

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# Chip Firm Requests Lawsuit's Dismissal

By TED GREENWALD  
AND BRENT KENDALL

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

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

The motion to dismiss aims to "take on each one of [the FTC's] theories and explain why the theories don't support a proper claim," said Don Rosenberg, Qualcomm executive vice president and general counsel.

An FTC spokesman didn't respond to a request for comment.

The FTC in January sued Qualcomm, alleging the chip maker used unlawful tactics to maintain its hegemony in the market for chips that enable cellphone communications. The FTC's complaint says Qualcomm used its dominant position to block competitors and impose onerous terms on handset makers. It asked the court to prohibit Qualcomm's alleged misconduct and to seek redress for parties that were treated unfairly.

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

Mr. Rosenberg said Qualcomm's motion asserts the

FTC provided no evidence for allegations that Qualcomm's patent-licensing practices curtailed competition; that royalties the company charged for patents essential to cellular communications weren't fair, reasonable and nondiscriminatory; and that it charged different royalty rates to different parties.

"Every one of these things is off the mark or without any kind of supporting factual underpinning, even if the theory was a correct one," he said.

Qualcomm's motion to dismiss the FTC's case is a routine early move in what could be a lengthy legal process. To persuade Judge Koh to dismiss

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

the FTC's case, Qualcomm must convince her that the commission's case is so without merit that no further proceedings are required.

The FTC's response to the motion is due May 12, according to a schedule agreed to by the parties. It is likely that Judge Koh would want to hear oral arguments before making a decision on the motion.

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

However, Ms. Ohlhausen doesn't yet preside over a Republican majority despite the party's victory in November. The five-member FTC has three vacancies, and the other sitting commissioner, Democrat Terrell McSweeney, voted in favor of the lawsuit.

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

# Google Pushes Driverless-Car Suit

Court filings offer details on claims that former employee stole technology

BY JACK NICAS  
AND TIM HIGGINS

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

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

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

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

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

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

Two years after Mr. Levan-



Anthony Levandowski is at the center of a suit filed by Google, which accuses him of not disclosing efforts to build a rival company.

dowski joined Google in April 2007, the company began developing a self-driving car and he became an early member of the team.

Around August 2012, the Google suit alleges, he incorporated a business named **Odin Wave LLC** at an address he owned in Berkeley, Calif. The following summer, a Google vendor told the company that Odin Wave ordered a similar custom part for proprietary laser-sensor technology that Google built for its driverless cars, according to the court documents.

By February 2014, Odin Wave merged with another firm named **Tyto Lidar LLC**, which was managed by a friend of Mr. Levandowski, according to the documents. In early 2015, the documents say, Google noticed Tyto's laser technology appeared to over-

lap with its own, so Google says it considered whether to use Tyto's technology or purchase the company.

Mr. Levandowski aided that inquiry, even visiting Tyto's headquarters on behalf of Google, the company alleges, yet "throughout this process, Levandowski never disclosed a relationship with Tyto and its employees."

In 2015, the suit alleges, a Google driverless-car colleague began helping Mr. Levandowski create a competitor. One of the Google arbitration suits names this colleague as a defendant. The name is redacted in much of the document released Monday, but on the last page the name is mistakenly revealed: Lior Ron, a Google driverless-car engineer who along with Mr. Levandowski founded Otto, the self-driving truck company

they sold it to Uber.

Mr. Ron didn't respond to requests for comment.

In late 2015, while still working at Google, the pair founded a firm called 280 Systems and repeatedly attempted to lure Google colleagues to join their new venture, according to the suit. Mr. Levandowski pitched direct reports in meetings at Google offices, and the two men also tried to persuade colleagues at two meetings at Mr. Levandowski's home, according to the documents.

The pair quit Google about two weeks apart in January 2016 and renamed the company 280 Systems as Otto and merged it with Tyto, the suit alleges. In August 2016, Uber acquired Otto for \$680 million in stock.

Waymo alleges Mr. Levan-

dowski downloaded thousands of confidential documents before leaving Google and bringing them to Uber after the Otto acquisition.

But he may find himself fighting some of the claims of Waymo's federal suit on his own. Uber's attorneys are petitioning to have many of the federal suit's claims moved to the arbitration proceedings where Google initially sued Mr. Levandowski. Uber's lead attorney, Arturo Gonzalez, said in an interview Friday that Google's employment agreement with Mr. Levandowski mandates that such disputes are handled via arbitration. Mr. Levandowski has hired his own personal attorneys who recently told the federal judge that Mr. Levandowski was invoking the Fifth Amendment to avoid self-incrimination.

# Google Rolls Out New Ad-Monitoring Tools

BY JACK MARSHALL  
AND JACK NICAS

Google unveiled measures meant to help marketers track where advertisements appear across YouTube, in the wake of the controversy over the company's placement of ads alongside videos with objectionable content.

The tech giant, a unit of **Alphabet** Inc., told marketers and advertisers on Monday that it plans to allow third-party measurement companies to monitor where ads appear on YouTube and to report back to marketers on the "brand safety" of its videos.

Google already offers similar functionality allowing marketers to track whether their ads were "viewable" or not, meaning whether they actually appeared on users' screens.

According to executives at ad agencies, Google also has promised to offer video-level reporting across YouTube by the third quarter of this year.

That feature would give advertisers a full list of specific videos against which their ads appeared and how many times their ads were displayed on each, perhaps making marketers more comfortable with advertising on the service.



Google plans to allow third-party companies to monitor where ads appear on YouTube.

A Google spokeswoman said the company hasn't announced the timing for video-level reporting.

Marketers and advertising agencies had been pushing Google for more transparency even before the recent uproar over controversial ad placements.

Other changes Google sent to advertisers relate to policies it announced last month, including faster reviews of

problematic ad placements and the use of artificial intelligence technology to help detect objectionable content.

The company said it would have new default settings that set a higher bar for the videos that qualify for running ads, and said it would expand its guidelines to block ads from more videos.

For instance, previously Google prohibited ads on YouTube videos advocating vio-

lence against people based on race, religion, gender or similar categories. But now it plans to ban ads on any videos that are demeaning or incendiary toward such groups.

Google Chief Business Officer Philipp Schindler said in interviews with several news outlets that the company can't guarantee ads will never appear alongside objectionable content, in part because of the sheer number of YouTube vid-

eos and websites on which Google places ads. The company told tech website Recode that videos advertisers have flagged for inappropriate content account for less than one thousandth of a percent of advertisers' total views.

The Google spokeswoman said the company is now using smart software to automatically detect inappropriate content and is capturing five times more objectionable videos than it did previously.

Observers said reliance on such software is ripe with challenges, in part because computers often struggle to understand the context and nuance required to determine whether a video violates YouTube's ad policies.

Indeed, YouTube hasn't employed such software to screen videos to see whether they should be pulled down from the site. Instead, it generally required a human reviewer to weigh in on any such moves.

Google's efforts to pull ads from more videos risks angering its community of YouTube video creators, some of whom have complained publicly in recent days that they have lost revenue because of the controversy over Google's ad placements.

The struggling fashion house said it plans to close the Polo store at 711 Fifth Avenue and move its products to the Ralph Lauren men's and women's stores on Madison Avenue and its downtown locations. Ralph Lauren said it would continue to operate seven additional store locations and its Polo Bar Restaurant in New York City.

Jane Nielsen, chief financial officer, said the closure of the Polo store was meant "to ensure we have the right distribution

and customer experience in place."

The moves are part of a previously announced plan to reinvestigate the business, shepherded by Stefan Larsson, who in February said he would depart as chief executive after less than two years at the helm amid a dispute over control of the creative side of the business.

Ralph Lauren on Tuesday also said it would switch to a new e-commerce platform that is more cost-effective and will "deliver a more consistent customer experience" thanks to a new partnership with Salesforce.com Inc.'s cloud services.

The company said the moves announced Tuesday, along with other actions, will lead to about \$140 million in annual savings.

The company expects to incur restructuring charges of about \$370 million.

—Joshua Jamerson

BOEING

## Aerospace Firm Adds Seat-Maker Deals

**Boeing** Co. has struck additional deals with aircraft-seat makers, including one for a business-class line, in an effort to ease supply-chain logjams as it increases jetliner production.

The company said Tuesday it agreed to purchase premium seats for its twin-aisle 787 from Japan's **Jamco** Corp. and expand a deal for California-based startup **Lift** to supply economy-class seating for the Dreamliner.

Boeing and rival **Airbus SE** are expanding partnerships with seat makers to gain more control over their supply chains and prevent partially completed jets from being left on the ground awaiting fittings.

The U.S. company last year signed an exclusive deal with

Lift, a unit of EnCore Group, to buy economy-class seats for Boeing's new single-aisle 737 Max jets. Lift's rivals include industry heavyweights such as B/E Aerospace Inc. and Zodiac Aerospace SA.

Boeing said carriers would still order seats directly from its partners but the jet maker's own deals would offer it more input into the design of the products and further confidence that they will be delivered on time.

—Doug Cameron

STAPLES

## U.S. Retailer Is Exploring a Sale

Staples Inc. is exploring a sale, less than a year after its effort to merge with rival retailer **Office Depot** Inc. failed on antitrust grounds.

The Framingham, Mass., of-

fice-supplies seller is in talks with a small number of possible private-equity bidders, according to people familiar with the matter. The talks are early and it is possible they won't lead to a deal, the people cautioned.

Should there be one, given a typical takeover premium, it could value the retailer at roughly \$7 billion or more.

Staples has been closing stores and in December agreed to sell a majority stake in its European operations to private-equity firm Cerberus Capital Management LP, seeking a turnaround after a federal judge blocked its proposed \$6 billion tie-up with Office Depot.

The retailer reported its fifth-straight drop in annual sales, and has lost more than one-fifth of its market value in the past year.

—Matt Jarzemsky

and Dana Mattioli

RALPH LAUREN

## Company to Close a Main New York Store

**Ralph Lauren** Corp. plans to close its largest retail shop, a Polo store on Fifth Avenue in Manhattan, the latest sign of the pressure on brick-and-mortar stores in the U.S. as consumers turn to online shopping.

The struggling fashion house said it plans to close the Polo store at 711 Fifth Avenue and move its products to the Ralph Lauren men's and women's stores on Madison Avenue and its downtown locations. Ralph Lauren said it would continue to operate seven additional store locations and its Polo Bar Restaurant in New York City.

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## MANAGEMENT

# A Concierge To Plan Your Baby Shower

Employers add perks for the pregnant to keep mothers at work

By RACHEL FEINTZEIG

When Lexus Smith found out that her second child would likely arrive weeks before his due date, she tapped an unlikely source to help with last-minute baby preparations: her employer.

A concierge provided by her company, **Fifth Third Bancorp**, helped the 25-year-old customer service representative reschedule her baby shower, locate photographers for pregnancy portraits and order birth announcements.

Companies have been adding new benefits for working parents in the past few years as they seek to attract and hang on to employees balancing family and work.

Johnson & Johnson pays to ship mothers' breast milk home from business trips, and investment firm **KKR & Co.** allows employees to bring nannies along for work travel; tech company Gusto provides new parents meal-delivery services and house-cleanings. To add to the growing list are Fifth Third's two maternity concierges, who have been on duty at the Cincinnati-based bank since January. Fifth Third's concierges tend to the needs of expectant employees and those with infants, recommending strollers, ordering breast pumps and researching fitness options for new mothers seeking ways to get back in shape.

They even plan parties where parents reveal the gender of their unborn child to family and friends, sometimes by cutting into a cake with blue or pink crumb; a concierge arranged one

mother-to-be to spread the news by releasing a balloon as opposed to cutting a cake.

Fifth Third's perk is intended to keep more women advancing at work during a critical turning point. Employees who have taken maternity leave in the previous 12 months leave the company at nearly twice the rate of all women at the firm, according to the bank. The bank's leave program is six weeks at either 100% or 60% pay, depending on how long the employee has worked there. Fifth Third says it plans to increase its leave program later this year.

Nearly 140 employees are taking part in the three-month-old concierge program, open to expectant mothers and those with infants under a year old. The bank said it is spending six figures on the workers, who are contracted via concierge company Best Upon Request and work full-time in Fifth Third's Cincinnati office.

Teresa Tanner, a Fifth Third executive, developed the program after hearing from expectant and new mothers in the bank's ranks who were overwhelmed by all they had to get done before a baby's arrival.

"We have to get more women in leadership positions in our company," Ms. Tanner said. Some 60% of Fifth Third's 18,000 employees are women, but that share drops to 23% for its executives and senior managers.

So far, Fifth Third employees are keeping concierge Jessica Hanson busy. She has scoured a local Target for items for a pregnant em-



Maternity concierges Michelle Long and Jessica Hanson, left and center, with Fifth Third Bancorp employee Delisha Murray, right, during a consultation in Cincinnati.

ployee's hospital bag, planned a St. Patrick's-themed first birthday party—which involved locating a shamrock headband from Etsy.com and ordering a pastel green cake from a local bakery—and compiled a dossier of 10 different churches for an employee unsure where to have her baby baptized. Once, she even helped an indecisive worker select a baby name.

"We're like a wedding planner, but we're your baby planner," Ms. Hanson said.

The duo receives two to three inquiries a day from employees exploring the service for the first time; some mothers and moms-to-be already email them as many as 10 times a day, Ms. Hanson said. The most common requests: child-care advice and assistance.

Ms. Hanson and her partner also provide some emotional support and connection. She has heard from a woman overwhelmed by a

surprise pregnancy and one who ended up with two sets of twins after undergoing infertility treatments. The concierges keep a list of counselor recommendations on hand for those suffering from postpartum depression.

The program is targeted to women, but the maternity concierges have received a few requests from fathers. They direct those to the company's main concierge program, which offers grocery shopping and other services for all employees.

Assistance for expecting and new parents may help new mothers stay on when they're at risk for "dropping out and then regretting it later," said Kenneth Matos, an executive at consultancy Life Meets Work. Mr. Matos says it's part of a broader trend among companies to lighten the burden of chores for both male and female employees, as firms try to stay lean while expanding work duties.

"That's the last thing you can kind of do to get more time out of [workers] before you just need to hire more people," he said.

American Express Co. also has a concierge program for parents navigating company benefits, and Stanford University's hospitals and health clinics offer emergency department physicians meal delivery, laundry and house-cleaning services when they work extra shifts.

Ms. Smith, the customer-service representative, said that delegating tasks to Ms. Hanson allowed her to focus on work in the weeks leading up to the birth of her son, Zavier.

As she prepared to return to the office in late March after a six-week maternity leave, the concierge had helped her find day-care options. Now back at work, she's glad to have someone to fall back on. "In a way they're like my mom," she said.

## J. Crew's Creative Director to Step Down

By KHADEEJA SAFDAR

**J. Crew Group Inc.**'s long-time creative director, Jenna Lyons, is leaving the embattled apparel retailer, which has been struggling with weak sales and a heavy debt load.

Once seen as a potential successor to Chief Executive **Mickey Drexler**, Ms. Lyons has been credited as the creative force behind J. Crew's signature texture looks. The company highlighted must-have "Jenna's Picks" on its website and featured her in its marketing, including a video clip Friday that was published on Facebook, Instagram and Twitter. Ms. Lyons, a 26-year employee, even became a pop-culture figure in her own right, playing an advertising executive in the third season of HBO's "Girls."

Ms. Lyons will serve as a



Jenna Lyons will serve as a consultant until her contract expires.

consultant until her contract expires in December, the company said Monday.

She won't be replaced, and her duties will be given to other members of Mr. Drexler's

team. Somsack Sikhounmuong, who has been with the company since 2001 and is head of women's design, will be promoted to chief design officer and report to Mr. Drexler.

Ms. Lyons didn't respond to a request for comment. In a news release she said, "I am excited about the next chapter for J. Crew as well as the opportunity for other creative leaders within the organization to step up and take on new responsibilities."

The retailer and its investors have been gearing up to battle over a potential restructuring of its roughly \$2 billion in debt. The company was taken private in 2011 in a leveraged buyout by a group of private-equity firms with the support of Mr. Drexler.

In December, S&P Global Ratings warned that the company's capital structure was unsustainable. J. Crew sued its lenders in February, attempting to prevent them from blocking the company's transfer of intellectual property to

an offshore subsidiary and out of their grasp.

J. Crew Group, which includes the Madewell chain, reported a \$23.5 million loss for the fiscal year ended Jan. 28, as revenue fell 3% to \$2.43 billion.

"We have taken important steps to improve our performance and are confident that the team in place will continue these efforts," Mr. Drexler said in Monday's release. The company said several initiatives are under way to improve its sourcing and supply chain, and it is reviewing other ways to improve its operations.

Ms. Lyons "made the brand appealing and have a strong point of view," said fashion investor Gary Wassner, "but that consumer has now changed and is looking for something different."

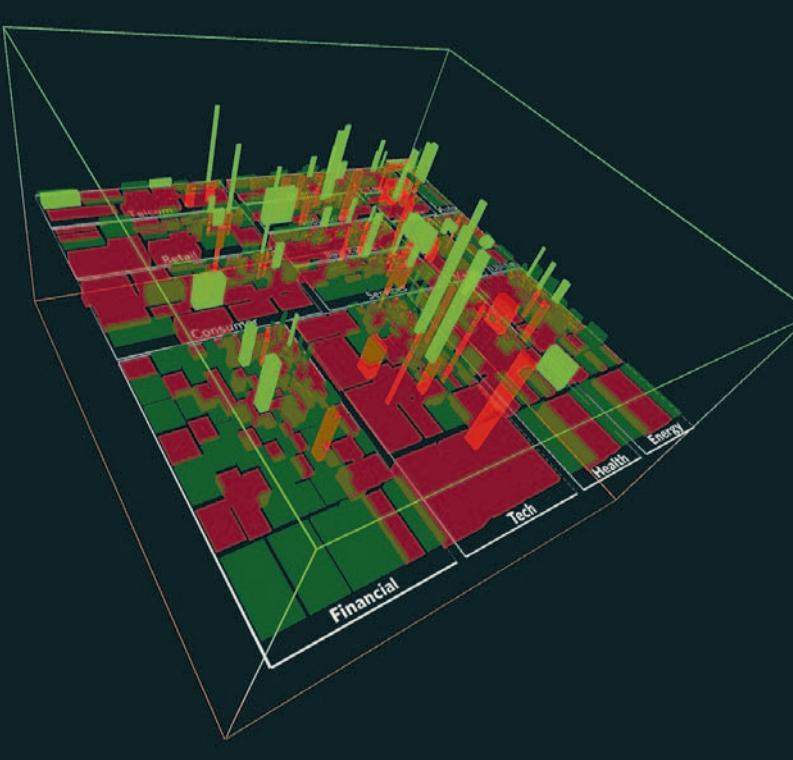
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## FINANCE & MARKETS

# Traders Sample a Disruptive Technology

Merchants and banks test blockchain to record transactions for commodities

BY STEPHANIE YANG

Banks and traders are experimenting with the technology behind bitcoin in an effort to solve longstanding problems in the trading of physical commodities.

Blockchain, the technology used to record ownership of the cryptocurrency bitcoin, has been making inroads recently in the financial world. Central banks and other institutions are exploring it for payments and data sharing. Big banks including J.P. Morgan Chase & Co. and Citigroup Inc. have tested the technology in recording financial transactions.

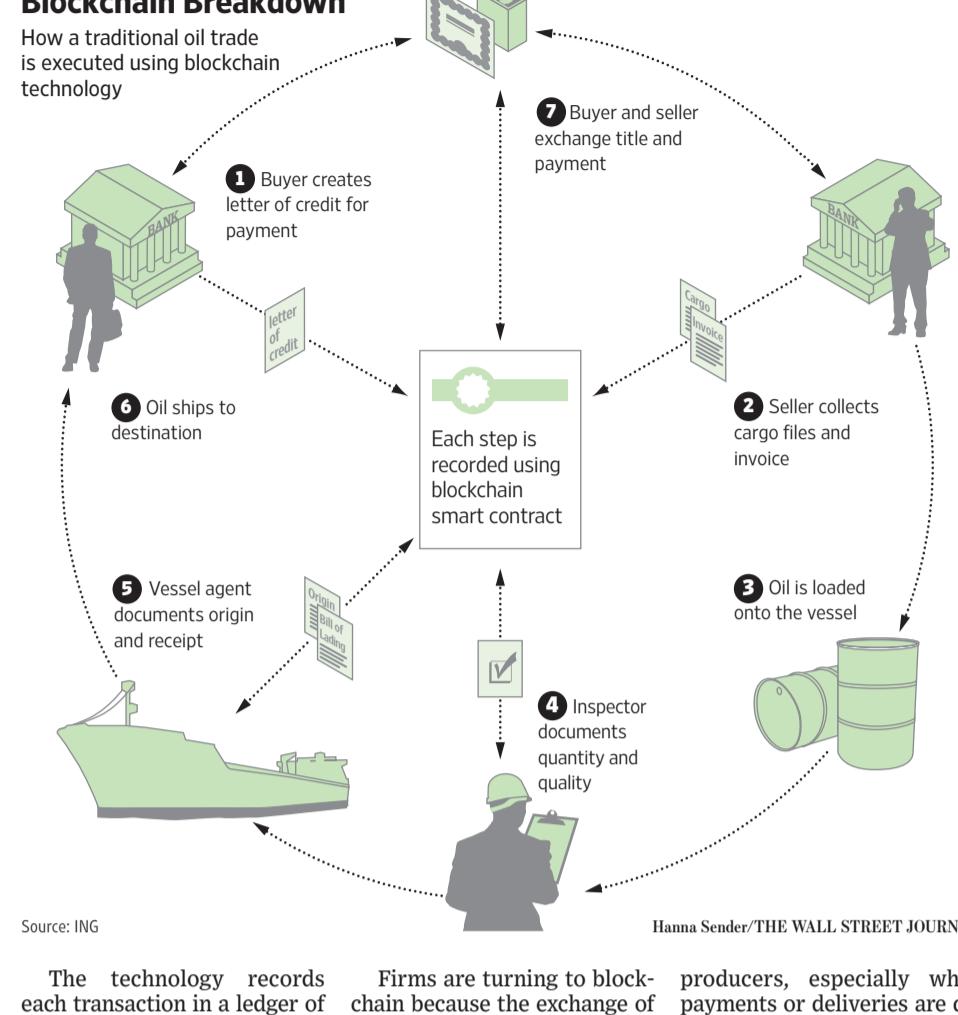
Now commodities players are trying out blockchain to help buy and sell goods and raw materials.

French bank Natixis and commodity trading firm Trafigura Pte. Ltd. unveiled a platform in late March with **International Business Machines** Corp. to carry out U.S. crude-oil transactions electronically using blockchain technology.

A group of participants in the cotton market is also evaluating the use of blockchain in trading and plans to release its results in May. The consortium, which has collaborated with IBM to use its blockchain platform, includes big agricultural commodities traders Cargill Inc. and Louis Dreyfus Co.

### Blockchain Breakdown

How a traditional oil trade is executed using blockchain technology



The technology records each transaction in a ledger of which every computer has an identical copy. This makes counterfeiting virtually impossible because every transaction can be checked against the other records. It also obviates the need for costly and time-consuming back-office record-keeping by third parties like finance companies.

Firms are turning to blockchain because the exchange of physical goods is plagued by pitfalls that have existed for decades in these notoriously opaque markets.

Trades are routinely bogged down by paper documents that take time to verify and can be lost or forged during ownership changes. This can be costly for consumers and

producers, especially when payments or deliveries are delayed or interrupted. It can also frustrate those unable to track where their materials come from.

By establishing a decentralized system, traders think they can cut down on time, expenses and opportunities for fraud. Blockchain can create digital codes for, say, each

gold bar or bale of cotton, and records all points of sale on an encrypted list that is verified by multiple parties.

"I'm more and more convinced that this technology is going to be disruptive for the industry," said Patrick Arnaud, managing director of trade and commodity finance at ING Groep NV. ING, Société Générale SA and commodities-trading house **Mercuria Investment** Co. in February executed the first delivery of crude oil to run entirely on a blockchain platform. The trade tracked the transport of crude from Africa to China.

ING found that the use of blockchain, instead of paper certification, reduced its involvement in each transaction to about 25 minutes from an average of three hours. Blockchain also cut costs by about 30%, the bank said.

The banks are in discussions to conduct a similar trade in liquefied natural gas, according to Mr. Arnaud.

Despite the eagerness of some traders to adopt the technology, blockchain faces obstacles to its widespread use in commodities trading.

Regulatory requirements for exchanging goods are different from country to country and may need to change to become compatible with cross-border blockchain trades.

"It's going to brush up against an existing compliance regime as well as regulation or legislation in its own right," said Emma Weston, co-founder of AgriDigital, a commodity-management platform that has used blockchain to trade grain.

Another challenge is persuading an industry that has been resistant to change to embrace a new system, especially one that has had some misuses. While the underlying protocol for bitcoin has never been hacked, apps and services built on top of it have been plagued by privacy and intrusion scandals.

Mallory Alexander International Logistics has run two shipping trials with blockchain this year, but its president remains skeptical about new trading technologies.

Over the past 15 years or more, attempts to modernize data in shipping "always seem to hit a snag," said Neely Mallory, a Mallory executive. "There are a lot of countries that U.S. agriculture is shipped to that are not ready to embrace it."

Another concern for commodity traders is how much proprietary information would be shared with others if blockchain is used. Those experimenting with the technology say there is still discussion on what data would be limited and to which parties.

"No one would want their information on who's trading what" to be seen on the blockchain, said Mark Pryor, chief executive of commodities trading software provider Seam, which is leading the cotton consortium.

Mr. Pryor said using blockchain could change the mindset of some hardened commodities traders. "People are not used to working in an environment where they trust the data, where they trust the systems," he said.

## AmTrust Revises 3 Years of Earnings

BY MICHAEL RAPORT

**AmTrust Financial Services** Inc. revised its last three years of earnings downward by about \$136 million because of accounting errors, notably in how the company booked revenue from the warranty contracts it provides.

The New York property-and-casualty-insurance company filed its delayed 10-K annual report with the Securities and Exchange Commission. In addition to the restatement of earnings dating back to 2014, the company reiterated that it had weaknesses in its internal accounting safeguards.

AmTrust said it was now current on all exchange listing requirements, which had been jeopardized by the delay in the company's filing. "We are well positioned in the markets we serve to continue to realize AmTrust's potential," said Barry Zyskind, chairman and chief executive. "Our operations are financially sound and appropriately reserved."

AmTrust, controlled by the Karpfunkel family, is one of the largest workers-compensation insurers in the U.S. It also is a significant provider of extended-service plans on automobiles and other consumer products, a business that was the source of the central accounting error it acknowledged.

Some of that revenue has been recognized upfront in the past, but AmTrust said it should have been deferred, to be recognized over the life of the contract.

The company's shares tumbled after its March 17 announcement that a restatement would be needed, but it was rebounding Tuesday after the restatement and 10-K filing. AmTrust shares were at \$22.18 in midday trading Tuesday on Nasdaq, up 21%.

AmTrust revised its previously reported 2016 net income downward by \$51.9 million, or 12.5%. Net income in 2015 was restated downward by \$52.9 million, or 11.2%. Net in 2014 was restated downward by \$31.3 million, or 7.2%.

The restatement didn't result in changes to gross written premium, net earned premium, loss and loss adjustment expense and loss ratio, and loss and loss adjustment expense reserves for 2016, AmTrust said.

## W.L. Ross in China Steel Venture

BY JAMES T. AREDDY

SHANGHAI—The private-equity firm founded—but long ago sold—by U.S. Commerce Secretary Wilbur Ross Jr. is forming a venture to invest in China's steel industry with one of the country's largest producers, according to a statement.

**W.L. Ross** & Co. plans to join an arm of Shanghai-based **China Baosteel** Corp. and other investors to acquire steel-industry assets in China with an aim to improve the sector's long-term "commercial viability," according to an invitation to a signing ceremony reviewed by The Wall Street Journal. The Friday event in Shanghai coincides with Chinese President Xi Jinping's two-day summit in the U.S. with President Donald Trump, who has said the meeting will feature difficult discussions on trade—a sector where steel takes center stage.



Commerce Secretary Wilbur Ross founded and sold W.L. Ross.

China's steel industry accounts for half of world output and is a source of economic tension with the U.S. and other countries that say its massive exports harm international trade with government-subsidized overproduction. Mr. Ross, himself a past competitor of China's in steel man-

ufacturing and now an architect of Trump administration plans to toughen U.S. trade policy, has been a persistent and vocal critic of what he has called Chinese state support for its steel sector.

Mr. Ross would have no role in the new venture being formed to invest in China.

### FINANCE WATCH

#### REGULATION

#### SEC Nominee Moves Closer to Approval

The Senate Banking Committee approved Jay Clayton to head the Securities and Exchange Commission in the Trump administration, sending the nominee to the Senate floor for a final vote.

Mr. Clayton has called for scaling back regulations to prod companies to go public while expressing skepticism that large corporate penalties deter fraud.

The panel approved Mr. Clayton by a vote of 15-8, mostly along party lines. Three Democrats voted in favor of the nominee. All 12 Republicans on the panel supported him.

A partner at Sullivan & Cromwell LLP, Mr. Clayton must now be confirmed by the full Senate.

—Andrew Ackerman

#### ROYAL BANK OF SCOTLAND

#### EU Will Investigate Divestment Plans

The European Union's anti-trust regulator opened a probe of the U.K. government's latest proposals for Royal Bank of Scotland Group PLC to dispose of assets.

Following its 2008 bailout, RBS was required under EU rules to spin off some 300 branches to boost competition. Last year, RBS gave up after failing to find a buyer.

The U.K. government then suggested RBS spend £750 million finding ways to move small-business customers off its books and promote competition.

Antitrust chief Margrethe Vestager said the EU can only accept if the plan has the same effect on competition as branch sales.

—Natalie Drozdiak



The EU required Royal Bank of Scotland to sell branches.

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AS EQ HKG 03/31 USD 16.20 12.1 20.3 -0.3

AS EQ HKG 03/31 AUD 13.36 11.9 21.2 0.3

AS EQ HKG 03/31 CAD 12.95 11.8 20.6 -0.5

AS EQ HKG 03/31 HKD 11.00 11.7 19.0 NS

AS EQ HKG 03/31 NZD 13.39 11.0 19.9 0.9

AS EQ HKG 03/31 CNH 11.39 9.3 25.7 NS

AS EQ HKG 03/31 GBP 10.86 13.0 22.0 NS

AS EQ HKG 03/31 HKD 10.10 5.0 NS NS

AS EQ HKG 03/31 USD 10.24 4.8 7.0 NS

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## FINANCE & MARKETS

# Coking Coal Soars After Cyclone

Damage to railroads in Australia hinders shipments from mines to ports; a 15% surge

BY RHIANNON HOYLE

SYDNEY—The price paid for Australian steelmaking coal rocketed 15% to its highest point since January as shipments from the world's top export hub were disrupted following a ferocious storm.

Last week, Tropical Cyclone Debbie lashed the eastern Australia state of Queensland with destructive winds of more than 160 miles an hour, causing floods and landslides and forcing the closure of many port-and-mining operations. Queensland accounts for about 60% of global shipments of coking coal.

Aurizon Holdings Ltd., Australia's largest rail freight operator, says it could take weeks to get some routes between inland mines and export terminals running again. UBS estimates about 5% of supplies could be lost from the global export market as a result.



Cyclone Debbie hit Queensland's far north coast at the end of March with winds of more than 160 mph.

DAN PELED/EUROPEAN PRESSPHOTO AGENCY

On Monday, the price of Australian coking coal exports surged \$23.40 to \$175.70 a metric ton, according to the Steel Index, a data provider. That was the highest price paid since Jan. 18. As Australia is the top global supplier of steelmaking coal, the price for its exports is viewed as an in-

ternational benchmark.

The increase in coking coal prices broke what had been an "eerie silence" in global coal markets in recent days, Australia & New Zealand Banking Group Ltd. said. ANZ said traders are racing to secure supplies in case storm-caused disruptions are lengthy.

The cyclone, which was the most powerful storm to hit Australia since Cyclone Yasi made landfall in February 2011, caused the evacuation of thousands of people and left hundreds of homes uninhabitable. Aurizon, which hauls coal for miners including BHP Billiton Ltd. and Glencore PLC,

said its four major rail routes through the central Queensland coal hub are still closed and some lines could take up to five weeks to repair.

"The damage to rail networks is worse than we had expected," UBS said.

Glencore said that, although its mines are running, exports "will be significantly impacted until floodwaters recede and repairs to the rail systems are completed."

Analysts say the price paid for coking coal—which is heated to create coke that is then used to melt iron in the steelmaking process—could surge further if traders panic about supply availability.

UBS, which says it will be tricky to find alternative ways to transport coal from mining operations in remote parts of Queensland, estimates the disruptions could add \$100 a ton or more to the value of the fuel.

"With a significant amount of the world's premium hard coking coal now marooned on-site [at mines], prices are likely to continue to push higher," ANZ said in a note on Tuesday.

## Dow Rises Slightly as Industrial Firms Gain

BY AKANE OTANI AND RIVA GOLD

The Dow Jones Industrial Average edged higher Tuesday, led by a rise in shares of industrial companies.

The blue-chip index was up 16 points, or 0.1%, at 20666 in early afternoon trading, with shares of Caterpillar leading gains.

The S&P 500 and the Nasdaq Composite both were down 0.1%.

Stocks have made few big moves in recent sessions, with major indexes recently closing out their quietest quarter in decades. Some investors and analysts have attributed the sluggish trading in stocks to a reluctance to make new bets ahead of a number of key events this week, including minutes from the Federal Reserve's March meeting, due Wednesday, Friday's U.S. jobs report and a meeting between President Donald Trump and Chinese leader Xi Jinping on Thursday and Friday.

"We're returning to more of a muddled-up market, like we had before the election," said Thomas Martin, senior portfolio manager at Globalt in Atlanta.

Dow component Caterpillar jumped 2.6% after Goldman Sachs reiterated a "buy" rating for the company's stock. United Technologies rose 1% and Boeing added 0.9%.

Elsewhere, the Stoxx Europe 600 swung between small gains and losses before closing up 0.2%.

In Asia, growing investor uncertainty about U.S.-China trade sapped demand for stocks. Korea's Kospi index edged down 0.3%, while markets in China, Taiwan, India and Hong Kong were closed for holidays. Japanese stocks lagged behind, as a stronger local currency sent the index down 0.9% to a 10-week low.

## European Debt's Top Buyer Is Now Key Risk

BY CHRISTOPHER WHITTALL

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

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

Some analysts think there is more tapering to come from

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

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

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

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

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

They include strategists at J.P. Morgan, who wrote in a recent note that they expect the ECB to end its purchases by the middle of next year. That could prompt investors to pull out their money, the strategists said.

As the dominant figure in European credit markets, the ECB had snapped up €75 billion of high-grade, euro-denominated nonfinancial debt as of March 31, having started buying these securities in June 2016. That compares with roughly €79 billion of net issu-

ance of debt eligible for the ECB program since then, according to Citigroup.

That demand pushed up corporate-bond prices sharply, and lowered borrowing costs across the eurozone. The credit spread investors demand to hold investment-grade corporate bonds rather than government debt fell to 1.1 percentage points in September from 1.7 percentage points before the ECB announced its buying plans in March 2016, according to IHS Markit's iBoxx Euro Non-Financials corporate bond index.

Some investors even began paying for the privilege of lending money to companies. German consumer-products company Henkel AG and

French drugmaker Sanofi SA priced bonds at negative yields in September. U.S. firms—most of which cannot issue bonds eligible for the ECB's program—got in on the act this year, with Coca-Cola Co. and Pfizer Inc. recently selling floating-rate euro debt at negative yields.

Many investors believe val-

uations leave little room for bonds to gain further.

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

**Exclusive analysis from expert journalists**

**Wallowing in Doubtful Debts**

European bank stocks split from their U.S. counterparts when the eurozone crisis hit, and have lagged even further as worries about nonperforming loans have grown.

**Eurozone** **U.S.**

Updated Oct. 18, 2016 10:12 p.m. ET [WSJ PRO](#)

NEW YORK—More than a dozen policy makers and experts including Paul Volcker and Sheila Bair joined Pro Financial Regulation at a conference Tuesday to discuss the future of financial regulation, what has

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**Key gauges, trends, and data points**

**WSJ PRO Conference: Volcker Resists Bank Breakups, Bair Opposes Risk-Weighting**

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Cross-border financial regulation joins other policy areas where practitioners and observers wait anxiously to see how campaign rhetoric will play out.

**Donald Trump's 'America first' agenda spells trouble for global standards setters such as the Basel Committee on Banking Supervision and others.**

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## INTERNATIONAL PROPERTY: GERMANY



German cities such as Munich are expected to be resilient even if political shifts within Europe bring a disintegration of the euro.

# Real Estate Offers a Haven

Investors increasingly turn to Germany's property as source of safety in risky Europe

BY PETER GRANT  
AND ART PATNAUDE

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

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

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

Blackstone and some other

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

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

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

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

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

Germany's relative strength comes as investors around the world grapple with the chal-

lenges of investing in commercial property after years of steady price increases in most markets. Overall, investment volume is down in Europe and the U.S. mostly because the values of top properties in many cities are at or near record levels.

German sales volume has slumped, but far less than in the rest of Europe. In the last six months of 2016, transaction volume was roughly €38.3 billion, down 4.8% from the same period in 2015, according to Real Capital Analytics. By comparison, volume in all of Europe was down 13.1% during the same time frame, RCA said.

Prices are rising in Germany, as evidenced by the willingness of investors to accept lower yields—or "capitalization rates" as they are known in the industry—when they buy buildings. In the past three years, yields of prime high street retail have declined an average of 0.7 percentage point in the top seven cities, according to Savills.

Berlin office buildings are especially hot thanks to the city's growing population, limited supply and booming tech scene. Prime office capitalization rates there are at 3.25%, a record low, according to CBRE Group Inc.

U.K.-based Rockspring Property Investment Managers has made three acquisitions in Berlin in the past six months,

including a €59 million deal last week for Coca-Cola Co.'s German headquarters. "The standout location for tenant demand is Berlin," said Stuart Reid, a Rockspring partner.

Investments in other German cities also have been doing well. In 2013, a venture of Hines and an Asian investor purchased Siemens AG's former headquarters in Munich as a redevelopment project. Today, it is 40% preleased to media company **Condé Nast** and about a year ahead of schedule, according to Mr. Huber.

The growing foreign demand has made it tougher for German investors to compete, especially for trophy properties.

"I don't expect that...investors will accept much lower yields than where we are now," said Jochen Schenk, a board member at German property firm Real I.S. AG.

Patrizia Immobilien AG, an Augsburg, Germany-based real-estate investor with €12 billion of assets under management in Germany, has been looking more for fixer-upper properties outside the prime markets attracting many foreign investors.

Pricing in those markets has become "a bit irrational" lately, said Konrad Finkenzeller, Patrizia's head of international capital markets. "If this continues for the next two or three years, then I'm really worried," he said.

# Frankfurt Tries to Woo Brexit Banks

By WILLIAM WILKES  
AND ART PATNAUDE

FRANKFURT—The office market in Germany's financial capital is emerging as one of the winners from Brexit less than a year after the U.K.'s historic vote to quit the European Union.

British Prime Minister Theresa May last week began the process by formally notifying the EU of the U.K.'s intention to withdraw. That began a two-year divorce process.

But major financial institutions with offices in London already have begun to plan for difficulties with doing business across the English Channel. For instance, banks in London currently can sell products to clients in mainland Europe. Brexit is likely to change that.

Competition among European cities and countries to lure business from post-Brexit Britain has been heating up, with Paris, Dublin, Milan and even Wroclaw, Poland, making their cases heard.

But Frankfurt appears to be in pole position: About 15 major banks from the U.S., Japan, China and Britain are in talks with German officials about relocating to Frankfurt, according to people familiar with the matter.

Banks could shift up to 900 staff each from London to Frankfurt to ensure they can continue operations when the U.K. quits the EU, as soon as 2019.

Russia's second-largest bank, **VTB**, in February said it would establish a new headquarters in Frankfurt, which it said will likely gain in importance after Brexit. Deutsche Bank AG and Goldman Sachs Group Inc. said they could relocate staff to Frankfurt.

Additionally, other tenants in Frankfurt's market have been getting more aggressive in leasing space, partly with an eye toward coming competition from across the English Channel. Last year, businesses leased 525,000 square meters (5.6 million square feet) in the city, the most since 2007 and 34% more than in 2015, according to JLL.

Prime office rents at the end of the fourth quarter were €37 (\$39.50) per square meter a month, up 4.2% from a year earlier, JLL said. Frankfurt has a limited supply of very large offices, so newcomers will likely drive prices higher.

By contrast, the London market has been softening. Of-

fice tenants there leased 10.1 million square feet in 2016, down from more than 11.7 million in 2015, according to JLL.

London landlords have been increasing their offers of free rent and other incentives to lure tenants. Some also have begun to cut rents, a trend that would be exacerbated if firms start leaving en masse.

But big financial services firms still want a London presence. German lender Deutsche Bank—even as it talks about moving jobs home to Frankfurt—is also negotiating to lease office space in a new London development from Land Securities PLC, one of the U.K.'s biggest landlords.

London also still has advantages over Frankfurt. While leasing trends are less favorable, London's vacancy rate remains lower: 4.2% compared with 9.1% for Frankfurt, JLL says.

Meanwhile, it is easier to build in Frankfurt than in London, partly because there is more available land and other redevelopment opportunities,

**Lenders could shift as many as 900 staff each to the city from London**

analysts say. More Frankfurt projects are moving off the drawing board, raising the likelihood of more competition.

New Frankfurt projects that are under way include **Tishman Speyer's** Omiturm, a 45-story tower that will include 472,000 square feet of office space. It is scheduled to be completed by the beginning of 2019.

No office leases have been announced, but negotiations are intensifying with several financial-services firms, according to Florian Reiff, a Tishman Speyer senior managing director. "You can see now the market is firming up," he said.

PGIM Real Estate, a unit of Prudential Financial Inc., also sees Brexit-related demand picking up for its Junghof Plaza project in Frankfurt. A venture led by PGIM acquired the 14-year-old office building late last year and is converting it into a mixed-use project with office, retail and a hotel.

—Peter Grant contributed to this article.

# Hotel Left in Holding Pattern As Airport Completion Delayed

BY FRIEDRICH GEIGER

BERLIN—A few steps away from the German capital's new airport stands the Steigenberger Airport Hotel Berlin, an exclusive getaway with 322 rooms and suites, restaurants, a spa and a full-time cleaning staff.

What the four-star hotel hasn't had since it was completed in 2012 is guests. The reason is that the airport, initially scheduled to open 10 years ago, never did, and it is unclear when it will welcome its first passenger plane.

The opening of the €6 billion (\$6.4 billion) Berlin Brandenburg Airport, or BER, some 20 miles to the south of the German capital, has receded every time it has appeared to inch closer. Some of the airport's technical installations had flaws, and the insolvencies of companies working on the construction site caused

delays. For ECE Projektmanagement GmbH, owner of the Steigenberger hotel, and other local investors who are nursing losses caused by the airport's delayed opening, it is a cautionary tale about tying one's fortunes to a prestigious but troubled project.

"The hotel will open only when the airport assumes operations," said Lukas Nemela, spokesman for ECE.

Some investors resisted the urge to take the plunge before 2012, when it seemed BER's opening was around the corner, as advertised on billboards around the city. They

have been standing on the sidelines ever since but haven't put away their wallets, said Jürgen Kuse, head of the regional committee of property valuation experts.

"One gets the impression that they're all still waiting and will [invest] when the airport opens," he said.

New problems with BER's automatic doors and sprinklers mean there is a 73% chance the airport will open by the fall of 2018, a recent study by consulting firm Roland Berger concluded.

Instead of the boom many real-estate experts were expecting a decade ago, commercial property and land prices in the area have stagnated as prices rocketed in the rest of Berlin.

—Peter Grant contributed to this article.



The Berlin Brandenburg Airport's opening ran into multiple delays.

# Migrants Fuel Surge In Prices Of Homes

By WILLIAM WILKES

FRANKFURT—Development of middle-class housing in Germany is increasing, but the pace isn't fast enough to meet booming demand.

The number of new homes built in Germany last year hit its highest level since 1999, at about 320,000 units. But record levels of immigration helped boost demand, leading to soaring rents and home prices.

That has been mostly good for investors in public companies that focus on German housing. Three-year annualized returns are about 25%, well ahead of other sectors, according to research firm **Green Street Advisors**.

Meanwhile, developers like Berlin-based **CG Gruppe**, which has projects valued at €2.2 billion (\$2.34 billion) in the pipeline, are chugging ahead on all cylinders.

"The market is endless," said Christoph Gröner, chairman of CG Gruppe. "You have practically no risk if you invest in the middle class."

Germany would need to build 100,000 more homes annually to keep up with demand, according to Ralph Henger, a real-estate expert at the Cologne Institute for Economic Research.

Low borrowing costs, a result of ultralow European Central Bank interest rates and



Workers prepared to build apartments in Berlin in February.

easy-money policies, are spurring demand for homes from Germans hunting for places to park investment cash.

But record immigration is the main driver of stellar price gains. More migrants flocked to Germany in 2015 than in any previous year, as people fled war and economic hardship in Asia, Africa and the Middle East. A strong German economy, against a backdrop of high unemployment elsewhere in Europe, also is fueling a strong inflow of immigrant workers.

Both factors pushed net immigration to a record of 1.14 million people in 2015, the latest official data show. The flow of migrants slowed somewhat in 2016, but pressure on housing remains high.

While Germany's planning laws allow it to build houses more easily than some European countries, such as the U.K., property development typically runs a couple of years behind demand, according to real-estate services firm **Scout24 AG**.

Policy makers are concerned about the sharp gains in housing costs. The country's central bank, the Bundesbank, in February warned that house prices in Germany's largest cities are up to 30% overvalued.

Prices in Frankfurt, which city officials expect will attract a large chunk of financial jobs leaving London after Brexit, rose strongly over the past 12 months, Scout24 data show. House prices rose more than 30% in February compared with a year ago, and rents rose 10%.

Data from German property

# MARKETS

## Trades Change With Political Tide

Biotech loses favor but retail stocks find new fans as traders assess policy currents

By GUNJAN BANERJI

As the White House works to enact policy changes, investors have shifted positions, dropping more bullish stances on U.S. financial and midcap stocks and adopting more bearish views on investment-grade bonds and biotechnology companies.

Derivatives and short positions on exchange-traded products that track stock sectors and asset classes compiled by Société Générale SA depict fluctuating views on future growth and potential changes to tax, trade and health-care policies. The data compare positioning two weeks after the election, as the so-called Trump trade was getting into full swing, with positioning on March 28, about four months later.

"We've seen a rotation of market sentiment," said Ramon Verastegui, the New York-based head of flow strategy and solutions at Société Générale. "We've moved from the optimism of the campaign message into the reality of governing." Investors have realized the difficulty of passing new laws, he said.

Options give investors the right to buy or sell securities at an agreed-upon price at a later date. They can be used to place outright bets that an asset will go up or down, but also as a protective hedge on existing holdings.

Options traders displayed bullish views on some corners of the market, such as the euro currency and Canadian equities.

Mr. Verastegui examined the ratio of bearish put options versus bullish call contracts, the relative cost of op-

### Shifting Sentiment

Options traders and short sellers have repositioned themselves across asset classes since the election's wake. They are more bullish on exchange-traded products that track retail and agriculture stocks and more bearish on biotechnology shares and investment-grade bonds.

Nov. 22, 2016

#### The 10 most bullish

Assets	Options put-call ratio	Cost of puts vs. calls	Bearish short bets against ETF*
1. REITs	Blue	Blue	Blue
2. Financials	Blue	Blue	Blue
3. Retailers	Blue	Blue	Blue
4. Industrials	Blue	Blue	Blue
5. Regional banks	Blue	Blue	Blue
6. Health care	Blue	Blue	Blue
7. Midcap stocks	Blue	Red	Blue
8. DJIA	Blue	Blue	Blue
9. Discretionary	Blue	Blue	Blue
10. Gold miners	Blue	Red	Red

#### The 10 most bearish

45. Japanese stocks	Red	Red	Red
46. Euro Stoxx 50	Red	Red	Blue
47. Small-cap miners	Red	Red	Blue
48. Materials	Red	Red	Blue
49. Emerging markets	Red	Red	Red
50. Technology	Red	White	Red
51. Japanese yen	Red	Red	Red
52. Home builders	Red	Red	Red
53. High yield	Red	Red	Red
54. Oil and gas stocks	Red	Red	Red

Note: Options can be used to make bets that an asset will go up or down or to hedge an existing holding.

\*All options and short positions are on exchange-traded products tracking the stock group, except in the case of the CBOE Volatility Index, or VIX.

Source: Société Générale

As retail shares have fallen, investors sought bullish positions.

Financials, a postelection favorite, have fallen from the most-bullish list.

Materials stocks had a reversal in sentiment.

Biotech stocks have rallied in 2017, pushing investors to hedges.

March 28, 2017

#### The 10 most bullish

Assets	Options put-call ratio	Cost of puts vs. calls	Bearish short bets against ETF*
1. Retailers	Blue	Blue	Blue
2. Euro currency	Blue	Blue	Blue
3. Agriculture stocks	Blue	Blue	Blue
4. Transportation	Blue	Blue	Blue
5. Materials	Blue	Blue	Blue
6. Consumer staples	Blue	Red	Blue
7. Gold miners	Blue	Blue	Blue
8. Hong Kong stocks	Blue	Blue	Blue
9. Canadian stocks	Blue	Blue	Blue
10. Health care	Blue	Red	Red

#### The 10 most bearish

45. Oil and gas stocks	Red	Red	Red
46. VIX index	Red	Blue	Red
47. Energy stocks	Red	Red	Red
48. Developed markets	Red	Blue	Red
49. Natural gas	Red	Red	Red
50. Emerging markets	Red	Red	Red
51. Japanese stocks	Red	Red	Red
52. Investment grade	Red	Red	Red
53. High yield	Red	Red	Red
54. Biotech	Red	Red	Red

Positioning scale  
Percentile groupings  
Most bullish  
Most bearish

## Chinese Shun Debt In Europe's Currencies

By NINA TRENTMANN

Chinese corporate bonds issued in European currencies lag far behind their dollar counterparts, a trend expected to continue as the U.K.'s exit from the European Union threatens to shake financial markets on the continent.

During the first quarter, Chinese companies issued five internationally marketed eurobonds worth \$3.8 billion, giving the common European currency a 7% market share, according to Dealogic.

Around 90% of all Chinese overseas bonds during the first quarter were issued in dollars, the data show.

Issuance in U.K. pounds was even more limited, with a single bond launch worth \$322 million. The pound only represents 1% of Chinese internationally marketed bonds. There was no issuance in Swiss francs or other European currencies during the first quarter.

Raising capital overseas is one of the solutions that Chinese companies have come up with amid increased regulatory scrutiny on capital transfers out of China. The Chinese government at the end of 2016 introduced tighter rules on capital outflows, targeting both transactions by subsidiaries of foreign companies as well as those by Chinese firms attempting to acquire overseas M&A targets.

There are more advantages to greenback debt. "Issuing a U.S. dollar-denominated bond lets the issuer tap a larger investor base, making these bonds more attractive than euro-denominated bonds," said Chunsek Chan, head of M&A research at Dealogic.

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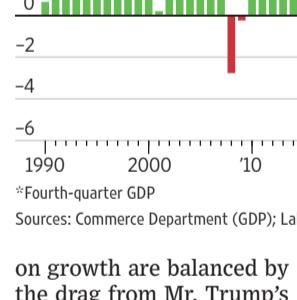
## HEARD ON THE STREET

Email: heard@wsj.com

## New President, Same Economy

### Two-Speed Economy

Gross domestic product, change from a year earlier\*

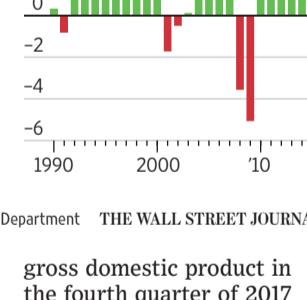


\*Fourth-quarter GDP

Sources: Commerce Department (GDP); Labor Department

### Nonfarm payrolls, change from a year earlier

6 million jobs



omy won't even be able to sustain its recent pace for very long. The economy has added an average of 225,000 jobs a month over the past three years. If that were to continue, it wouldn't take long for the job market to get very tight, prompting the Federal Reserve to pick up the pace on rate increases in an effort to prevent an overheating episode.

True, there might still be a little wiggle room on jobs. Even though the unemployment rate is at a low 4.7%, there are probably still some people who have been out of the labor force (and therefore aren't counted in the unemployment rate) who might still be enticed into the job hunt. And with some efficiency gains, the economy might not need quite as much job growth to meet growing demand.

But at this point those are things that count more as wishes than things upon which to base a forecast—sort of like tax-cuts and spending pledges.

—Justin Lahart

### OVERHEARD

Talk about laughing all the way to the bank.

Tesla shareholders were all smiles Monday after better-than-expected first-quarter deliveries pushed the stock up by 5% to a record. Tesla's market value passed that of Ford Motor, which has more than 20 times its revenue.

CEO Elon Musk certainly noticed his stock's performance. "Stormy weather in Shortville..." he said in a Monday afternoon tweet. The post was retweeted more than 300 times within minutes.

That should ring a bell for Tesla watchers. Mr. Musk posted a message with almost the identical wording to his account in April 2013. Shareholders will certainly forgive Mr. Musk for recycling an old joke; the stock is up nearly sixfold since the original post. A sizable portion of Wall Street likely wasn't laughing as 27% of Tesla shares available were sold short as of last count, according to FactSet.

## Barclays's Well-Timed Africa Exit

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

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

Barclays chose to sell because although the subsidiary is among the group's most profitable businesses, the returns were diluted by regulatory costs. For example, Barclays has to carry 100% of the equity of Barclays Africa even though it gets 62% of the profits.

South Africa, which accounts for about 80% of the subsidiary's profits, has hit a period of turmoil with a rating downgrade from Standard & Poor's on Monday following the firing of its finance minister last week.

Further pressure on the economy would be bound to hurt growth and loan quality at Barclays Africa Group.

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

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

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

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

—Paul J. Davies

## Don't Write Off Pharmaceuticals' Nightmare Scenario

Dismissing drug-price concerns could leave investors with a surprise bill.

Sixteen Senate Democrats sponsored the Improving Access to Affordable Prescription Drugs Act, a new legislative proposal that was introduced last week. It contains a familiar list of policy prescriptions such as enabling Medicare to dictate pricing more aggressively than is currently allowed, relaxing rules that govern importation of drugs and eliminating tax breaks for direct advertising to consumers. There are new wrinkles as well: The bill would require more disclosure from charities that help patients pay for high-cost medicines.

These proposals, were they to become law, would harm middlemen who profit from higher prices. It is also quite possible, as industry trade groups argue, that they would stunt development of new drugs. An almost guaranteed outcome is that pharmaceutical manufacturer stocks would be slammed.

Investors, however, have lately brushed off drug-pricing risks. Pharma and biotech indexes are higher on the year, after policy uncertainty weighed on the sector before the 2016 election.

It is easy to ignore the risk outright given the political calculus. For starters, the bill doesn't have a Republican co-sponsor and that

party maintains a strong majority in the House of Representatives. Furthermore, health-care laws are notoriously difficult to pass even for the majority party. The Republican-sponsored American Health Care Act failed to even clear the House. Criticism of drug prices has been a feature of American politics for decades.

And while the Trump administration has repeatedly vowed to crack down on prices, the administration's ability to build a coalition is, at best, unproven. These factors point to a minimal chance that this bill will become law in its current form. But that doesn't mean policy risk has vanished. Demo-

### Growth Story

Annual increase in pharmaceuticals producer price index



crats could try to attach drug-pricing measures to bills that would require Democratic support, such as a re-authorization of funding for the State Children's Health Insurance Program, accord-

ing to analysts at Cowen & Co. That program's funding is set to expire at the end of September.

Investors also should keep in mind that President Donald Trump has an unpredictable streak. It is conceivable he could issue executive orders to chip away at prices or even shock the world and support the Democratic plan.

The extended run in health-care stocks, meanwhile, means investors haven't priced in an adverse policy outcome. The low probability of a tougher regulatory environment should be weighed against the severe consequences for investors of further surprises in Washington. —Charley Grant