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What's News

Business & Finance

Zuckerberg said he erred in not focusing more on potential abuse of user data, as Facebook revealed data breaches were far more extensive than previously known. A1

◆ **U.S. auto makers** are embarking on a historic shift away from passenger cars in favor of more-profitable SUVs and pickup trucks. A1

◆ **Stocks recovered** early losses and ended higher as investors bet on an ultimate compromise on trade. The Dow rose 230.94 to 24264.30. B11

◆ **Wall Street trading desks** are set to report one of their best three-month periods in years following the first quarter's market swings. B1

◆ **Spotify shares slumped** a day after their debut, raising questions about the potential costs of the firm's unorthodox listing process. B1

◆ **WPP's probe** of Sorrell marks a rare public attempt by the firm's board to scrutinize an executive who has largely been given free rein. B1

◆ **The judge considering** the U.S. challenge to the AT&T deal raised the prospect of arbitration in the case. B4

◆ **CBS and Viacom** are digging in their heels in talks over a deal's price and leadership of a merged firm. B4

◆ **Starboard said** it isn't dropping its proxy fight at Newell, despite the company's deal with Icahn. B3

◆ **FEMA plans** to issue a catastrophe bond to unload some flood-insurance risk. B10

◆ **Global box-office sales** rose 5% in 2017, driven entirely by overseas growth. B6

World-Wide

◆ **The U.S. administration's** tit-for-tat with Beijing over potential tariffs has ushered in a high-stakes standoff over trade. The two sides will now follow a timeline stretching over the next half year, during which they will seek to negotiate a new normal. A1, A6

◆ **Trump has agreed** to keep U.S. troops in Syria but only until Islamic State is defeated, a task he expects to be finished in months. A8

◆ **Brazil's high court** rejected da Silva's efforts to avoid jail while appealing his corruption conviction, a ruling that is expected to end his bid for re-election. A18

◆ **The Israeli army's** decision to open fire on Palestinian protesters in Gaza has reignited a public debate about the use of military force. A8

◆ **The White House** said it would deploy National Guard troops to the Mexico border and consider a wall along at least one military base. A4

◆ **The shooter** at YouTube's headquarters was angry at the company for allegedly censoring her video content, according to police. A3

◆ **The administration** is stepping up efforts to free a U.S. pastor held for more than a year in Turkey on terrorism charges. A8

◆ **The FDA called** on internet-service providers and social-media sites to more carefully police online sales of illegal opioid drugs. A3

◆ **Japan has unified** its army command for the first time since World War II, in a major organizational shake-up. A7

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THURSDAY, APRIL 5, 2018 ~ VOL. CCLXXI NO. 79

Nation's Tribute, 50 Years After Assassination



KING LEGACY: Events in Memphis, Tenn., and across the U.S. on Wednesday commemorated the 50th anniversary of the death of the Rev. Martin Luther King Jr., a civil-rights icon. A4

Showdown Over Tariffs Shifts To High-Stakes Negotiations

By JOSH ZUMBRUN

WASHINGTON—The Trump administration's tit-for-tat with Beijing over potential tariffs has ushered in a high-stakes standoff over the future of trade between the world's two largest economies.

China's response late Tuesday to the earlier U.S. threat to impose \$50 billion in tariffs sent financial markets on a wild ride, taking the Dow Jones Industrial Average on a 700-point round trip Wednesday that left the Dow industrials up 230 points, or 1%.

Industry executives and investors, at first spooked by the tough talk between the world's biggest economies, later came to see the rhetoric as the opening gambits in a protracted negotiation that could fall short

Food Basket

U.S. soybean exports

■ China ■ Rest of world

60 million metric tons



of a feared trade war.

The two sides will now follow a timeline stretching over the next half year, during which

they will seek to negotiate a new normal. President Donald Trump, who initiated the tensions over Chinese trade practices, now faces growing pressure from lawmakers, an intense campaign from corporate lobbyists and outcry from businesses navigating cumbersome new trade rules—all of which fed market volatility.

As the trade talks grind on, many investors resigned themselves to more significant price swings in the markets, especially in light of uncertainties from rising interest rates to questions over the staying power of an economic expansion.

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◆ **Tariff threat forces a farm-belt rethink**..... A6

◆ **Auto makers weigh in on Beijing retaliation**..... A6

Car Makers Step Back From Cars

By MIKE COLIAS AND CHRISTINA ROGERS

DETROIT—American auto makers are embarking on a historic shift away from passenger cars, as more-profitable sport-utility vehicles and pickup trucks continue to expand their share of the market.

Long thought to be necessary for combating Japanese rivals and catering to budget-minded or young customers, small cars have fallen out of favor amid low gasoline prices

and efficiency improvements in SUVs. Now, large sedans also are on the chopping block.

General Motors Co. will end production of the Chevrolet Sonic subcompact as early as this year, according to people familiar with the matter. GM is also considering discontinuing the Chevy Impala big sedan in the next few years, these people said, a decision that would kill a 61-year-old car model.

Ford Motor Co., meanwhile, plans to stop building the Fiesta small car for the U.S. mar-

ket within the next year, and will discontinue the large Taurus sedan, said people briefed on the plans.

Ford executives are still considering the future of the Ford Fusion, a midsize sedan once billed as an answer to the Honda Accord and Toyota Camry, these people said.

Sedans, coupes and other car categories accounted for 37% of U.S. sales last year, down from 51% in 2012. With the Trump administration

Please see AUTO page A8

Welcome to the Saudi Royal Court—Please Enjoy a Bagel

* * *

Subjects living in the U.S. come to Hilton to petition; scholarships, selfies

By MARGHERITA STANCATI

In Saudi Arabia, subjects wishing to make requests of the Saudi royal family come to a palace court, where they are traditionally hosted in richly carpeted reception halls decked with glittering chandeliers and brocade sofas.

Last week, they came to a basement hallway of a Midtown Manhattan Hilton, where they were offered pumpernickel bagels.

Prince Mohamed bin Salman, the kingdom's de facto ruler, is on the road for a U.S. tour. And so is his royal court.

Members of the royal entourage set up makeshift courts to receive Saudi citizens asking

for help on an array of matters. With the prince in Los Angeles this week, the royal assistance desk shifted to the Beverly Hilton, tucked into the corner of a vast, empty conference center.

"Our prince is here and I really want to see him," said 19-year-old Abdul al-Shammary, who drove to Manhattan last week from Grand Rapids, Mich., where he is learning English and lives with his sister.

"Maybe we take a picture with him, we meet him and say: 'I'm with my prince!'"

For his visit to the Hilton's temporary royal court, Mr. Shammary put on his best traditional Saudi clothes: the white, ankle-length cotton robe and a

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Courtesy of the House of Saud

Image: Courtesy of the House of Saud

INSIDE



THE BASIC ECONOMY BLACKOUT

LIFE & ARTS, A11



CAMPUS SAFETY TESTS TECH FIRMS

BUSINESS & FINANCE, B1

Facebook CEO: Lax Privacy a 'Huge Mistake'

Facebook Inc. Chief Executive Officer Mark Zuckerberg said Wednesday that he made a "huge mistake" in not focusing more on potential abuse of users' personal information, as

By Georgia Wells in San Francisco and John D. McKinnon in Washington

the social-media giant he founded revealed that data breaches were far more extensive than previously known.

Mr. Zuckerberg's most direct mea culpa to date came as Facebook disclosed that data from as many as 87 million of its users may have been improperly shared with an ana-

lytics firm tied to the 2016 campaign of President Donald Trump, up from the 50 million previously reported. It said about 70.6 million of the users were in the U.S.

Facebook released the higher figure in a statement laying out several updates to its service intended to better protect the privacy of users and increase their control over how their information is shared.

In another revelation, the company said "most people on Facebook" could have had information scraped by marketers who used a feature that

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◆ Greg Ip: The good, bad and ugly of government vs. tech..... A2

U.S. Tech Giants Meet Their Nemesis

EU antitrust chief is de facto global enforcer

By SAM SCHECHNER AND NATALIA DROZDIK

pean proceedings," says Mr. Hawley.

Ms. Vestager, a 49-year old Dane, has become the public face of Europe's effort to rein in technology firms and the de facto global regulator for the U.S.'s tech giants. Her approach to companies such as Google and Apple Inc. is having a ripple effect around the globe, influencing regulatory action not only in the U.S. but in countries including Brazil, India and Russia.

The EU has established a reputation in recent years for being one of the world's toughest enforcers of antitrust law. On the technology front, Brussels and individual Euro-

Please see TECH page A10

Jail Looms for Brazil's Ex-President



KNOTTY SITUATION: Brazil's Supreme Court denied former President Luiz Inácio Lula da Silva's request to remain out of prison while he exhausts all possible appeals against his conviction for corruption. A18

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U.S. NEWS



Almost 1.7 million people in Florida have lost their voting rights because of felony convictions. Above, voters in Miami Beach in 2016.

Fight Over Felons' Rights

Florida appeals order to create new process with 'neutral criteria' for restoring the vote

BY ARIAN CAMPO-FLORES

Florida officials on Wednesday appealed a federal judge's order that the state revamp its process for restoring voting rights to people with felony records.

U.S. District Judge Mark Walker ruled in February that the state's rights-restoration system is unconstitutionally arbitrary because it grants unfettered discretion to a clemency board, which opens the

way to discriminatory actions. Last week, the judge issued a permanent injunction requiring the state to create a new process by April 26 with "specific and neutral criteria to direct vote-restoration decisions."

Florida Attorney General Pam Bondi filed the notice of appeal to the 11th U.S. Circuit Court of Appeals on behalf of the four state cabinet members who make up the state clemency board, including herself and Gov. Rick Scott. Ms. Bondi requested a stay of Judge Walker's order, or at least an extension of the April 26 deadline.

"People elected by Floridians should determine Florida's clemency rules for convicted criminals," said John Tupps,

Mr. Scott's communications director.

Later Wednesday, Judge Walker denied the state's request to stay his order or extend the April 26 deadline. It is now up to the 11th Circuit whether to grant a stay.

Plaintiffs' attorneys who filed the lawsuit—Fair Elections Legal Network and Cohen Milstein Sellers & Toll PLLC—criticized the state's appeal and its opposition to creating a new rights-restoration process. "Their continued resistance," the legal team said in a news release, "betrays a brazen disregard, if not disdain, for basic principles that go to the heart of our democracy."

The case is one of several

factors focusing attention on the clemency process in Florida. The state has nearly 1.7 million people who have lost their voting rights because of felony convictions, more than in any other state, according to the Sentencing Project, which advocates for criminal justice policy changes.

Separately, voting-rights groups collected enough signatures to get a measure added to the November ballot in Florida that would restore voting rights for many people with felony records.

The moves could have significant repercussions in Florida, a crucial swing state where elections often are decided by razor-thin margins.

FDA Targets Online Opioid Sales

BY THOMAS M. BURTON

WASHINGTON—The Food and Drug Administration on Wednesday called on internet service providers and social media sites, including **Facebook** Inc. and **Twitter** Inc., to more carefully police online sales of illegal opioid drugs.

"We find offers to purchase opioids all over social media and the internet, including Twitter, Facebook, Instagram, Reddit, Google, Yahoo and Bing," FDA Commissioner Scott Gottlieb said in remarks prepared for a talk at the National Rx Drug Abuse and Heroin Summit in Atlanta. The

agency said online pharmacies are also offering to sell opioids over the internet.

"Although the sale of prescription opioids without a valid prescription is illegal, the FDA continues to see these products in the packages we inspect," said Dr. Gottlieb. He said that a lot of the illicit drugs that enter the U.S. are sold online, including products laced with lethal doses of the painkiller fentanyl.

The push for internet companies to police opioid sales adds to political pressure tech companies are facing over concerns they aren't protecting users' privacy. Federal regulators

are investigating Facebook's social-media privacy policies, and 37 state attorneys general are demanding explanations after the company's disclosure that an outside firm improperly accessed and retained user information.

Dr. Gottlieb said FDA investigators are pursuing inquiries related to internet drug sales, and that "we've also had some notable take-downs stemming from this work."

Dr. Gottlieb said he plans to convene a meeting with chief executives and other leaders of the internet companies and advocacy groups "to identify technology gaps and new solu-

tions." These would include, he said, employing search algorithms to let potential buyers know about treatment programs and the risks of opioids.

"We care deeply about opioid addiction in our communities, and we are committed to doing our part to implement solutions," said Erin Egan, Facebook's vice president of U.S. public policy.

Reddit said it has rules prohibiting many commercial transactions on its sites, including the sale of drugs and firearms. A Twitter spokeswoman, Emily Horne, said it has longstanding policies against ads for illegal drugs.

Shooter Was Angry at YouTube Policies

BY ZUSHA ELINSON AND DOUGLAS MACMILLAN

SAN BRUNO, Calif.—The woman who shot three people inside YouTube's headquarters before killing herself was angry at the company for allegedly censoring her video content and making it more difficult for her to make money, police said Wednesday.

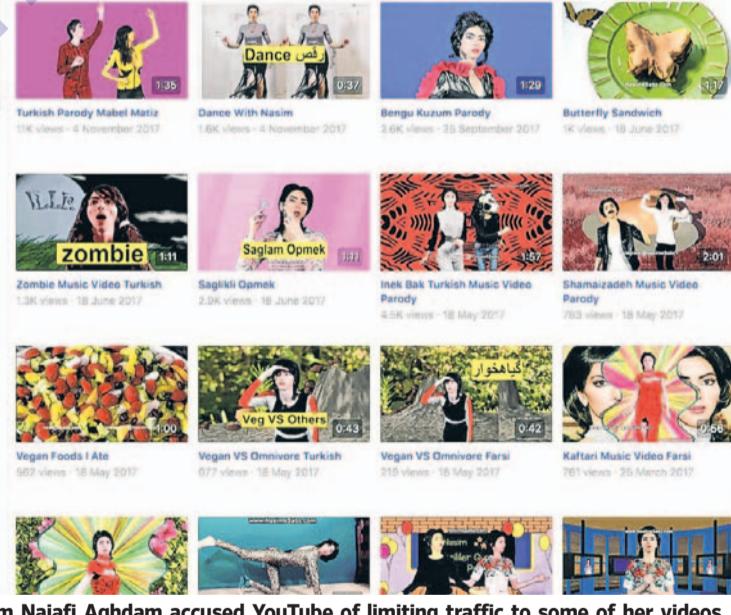
The San Bruno Police Department has identified Nasim Najafi Aghdam, 39 years old, as the shooter in Tuesday's attack.

In a video posted to her personal website in January, Ms. Aghdam accused YouTube of limiting viewer traffic to some of her videos, including an abdominal workout video that she said was unfairly restricted to viewers of certain ages, lowering its viewership. She said she had contacted the company's support team and was told her video contained inappropriate content.

Ms. Aghdam was part of YouTube's community of so-called creators, or users who share short films they make at home, usually with minimal production values, and share in the ad revenue they generate. Creators have amassed millions of loyal followers, turning YouTube from a simple video-sharing site into a premier entertainment hub for a generation of young viewers.

But as YouTube, a division of Alphabet Inc.'s **Google**, has attempted to grow its business, it has found some of the demands of its advertisers in conflict with the wishes of its video creators. Many top brands pulled spending from the site after discovering their ads on YouTube were running before extremist, racist and hateful videos.

In response, the company



Shooting suspect Nasim Najafi Aghdam accused YouTube of limiting traffic to some of her videos.

adopted stricter ad policies and hired more human reviewers to vet video content, resulting in policy decisions that cut into the revenue generated by some video creators.

Google hasn't commented about Ms. Aghdam's history as a YouTube user.

Ms. Aghdam's family had reported her missing on March 31 to authorities in San Diego, according to law enforcement.

Police in Mountain View, about 30 miles from the YouTube campus in San Bruno, said they located Ms. Aghdam early Tuesday. They said Ms. Aghdam said she had left her family's home and was living out of her car while looking for work.

"At no point during our roughly 20 minute interaction with her did she mention anything about YouTube, if she

was upset with them, or that she had planned to harm herself or others," the Mountain View Police Department said in a statement Wednesday.

Later Tuesday, Ms. Aghdam traveled to a gun range before traveling to YouTube's offices, San Bruno Police Chief Ed Barberini said. She was armed with a Smith & Wesson 9mm semiautomatic handgun that she legally owned, he said.

"At this point we have no indication that she was selecting individuals to fire at," he said.

Chief Barberini said Ms. Aghdam accessed the campus through a parking garage and said investigators were trying to determine what security measures she may have gotten past. He said federal agents were searching two homes in Southern California

associated with the shooter.

Ms. Aghdam complained about YouTube on her website as early as July 2016, when she wrote that "close-minded" employees at the company had set age restrictions on her videos to suppress her traffic and discourage her from making videos.

In addition to videos that starred Ms. Aghdam in colorful outfits, exercising, dancing and impersonating celebrities like Justin Bieber, she shared films depicting animal cruelty in the food industry, including many containing graphic images of people mutilating animals.

Two victims shot in the attack have been released from a hospital. The third was in serious condition Wednesday.

♦ Tech firms try to find right balance on security..... B1

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U.S. NEWS

Honoring a Dream in D.C.

Thousands of people marched and sang civil-rights songs Wednesday to honor the Rev. Martin Luther King Jr., the "apostle of nonviolence" silenced by an assassin 50 years ago.

At events ranging from a jubilant concert to a solemn wreath-laying, admirers around the country took time to reflect on King's legacy. Among the largest gatherings was a march through the Mississippi River city where the civil-rights leader was shot on a motel balcony in 1968. Memphis, Tenn., police estimated a crowd of as many as 10,000 people.

Marking the anniversary of the assassination, President Donald Trump issued a proclamation saying: "In remembrance of his profound and inspirational virtues, we look to do as Dr. King did while this world was privileged enough to still have him."

Pictured is a gathering celebrating his legacy at the MLK Memorial in Washington.

—Associated Press



JIM WATSON/AGENCE FRANCE-PRESSE/GETTY IMAGES

Border Wall and Troop Plans Are Unveiled

WASHINGTON—The White House said Wednesday it would deploy National Guard troops to the border with Mexico and would consider building a wall along at least one military base set on the border.

By Laura Meckler, Gordon Lubold and Alicia A. Caldwell

Administration officials also said that they were hoping for a high-profile congressional debate this spring and summer over U.S. protections for children and migrants seeking asylum, saying that these "loop-holes" were encouraging illegal migration.

The goal appeared to be in part to create a greater political contrast with Democrats on the issue of immigration. If Democrats oppose the push, a senior administration official said, the administration would tell voters that Democrats were "the party of open borders."

Officials said their goal is to combat what they see as out-of-control illegal migration, though the number of unauthorized crossings is lower than it has been in decades, according to government statistics. Administration officials said there was an uptick in March and that they feared bigger increases this spring and summer.

Few details about the size,

1,200

National Guard troops deployed to the border in 2010 and 2011.

scope or timing of the National Guard deployment were available.

Homeland Security Secretary Kirstjen Nielsen said President Donald Trump would sign a proclamation ordering the Department of Homeland Security and the Pentagon to work with border-state governors to dispatch troops, and that she hoped the deployment would begin immediately.

"We are beginning today and we are moving quickly," she said. "The threat is real."

Details, she said, would need to be worked out with the four border state governors, and she said she had spoken with each of them. State officials in Texas, Arizona and New Mexico expressed support for the administration's latest initiatives on illegal immigration, but California has fought Trump immigration policies.

Texas Gov. Greg Abbott said Texas National Guard troops are already working along the Texas border and that he supports the Trump move.

The National Guard initiative came under attack from immigrant-rights advocates.

"This is not only unnecessary, but it's entirely wasteful and will only add more fear and uncertainty to what border residents already experience," said Mario Carrillo, Texas director for the advocacy group America's Voice.

Thousands of National Guard troops were deployed to the border in Texas, New Mexico, Arizona and California by President George W. Bush from 2006 to 2008, though at the time the Border Patrol had about 7,000 fewer agents than it does today and illegal crossings were much higher. About 1,200 Guard troops were deployed in 2010 and 2011 by President Barack Obama as well.

Explaining what they see as the need for more personnel, Trump officials said they were frustrated by U.S. laws that allow many asylum seekers and children and families crossing the border to remain in the U.S. while cases are adjudicated.

On Wednesday, officials also said the Pentagon would consider building walls for at least one military base along the U.S.-Mexico border, while also considering similar construction at other sites.

◆ **Caravan stalls far from U.S. border** A18

Missouri Race Tests Democrats' Prospects

BY SIOBHAN HUGHES

SPRINGFIELD, Mo.—Claire McCaskill of Missouri first won election to the Senate in 2006, during one of the best years for Democrats in decades. This year will test her ability to survive in the era of President Donald Trump.

Ms. McCaskill, 64 years old, is depending on her reputation—as a frank politician who takes unscripted questions from voters at town halls and as an independent operator who gets along with Republicans in a divided Washington—to secure her re-election to a third term in November.

A former state auditor, she is also banking on the accuracy of her personal ledger of how Missouri votes. "There aren't enough Republicans to dictate the outcome of an election, and there aren't enough Democrats to dictate the outcome of an election in my state," Ms. McCaskill told reporters here. "There's a whole lot of folks in the middle," she said.

Ms. McCaskill is one of five Senate Democrats who are up for re-election in states that Mr. Trump won by at least 19 percentage points. The others are Sens. Joe Donnelly of Indiana, Joe Manchin of West Virginia, Heidi Heitkamp of North Dakota and Jon Tester of Montana. Republicans are targeting them to expand and protect their 51-49 majority in the Senate, while Democrats

hope to flip one or two GOP seats to regain the majority.

All five Democrats are also fighting broader political currents that favor outsiders and more ideologically pure politicians. In January, Ms. McCaskill joined Messrs. Donnelly and Manchin and Ms. Heitkamp to vote against their party's effort to shut the government down, resisting pressure to use a spending bill as leverage to win protections for young immigrants.

Ms. McCaskill must appeal to Midwestern voters who see a Democratic Party dominated by liberal elites along the

coasts, and finesse her support for gun restrictions, which rattles many gun owners here, and her opposition to the GOP tax law, which fits with the state's conservatism on taxes.

She also must explain her support for former President Barack Obama and Democratic nominee Hillary Clinton, who both lost Missouri in their presidential bids.

"She's got herself in a real pickle with a real tough election out of no fault of her own," said Bill Cook, a Republican from Garden City, Mo., who ran soybean and other

agricultural businesses. "She's done a really, really good job."

Ms. McCaskill could benefit from Democratic enthusiasm that has boosted turnout in some special elections. After a liberal won a seat on the Wisconsin Supreme Court on Tuesday, GOP Gov. Scott Walker warned that his party was at risk of a "blue wave."

Ms. McCaskill is likely to face Attorney General Josh Hawley, a 38-year-old Stanford University graduate who once clerked for Supreme Court Chief Justice John Roberts and who is expected to be the Republican nominee. Mr.

Hawley declined requests for comment.

His campaign has cast him as an ally of Mr. Trump and it highlights his win in the 2016 attorney general's race, when he won 1.6 million votes, more than Ms. McCaskill has ever garnered. He has been arguing that Ms. McCaskill is out of step with Missouri, pointing to her votes against the tax plan and against Mr. Trump's Supreme Court pick, Neil Gorsuch, a campaign adviser said.

At a recent event at Missouri State University in Springfield, Ms. McCaskill showed the balance she is trying to strike. "Many of you believe that what I ought to do up here is talk about how the Republicans are terrible and the Democrats are great, but that's not who I really am, and I want to be honest with you about that," she said. "I want to score policy points that change your life."

She stood by her vote to keep the government funded without an immigration amendment, saying young immigrants had enough challenges without being blamed for a government shutdown, and defended her vote against a GOP tax bill, which she said was skewed toward the rich.

And she tried to contrast her willingness to face tough questions with Mr. Hawley, who has kept a lower public profile. "If I don't have the courage to do this," she said of her town hall, "I don't think I belong in the U.S. Senate."



JILL TOYOSHIBA/THE KANSAS CITY STAR

Sen. Claire McCaskill is one of five Senate Democrats running in states Donald Trump won by at least 19 percentage points. Republicans are targeting those seats to protect their narrow majority.

DATA

Continued from Page One distributed profile data connected to users' email addresses and phone numbers. Facebook said it has now disabled the feature.

The disclosures came as the company is stepping up its efforts to repair trust with regulators and the public in the wake of several controversies tied to the election. Mr. Zuckerberg's remarks, made in a conference call with reporters, served as a trial run of sorts for his testimony on Capitol Hill next week, where the 33-year-old billionaire is expected to be grilled on how the company handles its customers' data.

Facebook has about 239 million monthly users in the U.S. and Canada, and 3.2 billion monthly users worldwide.

Facebook has come under heavy criticism after it was revealed earlier this year that the analytics firm, Cambridge Analytica, obtained Facebook user information on tens of millions of users. It also faces questions over the proliferation of "fake news" and the presence of Russian operatives on the service during the race.

In the conference call, Mr. Zuckerberg said he erred when he dismissed the threat of fake news as "crazy" shortly after the 2016 election. "What is clear at this point is that it was too flippant," Mr. Zuckerberg said.

He called Facebook "an idealistic and optimistic company," and suggested it might have more disclosures to make soon. "We're going to keep on looking for things, we're going to keep on finding more, and we'll update you then," he said.

ers, proposing revisions to its terms of service and data policy on Wednesday. The documents mark the company's first major update to its privacy disclosures since 2015.

The proposed policies don't ask users for new permissions or change the preferences they have set in the past, but instead lay out more information about how the network operates. The documents describe how Facebook deploys user data to customize the posts and ads users see and the circumstances under which it shares data, among other things. The revised terms also remind users that Facebook shares information with its Instagram, WhatsApp and Oculus units.

The policy revision builds on an announcement Facebook made in late March that it will make it simpler for users to examine and change some of the data the network tracks.

"This is about making the information about how we use people's data and how people can control it more clear," Rob Sherman, deputy chief privacy officer at Facebook, said in an interview.

How Facebook articulates its terms of service is important because the company came under fire from the Federal Trade Commission in 2011. The agency said it deceived consumers by telling them they could keep their information private, but then allowed it to be made public.

A settlement with the FTC required the company to give consumers notice before sharing information beyond their data settings. The FTC is now investigating Facebook over how Cambridge Analytica used Facebook data.

Mr. Zuckerberg will testify before Senate and House panels next week. Late Wednesday two Senate committees announced a joint hearing on April 10 where Mr. Zuckerberg will appear as the sole witness. The hearing before the Senate Commerce Committee and the Senate Judiciary Committee will focus on social media and the use and abuse of user data, according to a release.

Mr. Zuckerberg is scheduled to appear the next day, on April 11, before the House Energy and Commerce Committee, which oversees many telecommunications and internet policy issues. The hearing will focus on "the company's use and protection of user data," the panel said in its announcement, but lawmakers can also press Mr. Zuckerberg on other matters.

The Senate and House hearings are expected to place Mr. Zuckerberg in the kind of unpredictable spectacle he has largely avoided. His public appearances, in internal gatherings with employees or during his tour of America last year, have often been tightly scripted. Mr. Zuckerberg re-

cently declined to appear before a U.K. parliamentary committee seeking evidence on how companies acquire user data from Facebook, choosing to send a deputy instead.

Mr. Zuckerberg's first public testimony before Congress would mark a pivotal moment for the 14-year-old company.

A series of revelations over the past year have shaken user trust in Facebook's products. On March 16, Facebook acknowledged that user data was improperly obtained by Cambridge Analytica. Six months before that, Facebook disclosed that it had been exploited by Russian-backed propagandists in an attempt to sow divisions in the U.S.

Facebook has taken steps to address criticisms from its users, regulators and lawmakers. On Tuesday, it announced that it had identified and removed a new batch of 135 accounts on its site linked to Russia's Internet Research Agency troll farm.

To address concerns about privacy, the social network is releasing greater detail about how it collects and deploys vast troves of information about us-

ers, proposing revisions to its terms of service and data policy on Wednesday. The documents mark the company's first major update to its privacy disclosures since 2015.

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A settlement with the FTC required the company to give consumers notice before sharing information beyond their data settings. The FTC is now investigating Facebook over how Cambridge Analytica used Facebook data.

On Wednesday, officials also said the Pentagon would consider building walls for at least one military base along the U.S.-Mexico border, while also considering similar construction at other sites.

◆ **Caravan stalls far from U.S. border** A18

HOUSE

Ethics Panel Probes Lawmaker's Expenses

The House Ethics Committee is investigating whether Tennessee GOP Rep. John J. Duncan Jr. improperly used tens of thousands of campaign dollars for personal expenses, including on travel for family and bridal showers for his wife's friends.

The panel on Wednesday released a report by the Office of Congressional Ethics, which concluded in December that there was "substantial reason" to believe that Mr. Duncan's campaign committee and leadership PAC spent funds on items other than legitimate campaign purposes.

Mr. Duncan, 70 years old, didn't deny the expenses but disputed that he had misused campaign funds.

—Natalie Andrews

CIA

Nominee to Explain Interrogation Role

President Donald Trump's nominee to be CIA director will fully explain what her role was in the agency's use of harsh interrogation practices on terrorism suspects after 9/11, the top U.S. intelligence chief said.

Deputy Central Intelligence Agency Director Gina Haspel will face tough lawmaker questions about her activities with the interrogation program. "Gina plans to be totally transparent in regards to this issue," Director of National Intelligence Dan Coats said.

—Associated Press



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TRADE BATTLE

Tariff Threat Forces Farm Belt Rethink

Prospective impact on key exports prompts some to consider switching crops

BY JACOB BUNGE
AND JESSE NEWMAN

China's threatened tariffs on U.S. soybeans and other agricultural goods this week are already forcing some American farmers to rethink planting and investment decisions.

U.S. growers were already anticipating another year of diminished income from crops and livestock as they face continued low prices and growing supplies. The prospect of China—one of the biggest purchasers of U.S. farm products—scaling back imports is sharpening those fears, potentially changing what crops they plant and whether to spring for a new tractor.

Chinese officials didn't say when the country's proposed 25% tariffs on soybeans, corn, wheat, beef and other products would take effect. But in central Illinois, Aaron Wernz is already considering how to react. On Wednesday, he said the sharp drop in soybean prices and the possibility of diminished sales to China could prompt him to sow more corn, and less soybeans, on his 2,000 acres when he fires up his planter in a few weeks.

As soybean and corn prices

traded lower Wednesday, Mr. Wernz figured the day's decline alone cut \$50,000 off the value of his crops this year. "That's my first house," the 39-year-old said, adding that switching 200 acres back to corn could cost him nearly \$40,000 more thanks to corn's higher per-acre cost.

Still, Mr. Wernz said he was prepared to take some losses if it would help curb what he sees as China's unfair practices on everything from steel to technology.

"I'll probably vote for Trump again unless Democrats want to give me something better, but they don't seem to be screaming that from the mountain tops," he said.

China is by far the largest foreign buyer of U.S. soybeans, which are ground into meal for animal feed and processed into vegetable oil, among other products. Last year, it purchased 32 million metric tons of soybeans from U.S. exporters, representing about 58% of all foreign sales, according to U.S. Department of Agriculture data.

The U.S.-China trade dispute has already boosted costs for some farmers. The Trump administration's tariffs on Chinese-made steel and aluminum last month have already made it more expensive to build structures like feed mills and hog confinements, farmers said.

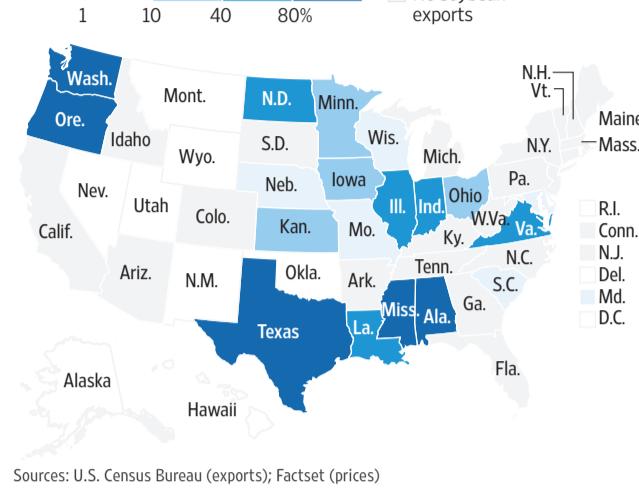
The American Soybean Association estimated that losses early Wednesday sliced \$1.7 bil-

Placing Their Stock in Soy

More than half of U.S. soybean exports go to China—by value nearly 10% of total goods the U.S. exports to the country. Some states, such as Washington and Texas, rely almost entirely on China for their soybean exports. Soybean prices fell after China announced tariffs.

Soybean exports to China

As a share of each state's total soybean exports, 2017



Sources: U.S. Census Bureau (exports); Factset (prices)

Soybean prices

\$10.50 a bushel



THE WALL STREET JOURNAL.

"And he said, 'Sonny, you can assure your farmers out there that we're not going to allow them to be the casualties if this trade dispute escalates.'"

Despite President Donald Trump's withdrawal last year from the Trans-Pacific Partnership trade agreement and his repeated criticism of the North American Free Trade Agreement—both deals popular in the agricultural sector—farmers generally say they still back the president.

Growers' concerns on trade

are growing louder, however. The American Farm Bureau Association, a top U.S. farm lobbying group, said Wednesday the escalating U.S.-China trade dispute "has to stop."

"It does seem like they're playing with fire on this one, especially since so much of the president's base is located in the rural part of the country," said Mac Ehrhardt, co-owner of Albert Lea Seed, a small seed company in Minnesota.

Crop and livestock producers have been slogging through an economic tough patch, with net farm income this year projected to hit its lowest point since 2006. About 50% of major commodity crops like corn, wheat and soybeans are exported, along with 70% of fruits and nuts and a quarter of all pork, according to Farmers for Free Trade, an advocacy group.

Proposed Chinese tariffs on imports of U.S. soybeans could hit trade even if they don't go into effect. The mere threat should prompt Chinese soybean crushers to cancel some unshipped orders of U.S. soybeans and shop for Brazilian beans instead, analysts say.

While sharply lower prices could prompt non-Chinese buyers to look to the U.S. and help soften that blow, trader Ken Morrison said, "It wouldn't offset what otherwise would have been Chinese demand."

—Benjamin Parkin

contributed to this article.

U.S. List Targets China's Aspirations

BY NATASHA KHAN
AND LIZA LIN

The White House has proposed tariffs on 1,300 categories of Chinese goods—some of which the U.S. doesn't really buy yet.

The list unveiled Tuesday targets \$50 billion of imports including crucial moneymakers like electronics, industrial machines and pharmaceutical ingredients. But it also includes products like large aircraft, electric cars and robots for which export markets are years away.

That split makes the target list symbolic as well as practical, a shot across the bow for China's ambitions to develop high-technology sectors outlined in the country's "Made in China 2025" industrial plan.

"The list targets the China of the future, not of the past," said Alicia Garcia Herrero, chief economist for Asia at Natixis. "It is really the way to go if the U.S. administration worries about China surpassing it as a technological power."

In one example, the list generated by the U.S. Trade Representative takes aim at China's ambitions to become a world power in electric vehicles with tariffs on cars with electric motors and on the lithium-ion batteries used to power them. Chinese auto makers don't yet sell electric cars in the U.S., but Beijing is investing heavily in the sector—including by funding its own manufacturers—to secure future global sales.

Shenzhen-based BYD Co., which assembles electric buses in the U.S., may now face tariffs on some components. China protects local battery makers, which also harbor global ambitions, by blocking foreign suppliers from its domestic electric-vehicle market.

The Trump administration's proposed tariffs could mean similar handicaps for Chinese battery makers in the U.S.

BYD declined to comment.

The list also targets industrial robots, which are emerging as a strategic area for China. The country is upgrading manufacturing plants with robots to catch up with rivals. According to a report by the International Federation of Robotics last August, China installed 87,000 new robots in 2016, a record for a single country. When China's Midea Group that year acquired Germany's Kuka AG, a leading industrial robotic maker, it said the two companies could jointly pursue robotics and automation technology.

Auto Makers Weigh In on Beijing Retaliation

Global automotive executives spent substantial time in 2017 urging the Trump administration to seek reciprocity on trade policies affecting the world's biggest automobile market. Industry leaders could get the exact opposite.

By Chester Dawson in Detroit and Robert Wall in London

China's State Council announced Wednesday it will levy new penalties on a range of products from the U.S., including sport-utility vehicles built in states from South Carolina to Alabama to Illinois. On top of a longtime 25% tariff on vehicle imports built by American workers, the threat of an additional 25% duty would likely make vehicles built in the U.S. far more expensive than they already are.

A range of auto makers

weighed in on China's threat of retaliation against the Trump administration. General Motors Co. encouraged officials to "continue to engage in constructive dialogue and pursue sustainable trade policies." Ford Motor Co. echoed that sentiment in a statement.

The auto industry has been in the spotlight amid President Donald Trump's push for changes to various U.S. trade agreements and plans to slap a 25% tariff on certain steel and aluminum imports. Car companies, which have extensive supply chains and rely heavily on steel and aluminum to build their products, will be affected by changes to the North American Free Trade Agreement or other trade pacts.

Industry leaders have met with Mr. Trump several times, expressing concerns ranging from emissions regulations to corporate tax rates. Auto mak-

ers have been given relief on certain issues, including the Environmental Protection Agency's move this week to roll back fuel-economy standards. Trade remains a point of serious uncertainty.

To date, relatively few vehicles move between China and the U.S. American buyers have been reluctant to embrace Chinese-built automobiles, and global auto companies have steered around trade barriers by establishing joint ventures with local companies.

Sales of foreign-made cars accounted for just 3% of China's 28 million vehicle market in 2017, which is nearly unchanged from 15 years ago, according to Michael Dunne, founder of consultancy Dunne Automotive Ltd. Even though brands such as Buick, Ford or Jeep are known to Chinese buyers, most of the products sold by Detroit companies are

produced in local factories and a portion of the profit goes to a domestic auto maker.

"China's stance has never wavered: If you want to sell cars in the People's Republic, you have to build them in China," Mr. Dunne said.

GM, for instance, has a decades-old partnership with SAIC Motor Corp., China's biggest auto maker by sales. GM has begun shipping SUVs and Cadillacs built in China, but in relatively small volumes. Ford, which has struggled to gain momentum with joint ventures in China, sends higher-priced and iconic vehicles from North American plants. Mustangs, Explorer SUVs and Lincolns are among vehicles sold in the company's Chinese dealerships.

Fiat Chrysler declined to comment on the most recent Chinese actions.

Non-Detroit auto makers

that use U.S. factories as a single source of certain vehicles do have more exposure to pricing issues in China. BMW AG, which has been building cars in the South for decades, now uses its Spartanburg, S.C., factory as the primary source of certain SUVs, and ships tens of thousands to China annually.

Tesla Inc. also sends disproportionately more vehicles to China than its Detroit rivals.

Evercore ISI analysts said if China imposes the threatened tariffs on cars from the U.S., it would effectively be a tax on BMW and Mercedes, not U.S. car makers. The two German auto makers likely will ship more than 100,000 cars to China from the U.S. this year.

—Mike Spector
and Christina Rogers
contributed to this article.

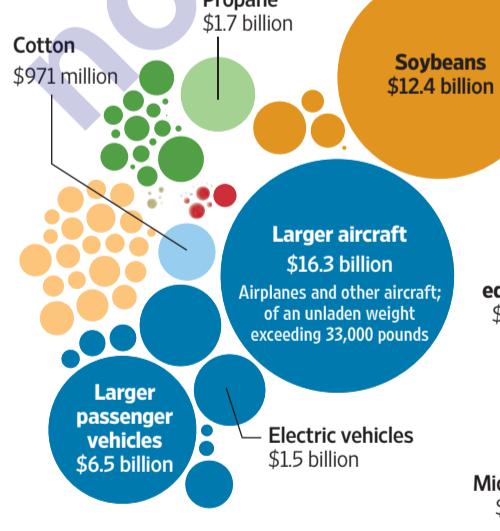
◆ Heard on the Street: Beijing's car threat misses mark.... B12

Tariff Targets

A wide range of goods would be affected by the recently announced levies.

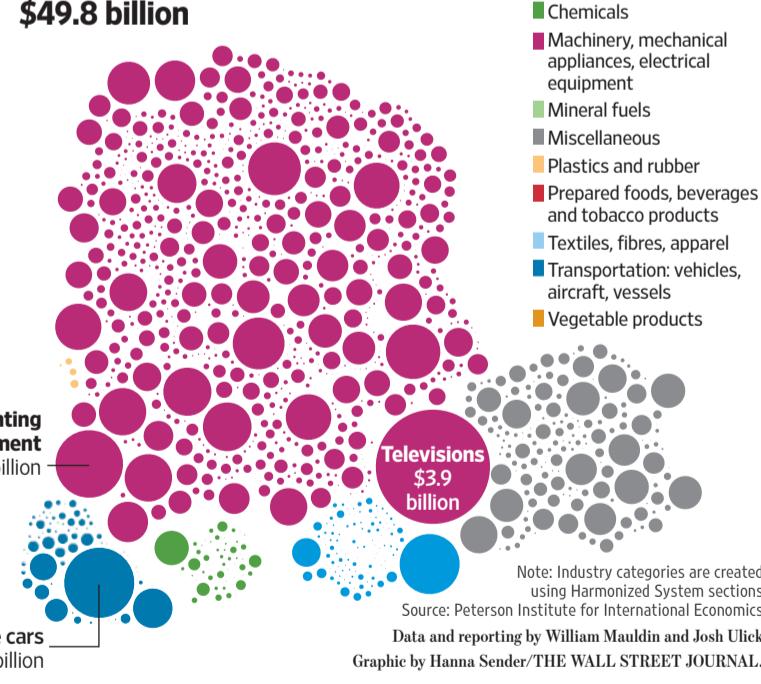
Value of 2017 U.S. exports to China affected by Chinese tariffs:

\$46.2 billion



Value of 2017 Chinese exports to the U.S. affected by U.S. tariffs:

\$49.8 billion



Note: Industry categories are created using Harmonized System sections

Source: Peterson Institute for International Economics

Data and reporting by William Mauldin and Josh Ulrich

Graphic by Hanna Sender/THE WALL STREET JOURNAL.

we would move forward." The Chinese side, meantime, has put together its own list, which includes levies on U.S. soybeans, autos and airplanes, the export of which has grown crucial to the success of many American businesses. "Both sides have put their lists on the table," Chinese Vice Finance Minister Zhu Guangyao told reporters. "Now it's time for negotiations."

U.S. business interests will be allowed to air concerns publicly at a May 15 hearing at the International Trade Commission, and companies will have until May 22 to object to the proposed tariffs.

"The fact they did it with a 30-day comment period is not that they care about the comments," said William Reinsch, a senior adviser at the Center for Strategic and International Studies, a Washington think

tank. "The point is to buy time for a negotiation."

After May 22, the U.S. government still has 180 days to decide whether to go ahead, meaning the standoff could last a long time.

The two sides have been negotiating behind the scenes. Chinese economic envoy Liu He has exchanged letters with U.S. Trade Representative Robert Lighthizer and Treasury Secretary Steven Mnuchin over increased opening of the Chinese market. Mr. Mnuchin has been weighing a trip to Beijing, though its timing is uncertain.

Chinese President Xi Jinping will give a closely scrutinized speech next week at the Boao Forum for Asia, China's version of Davos that takes place with world political and business leaders on the southern Chinese island of Hainan. Both sides' business sectors will be

watching closely for signs about China's position in the talks with the U.S.

The threat of U.S. tariffs now also hangs over a handful of consumer-goods markets, including household appliances, lithium ion batteries and parts for air conditioners—industry sectors that China hopes to dominate. Many of the products are goods that Beijing outlined in 2015 as part of its "Made in China 2025" goals for Chinese industry, but doesn't yet produce at a large scale.

Both countries' lists total approximately \$50 billion worth of goods, a sum that hits about 38% of U.S. exports to China. As China is the much larger exporter, the sum equals only about 10% of Chinese exports to the U.S. Even if the tariffs went into place, the direct impact would be relatively small for the \$19 trillion U.S.

economy and \$12 trillion Chinese economy.

WORLD NEWS

Thailand's Chief Eyes Prolonging His Rule

By JAMES HOOKWAY

The leader of Thailand's ruling junta said for the first time that he is willing to stay on as prime minister after parliamentary elections scheduled for 2019, using an obscure provision that lets parliament invite an unelected premier to lead the country.

Gen. Prayuth Chan-ocha's government has said it plans to restore democracy through a ballot in February. In Thailand, the largest elected party forms a government and chooses a prime minister. But despite pressure from the U.S. and other countries, the junta has repeatedly delayed elections since seizing power in a 2014 coup.

Anticipation for a vote had grown since October, when Gen. Prayuth visited the White House and told U.S. President Donald Trump that Thailand would hold an election.

A U.S. ally, Thailand is one of several Southeast Asian countries where democratic gains have slipped in recent years and authoritarian rule is gaining ground, complicating America's efforts to blunt China's military and economic influence in the region.

But the junta last month reigned its stance that an election wasn't in Thailand's security interests should it reignite street violence that has periodically jarred the troubled nation over the past 12 years.

Speaking after a cabinet meeting Tuesday, Gen. Prayuth cautioned a former Thai prime minister, Abhisit Vejjajiva, not to rule out the idea of supporting him for the premiership after Mr. Abhisit warned his party's members not to support an "outsider."

Japan Unifies Its Army Command

Shake-up overturns a postwar legacy, aims at closer coordination when troops deploy

BY ALASTAIR GALE
AND CHIEKO TSUNEOKA

ASAKA, Japan—For the first time since World War II, Japan's army is a unified fighting force.

On Wednesday, a central command station for Japan's Ground Self-Defense Force opened at a military base here, just north of Tokyo. The headquarters will control Japan's five regional armies and a new amphibious brigade similar to the U.S. Marine Corps.

The organizational shake-up is among the biggest in Japan's postwar military history. The army, disbanded in 1945, was re-established nine years later but split into five to thwart a repetition of the conspiracy of senior army officers that helped propel the country into World War II.

In recent years, however, rising security threats, such as China's challenge to Japan's southern islands, have prompted government officials to highlight the splintered leadership as a weakness that could hinder quick and comprehensive deployment in a crisis. The navy and air force each has a unified command.

Hours before the command station opened, Japan reported seeing Chinese coast guard ships for the third successive day in waters near East China Sea islands controlled by Tokyo but claimed by Beijing. China calls the uninhabited islands Diaoyu and Japan refers to them as the Senkakus.

China's "unilateral escalation is a matter of strong concern," Defense Minister Itsunori Onodera said in a speech to mark the opening of the combined army command.

The new Japan Ground Self-Defense Force central com-



Airborne forces participate in an exercise. To improve its disputed-island posture, Tokyo is tripling the strength of its amphibious unit.

mand will also eliminate the need for the U.S. military to deal with several local counterparts for operations in Japan. Around 50,000 U.S. troops are based in Japan under a security-treaty alliance.

"This will simplify coordination between the U.S. Army and the [Japanese army] during a natural-disaster or security situation, since the same procedures will be used during training, exercises, or crisis anywhere in Japan," said U.S. Army Japan deputy commander Col. Stephen J. Grabski.

The creation of the new command is part of a broad review and upgrade of Japan's Self-Defense Forces, which many Japanese associate more with disaster relief than warfare.

Though far smaller than most regional rivals, Japan's military is equipped with some of the world's most-advanced arms. The country is investing in cruise missiles, at least 42 advanced F-35 fighter jets and a new missile-defense shield.

Much of Japan's military equipment is American-made, and President Donald Trump has urged Tokyo to buy more.

In recent years Prime Minister Shinzo Abe has pushed through legal changes to loosen restrictions on the military, including allowing it to fight in support of an ally under attack near Japan. He has set a target of 2020 for introducing a constitutional amendment establishing Japan's right to maintain its own armed forces. Taken literally, the constitution bars a mili-

tary, though previous governments haven't questioned the armed forces' legitimacy.

Government and military officials say Japan faces the most security threats in decades, including from North Korean missiles, and has no choice but to respond.

"We have to create a truly combat-ready Ground Self-Defense Force," said Maj. Gen. Tadao Maeda, a senior army official responsible for planning the transition.

Japan's primary fear is that China may try to seize the Senkaku islands. To be better able to retake any islands, the army is tripling its amphibious unit to 2,100 troops. Japanese soldiers have trained with U.S. Marines for around a decade in amphibious warfare.

A Chinese foreign-ministry spokesman didn't directly answer a question about Japan's central army command, but China often has criticized Japan's military changes, calling on Tokyo not to repeat past mistakes.

Some defense experts said that while the expanded amphibious unit and single army command improve Japan's capabilities, military spending is sometimes misguided and coordination among land, sea and air forces is insufficient.

Jeffrey Hornung, a Japan security specialist at Rand Corp., points to the acquisition of destroyers and submarines rather than modern amphibious troop carriers needed to carry soldiers into battle, and to the Air Self-Defense Force's lack of training in close air support.

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WORLD NEWS

U.S. Presses Turkey to Free Pastor

American charged with trying to convert Muslims is being held by Ankara

BY DION NISSENBAUM

WASHINGTON—The Trump administration is stepping up efforts to secure the release of an American pastor held for more than a year in Turkey on terrorism charges his lawyers say are politically motivated.

The Trump administration has been working to remove irritants to relations between Ankara and Washington ahead of Andrew Brunson's first court hearing this month, lawyers and officials said.

The evangelical pastor faces 35 years in prison after being accused of helping terrorist

organizations and of trying to convert Turkish Muslims to Christianity.

Mr. Brunson's case has made him a cause célèbre for Christian activists. He is being represented by the American Center for Law and Justice, a conservative Christian group whose chief counsel, Jay Sekulow, is also one of President Donald Trump's personal lawyers.

In recent weeks, the Trump administration has pressed U.S. lawmakers to shelve a measure that would bar Turkish officials linked to Mr. Brunson's detention from entering the U.S.

Mr. Trump also raised Mr. Brunson's fate directly with Turkish President Recep Tayyip Erdogan in a recent call, according to U.S. officials. And then-Secretary of State

Rex Tillerson made a point of telling Mr. Erdogan in a private February meeting that U.S. prosecutors had dropped charges against most members of his security detail who had been accused of playing a role in beating protesters last spring in Washington.

The effort to try to improve ties with Turkey has been questioned by some supporters of Mr. Brunson who say the administration should take a tougher stand.

"Despite the fact that the Turks have an almost 100% track record of responding to sticks, we still feed them carrots," said one Senate aide familiar with the case. "It makes no sense."

Mr. Brunson, 50 years old, is a North Carolina native who spent more than two decades running a small Presbyterian

ministry in Turkey before he was detained in October 2016 and accused of being part of the banned group Mr. Erdogan says was behind the failed July 2016 military coup.

Turkey held Mr. Brunson without charges until last month, when prosecutors filed a 62-page indictment, viewed by The Wall Street Journal, accusing him of espionage and working to convert Muslims.

Sen. Thom Tillis, (R., N.C.), who visited Mr. Brunson in prison last week, said the U.S. is trying to improve relations with Turkey while attempting to secure the pastor's freedom.

"I would consider him a political prisoner," Mr. Tillis said Tuesday. "What we are trying to do is strike a balance with a country we want to maintain good relations with and an indictment that is really beyond

the pale."

Mr. Sekulow, the lawyer, has raised Mr. Brunson's case in the Oval Office with Mr. Trump, and the pastor's supporters said he has played an instrumental role in shaping the legal strategy.

CeCe Heil, senior counsel at the center and Mr. Brunson's lead attorney, said Mr. Trump and Vice President Mike Pence both had made the pastor's release a key issue in talks with Turkey.

Last fall, Mr. Erdogan suggested that Turkey might free Mr. Brunson if the U.S. deported Fethullah Gulen, the Turkish cleric accused by Turkey of orchestrating the failed 2016 military coup. Mr. Gulen is living in Pennsylvania.

Some of those who question the administration's strategy pointed to Germany's re-



Pastor Andrew Brunson

sponse to the detention of a German-Turkish journalist, Deniz Yucel, who was freed in February after more than a year in Turkish detention. Germany decided to withdraw its forces from Incirlik Air Base in Turkey and made sure to raise Mr. Yucel's case at every opportunity.

Israel Debates Army's Actions After Killings

BY RORY JONES
AND DOV LIEBER

and said the army's "trigger happy" policy was dangerous. Gideon Levy, a columnist for Israeli newspaper Ha'aretz, labeled the deaths and injuries a "massacre."

Demonstrators need "to be dealt with in the way you enforce law on civilian protesters," said Michael Sfard, a human-rights lawyer who helped organize a protest of roughly 300 Israelis against the army.

The protesters have been calling for the right to return to homes in what is now Israel, a demand Israeli officials reject because they say it would risk the country's Jewish majority.

Palestinians are preparing for another mass protest on Friday. Organizers have said the demonstrations will continue until May 15, known among Palestinians as "Nakba Day" or "Day of the Catastrophe," the day after the date of Israel's 1948 founding.

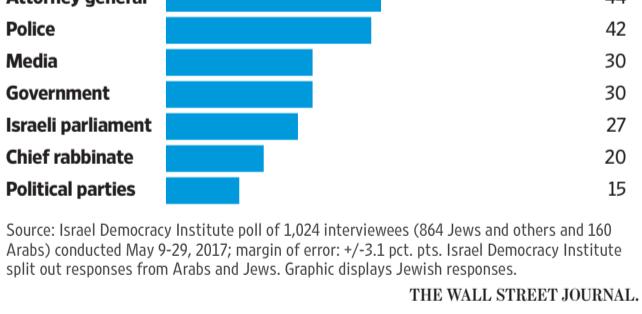
Military analysts said the army's forceful reaction reflected growing tensions on the border fence in recent months with Hamas.

A bomb exploded on the fence in February, injuring four soldiers. The Israeli army retaliated by striking Hamas's military positions and saying it held the group responsible for attacks on Israel from Gaza.

On a Pedestal

The military retains the highest level of public trust among Israeli institutions.

Which state institutions do Israeli Jews trust?



Source: Israel Democracy Institute poll of 1,024 interviewees (864 Jews and others and 160 Arabs) conducted May 9-29, 2017; margin of error: +/- 3.1 pct. pts. Israel Democracy Institute split out responses from Arabs and Jews. Graphic displays Jewish responses.

THE WALL STREET JOURNAL.

Trump Starts Countdown in Syria

WASHINGTON—President Donald Trump has agreed to keep U.S. troops in Syria, U.S. officials said on Wednesday, but only until the defeat of the Islamic State extremist group, a task he expects to be completed in a matter of months.

By Felicia Schwartz,
Nancy A. Youssef
and Michael R. Gordon

Mr. Trump's decision, at a White House meeting, was a recognition of military commanders' argument that they needed more time. But Mr. Trump made it clear that he expected the rest of the operation to go quickly, officials said, and sharply narrowed the scope of the U.S. involvement from the administration strategy spelled out earlier this year.

"It's months, not years," one senior official said.

The decision made clear that the U.S. no longer will lead stabilization and recovery efforts in formerly Islamic State-controlled areas in Syria, U.S. officials said.

"The military mission to

eradicate ISIS in Syria is coming to a rapid end, with ISIS being almost completely destroyed," White House press secretary Sarah Huckabee Sanders said Wednesday. "We expect countries in the region and beyond, plus the United Nations, to work toward peace and ensure that ISIS never re-emerges."

While the Trump administration hopes Persian Gulf countries and other world powers will step in to help Syria recover, many U.S. and international officials have long argued that quick U.S. exit will allow Iran and Russia to expand political and territorial influence.

On Wednesday, Iranian President Hassan Rouhani, Russian President Vladimir Putin and Turkey's President Recep Tayyip Erdogan met in Ankara for what Mr. Putin said was a discussion about Syria's future.

The U.S. "tried to topple the Syrian government," Mr. Rouhani told reporters after the meeting. "They've caused a lot of problems to us but they haven't succeeded."

Debate continued to simmer Wednesday within the Trump administration.

Mr. Trump at Tuesday's meeting asked advisers whether six months would be sufficient to complete the mission to defeat Islamic State, U.S. officials said. Pentagon of-

ficials said they couldn't pledge to meet a specific timetable. Military commanders have argued for the importance of remaining in the country until formerly Islamic State-held areas have been stabilized and are protected from returning to the group's control.

Tuesday's meeting of the White House National Security Council was described as tense and charged by one official who said there were differences between Mr. Trump and his advisers. The meeting also resulted in confusion about the future of U.S. stabilization funding, the official said.

On Wednesday, Ms. Sanders said the U.S. and its partners "remain committed to eliminating the small ISIS presence in Syria that our forces have not already eradicated."

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ficials said they couldn't pledge to meet a specific timetable.

State Department officials responsible for U.S. diplomatic efforts in Syria believe they may only have four to six months to wrap up U.S. stabilization efforts, the U.S. officials said.

No one thinks this is a good idea," a U.S. official said, referring to the risk of quickly withdrawing troops.

There currently are about 2,000 U.S. troops in Syria and a small contingent of diplomats working with partners on the ground to restore basic services and remove unexploded munitions.

Israel's government, its coalition parties and many political commentators defended the army's response, saying it was justified in using gunfire, in addition to tear gas, to prevent a breach of the fence that they said could have threatened Israeli lives.

Human-rights activists and opposition politicians, especially on the left, however, criticized what they said was an excessive reaction by the armed forces.

The head of the left-wing Meretz party, Tamar Zandberg, endorsed a United Nations call for an investigation

of the army's "trigger happy" policy was dangerous. Gideon Levy, a columnist for Israeli newspaper Ha'aretz, labeled the deaths and injuries a "massacre."

Demonstrators need "to be dealt with in the way you enforce law on civilian protesters," said Michael Sfard, a human-rights lawyer who helped organize a protest of roughly 300 Israelis against the army.

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AUTO

Continued from Page One
planning to roll back fuel-economy standards for auto makers' fleets, the shift to SUVs and trucks is only likely to continue.

The U.S. industry's strategic shift is potentially lucrative, but risky.

While American vehicle makers have long earned the bulk of their profits from pickup trucks and SUVs, GM, Ford and Chrysler have suffered when gasoline prices rise and dealers are left with a stale or limited selection of fuel-efficient offerings. Toyota Motor Corp., Nissan Motor Co. and Honda Motor Co. have laid out investments to keep sedans and coupes such as the Civic and Altima fresh even as demand wanes.

GM will continue to sell several small cars, including the compact Chevy Cruze built in Ohio and the electric Chevy Bolt produced in the Michigan factory that also assembles the Sonic. The company also will offer its Chevy Malibu and Buick and Cadillac sedans.



The Sonic is built at GM's Orion Assembly plant, a facility saved in the company's 2009 bankruptcy.

But Fiat Chrysler Automobiles NV and Ford are considering far more aggressive pullbacks from passenger cars because of the respective success of Jeeps and the F-150 pickup truck.

Fiat Chrysler took the first step in killing off small cars several years ago when it discontinued the Chrysler 200 sedan and Dodge Dart compact to free up money and assem-

bly lines for pickup and SUV production. The company is now reporting record profits and has indicated to its suppliers it might be considering an end to larger cars, including the Chrysler 300 and Dodge Charger sedans, within a few years.

The death of the Sonic is as symbolic as it is strategic. The car, which went on sale in 2011, was heralded as a hit be-

cause of features not typically seen on inexpensive small cars, such as heated seats. Chevy sold nearly 100,000 Sonics in 2014, far more than its previous subcompact models, but deliveries dwindled to about 30,000 last year.

The Sonic is built at the Orion Assembly plant in suburban Detroit, which was saved from closure during GM's 2009 bankruptcy

through a \$1 billion lifeline of grants and tax incentives from the state of Michigan, local municipalities and the federal government.

Seen as a small-car plant

preserved largely by the Obama administration, it was refurbished to represent the Motor City's renewed commitment to small and efficient automobiles. The plant, however, produces about one-quarter the number of vehicles that one of the company's busy truck factories turns out. GM laid off thousands of factory workers last year as the auto maker sought to adjust car production with lower-than-expected demand.

The company views consumer preference for SUVs over cars as "largely permanent" and is assessing "how we best deploy assets in critical passenger-car segments to ensure we're getting a return," GM finance chief Chuck Stevens told analysts last year.

Ford is also shifting. It recently put on sale the EcoSport small crossover SUV in the U.S. at a starting price of \$20,000—almost \$6,000 more than the Fiesta, with which it shares an underbody.

"The EcoSport is basically the same vehicle and they can charge several thousand dollars more for it," said George Waikem II, who manages Nissan, Kia and Ford dealerships in northeastern Ohio. Small cars, such as the Fiesta, he said, are "definitely on an island that is sinking."

Jim Farley, Ford's president of global markets, said the company will offer fewer models over time. "We are looking at a more rationalized, more thoughtful passenger car lineup, because we want to play where we can win," he said in a recent interview.

The move away from sedans, coupes and hatchbacks has executives even outside Detroit considering how to respond.

It is a consumer shift "we really haven't seen before," Toyota U.S. sales chief Bill Fay said at an industry conference in New York last week. Another Toyota executive forecast the sale of cars shrinking to 30% of the American market in the near future, and said the Japanese auto maker might need to expand its SUV lineup.

—Chester Dawson contributed to this article.

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—Chester Dawson contributed to this article.

WORLD NEWS

WORLD WATCH

EUROPEAN UNION

Prices Rise, Ending Months of Decline

Eurozone consumer prices picked up in March for the first time in four months, while the unemployment rate fell to its lowest level in more than nine years during February, developments that will reinforce the European Central Bank's belief that it is on track to meet its inflation target over coming years.

The central bank has launched a series of stimulus programs since 2014 in an effort to lift the annual rate of inflation to its target of just below 2%, and keep it there. But despite an acceleration of growth in 2017, that goal has remained out of reach.

The European Union's statistics agency said consumer prices in March were 1.4% higher than a year earlier, an increase from the 1.1% rate of inflation recorded in February. In a separate release, Eurostat said the number of people without work fell by 141,000 during February, cutting the jobless rate to 8.5%, its lowest since December 2008.

—Paul Hannon

ITALY

Government Raises Budget Deficit, Debt

Italy upwardly revised its 2017 budget deficit and its national debt after including costs from last year related to the rescue of one bank and the liquidation of two others.

The national statistics agency Istat said the deficit for last year was revised to 2.3% of gross domestic product, compared with the 1.9% the agency announced at the start of March.

The debt—one of the highest in the eurozone—was revised to 131.8% of GDP from 131.5%.

Last year, the government bailed out Banca Monte dei Paschi di Siena SpA and liquidated two smaller lenders from the Veneto region.

—Giovanni Legorano

Iraq Tries to Identify ISIS Victims

Resources strapped in effort to account for hundreds of thousands tossed in mass graves

BY ISABEL COLES
AND ALI NABHAN

BAGHDAD—Bone by bone, workers at the Baghdad morgue are piecing together the victims of Islamic State, a gruesome jigsaw puzzle that has overwhelmed Iraqi authorities and delayed a sense of closure for families of the missing.

After decades of conflict, culminating in Islamic State's brutal three-year reign over the country's north, Iraq has one of the highest number of missing people—and unidentified bodies—anywhere. Yet only 25 people in the country have been trained in scientific exhumation techniques, and the morgue attached to the single Baghdad laboratory equipped to conduct DNA tests is running out of space to store remains. Those limited resources have been further strained by the economic crisis curbing Iraq's budget.

"Sometimes we can't receive any more cases because we have nowhere to put them," said morgue worker Ali Husham, 31.



An Iraqi man inspecting the remains in 2015 of Islamic State victims discovered in a mass grave in the northwestern Sinjar area.

Iraq lacks precise figures for missing people, but even before Islamic State's killing spree, the International Commission on Missing Persons estimated it was anywhere between 250,000 and a million—the grim legacy of multiple wars and violent repression under dictator Saddam Hussein.

Even as Islamic State conquered around a third of the country in the summer of 2014 and enforced its rule with extreme violence, Iraqi authorities were still unearthing mass graves dating back to the 1980s war against Iran. Iraq recently uncovered the remains of 85 Iranians and 10 Iraqis killed in that earlier conflict in mass graves in the country's south.

Meanwhile, excavation team members say they have developed skin problems working with so many decaying bodies. One of them, Dhiya Abdulamir, says while he and his colleagues have become accustomed to death, some of them are haunted by what they have seen, such as a male victim clutching a photo of a child.

Islamic State threw a brief spotlight on the challenges Iraqi authorities face.

Mr. Abdulamir was involved in digging up the site west of Mosul that a local shepherd had identified as their mass grave. The Indian workers lay side by side as they fell when Islamic State killed them not long after seizing the city in 2014.

The remains of 38 of the men were flown back to India on Monday and handed back to their families. The body of the 39th man is still in Iraq because DNA testing to identify the body isn't complete.

For relatives, the return of the bodies marked the end of an agonizing wait. "The government gave us a false hope," said Anita Rani, the 31-year-old wife of Gurdeep Singh, who went to Iraq in 2013 from a Punjab vil-

lage to work as a mechanic. "I was living with this hope that he would return alive."

Iraq has now identified roughly 300 mass graves in Iraq, including those predating Islamic State's incursion. So far, around two-thirds of them have been opened up and determined to contain the remains of nearly 5,000 people, according to Najiba al-Shimari, the head of the Martyrs Foundation, the government agency responsible for dealing with mass graves and compensating victims' families.

"We expect to find more," she said. But some experts warn it will take many more years to complete the process.

"We're talking about huge numbers," said Zaid al-Yousif, the head of the Baghdad morgue. "Our resources are

too limited to deal with all these cases at once."

Among the mass graves yet to be excavated is a natural sinkhole south of Mosul believed to be the largest one of all, where the militants disposed of hundreds, if not thousands, of their victims.

But before work begins on the remaining sites, Iraqi authorities must establish a database to identify the remains they exhume. That involves collecting DNA samples from tens of thousands of people with missing relatives, many of them scattered by the war.

"Time is not in our favor," said Dhiya Karim, who oversees the excavation of mass graves.

—Krishna Pokharel in New Delhi and Ghassan Adnan in Baghdad contributed to this article.

THE WALL STREET JOURNAL

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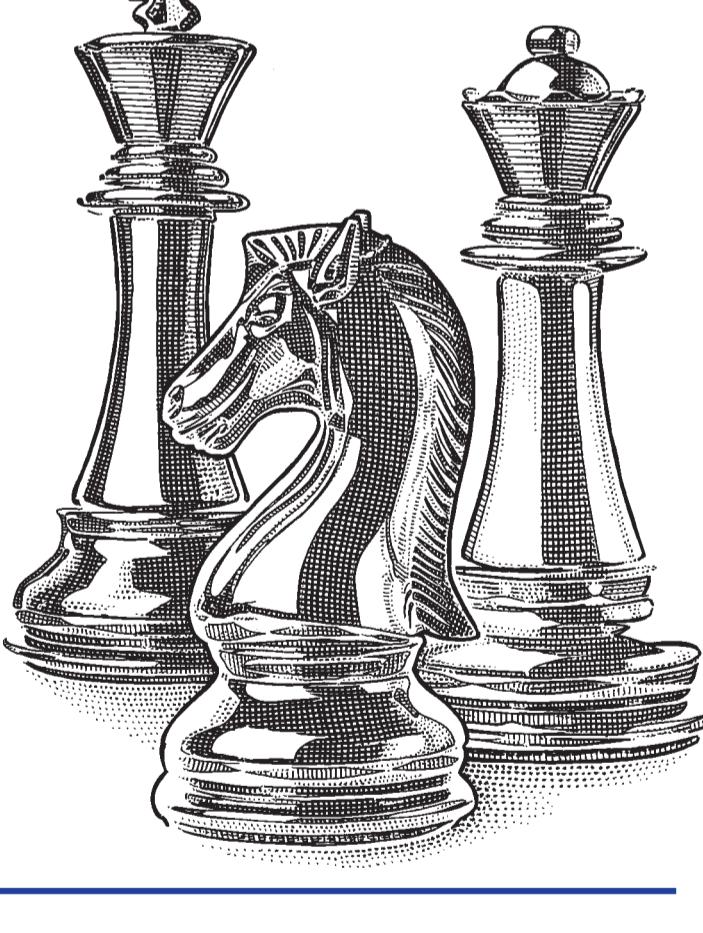
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IN DEPTH

TECH

Continued from Page One
pean governments have gone after companies in areas such as competition, taxation, privacy and hate speech. European nations are preparing to enforce a strict new data-protection law, and EU regulators are increasingly interested in the potential abuse of data and algorithms.

The U.S., which for years regulated the internet only lightly, is now starting to reconsider its approach. In recent weeks, indignation over Facebook Inc.'s disclosure that a British-owned firm improperly tapped and retained information on millions of Facebook users has led U.S. federal and state authorities to announce investigations of the social-media company and raised the specter of new U.S. legislation. Facebook Chief Executive Mark Zuckerberg will appear before a House committee next week.

During her nearly four years as the EU's competition commissioner, Ms. Vestager has completed multiple investigations into U.S. tech companies. Many probes began under her predecessor, but it was under her watch that the EU fined Google, ordered Apple to repay €13 billion (about \$16 billion) in alleged unpaid taxes to Ireland, and this year hit Qualcomm Inc. with a nearly €1 billion fine for payments it made to Apple that the EU said were illegal.

That hasn't made her popular in Silicon Valley, where corporate executives complain that she has unfairly singled out big, American technology firms to make examples of them. Some tech-firm officials also grumble that Ms. Vestager appears keenly interested in how her cases play in the press.

Google has appealed the EU's ruling against it, arguing that its logic and conclusions are flawed. In a 2016 interview with an Irish newspaper, Apple Chief Executive Tim Cook called the EU's allegation that the company had paid an ultralow tax rate in Ireland "total political crap," adding "they just picked another number from I don't know where."

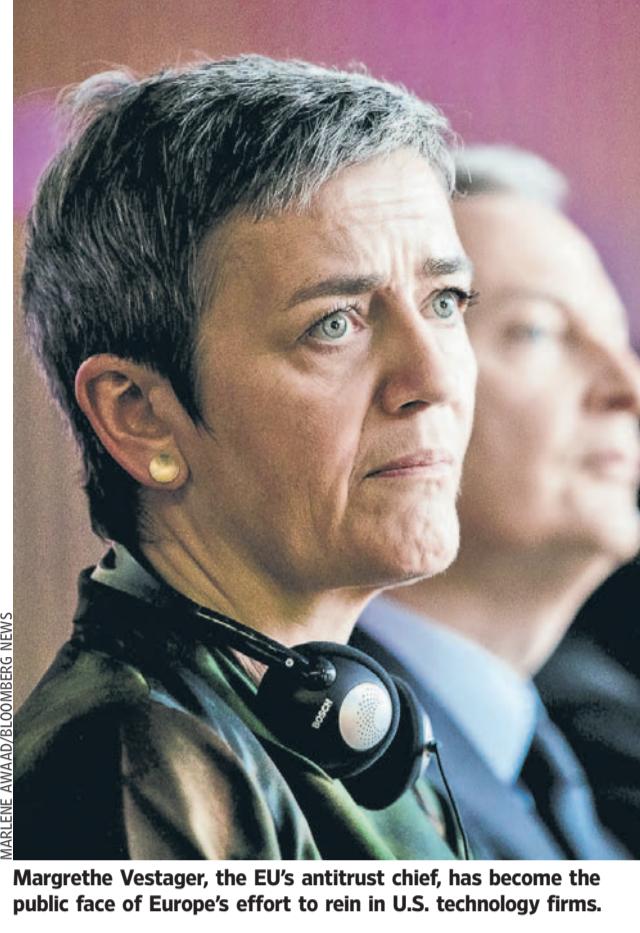
Apple and Ireland both appealed the EU's decision, contending Apple paid all the tax it owed and received no special treatment. Qualcomm also has said it would appeal.

Rob Atkinson, president of the Information Technology and Innovation Foundation, a Washington-based think tank backed by technology companies including Google, says U.S. tech companies "make big, juicy targets" for Ms. Vestager. "This is a very popular position for her to take in Europe."

Since 2010, when the EU began probing Google's alleged abuse of its dominant search engine and, later, its Android mobile operating system, Brazil, India and Russia all opened their own antitrust investigations into the company. Russia and India have issued fines. (Google settled the Russian case and is considering whether to appeal in India.) Four Brazilian investigations into Google are pending.

"You get to learn from a lot of work that's being done over there," says Eduardo Fraude, former general superintendent of Brazil's antitrust regulator, who helped open the country's probes into Google in 2013.

Ms. Vestager has sway beyond Europe's borders in part



Margrethe Vestager, the EU's antitrust chief, has become the public face of Europe's effort to rein in U.S. technology firms.

Swift Political Rise For Daughter of Lutheran Pastors

EU antitrust chief Margrethe Vestager is known in Brussels for communicating priorities in a plain-spoken manner—a contrast to the regulatory jargon often thrown around by members of the European Commission, the bloc's executive arm. She bakes cinnamon rolls for

her team, has sewn her own gala dress and was seen earlier this year knitting on an airport floor. She regularly flies back to Denmark to see her husband, a high-school math teacher, and three daughters.

She grew up in rural Denmark, the eldest of four children of two Lutheran pastors. She has nodded to her religious upbringing when discussing her views on business and competition. "What is at stake is as old as Adam and Eve," she said in a

recent speech. "It all comes down to greed."

She studied economics at the University of Copenhagen, where she became politically active. She entered politics at age 29, rose to lead her centrist party and, in 2011, helped form a coalition government. Her early embrace of social media led many Danes to call her "The Queen of Twitter."

In 2014, when EU members named delegates to five-year terms on the European Commiss-

sion, Denmark's prime minister sent Ms. Vestager. She was appointed competition commissioner. Already on her desk were prominent and politically sensitive cases begun by her predecessor, including antitrust investigations into Google Inc. and Russian state-owned natural gas company, PAO Gazprom, and probes into Apple Inc. and Amazon.com Inc.'s tax arrangements with European governments.

—Sam Schechner and Natalia Drozdik

because of the EU's administrative-law system, which empowers her to issue punishments and order remedies before any judicial review. That gives her more leeway than antitrust enforcers in other countries. In the U.S., antitrust enforcers have to go to court to seek financial penalties for anticompetitive conduct. The U.S. and Canada have closed antitrust investigations against Google without charges.

"Because the [European] system allows that broader discretion, you see more of these cases being tested," says Antonio Capobianco, senior competition expert at the Organization for Economic Cooperation and

Development, which hosts an annual global meeting of competition enforcers. "A lot of jurisdictions have tended to look at Europe more than the U.S. as a model."

Ms. Vestager has used that power to try to stretch competition law to cover issues unique to the internet age. In her decisions, she has emphasized the EU legal doctrine that dominant companies have a special responsibility not to abuse their power.

That differs from the approach taken by U.S. antitrust enforcers. They advocate taking action against companies only in cases where consumers are harmed, so as not to stifle innovation.

vation, particularly in the digital space. "Where there is no demonstrable harm to competition and consumers, we are reluctant to impose special duties on digital platforms," said Makan Delrahim, the Justice Department's antitrust chief, at a recent speech in Brussels.

In 2015, then U.S. President Barack Obama said in an interview with the website Recode that the EU's investigations into U.S. tech companies such as Google and Facebook were "more commercially driven than anything else." "Their service providers—who, you know, can't compete with ours—are essentially trying to set up some roadblocks for our companies to operate effectively there."

Senior EU officials deny that the decisions are designed to target American companies, saying tech companies that want access to Europe's 500 million consumers must play by the bloc's rules. Ms. Vestager has said she can find no evidence of anti-U.S. bias in her investigations.

Since assuming her position in late 2014, Ms. Vestager has defended her competition investigations into large tech companies as a means to ensure fairness for smaller rivals and average citizens. "If people see that the law is actually enforced for everyone, then I, being maybe a small player, have a fair fighting chance," she says.

In April 2015, she intensified a long-running Google probe, which her predecessor had tried to settle, by issuing formal charges. Her office accused Google of abusing the dominance of its search engine to send traffic to its own shopping ads while burying results for

val shopping sites. (News Corp., owner of The Wall Street Journal, is an interested third party in the case and has formally complained to the EU about Google's handling of news articles in search results.)

It was a departure from the U.S. approach to big tech at that time. The Federal Trade Commission in 2013 closed a probe into Google's search practices after the company agreed to voluntary changes.

Missouri Attorney General Josh Hawley launched an antitrust probe into Google.

Days after issuing charges, Ms. Vestager flew to Washington for a gathering of antitrust enforcers hosted by the American Bar Association. She took the stage with other top enforcers in front of several hundred people.

Ms. Vestager presented her argument for taking on global businesses, noting that she is "willing to see them in court when necessary," according to a transcript of the event. She ac-

knowledged differences with the U.S. approach and made the case for international cooperation and intervention against big firms when necessary. "As businesses have grown global, I think it has been a challenge for society, for law enforcement, to follow," she said. "We will use every tool in the toolbox in order to get a fair and level playing field."

Silicon Valley executives began visiting Brussels to gauge Ms. Vestager's approach and attempt to sway cases she was pursuing.

Apple's CEO, Mr. Cook, visited in January 2016, eight months before Ms. Vestager ordered Apple to pay Ireland €13 billion in taxes the EU says the company would have owed if not for a favorable deal with Dublin. Apple representatives realized going into that meeting that the EU's tab could be large, says one person familiar with the meeting. The discussion got somewhat heated, this person says, and Mr. Cook interrupted Ms. Vestager several times as he sought to argue that the bulk of the company's profits were generated in—and therefore should be attributed to—the U.S., not Ireland.

When it filed its appeal later that year, Apple said: "It's been clear since the start of this case there was a predetermined outcome."

That November, Google CEO Sundar Pichai met with Ms. Vestager. He spent much of the one-hour meeting exchanging pleasantries, seemingly in an effort to build a rapport, says one person familiar with the conversation. Then he pivoted to the Google arguments in the case, this person says. Ms. Vestager strongly implied that her team already aimed to decide against the company, according to this person and another familiar with the meeting.

As proof that Google elbowed aside rival shopping services, Ms. Vestager's team in their decision cited data they said showed rivals' online "visibility" plunged in search results. Last June, days before Ms. Vestager announced the decision against Google, analysis firm Sistrix GmbH, which supplied some data, suggested its information was misinterpreted and said it could find no evidence Google put competitors at a disadvantage.

"In my view, the EU Commission doesn't understand the fundamental contexts of internet search," Sistrix CEO Johannes Beus said in a blog post.

The commission's 215-page finding against Google cited data sources besides Sistrix, including confidential Google data that Brussels reviewed. Google has said its products help consumers and comply with competition laws.

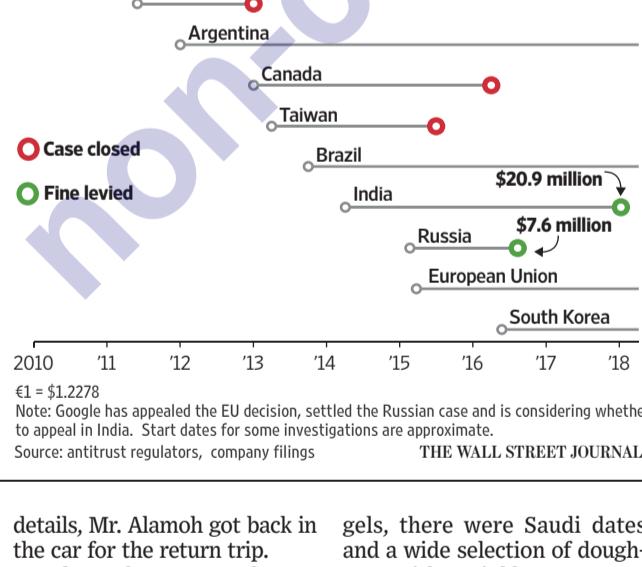
Ms. Vestager, whose five-year mandate ends next year, already has raised her hand to serve a second term, which would be unusual. The move was partly intended to ratchet down media speculation that Ms. Vestager could be a contender to become president of the next European Commission, according to one person familiar with her thinking.

She recently appointed three competition professors to advise her for the next year on digital issues such as the competition implications of artificial intelligence. She has multiple cases pending, including at least two against Google.

—Eun-Young Jeong in Seoul contributed to this article.

Ripple Effect

Since the EU's antitrust regulator began examining Google, other authorities around the world have opened their own investigations into the company's practices. Here is a selection.



SAUDI

Continued from Page One

red checked scarf. But he said that outfit attracted too much attention in the hotel lobby so he quickly changed to American clothes: T-shirt, white sneakers and a red baseball cap worn backward.

What mattered most, he said, was taking a selfie with his royal highness.

Making petitions to royals is a longstanding tradition in Saudi Arabia. In a modern twist to this tribal custom, subjects often learn about the royal assistance desk's arrival via Twitter.

As soon as he heard, Abdualaziz Alamoh drove with a friend to New York from Chicago, 12 hours straight.

"With the prince here, we hope we can get a scholarship," said Mr. Alamoh, a first-year computer-science student at the University of Illinois.

After submitting a copy of his passport, his college transcript and a letter for the crown prince that included his bank-account

details, Mr. Alamoh got back in the car for the return trip.

"If you have a good GPA, you have a chance," he said as he exited the Hilton.

During Prince Mohammed's weeklong visit to New York, a steady stream of Saudis ventured to the basement of the roughly 2,000-room hotel. To get there, they first navigated a lobby swarming with teenagers on school trips, businessmen in dark suits, and hundreds of sorority members wearing lots of pink and green.

Arabic-language notices were posted on a Hilton billboard stand, propped close to a staircase. "Students will be received from 10 a.m. to 10 p.m. Wednesday and Thursday," according to one. "Please respect the timings."

When supplicants are received in palaces in Saudi Arabia, they are typically treated like guests, with attentive servers refilling cups of tea and cardamom-flavored Arabic coffee.

In the blue-and-black carpeted Hilton basement, the tea came in bags and everything was self-service—even the Arabic coffee. In addition to ba-

gels, there were Saudi dates and a wide selection of doughnuts with sprinkles.

Behind a desk at the bottom of the stairs, three Saudi bureaucrats worked in shifts, reviewing piles of documents. The officials declined to comment, although one said hundreds of petitions had been submitted.

Historically, the sheikhs of the Saudi desert maintained an open-door policy for visitors, a practice the ruling House of Saud has also long adopted. The ancient form of patronage evolved into official policy, paving the way for the oil-rich kingdom to lavish citizens with cradle-to-grave benefits like free health care and a generous scholarship program.

Even as belt-tightening abolished some perks, the royals have remained relatively accessible. Those who wish to vent grievances, plea for financial aid, and seek royal mediation in legal disputes can access the palaces of senior royals like regional governors, who receive people weekly.

Such access is seen as vital in an absolutist monarchy,

where citizens can't speak through the ballot box. "It's part of the social contract with the citizens," says a Saudi official, explaining why the royal rulers travel abroad with the petitioners team.

"If you don't have a desk at the basement of the Hilton there would be scores of people trying to reach Prince Mohammed bin Salman and other officials in other ways," said Mohammed Alyahya, a Saudi analyst and nonresident fellow at the Atlantic Council. "Americans

bushing officials with requests or grievances is not feasible."

One such incident, says Mr. Alyahya, occurred at a Washington, D.C., five-star hotel in March, when a Saudi man spotted a government minister traveling with Prince Mohammed's delegation and thrust a sheaf of documents at him. The minister referred the man to the traveling royal assistance desk.

Most Saudi petitioners at the Hilton's basement in New York were students who wanted to join the govern-

ment-funded scholarship program. The program covers some 60,000 students in the U.S. alone. During the crown prince's visit to the U.S., the king announced an additional \$2,000 cash handout for all scholarship students abroad.

Shortly after submitting his letter in the Hilton's basement, Mr. Shammary got a call back: Prince Mohammed would meet him with a small group of students in his hotel.

He changed back into his Saudi clothes and went to the Plaza Hotel, where Prince Mohammed had a short meeting with students in the lobby. The students were again treated to Arabic coffee and dates and the royal asked them about their time in America.

The meeting made the long trip worthwhile, Mr. Shammary says, but he came away with one regret: He wasn't able to secure a royal selfie. Security didn't allow the students to carry mobile phones into the Plaza.

"I wish," he said. "No selfie because my phone was in the car."

—Donna Abdulaziz contributed to this article.



ALEXANDER COHEN/THE WALL STREET JOURNAL

A sign in the lobby of the New York Hilton Midtown pointed to the royal assistance desk.

GREATER NEW YORK

State Democrats Reach Deal to Unify

The agreement could shift control of the Senate and transform politics in New York

BY CORINNE RAMEY

New York state's fractured Democratic senators announced Wednesday an agreement to unify, reshaping dynamics in Albany and paving the way for an expansion of Democrats' power in state government.

A group of breakaway Democrats called the Independent Democratic Conference previously had formed a coalition with Senate Republicans, giving the GOP de facto control of the chamber. Under the new agreement, the dissident group, founded in 2011, will dissolve and join the mainline Democrats. If Democrats win two vacant seats in an election later this month, the party could gain control of the Senate.

"We really are stronger and more productive for everyone when we work together," Sen. Andrea Stewart-Cousins, a Yonkers Democrat who leads the mainline Democrats, said at a news conference Wednesday. Under the agreement, she would continue in her leader-



Gov. Cuomo, center, with senators Andrea Stewart-Cousins and Jeffrey Klein on Wednesday.

ship role. Sen. Jeffrey Klein, who led the rogue Democrats, would become Ms. Stewart-Cousins' deputy. "My grandmother always said, 'Sometimes you have to take a step back before you can take two steps forward,'" said Mr. Klein, who represents parts of Westchester County and the Bronx.

The announcement comes on the heels of a reunification

push by Democratic New York Gov. Andrew Cuomo, who on Tuesday night called for the end of "intramural games" in the state's Democratic Party.

"The Democratic agenda comes first," Mr. Cuomo said at a campaign fundraiser for Shelley Mayer, a Democratic Assembly member running for an open Senate seat in Westchester County. "If they're

not willing to unify as 32 Democrats, then let them get the hell out of the Democratic Party."

Also on Tuesday, during a meeting in Manhattan with political and labor chiefs, Mr. Cuomo asked leaders of the mainline and rogue Democratic factions to unify, according to two people familiar with the gathering.

The Democrats had agreed

to unite in November, but with different terms. At Wednesday's news conference, Mr. Cuomo said last year's deal would have reunited the group after a special election on April 24. "The imminent cause was we need to work together for the special election, and we need to win that special election," he said.

Mr. Cuomo previously has claimed publicly that he was powerless to persuade Democrats in the Senate to reunify.

The rogue conference has said on multiple occasions that it would reunite with mainline Democrats, only to have those talks crumble. One of the conference's prior pledges to reunify came in 2014, as members of the conference were facing primary challenges, as they are this year.

New York state's Senate has 63 seats, 31 of which are held by Republicans. With the addition of the eight breakaway members, Democrats now hold 29 seats.

A ninth Democrat, Sen. Simcha Felder of Brooklyn, said Wednesday that while he caucuses with Republicans, he has never been loyal to either party, and this continues to be the case. "I'm loyal to God, my wife and my constituents, in

that order," he said.

Two seats are vacant.

Democratic gubernatorial candidate Cynthia Nixon, a liberal activist and former star of the HBO series "Sex and the City," has said Mr. Cuomo enabled the rogue Democrats, undermining his own party.

"If you've set your own house on fire and watched it

'The Democratic agenda comes first,' Mr. Cuomo said at a campaign fundraiser.

burn for eight years, finally turning on a hose doesn't make you a hero," Ms. Nixon said Wednesday, responding to Mr. Cuomo's calls for party unity.

A spokeswoman for Mr. Cuomo declined to comment on Ms. Nixon's remarks.

Scott Reif, a spokesman for the Senate Republicans, said in a statement: "Let's be honest—the only reason that any of this is happening now is because Andrew Cuomo is scared to death of Cynthia Nixon."

—Erica Orden contributed to this article.

Palatial Penthouse Hits Auction Block

BY JOSH BARBANEL

10% of the minimum bid by Monday. The auction is set for April 13 in bankruptcy court.

The auction is a test of the strength of the downtown market during a period of falling asking prices in the ultra-luxury segment and softness in the market overall. Sales of Manhattan apartments fell during the first quarter by 10% compared with same quarter in 2017 to the slowest pace in five years, according to an analysis by The Wall Street Journal.

Sellers of expensive apartments, notably those listed for more than \$10 million, have been sharply cutting asking prices to compete, brokers said. Mr. Nahoum, the photographer and filmmaker who assembled the current penthouse from three separate apartments during the course of a decade and then built two stories above the roof, said the residence has a "wow factor."

"I feel proud that I was able to create a space that dynamic," he said. "I am a bit sad to leave it."

The grand salon is three stories with 26-foot-high windows. It has a huge marble fireplace, a floating staircase that wraps around a limestone wall to a terrace with chef's kitchen designed by Philippe Starck. To enter the room a visitor passes through a doorway with 9-foot-high antique doors from France.

The apartment has four

SoHo Building Has A Tumultuous Past

It began as a modest rental, and gradually expanded into a rooftop SoHo mansion.

Celebrity photographer Ken Nahoum began renting an apartment at 95 Greene St. in the 1980s before purchasing his first residence on the top floor of the six-story building for \$740,000 in 1993.

He and his partner, Basia Milewicz, a model born in Poland, combined three units during the next decade, paying about \$6.7 million for them. In 2002, they got permission from the condo board to expand upward through the roof.

Mr. Nahoum said his vision was to use the grand salon, while his family, which eventually included three children, lived in a separate wing, with its own open living room and a second kitchen. But by 2003, Mr. Nahoum was locked in litiga-

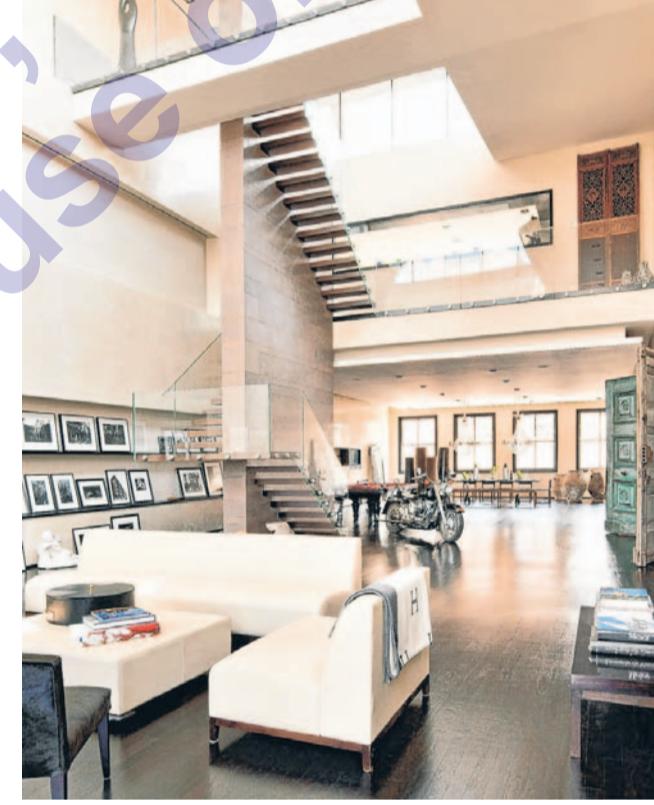
tion with the condo board, which wanted to rescind permission for the rooftop expansion. This lawsuit eventually was settled, though court records show there were at least five other suits between Mr. Nahoum and the board.

After they separated in 2012, Mr. Nahoum and Ms. Milewicz fought in court over ownership of the penthouse. They reached a settlement last year.

During one dispute in 2011, the board turned off Mr. Nahoum's elevator key fob, forcing him to use the stairs and posted in the lobby a photo of him and Ms. Milewicz at a Halloween party, asking them to pay common charges the building said he owed. Mr. Nahoum said he was overcharged, and was owed money for damages from roof leaks caused by the building.

Kelly Ringston, a lawyer for the board, said the building has received most of the money it was owed, and that it is prepared to work with the purchaser as it would with any other owner.

Douglas Elliman who is listing the penthouse, said most of the pre-auction tours have been with tech executives, including one who sold his company to Google, as well as hedge-fund managers looking for one-of-a-kind spaces. After the buyer spends \$2 million or \$3 million in renovations the



The apartment has about 7,500 square feet of indoor space.

space will be worth double the minimum bid price and be one of the best downtown apartments, Mr. Cohen said.

He is listing the property along with Matthew Bordwin of Keen-Summit Capital Partners LLC and Joseph Ash of Luxury Property Group.

Sandy Mattingly, a Corcoran Broker and a blogger known as the Manhattan Loft Guy, said there haven't been

many buyers in SoHo for apartments listed for \$10 million or more.

"The market has gotten killed for that kind of space," he added.

At that price level, brokers are looking for "people with money to burn who have to live in the best loft of anybody they know," Mr. Mattingly said. "This is an ego thing. Nobody needs this much space."

NYPD Looks to Move Beyond Mug Shots

BY ZOLAN KANNO-YOUNGS

When police found a senior citizen apparently suffering from Alzheimer's missing from her family on Staten Island in 2014, officials took to technology.

They sent a photograph of the woman to an NYPD unit. A detective ran the image against a database of "several million" mug shots and was surprised to find the woman among the hundreds the software re-

turned as possible matches.

But if the woman hadn't had a minor traffic violation previously, she might have languished in the hospital, according to Sgt. Edwin Coello, a supervisor in the Facial Identification Section.

This is why Sgt. Coello and the commanding officer of the New York Police Department's Real Time Crime Center want access to the Department of Motor Vehicles database of driver's licenses.

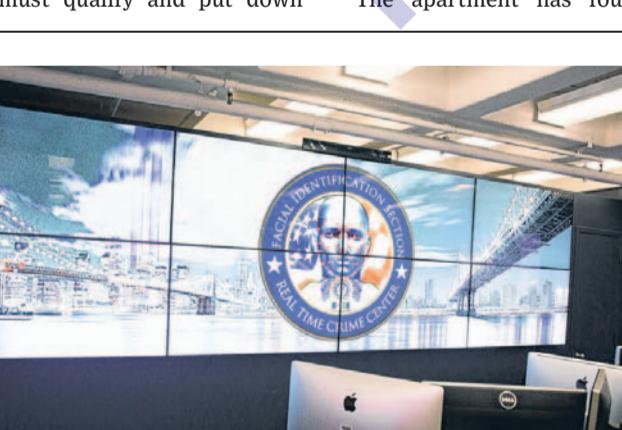
Supervisors of the Facial Identification Section, launched as a pilot in 2011, see utilizing facial recognition to identify missing people as the next frontier of a technology that until now has been used mostly to identify potential suspects or witnesses for detectives investigating crimes.

Critics say obtaining a DMV database—with thousands of photographs of innocent New Yorkers—raises serious privacy concerns.

"The only way we can identify them right now is if they've been arrested," said Inspector Joseph Courtesis, commanding officer of the Real Time Crime Center, which oversees the facial identification section. "We would like to have access to the Department of Motor Vehicles for non-criminal investigations at the very least."

Spokeswomen for the state DMV and New York Gov. Andrew Cuomo contributed to this article.

Please see FACE page A10B



The NYPD Facial Identification Section in lower Manhattan.

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GREATER NEW YORK

Project Misses Environmental Goal

By PAUL BERGER

The \$30 billion Gateway Program to double rail capacity between New York and New Jersey has hit a delay in its environmental review process.

The nonprofit corporation leading the development had a self-imposed goal of completing an environmental review process for its centerpiece, a new rail tunnel under the Hudson River, by March 30. But it has been held up by the federal government, which is still reviewing the project.

A spokesman for the Federal Railroad Administration said the application was complex and required thorough review by multiple federal agencies to resolve legal requirements under environmental laws and to address concerns raised by local communities.

Environmental-review delays are not uncommon. But this one comes on a project to which the Trump administration has shown antipathy.

The Trump administration has rejected claims by New York and New Jersey that it must honor an Obama administration pledge to pay for half of the \$11.1 billion cost of the tunnel. In March, Transportation Secretary Elaine Chao said the states need to put more "skin in the game."

New York and New Jersey



Workers walked in one of the tunnels beneath the Hudson Yards in Manhattan last year.

have pledged \$5.5 billion toward the tunnel in the form of repayments of low-cost federal loans.

Both tubes of the current century-old tunnel under the Hudson River need to be closed during the next 10 to 20 years to repair damage caused by floodwaters from superstorm Sandy in 2012.

The tunnel carries 450 trains every weekday on the Northeast Corridor, the busiest rail line in the country, connecting Washington, D.C., and Boston.

The tunnel project missed a similar environmental-review deadline last summer. In that instance, the Federal Railroad Administration released a draft environmental review one week after a June deadline.

Such environmental reviews usually take four years. But under the Obama administration, the U.S. Department of Transportation expedited the process, cutting the expected completion time to two years.

For months, John D. Porcari, the corporation's interim executive director, has told

Gateway's board of trustees that the review would be completed before April.

In a statement Wednesday, Mr. Porcari said: "We continue to work closely with the U.S. Department of Transportation and other stakeholders to complete environmental review."

Completion of the review would allow the development corporation to continue on the path toward a federal-grant application. The corporation hopes to begin construction of the tunnel in the fall of 2019.

FACE

Continued from the prior page
drew Cuomo's office didn't return requests for comment.

NYPD commissioner James O'Neill said on Wednesday there would be internal discussions regarding obtaining the access.

"We always have to balance people's private rights with public safety so that's a discussion we're going to have to have," Mr. O'Neill said.

Other police departments across the country are exploring incorporating facial recognition into body cameras to identify people in real time.

At the moment, the 10 investigators in Inspector Courtesis' unit use technology only when detectives send a photograph from a surveillance camera or an image captured by a witness.

Once a match is made, it can only be used as a lead, not as evidence persuasive enough to make an arrest.

That doesn't placate privacy advocates. Clare Garvie, an associate at the Center on Privacy & Technology at Georgetown University Law Center, said law-enforcement agencies have some level of access to DMV records for facial-recognition searches in 31 states.

"I would suspect you ask most people, they wouldn't expect [their DMV] photo to end up in a biometric database used by law enforcement for investigations," said Ms. Garvie, who is fighting the NYPD in court over a public-records request for documents pertaining to facial recognition.

Donna Lieberman, executive director of the New York Civil Liberties Union, said the expansion to DMV photos "would expose millions of New Yorkers to criminal investigations simply because they have a driver's license."

Residents gathered at the scene on Wednesday night expressed shock and anger. They described the man as a mentally ill but friendly person who was a staple in the neighborhood for decades.

ble. The database has mug shots dating back to 1996, he said.

The NYPD can filter the mug shots by race, age or location of where the crime occurred, Inspector Courtesis said. Studies have shown African-American faces are harder for the technology to read than those of Caucasians. Once the software sends back "several hundred" mug shots, a group of detectives determine a potential match. Inspector Courtesis said his detectives then verify the match by searching social media and criminal records to identify similarities between the suspect and the subject in the photograph.

"The human part is everything," Inspector Courtesis said. "The facial-recognition component is the smallest part of this."

Police departments are considering using facial recognition in officers' body cameras.

The NYPD used the technology to generate a lead when a WABC-TV reporter was attacked by a man wearing a ski mask on live television in March 2017. A detective captured a screen-grab of suspect, who had lifted his mask up after the reporter confronted him, Sgt. Coello said.

A search of the database turned up a mug shot for Key Jonta Foster, 23 years old, for a previous crime.

That wasn't enough for Inspector Courtesis. He told his investigators to search for a Facebook profile of Mr. Foster. Police found a video of Mr. Foster performing at a rap concert, a written post in which he talked about the assault and spotted a friend's comment that Mr. Foster was incriminating himself.

Mr. Foster also posted on social media at the time that the news reporter initiated the confrontation. The masked rapper surrendered to police days after the assault.

Police Kill Man Holding Metal Pipe

By ZOLAN KANNO-YOUNGS

New York Police Department's Chief of Department Terence Monahan said at a briefing.

Three officers in plain-clothes and two uniformed officers arrived on the corner of Utica Avenue and Montgomery Street to find a man matching the description, Chief Monahan said. The man then "took a two-handed shooting stance and pointed" an object at the officers, the chief said.

The victim was identified by a law-enforcement official and two friends as Saheed Vassell.

Chief Monahan displayed a

photograph at the briefing taken "seconds" before the shooting, which he said showed the man pointing the object at the officers. Four officers then shot the man a combined 10 times, Chief Monahan said. He was taken to Kings County Hospital and pronounced dead.

Residents gathered at the scene on Wednesday night expressed shock and anger. They described the man as a mentally ill but friendly person who was a staple in the neighborhood for decades.

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CORRECTIONS & AMPLIFICATIONS

Asta Funding Inc. of Englewood Cliffs, N.J., along with a subsidiary, Palisades Collection LLC, and the law firm Pressler & Pressler of Parsippany, N.J., have proposed to pay a combined \$3.9 million to settle allegations in a class-action lawsuit. An article Monday incorrectly identified Asta as a subsidiary of Palisades.

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LIFE & ARTS

THE MIDDLE SEAT | By Scott McCartney

The Basic Economy Blackout

Delta, United and American think they've found a way to make sure business travelers keep paying higher prices

TRAVELERS HAVE BEEN looking at basic economy airfares the wrong way. It's gone way beyond airlines matching the cheapest prices of discount competitors. It's really about keeping their biggest spenders spending, a new variation on the old Saturday-night stay requirement.

Delta, United and American have found a new way to shoo business travelers away from their lowest prices and make them pay more. That's exactly what the much-hated Saturday-night stay requirement, now seldom-used in the U.S., did in its heyday of the 1980s and 1990s.

The rise of cheap basic economy fares loaded with restrictions is the latest move in the chess match between airlines and corporate travelers. The big three airlines, faced with several years of falling average domestic ticket prices for business fliers who have wised up to old airline tricks, are expanding basic economy fares to all their domestic routes. These aren't just the ones where they compete against discount carriers like Spirit, Frontier and Allegiant.

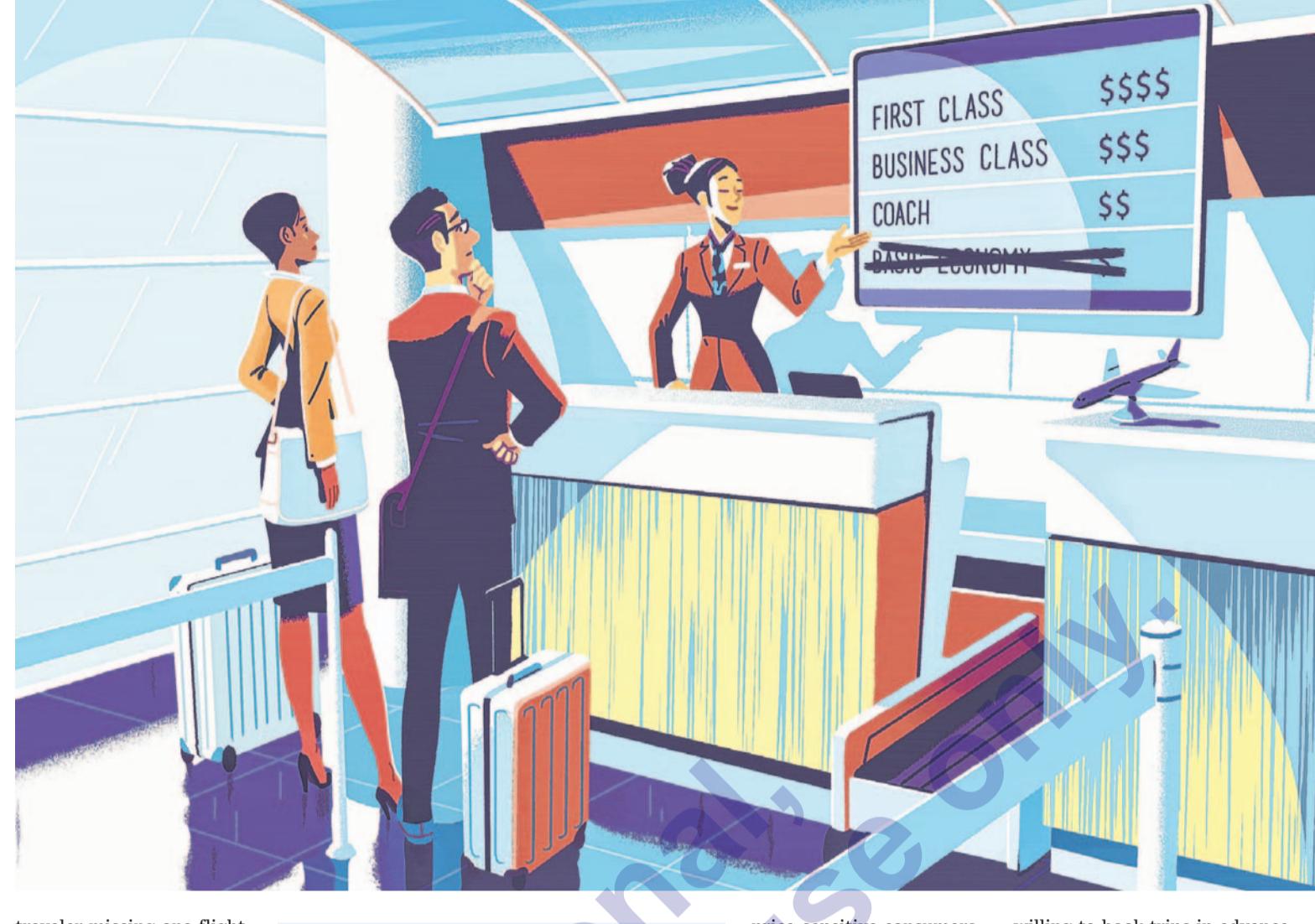
'It doesn't have a place with any of my customers,' one business travel executive says.

American and Delta also are launching it on flights to Europe ahead of summer. United says it will start rolling it out internationally with Latin America by the end of June. Delta and American are using it to Mexico, and American to the Caribbean, too. Their partners on those routes are starting to use basic economy fares as well—watch it spread world-wide.

Basic economy tickets lack advance seat assignments, typically board in the last group, often prohibit carry-on bags in overhead bins and aren't eligible for upgrades or any kind of changes. Delta offers one free checked bag on flights to Europe except on basic economy, which starts April 10 on trans-Atlantic routes. A typical Atlanta-Paris trip is about \$50 less each way on a basic economy ticket, but if you check a bag, you'll pay a \$60 fee each way. Beware other gotchas.

Because of all those added restrictions and looming frustrations, most corporations have blocked them from their displays, according to travel management companies. American Express Global Business Travel says about 75% of its clients have suppressed basic economy fares from booking sites. Topaz International, which audits airfares for big companies, says 103 of 104 clients have blocked basic economy. Egencia, the business travel unit of Expedia, says all of its clients have rejected basic economy.

Whatever savings come from paying \$50 to \$100 less each way could be obliterated by a business



traveler missing one flight and having to buy a new ticket that costs more than \$1,000 instead of going standby on another flight, notes Gabriel Rizzi, president of the corporate travel division of Travel Leaders Group, one of the largest U.S. travel agencies. "It doesn't have a place with any of my customers," he says.

The corporate blockade is what airlines had hoped for, according to several airline pricing executives. Segregating business travelers and vacationers who aren't price-sensitive from the lowest prices means airlines can move them both to more expensive fares.

Meanwhile, airlines get to show up in booking displays with cheap prices that lure leisure travelers. But when those fliers read the fine print, many of them pay more. More than 50% of customers presented with a basic economy fare trade up, airlines say.

"Basic economy is just another product that airlines are using to further segment the marketplace," says Jeremy Quek, air practice line lead at American Express GBT, and a former British Airways pricing executive.

Airlines say they have no problem with corporate travel agencies blocking basic economy offerings and acknowledge the comparison to previous fare fences like Saturday-night stays. Delta and Ameri-

Basically, No

Here's a breakdown of attributes of Basic Economy tickets on the three largest U.S. airlines:

FEATURE	DELTA	AMERICAN	UNITED
Board in last group	Y	Y	Y
Elites get priority boarding	Y	Y	Y
Overhead bin access	Y	N	N
Elites get overhead bin	Y	Y	Y
Advance seat assignments	N	N	N
Eligible for upgrades	N	N	N
Refundable, changeable	N	N	N
Same day changes	N	N	N
Earn miles	Y	Reduced rate	Reduced rate

Source: The airlines

price-sensitive consumers and a higher fare to travelers with deeper pockets. At big airlines, executives say, roughly 15% of customers generate 45% of revenue.

Advance-purchase requirements are one basic way: Instead of selling all seats at a low price long before departure, the airline takes an economic risk by holding back seats for business travelers, so it prices those seats higher.

The price difference can be enormous: \$2,000 for an unrestricted coach ticket but \$200 for a discounted itinerary sold well in advance.

More recently, frequent-flier programs switched to giving out miles based on fare instead of distance, richly rewarding people who buy expensive tickets and enticing business travelers to book closer to departure on higher-priced tickets.

Frequent fliers on upgrade lists are often prioritized not just by elite level status but now by ticket price, too.

But many of the old tricks no longer work, travel managers say. The widespread growth of airlines like Southwest that don't require a Saturday-night stay, plus changing travel patterns where many business travelers don't mind a Saturday-night stay, effectively killed that option.

Business travelers are more

willing to book trips in advance, Egencia data show. Many business fliers naturally take pride in finding cheap tickets, just as they do in their personal travels.

Companies closely monitor employee travel spending and have recently been tightening travel policies to reduce costs, says Barbara Barnard, senior vice president at Carlson Wagonlit Travel. Some offer rewards to employees willing to do company business on cheap tickets.

Topaz says the average domestic business-travel fare in the U.S. for the companies it audited was \$572 in 2014 and last year was down 20%, to \$455.

"Corporate travelers are cottoning on to the fact you can get cheaper and cheaper fares the further out you book," says Tristan Smith, Egencia's senior director of strategy and business development. "Corporates are just getting a bit smarter about it."

Corporate travel departments say they face a risk by blocking basic economy fares. Travelers routinely comparison shop to see if their corporate travel department really is getting them the best deal.

When they see a lower price elsewhere for the same flight, it reinforces worries that their travel agency isn't plugged into the best prices.

For that reason, Amex GBT encourages clients to show the fares but inhibit actual booking with an explanation of why basic economy prices aren't appropriate, Mr. Quek says.

ANATOMY OF A SONG | By Marc Myers

BERNIE TAUPIN TELLS THE STORY OF 'ROCKET MAN'

AT THE HEIGHT OF America's manned missions to the moon in 1971, Bernie Taupin and Elton John wrote a song about the imagined drudgery and loneliness of space travel.

After "Rocket Man" was released in April 1972, the single reached No. 6 on Billboard's pop chart. Recently, Mr. Taupin sat down in Los Angeles to talk about the song's evolution—and President Donald Trump's use of his song title to deride North Korea's Kim Jong Un.

Two new albums of songs by Messrs. Taupin and John interpreted by country and pop artists will be released Friday: "Restoration" (UME/Nashville), executive-produced by Mr. Taupin, and "Revamp" (Island). Edited from an interview.

Bernie Taupin: In mid-1971, I was in England driving north to visit my parents in Lincoln-

shire. I had moved to the States a year earlier and hadn't been home in a while.

After exiting the M-1 motorway, I had to take back roads to my parents' village. By then, the sun had set and it was pitch black. I remember the stars were out.

I had recently reread Ray Bradbury's "The Illustrated Man," his 1951 collection of science-fiction short stories. My favorite was "The Rocket Man."

The story is about an astronaut who spends three months at a time in his rocket away from his wife and son. He's torn. He wants to be home with his family but he also wants to be up among the stars. Eventually, his rocket falls into the sun.

During my drive, I thought about the Bradbury story. I also thought about the 1970 song "Rocket Man" that Tom Rapp had

Please see ROCKET MAN page A12



Above, Elton John in 1972, the year 'Rocket Man' was released; right, Bernie Taupin in 1970.



LIFE & ARTS



BY TOBIAS GREY

WHEN THE NORWEGIAN crime writer Jo Nesbø first encountered "Macbeth," he was in his teens. Rereading it over the years, the 58-year-old feels that the older he gets, the more he understands its characters and their motivations.

"Henrik Ibsen is our national playwright," says Mr. Nesbø, who lives in Oslo, "but 'Macbeth' sort of became my play."

Now the novelist, whose best-selling work includes "The Son," "The Snowman" and "The Redbreast," has taken his fascination a step further by reinventing William Shakespeare's bloodiest tragedy as a book.

"Macbeth," slated for release in the U.S. on Tuesday, is set in the 1970s, in a decaying U.K. town where railways and schools have been replaced by drug dens, brothels and casinos. The book's anti-hero is Inspector Macbeth, head of

the local SWAT team, who is persuaded by his lover Lady to plot a murderous course to take over the police force, then the town itself.

Famous in his native Norway, Mr. Nesbø (his given name is pronounced like "you") has found success in the U.S. and Europe as Scandinavian thrillers have developed a following. A movie version of "The Snowman," starring Michael Fassbender, came out last year.

"Macbeth's" eternal themes of love, corruption and lust for power could be explored in more detail in novel form, Mr. Nesbø says. "A play, of course, is restricted by the amount of time you have in the theater, and I thought there was room to expand some of the story lines."

For example, he built on a moment in Shakespeare's play when Macbeth is told by the three witches—recast as manufacturers of a mind-numbing illegal drug called Brew—that he is destined to become king. "In the play Mac-

beth's reaction to this prophecy is almost one of fear," Mr. Nesbø says. "It's something that is hinted at by Shakespeare but which I decided to make more explicit in my novel."

For his crime novels like "The Bat," which won the Glass Key award in 1998 for best Nordic

Ibsen is our national playwright, but "Macbeth" sort of became my play.'

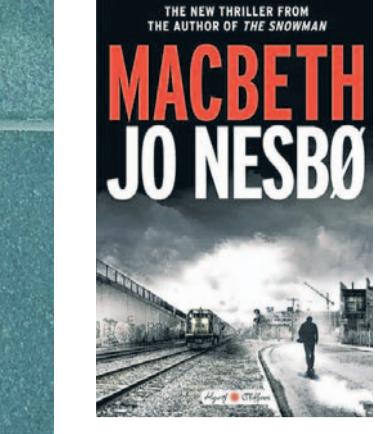
crime novel, Mr. Nesbø spends up to a year writing a detailed synopsis. The planning process was different this time.

"I had a road map already written for me by this guy called William," he says. Going back to the original "Macbeth" reminded him how much it influenced his own

work, particularly the psychology of misanthropic police detective Harry Hole, a main character in 11 of his books, including "The Bat" and "The Redbreast."

"What I found reminiscent of 'Macbeth' is that when I introduced Harry Hole for the first time, I tried to get my readers to invest in him emotionally in the first few pages," Mr. Nesbø says. "Then gradually I turned him into a villain and challenged my audience to take a trip to the dark side of this character. In both cases, you can find yourself rooting for the wrong team."

"Macbeth" is the latest in a series of modern Shakespeare adaptations but the first by a crime writer. The others have been by literary novelists, including Margaret Atwood's "Hag-Seed," inspired by "The Tempest," and Anne Tyler's "Vinegar Girl," based on "The Taming of the Shrew." Random House's Hogarth Shakespeare, which published them, aims "to re-



'Macbeth' is the latest Hogarth Shakespeare adaptation, following books by Margaret Atwood and Anne Tyler.

imagine Shakespeare's plays for a 21st-century audience."

In the works: a retelling of "Hamlet" by "Gone Girl" author Gillian Flynn, which is scheduled to come out in 2021.

"We're looking to market 'Macbeth' as a great crime novel first and foremost and inspired by Shakespeare's great play second," says Alexis Washam, Hogarth's executive editor. "Macbeth," which has been translated from the Norwegian by Mr. Nesbø's regular translator Don Bartlett, will have an initial run of 100,000 printed copies in the U.S.

Mr. Nesbø had several inspirations for the unnamed northerly town in his novel, including the gritty British film "Get Carter," set in 1970s Newcastle; Jim Carroll's novel "The Basement Diaries," about heroin addiction in New York's Hell's Kitchen; and the city of Bergen on Norway's mountainous west coast.

"When you're in rainy Bergen you can drive through a tunnel and when you get out the other side, the sun will be shining," he says.

When Mr. Nesbø embarked on his novel about four years ago, his original intention had been to cherry-pick his favorite parts of Shakespeare's tragedy to create a new story. In the end he found himself sticking faithfully to the play, even following it act by act.

"I soon realized why it's considered such a masterpiece," he says. "Part of the reason it's so great is that while everything doesn't necessarily add up, it's all linked together in such a way that it would be futile to start taking things out."

ROCKET MAN

Continued from page A11

written and recorded with his band, Pearls Before Swine. It was a literal retelling of the Bradbury story.

What appealed to me most about the Bradbury story wasn't the character's yearning or his tragic outcome but the drudgery of being an astronaut.

Driving the back roads, I began writing a song in my head about that. As I thought about how to start the song, the first verse came to me at once: "She packed my bags last night pre-flight / Zero hour 9 a.m. / And I'm gonna be high as a kite by then."

But I didn't have a pad or pen in the car. I also couldn't dictate the words or call someone to take them down. That technology didn't exist yet.

So I repeated the lyrics over and over. I was trying not to lose my train of thought as I raced to my parents' house. When I arrived, I rushed in without saying hello. I was hunting for a pen and paper.

I had never written that way before. Usually I'd come up with a line and build from there. In this case, words to an entire verse fell out of my mind and onto the page. The words had such a rhythmic cadence.

Honestly, I wasn't sure if what I had written down was a verse or a chorus. But since I hadn't seen my parents in some time, I set the initial "Rocket Man" lyrics aside.

I can't recall exactly where I wrote the remaining verses or the chorus: "And I think it's gonna be a long, long time / Till touch-down brings me round again to find / I'm not the man they think I am at home / Oh no, no, no, I'm a rocket man."

I do know I finished the lyrics before I presented them to Elton in late '71. That's how we worked. My lyrics always came before Elton's music.

When I first came down to London in 1967 to look for work as a lyricist at 17, I wasn't proficient on anything. I still can't play piano.

I met Elton through an ad in the New Musical Express newspaper. In the early days, before he recorded his first album in 1969, we lived at his mother's flat in the Northwood Hills section of London.

There was an upright piano in the living room. I'd sit on my bed in the back bedroom and write lyrics. Once I had something, I'd walk down the hallway to the living room and say to Elton, "Here, try this one."

Elton recorded his first four studio albums at Dick James and Trident studios in London. We couldn't afford to write together there because of the expense of stu-



Bernie Taupin and Elton John in January at the Theater at Madison Square Garden for the tribute, 'Elton John: I'm Still Standing—a Grammy Salute.'

dio time so we worked at our London flat.

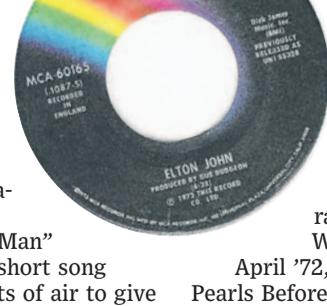
For "Honky Château," his fifth studio album in '72, we lived and wrote at the Château d'Hérouville outside Paris, where the album was recorded. As always, Elton and I worked there in separate spaces, with the words coming first.

I probably completed the lyrics to "Rocket Man" at the Château in late 1971, just before Elton began recording the album in January '72.

He never questioned the meaning of any of my lyrics. He might say, "I don't understand this and I don't know if I can work with it." But he never challenged my interpretation or the art of what I do.

In some respects, "Rocket Man" is a song of fragments. It's a short song with four short verses and lots of air to give it an ambient feel of space.

But it's not poetry. I'd rather not be regarded as a poet. Unfortunately, I've borne that cross for years. I'm a lyricist, and there's a big difference. My words are meant to be set to music.



During the recording of "Rocket Man," I sat in the control booth and just observed. I felt very inadequate in the studio. I was a little intimidated by producer Gus Dudgeon. He was so technically advanced. I was afraid if I said something I would be laughed at.

When I heard Elton's recording of "Rocket Man" played back for the first time on the monitor speakers, I was thrilled. It was an amazing feeling to hear my lyrics turned into something special. The music gave my words a living, beating heart.

You never get that feeling solely from the words. That feeling comes from the magic of music and melody—and arrangements and great musicians.

When "Rocket Man" came out in April '72, most people weren't aware of Pearls Before Swine's song. So critics pointed to David Bowie's "Space Oddity" as an obvious influence. But Bowie's 1969 song had no relevance to me whatsoever. I wasn't listening to pop music on the radio then. I was listening to Chicago blues, hard-core country and mostly American-made music.

Looking back, the only line on "Rocket Man" that still bothers me a little is "Mars ain't the kind of place to raise your kids / In fact it's cold as hell." Mars's temperature is about as far from hell as you can get.

There's also a good chance that Elton stretched out my opening chorus line. I believe I wrote, "And I think it's gonna be a long time." Elton made it a "long, long time" so it would sing better. It's the same on "Bennie and the Jets." I didn't write "Buh buh-buh Bennie." Those are Elton's tweaks that make our songs hits.

Last September, I was home in L.A. when I saw on my phone that President Trump had used "Rocket Man" to taunt North Korea's Kim Jong Un.

The context bothered me. The thought that World War III could start over the use of my song title was disturbing. I also was uncomfortable that something of mine that was culturally iconic could be used in such a way.

But what could I do? Sue him for cultural appropriation? As a songwriter, you're powerless to stop something like that.

However, if the use of "Rocket Man" results in peace, I will be very happy to take full credit for it.

LIFE & ARTS

CULTURAL COMMENTARY

Where a Star Was Born

BY DAVID MERMELSTEIN

MORE THAN ANY OTHER movie star, Ingrid Bergman enjoyed a life of chapters neatly divided—if not always neatly lived. There was the early Hollywood period; the Hitchcock years; the interregnum with Roberto Rossellini (and the exile from the U.S. that resulted); the return to Hollywood, capped by a second best-actress Oscar; and the Indian summer, with yet another Oscar, that lasted until she died of cancer in 1982, on her 67th birthday. But before all her other cinematic achievements came the Swedish films, which remain little known by American audiences.

Seven years ago, Kino International released three of those 11 pictures. Now Criterion is grouping the same three titles with three more in its latest Eclipse box, "Ingrid Bergman's Swedish Years," available April 10. Tellingly, the set marks only the second time that Criterion has dedicated a collection of DVDs solely to an actor, rather than to a filmmaker, writer or studio. (The first, released in 2011, honored the ebullient Indian star Sabu.)

Criterion's six-disc trove starts with "The Count of the Old Town" (1935), directed by Edwin Adolphson and Sigurd Wallén, which finds Bergman in her first credited role. The part isn't much—she mostly looks pretty—but her character, Elsa, catches the eye of the likable Åke (Adolphson), whose abrupt arrival at the pension where Elsa works upsets the equilibrium of its comic denizens, including the perpetually drunk Gurkan (Wallén) and the punctilious but shiftless titular Count (Valdemar Dahlquist). Pondering the exploits of a brazen jewel thief the newspapers dub Diamond-Lasse, they consider whether their mysterious new friend might have an alter ego. Clever twists keep viewers guessing until the movie's surprising conclusion.

"Walpurgis Night" (1935), directed by Gustaf Edgren, maintains Bergman's status as an ingénue, but



CRITERION COLLECTION (2)

places her in a richly textured melodrama as the spinster daughter of a powerful, aged editor (the great actor and director Victor Sjöström). Bergman's Lena falls for her handsome boss, Johan (Lars Hanson, who earlier played opposite Greta Garbo and Lillian Gish in memorable silents), and then gets swept up in a scandal involving abortion, blackmail and, eventually, suicide. Through it all she keeps her dignity, even as she temporarily loses her father's trust, setting a precedent for some of the strong-willed characters the actress would later portray in Hollywood and elsewhere.

Gustaf Molander cast Bergman in six pictures, three of which are



included here, starting with "Intermezzo" (1936). The film's lasting fame stems from its prompting the producer David O. Selznick to bring Bergman to Hollywood—where she would remake the movie opposite Leslie Howard in 1939. But this sentimental yet deeply affecting story of a celebrated fiddler (Gösta

Ekman in the Swedish version) who abandons his family to take up with a young, promising pianist, still contains a durable moral, insisting that just because a man can do as he pleases doesn't mean he should.

The set's shortest film, Molander's "Dollar" (1938) is also its strangest. Now top-billed, Bergman plays Julia, a noted actress and the cattiest member of an upper-class sextet of self-absorbed married couples. Each member seems to prefer an in-law to his or her legal partner, setting the scene for an après-ski showdown. Perhaps it's the translation, but the dialogue is like labored Noël Coward, or a poor imitation of

Ingrid Bergman in 'A Woman's Face' (1938), left; Britt Hagman and Bergman in 'Intermezzo' (1936), below

American screwball comedy, with none of the fizz, subtlety or deftness that make the form delectable. Yet Bergman's sophistication, a later trademark, provides its own rewards.

Bergman's greatest performance of the period—and one of her greatest, period—came in Molander's "A Woman's Face" (1938), playing Anna Holm, a badly scarred blackmailer given a chance to redeem her misdeeds thanks to plastic surgery. But can a rich family's love overcome Anna's ingrained greed and bitterness? Bergman's nuanced performance keeps us constantly guessing.

Per Lindberg's "June Night" (1940) also casts Bergman as a troubled figure, this time as Kerstin Norbäck, the victim in a sensational, small-town attempted murder who tries to reinvent herself (complete with name change) in bustling Stockholm. But notoriety is tough to outrun, and there's something about Kerstin (renamed Sara) that turns men's heads. Åke Dahlqvist, who shot five of these features, does especially appealing work here, securing uncomfortably intimate close-ups and breathtakingly illuminating an art-deco pharmacy at night.

Those familiar with Bergman's later work may be the ideal audience for these pictures, seeing them as markers of how she matured as an actress and discovering what was intrinsic in her as a performer from the start. But even those unfamiliar with her benchmark films—"Casablanca," "Gaslight," "Notorious," "Journey to Italy," "Murder on the Orient Express" and "Autumn Sonata," to name a few—will find much to savor. For this set offers ample proof that real movie stars are not so much made as born.

Mr. Mermelstein writes for the Journal on film and classical music.

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SPORTS



GOLF

AUGUSTA ADDS NEW EVENT

BY BRIAN COSTA

AUGUSTA NATIONAL Golf Club will host a new women's amateur national championship beginning in 2019, a progressive move for a club that had no female members until 2012. The 54-hole tournament will be held annually the week before the Masters, with the final round being played at Augusta National on Saturday. The first two rounds will be played at nearby Champions Retreat.

The announcement of the tournament on Wednesday was the first major change under the club's new chairman, Fred Ridley, who succeeded Billy Payne last year.

"We believe this event will have a significant and lasting impact on the future of the women's game," Ridley said. "Our hope and expectation is that this event will further energize those who already love the sport and inspire others through the dream of competing at Augusta National."

The women's tournament is yet another step by Augusta National to extend Masters week in a way that promotes the sport at a grassroots level. Since 2014, on the Sunday before the Masters, it has hosted the finals of Drive, Chip and Putt, a nationwide junior golf skills contest.

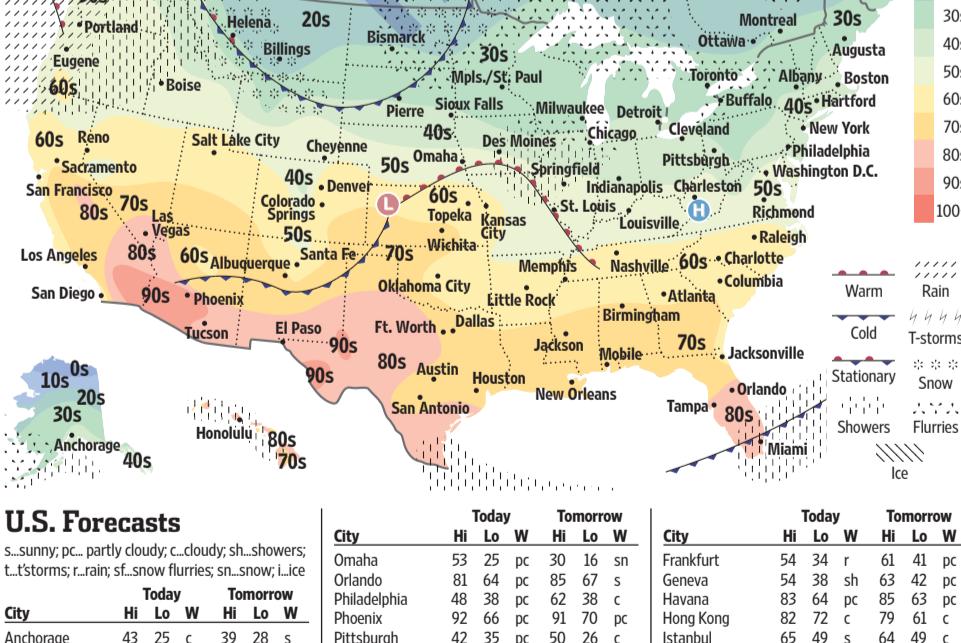
Only three years ago, when asked about the possibility of hosting a women's event, Payne said it was unlikely to ever happen. But Ridley, a 65-year-old former U.S. Amateur champion, said he made it a priority.

"I just felt that there was an opportunity and a platform to make a statement as to how we feel about this part of the game," Ridley said. He added, "Golf's a great game. Hopefully it's color-blind, it's blind as to gender."

There are only three known female members of Augusta National: former Secretary of State Condoleezza Rice, South Carolina financier Darla Moore and IBM chief executive Virginia Rometty.

"They are great contributors," Ridley said.

Weather



U.S. Forecasts

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

Today Hi Lo W Tomorrow Hi Lo W

City	Hi	Lo	W	Hi	Lo	W
Anchorage	43	25	c	39	28	s
Atlanta	67	48	s	71	59	pc
Austin	79	67	pc	87	47	c
Baltimore	51	38	c	65	39	c
Boise	59	47	sh	64	51	c
Boston	46	30	s	47	38	sh
Burlington	35	25	pc	42	31	sn
Charlotte	64	44	s	73	56	pc
Chicago	41	29	sn	38	18	pc
Cleveland	41	34	pc	47	25	c
Dallas	74	62	pc	83	37	t
Denver	65	37	c	41	22	c
Detroit	45	32	pc	44	23	c
Honolulu	82	69	sh	80	72	c
Houston	76	68	pc	84	60	t
Indianapolis	49	36	c	47	24	pc
Kansas City	60	34	c	36	16	c
Las Vegas	87	64	pc	86	67	pc
Little Rock	66	49	c	68	37	r
Los Angeles	71	56	pc	70	60	pc
Miami	83	70	pc	82	72	pc
Milwaukee	39	28	sn	36	18	pc
Minneapolis	38	18	sn	25	11	pc
Nashville	61	47	pc	66	35	t
New Orleans	74	62	s	79	69	t
New York City	46	36	pc	56	36	c
Oklahoma City	69	50	c	64	23	r

International

Today Hi Lo W Tomorrow Hi Lo W

City	Hi	Lo	W	Hi	Lo	W
Amsterdam	48	34	r	58	44	pc
Athens	74	57	pc	69	55	t
Baghdad	86	59	p	85	62	c
Bangkok	92	78	t	92	73	sh
Beijing	50	38	c	49	33	pc
Berlin	58	35	pc	53	39	pc
Brussels	48	36	r	60	49	pc
Buenos Aires	85	59	s	68	58	sh
Dubai	92	77	s	96	80	c
Dublin	47	43	c	52	41	r
Edinburgh	47	37	p	50	41	r

THE MASTERS

Phil Mickelson's Power Game

At the age of 47, Mickelson is still a longer hitter than some of the best young golfers in the world

BY BRIAN COSTA

Augusta, Ga. IN THE ERA of physical fitness in golf, Phil Mickelson can appear like a relic from another time. On Tuesday, he played a practice round with Tiger Woods, who wore a skin-tight, barely collared tee. In a golf fashion move that only he would attempt, Mickelson wore a baggy, checkered-white, long-sleeved button-down shirt, as if here not to compete against Woods but to prepare his tax returns.

"The only thing missing was a tie," Woods cracked.

But beneath that facade lies one of the biggest reasons Mickelson is still among the favorites to win the Masters at age 47: He has maintained his power better than most golfers do in the twilight of their careers. It is the byproduct of a swing that limits the physical toll on his body and years of training in a way that is less about his physique and more about strength where a golfer needs it.

With an average length off the tee of around 300 yards this season, Mickelson is driving the ball about 10 yards longer than he did in 2013, when he last won a major. He's a longer hitter than some of the best young players in the world. His swing, clocked at an average speed of 116 mph, is faster than that of Rickie Fowler, another top player two decades younger.

"It's not what the athlete looks like," said Mickelson's longtime trainer, Sean Cochran. "It's how they perform—week after week, year after year."

Mickelson's power is seldom discussed because it's not what he is best known for. He is famous for his short game, which has long been the envy of his peers. His instructional guide, "Secrets of the Short Game," is a favorite among weekend duffers in both book and video form.

Chipping and putting have always tended to age well, even among players who aren't as prolific at them as Mickelson. What falls off with age most dramatically is power.

Chipping and putting have always tended to age well, even among players who aren't as prolific at them as Mickelson. What falls off with age most dramatically is power.

In 2014, a golf statistical analyst, Jake Nichols, published an aging curve of driving distance of PGA Tour players from 2008 to 2013. It found that a typical player's carry distance peaks before age 25, falls to average at age 35 and plummets to nearly 20 yards below aver-



Phil Mickelson hits off the 13th tee during a practice round for the Masters at Augusta National Golf Club.

age by age 48.

By defying that trend, Mickelson has given himself a baseline for his game that, when his putting and short game are on, doesn't merely make him competitive. It leads to moments like last month's WGC-Mexico Championship, where Mickelson won a tournament for the first time since 2013.

He would be the oldest player to win the Masters—a year older than Jack Nicklaus when he won at age 46 in 1986. But even at a time when major champions are skewing younger, that would hardly register as a surprise.

"The longevity of careers are different," said Mickelson. "This is another effect that Tiger had on the game of golf as far as being aware of fitness, and more specifically golf fitness now. It has allowed me to elongate my career because of that."

Mickelson first hired Cochran, a former strength coach for the San Diego Padres, in 2003. One reason was just to get stronger. "The other reason was to keep up with Tiger," Cochran said. "At that time, Tiger was blowing everybody away."

But in the years that followed,

the two of them took different approaches. Woods, once a skinny teen, became dramatically bulkier. In his prime, he was statuesque. Then his body broke down.

Mickelson has favored plyometric exercises, such as throwing a medicine ball against a wall, to build core and lower body strength without overdoing it. "It's a lot more work than I probably lead on," he said.

He also has a more rhythmic, less violent swing than many contemporary long-hitters, which has helped make his power more durable.

"It's a very efficient swing," Cochran said. "The more efficient your swing is, the less work your body has to do to execute it."

The Masters has become a refuge for aging golf greats, if not quite to the extent of the British Open. That is partly because of the field, which is by invite only and the smallest of the majors. Only 87 players will tee it up this week, compared to 156 at the other three majors. Eight are past champions over age 50.

Because it is the only major played at the same course every year, the Masters also rewards ex-

perience, which brings the kind of in-depth course knowledge that an otherwise overmatched player can use to his advantage.

Since turning 50 in 2009, Fred Couples has finished in the top 20 at the Masters six times. Two years ago, at age 58, Bernhard Langer began the final round just two shots off the lead before finishing tied for 24th.

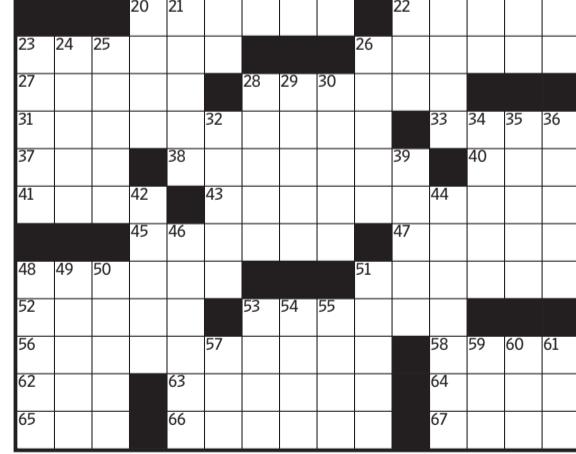
"You really need creativity and imagination and touch," Langer said. "You have to really think your way around this golf course."

Had his power fallen off by now, Mickelson would need all of those things to compensate for the fact that he'd be hitting into greens with longer clubs from much farther away than other players on the leaderboard. With that power, on a course that tolerates his wildness off the tee better than most, his short game could be enough to earn him his fourth green jacket.

By now, Mickelson could have reasonably hoped to be even more powerful than Woods, who has had four back surgeries. Improbably, though, Woods is driving the ball just a few yards farther.

"Some things never change," Mickelson said.

The WSJ Daily Crossword | Edited by Mike Shenk



TAKE A BREAK! | By Damien Peterson

- | Across | Down |
|--|-----------------------------------|
| 1 One shot in a bar | 29 Personnel chief, at times |
| 5 Like AB negative, among blood types | 30 ___ out (didn't get on) |
| 11 Germane | 32 Maker of candy wafers |
| 14 Funk | 34 Don Draper and his co-workers |
| 15 Twelfth Night | 35 System of belief |
| 17 Countess | 36 Brit's boob tube |
| 20 They take courses | 39 Sentence units |
| 21 Duke of video games | 42 Dazzling designs |
| 22 Brunch option | 44 Electra's brother |
| 23 Palmer with an army | 46 Because |
| 24 Resigned oneself to an unpleasant task | 48 Part of Fred Flintstone's yell |
| 25 He had gilt feelings | 50 Pandora released them |
| 26 Captain born in France in 2305 | 51 Old message |
| 27 Nile slitherer | 53 Johnny Cash's "___ Named Sue" |
| 28 Turnoff, perhaps | 54 Keep in check |
| 29 Stationary | 55 Piscine "Pinocchio" character |
| 30 Hot | 57 Old Tokyo |
| 31 Grains used to make the flatbread rotla | 59 Hacker, of a sort |
| 32 Frank's third wife | 60 Movies, informally |
| 33 Delicacy | 61 Messy room |
| 34 Sad state | 62 Gambler's giveaways |
| 35 Grain | 63 Hopkins of "Gimme a Break!" |
| 36 Fair attraction | 64 Turnoff, perhaps |
| 37 Frank's third wife | 65 Nile slitherer |
| 38 How many stumble to bed | 66 Spot for blocks |
| 39 Sentence units | 67 Hot |
| 40 Bow's husband on "Black-ish" | 68 Turnoff, perhaps |
| 41 Colombian coin | 69 Still life |
| 42 Palmer with an army | 70 Hot |
| 43 Brunch option | 71 Hot |
| 44 Electra's brother | 72 Hot |
| 45 Captain born in France in 2305 | 73 Hot |
| 46 Nile slitherer | 74 Hot |
| 47 Staggering | 75 Hot |

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

Previous Puzzle's Solution

OPINION

Trump's Irrelevant Tariffs



WONDER LAND
By Daniel Henninger

A never-to-be-forgotten line that burst out of Donald Trump during the campaign was: "We're going to win so much, you're going to be so sick and tired of winning." With President Trump currently drafting much of America into his trade war with the world, we may be there.

This week, the Trump trade team and China traded \$50 billion tariff salvos. A day or so earlier, Mr. Trump threatened again to end the North American Free Trade Agreement.

The president won the real jobs war, which wasn't with Mexico or Germany.

He is sending the National Guard to the border. He threatened steel and aluminum tariffs from Europe to Asia. Pretty much the whole world is under a Trump threat, and the stock market has a new sport: 700-point cliff-diving.

Mr. Trump's justification for brinkmanship on this scale is mostly one thing: protecting U.S. workers from unfair foreign trade and jobs displacement by immigrants.

There's just one problem with this: The U.S. is running out of citizen workers.

Barron's, our sister publication, just published a long article, "The Great Labor Crunch," on the country's acute shortage of workers in trucking, construction, retailing, fast food, oil drilling, technology

and manufacturing. And that's just a partial list. Demographics alone predict a worker shortage of 8.2 million over the next 10 years. An oil services manager calls it "an emergency, a crisis actually."

Earlier this week, the Journal described labor shortages across the Midwest ("Too Many Jobs, Not Enough People"). Skilled, semi-skilled or unskilled labor—we're short of everything. A sign on an Arby's near Mason City, Iowa: "If you're smiling, we're hiring."

Donald Trump wants to spend his days grinding out one-on-one renegotiations of the U.S.'s trade agreements, but he has been overtaken by his own economic success. His policies have produced the worker shortage that now makes his war on trade deficits a third-level concern.

It's an astonishing achievement. On taking office, Mr. Trump and the Republican-controlled Congress put in motion a radical deregulation targeted at nearly every major U.S. industry and workplace. At year's end, he and his Republican allies enacted a 40% cut in the corporate tax rate, while reforming an array of other tax-related impediments to capital investment.

In just over a year, we have full employment. The Democrats, by choice, contributed nothing to this welcome result. Donald Trump won the real jobs war, which wasn't with Mexico or South Korea but with the Obama presidency's eight years of economic suppression.

Here's another threat: With the U.S. economy now desperate for workers, what Mr. Trump is doing to limit trade



their businesses to Mexico and elsewhere. Manufacturers that can't find workers will also move offshore.

At no time has politics ever recognized full employment as a problem. With the Trump presidency, the moment to deal with the "problem" of full employment has arrived.

The problem is no longer that "they" are "stealing our jobs." It is that too many rural or inner-city Americans cannot or will not migrate to the jobs employers are offering.

The idea that the American work ethic has eroded is similar to the immigration debate—interesting but going nowhere. More relevant is that after Donald Trump brought to the surface disaffected people in places such as Pennsylvania and Wisconsin, we learned more about the phenomenon of people who simply won't move to take work. Why not?

It's a long list. Because the home-mortgage deduction is too valuable and the shortage of housing (and construction workers) makes moving too expensive.

Because the vast expansion of state Medicaid and other entitlements has trapped more people into thinking that a low-grade life without work is good enough.

Because public schools leave the young semi-numerate and semi-literate. Because state occupational licensing deters millions from moving to jobs they'd be good at.

The true challenge now is not protecting U.S. workers from the rest of the world but liberating them inside their own country.

Write henninger@wsj.com.

The Pitchforks Are Out for McKinley

By Karl Rove

for bravery, ending the war as a major.

As a young lawyer in 1867, McKinley worked hard to pass an Ohio constitutional amendment protecting black voting rights. Elected to Congress in 1876, he was a staunch advocate of federal civil-rights protections, and as resolutions chairman at the 1884 and 1888 Republican national conventions he ensured that the GOP platform supported such measures.

Even though the first modern president fought against racial and religious bigotry.

McKinley was the first presidential candidate to appear before black audiences while seeking the nomination in 1896, and he appointed a record number of blacks to federal positions.

McKinley also took on anti-Catholic bigotry, defying America's largest pressure group, the American Protective Association, when it insisted during his Ohio governorship that he fire Catholic state workers.

Pressed on why McKinley's statue should be removed, protesters point to his signing the 1898 Curtis Act, which abolished tribal governments in the Indian Territory—paving the way for Oklahoma to become a state—and distributed communal lands to tribe members. McKinley's signature on this bill in no way justifies accusations

that he is guilty of "racism and murder." The law's author, Rep. Charles Curtis of Kansas, himself of Native American descent, believed Native Americans could assimilate with the wider U.S. population.

McKinley's assassination by a terrorist in 1901 caused an outpouring of national grief not seen since Lincoln's death or experienced again until John F. Kennedy's murder 62 years later. Half a million people lined the train tracks as the president's body was returned to Washington, with 30,000 breaking into patriotic songs as his funeral cortege pulled out of Harrisburg, Pa. Tennessee schoolchildren sent a train carload of sweet peas to be strewn on his path into Canton's cemetery, where a hillside was covered with floral tributes from workers honoring the man who presided over prosperity and unity.

"I don't think people would even know who McKinley is," Ms. Pereira says, "but we do." Actually, they don't. They have a notion of McKinley—the first modern president, who ushered in the American Century—that is so warped that only willful ignorance and runaway political correctness explains their destructive action.

Mr. Rove helped organize the political-action committee *American Crossroads* and is the author of *"The Triumph of William McKinley"* (Simon & Schuster, 2015).

A Message to Millennials From 1899

By John Tamny

Next time you're tempted to bemoan millennials as lazy and entitled, take a few minutes to read "A Message to Garcia." The short essay, published in 1899, achieved mass appeal in the early 20th century. It puts into perspective today's complaints about America's youth.

The author, Elbert Hubbard, said his inspiration came from a conversation about the Spanish-American War with his son Bert. The boy had proclaimed Lt. Albert Rowan a hero for bringing a crucial missive written by President William McKinley to Cuban Gen. Calixto Garcia. Rowan transported McKinley's message to the leader of the insurgents at great risk to himself and without asking endless questions.

Hubbard contrasted Rowan with the unfocused young men entering the working world, who needed "a stiffening of the vertebrae," which would cause them "to be loyal to a trust, to act promptly, concentrate their energies." Hubbard was troubled by "the imbecility of the

Then as now, the old disdained the young as lazy and entitled.

average man—the inability or unwillingness to concentrate on a thing and do it." He lamented that "slipshod assistance, foolish inattention, dowdy indifference, and half-hearted work seem the rule," and that young men, when asked to perform a novel task, were apt to protest,

"Was I hired for that?"

So pessimistic was Hubbard that he predicted socialism would fail in the U.S. After all, "if men will not act for themselves, what will they do when the benefit of their effort is for all?"

The essay's historical accuracy has been called into question, but it struck a nerve with many industrialists, including Henry Ford, for what it said about the quality of men showing up for work at the time. Apparently they didn't measure up. Later, the "foolish" young men Hubbard decried fathered the "Greatest Generation."

If Hubbard's complaints sound familiar, so do those made a quarter-century ago about my age cohort, Generation X. Rolling Stone's review of the 1994 movie "Reality Bites" noted that the characters,

recent college graduates, "take comfort in ducking reality through talking, toking, watching '70s reruns and grooving to such oldie hits as Squeeze's 'Tempted' and the Knack's 'My Sharona.'

Just as Hubbard's description proved false, so did this depiction of Generation X, which played a major role in the internet boom that transformed the U.S. economy. The "slacker" generation became rich and rapidly moved out of their parents' houses and got places of their own. Now it's our turn to describe the younger generation as entitled, lazy, and unproductive.

Mr. Tamny is director of the Center for Economic Freedom at *FreedomWorks* and author of *"The End of Work,"* forthcoming from Regnery.

BOOKSHELF | By Bertrand M. Patenaude

A Starring Role Behind the Scenes

The Kremlinologist

By Jenny Thompson and Sherry Thompson
(Johns Hopkins, 587 pages, \$39.95)

Llewellyn E. "Tommy" Thompson Jr., hardly a household name, deserves to be better known than he is. At various moments he may well have made the difference in preventing the Cold War from turning hot. Most notably, he helped manage the crises over Berlin and Cuba. He also assisted in arranging for the withdrawal of Allied occupation forces from Austria. He twice served as U.S. ambassador to the Soviet Union at the height of the Cold War and, in between, served in Washington as an adviser on Soviet affairs under Presidents John Kennedy and Lyndon Johnson.

"The Kremlinologist" is the first book-length biography of Thompson (1904-72). Neither Jenny nor Sherry Thompson, his daughters, is a professional historian, but they have closely researched official records and secondary sources and interviewed experts and eyewitnesses, and they draw on personal anecdotes that illuminate the family life of this formidable diplomat. The result is a readable portrait of a man whose behind-the-scenes role in major events is easy to overlook.

Thompson's first Moscow ambassadorship was especially eventful, at a time when Soviet Communist Party leader Nikita Khrushchev sought to de-Stalinize the Soviet Union and steer it toward peaceful co-existence with the West while struggling to maintain his grip on power.

Thompson was on hand for such landmark episodes as the "kitchen debate" between Khrushchev and Vice President Richard Nixon at a model American kitchen in Moscow in July 1959 and the Soviet downing of an American U-2 spy plane on May 1, 1960.

A sharp-eyed interpreter of the Kremlin, Thompson advocated a firm but friendly line toward the Soviet Union. In

Moscow, he persuaded Nixon to soften the belligerent tone of a speech that the visiting vice president had prepared to deliver on Soviet television. Khrushchev could be mercurial, while Thompson, as the authors note, was "adept at containing his own emotions." The bantering interactions between the two men were pivotal to defusing the crisis over Berlin, where construction of the wall began in August 1961.

Thompson's wife, Jane, is a winsome, irrepressible presence in "The Kremlinologist." She was unencumbered by a diplomat's notion of tact or discretion and uninhibited by her beginner's knowledge of the Russian language. At a reception in Moscow in 1959, she made what she intended to be a playful comment in Russian that seemed to confound Politburo member Anastas Mikoyan. Later, as she recounted the episode to her husband, the horrified couple realized that she had asked Mikoyan whether he "had any balls."

In October 1962, after Thompson had been brought back to Washington, his expertise proved invaluable during the Cuban Missile Crisis. He was a member of the advising committee helping the president decide how to respond to the discovery that the Soviets had placed nuclear-armed missiles in Cuba. Thompson's input was essential in shifting the group's opinion away from air strikes and toward the decision to impose a naval blockade. He is also given a major share of the credit for Kennedy's "Trollope ploy" (named for a plot device in an Anthony Trollope novel), whereby the president, having received two messages from Khrushchev, chose to respond to the first, more conciliatory one and put off dealing with the other. Defense Secretary Robert McNamara remarked that "Tommy Thompson was the unsung hero" of the missile crisis.

His quiet diplomacy and shrewd counsel relaxed Cold War tensions and made him the 'unsung hero' of the Cuban Missile Crisis.

Thompson was not a strategic thinker with the writer's gift on the order of George Kennan, who eloquently warned of a gathering Soviet threat in his "Long Telegram" from Moscow in 1946 and, roughly a year later, formulated America's "containment" policy. As a negotiator, however, Thompson was in a league of his own. "The trouble with Americans is that we see everything in black or white," he once remarked, "but there's a lot of gray in diplomacy." Thompson was a master at exploiting the gray areas in the search for common ground. In the case of the 1955 Austrian negotiations, for instance, his quiet perseverance helped neutralize a treaty clause that had left the door open for the Soviets to return and reoccupy Austria. Secretary of State John Foster Dulles was ready to sign, but Thompson came up with a compromise formula that closed the risky loophole.

The qualities that made Thompson an effective negotiator, alas, prevent him from being the ideal subject for a biography. For long stretches in "The Kremlinologist," he is in the background—precisely where he was supposed to be. Standing in for him are descriptions of diplomatic negotiations and maneuvers that will test the endurance even of Cold War completists. And there are occasional errors and oddities. For example, the authors say the U.S.S.R. occupied "western Poland" in 1939 when they mean eastern Poland. In their eagerness to attribute the failure of Operation Barbarossa, the German invasion of the U.S.S.R. launched on June 22, 1941, to the legendary Russian winter, the authors state that Hitler had been forced to "postpone his invasion of the Soviet Union by a fatal six weeks—until winter would be approaching," although summer had begun only a day earlier.

This is a generous biography but not a hagiography. "The Kremlinologist" doesn't, for instance, attempt to portray Thompson as a Cassandra on Vietnam when U.S. involvement escalated during the 1960s. His position toward the war was one of muted skepticism at best. Nor does it present him as an ideal father. At one fraught juncture, when the family resided in Washington, Jane was left to contend with her two "difficult incipient teenagers" while Thompson assumed that "the family could be run like an embassy" and that Jane and the girls "just ought to be left to it." As the authors tersely put it: "That turned out to be a bad idea."

Readers of a certain age will come away from this volume feeling nostalgic for Cold War certainties. One wonders what advice Thompson would give his government for coping with Vladimir Putin's Kremlin today. It may no longer be Thompson's world, yet one would like to inquire, echoing JFK: "What's your opinion, Tommy?"

Mr. Patenaude, a research fellow at the Hoover Institution, is the author of *"Trotsky: Downfall of a Revolutionary."*

OPINION

REVIEW & OUTLOOK

China Trade Brinkmanship

Chinese strongman Xi Jinping isn't going to give Donald Trump an easy win on trade. That's the message of Beijing's quick response to Washington's plan, announced late Tuesday, to impose a 25% tariff on \$50 billion in Chinese-made goods. Hours later, China's State Council issued its own \$50 billion tariff list targeting American exports. Stocks fell Wednesday on risks of trade conflict between the world's two largest economies before recovering on signs of strong U.S. economic growth.

Commerce Secretary Wilbur Ross tried to play down China's retaliation, noting that the U.S. exports affected "amount to about three-tenths of a percent of our GDP. So it's hardly a life-threatening activity." Perhaps, but the potential damage is large. The Administration promises to bring other tariff cases under Section 301 of U.S. trade law. If Beijing follows through on its promise to give as bad as it gets, investors are right to be worried.

Beijing's tariff list is also notable for including the top U.S. exports to China: soybeans and aircraft. In both industries, the U.S. is the world's leading producer and China the largest importer. That will hurt Chinese companies and consumers, at least in the short run. But it will inflict more pain on Midwestern farmers and Boeing workers if the tariffs last. Mr. Trump's protectionism will punish in particular the farms he carried in 2016.

Chinese airlines can buy planes from Airbus instead of Boeing, though they will have less leverage on price. The U.S. supplies two-thirds of China's soybean market, and look for Argentina and Brazil to steal market share. Chinese use soybeans to feed pigs, and the price of pork may rise. But Chinese leaders will justify any consumer pain as necessary to stand up to U.S. trade bullying.

The retaliation also undercuts Washington's argument that its tariff list of 1,300 products would minimize the impact on American companies and consumers. U.S. Trade Representative Robert Lighthizer says the goods are available from other sources, so prices should remain stable.

The U.S. list targets industries in which China is pressuring American companies to give up their intellectual property rather than cheap consumer goods such as apparel. But the tariffs will hit American companies that have invested

in China and disrupt supply chains, damaging U.S. competitiveness.

The U.S. is on stronger ground in tightening rules on China's acquisition of companies with valuable intellectual property. That threatens Beijing's ambition of global tech leadership and signals the U.S. will hold out for fundamental changes to the way China mistreats foreign companies.

Chinese leaders say Mr. Trump's demand to bring down the bilateral trade deficit by \$100 billion is unreasonable, and they're right about the economics. The trade deficit has more significant causes than trade policy, and it isn't affecting American jobs much with a U.S. unemployment rate of 4.1%.

But the Chinese may be willing to make a deal along those lines—especially if it lets them continue their mercantile practices of helping Chinese companies dominate high-tech markets. Early talks between Chinese economic czar Liu He and Treasury Secretary Steve Mnuchin have broached managed-trade solutions such as China buying more American semiconductors and some preferential market access for U.S. financial firms.

Mr. Trump claims the tariffs are merely a negotiating tool, but no one can predict the damage if both sides dig in. Potential Democratic presidential candidate Sen. Elizabeth Warren visited Beijing last weekend and warned leaders that the U.S. needed to recalibrate economic relations because China had failed to open its markets as promised. The free-trade voices in the Republican Party are mostly mute, and Beijing's abuses have alienated most of China's friends in Washington, even in the business community.

* * *

With roughly 60 days to negotiate before the two sides are due to impose the tariffs, the trade conflict is now a game of chicken with both sides rhetorically lashed to the steering wheel. Both countries will be hurt if they can't reach a settlement. Tariffs risk undermining Mr. Trump's tax reform and deregulation successes, and Mr. Xi needs continuing rapid growth to prevent public unrest.

The best solution would be for the two to strike a deal before the tariffs hit and then work out a longer-term agreement built on reciprocal treatment. The economic danger is that both sides, and Mr. Trump in particular, seem to see more benefit in trade brinkmanship.

Virginia's Unhappy Hour

If beer is proof that God loves us and wants us to be happy, then Virginia's happy hour restrictions don't bode well for the government's benevolence. The state's strict prohibitions violate the First Amendment, restaurateur Geoff Tracy claims in a lawsuit against the Virginia Alcoholic Beverage Control Authority filed last week in federal court in Alexandria.

Mr. Tracy owns three restaurants around Washington, D.C., and outside Virginia he can advertise colorful happy hours like Wednesday Wine Night, Thirsty Thursday, and Sunday Funday. But Virginia law says establishments can only use the terms "happy hour" and "drink special" and forbids advertising discounted drink prices on sidewalk signs or social media. The Virginia spoilsports also bar offering a two-for-one drink special, though half-off drinks are allowed.

Like whiskey, the penalties are stiff: A first of-

fender risks a \$500 fine and a weeklong suspension of the bar's liquor license. Represented by the Pacific Legal Foundation, Mr. Tracy contends that Virginia is prohibiting him from "communicating entirely truthful information about his business and practices to the public."

The law "prevents Chef Geoff from speaking as he would like to speak, and from making the same statements in Virginia that he makes in Maryland and Washington, D.C.," says the complaint, which adds that "the only difference between offering two drinks, each for half-price, and offering two-for-one, is how the offer is described. The ban on two-for-one specials is therefore a restriction on speech."

As the lawsuit notes, the First Amendment makes no exception for speech about vices. On the virtues of his argument, Mr. Tracy deserves to prevail in court.

The Wisconsin Canary

Wisconsin Gov. Scott Walker is warning about a "blue wave" in November after the liberal candidate won a state Supreme Court seat in a rout on Tuesday, and he's right. At risk is the GOP House majority as well as a decade of Republican progress in the state.

Milwaukee County judge Rebecca Dallet defeated Sauk County judge Michael Scronock 56%-44%, the first time a liberal has won an open Wisconsin Supreme Court race since 1995. Conservatives retain a 4-3 court majority, but their control will be challenged in 2020 when the term ends for a conservative appointed by Mr. Walker.

Ms. Dallet opposed Gov. Walker's collective-bargaining reforms and the state Supreme Court decision to shut down Milwaukee County District Attorney's abusive John Doe probe of conservatives in the state. While Republicans attacked her as a coastal liberal, she ran as an anti-Trump populist.

Voter turnout was 22%, which is higher than the 20% typical of Wisconsin spring elections and notable amid a snow storm. Democrats marched over ice to vote in Madison and Milwaukee. Ms. Dallet also won in traditionally conservative Brown County (Green Bay) by 10 percentage points and Winnebago County (Fox Valley) by 14. Both are 20-point swings from President Trump's victories in 2016.

This confirms what we learned in Pennsylvania's 18th Congressional district special election in March and the Virginia governor's race last year. President Trump's chaotic and polarizing governance has motivated the left to turn out in big numbers while turning off some Republicans, especially in the suburbs.

Even judicial candidates are running against Trump—and winning.

The President wants to make the elections a referendum on himself and on immigration, but his eruptions are drowning out other GOP messages like the growing economy and tax reform. Wisconsin's 2.9% unemployment rate is a record low, and Gov. Walker's public union reforms are saving local governments tens of millions of dollars. But none of this can break through the White House static.

President Obama, Joe Biden and Eric Holder campaigned for Ms. Dallet. Democrats realize they can use state Supreme Court judges to hijack policy debates. Liberal majorities have blocked a teacher tenure reform in North Carolina, pension reform in Illinois, a charter-school law in Washington and education saving accounts in Nevada.

In February the Pennsylvania Supreme Court's Democratic majority redrew the state's Congressional map that could help liberals pick up three to four U.S. House seats. Mr. Holder's redistricting group spent heavily in the Wisconsin Supreme Court race, likely hoping to challenge the state maps after 2020 if Democrats don't control the statehouse and governorship.

What President Trump doesn't seem to realize is that a liberal tsunami in November could erase GOP control of many statehouses and put Democrats in prime position to gerrymander maps after the 2020 reapportionment. Republicans are also defending 26 governorships this year including in Nevada, Michigan, Ohio, Wisconsin, Iowa, Maine and Florida.

If Mr. Trump is the main issue on Election Day in November, all the evidence now points to an electoral wipeout like Mr. Obama's in 2010—this time against Republicans.

LETTERS TO THE EDITOR

Guatemalan Case Against the Bitkovs Is Just

Mary Anastasia O'Grady's "Kremlin Revenge in Guatemala" (Americas, March 26) unfortunately perpetuates an inaccurate portrayal of Russia's banking industry and its state banks. In alleging the influence of "Kremlin's long arm" in all the wide scope of banks' operations, it also presents a one-sided account of the Igor and Irena Bitkov developments.

It is true that around 70% of the Russian banking sector is represented by the banks with significant state equity participation. Nevertheless, such major financial institutions as Sberbank and VTB count international investors, including those from the U.S., among their shareholders. Moreover, VTB bank's shares are listed on the LSE in line with all the applicable corporate requirements. Our major responsibility is the one that is to our shareholders and the recovery of bad loans is one of the necessary activities to ensure their interests are in place.

Surprisingly, in this case the recovery of bad loans was portrayed as the "Kremlin's long arm" and suggested there was influence on the Guatemalan court. It is a regular criminal fraud followed by other criminal acts. Bitkov isn't commonly known nor had he ever been actively involved in Russia's political or social matters.

The claim that Bitkov's developments were orchestrated by a Kremlin agenda are made even less plausible by the role of the U.N. International Commission Against Impunity (CICIG), which was instrumental in urging the Guatemalan Court to indict the Bitkov family. The CICIG is an independent international organization, funded by the U.S. since its foundation in 2007.

The statements that "but for lack of evidence, prosecutors did not pursue the money-laundering charge" and "VTB Bank failed to prove fraud"

are false. The moneylaundering case hasn't even been heard yet. The article's allegation that VTB failed to prove fraud is grossly inaccurate. You say "the company was forced into bankruptcy." Mr. Bitkov filed for bankruptcy himself.

The Bitkovs were found guilty of criminal charges, not administrative offenses as you suggest. On Jan. 10 the Guatemalan court found the Bitkov family guilty of forging and using falsified documents in Guatemala. The court also ruled against 36 people—including Guatemalan officials—involving in the crimes.

VTB intends to continue demanding full repayment of the bank's credit facilities in accordance with applicable laws. VTB's action relating to the Bitkov family is an example of standard procedure in resolving serious financial business disputes through the available legal channels, in-line with any global institution's responsibility to its shareholders—and nothing else.

ANDREY KOSTIN
Chairman and CEO, VTB Bank
Moscow

Ms. O'Grady neglects the important role that the prosecutor general of Guatemala and the CICIG have played in combating corruption.

The American Bar Association has observed remarkable progress by the CICIG in combating deep-rooted corruption and promoting a just rule of law. To address this one case in isolation, omitting the contribution of CICIG in seeking to dismantle the complex criminal structures that have co-opted the Guatemalan government, plays into the hands of those who are threatened by its accountability efforts and seek to discredit them by any means.

HILARIE BASS
President, American Bar Association
Washington

The Facebook Issue Really Is Property Rights

Regarding Daniel Henninger's "Is Facebook a Frankenstein?" (Wonder Land, March 29): Instead of making this a privacy discussion, why not include it under the topic of property rights? Silicon Valley giants, the robber barons of our time, are getting fantastically wealthy capitalizing on others' data for little or no cost to source. If individuals were given property rights to this data, they could relinquish those rights for fees they deem appropriate, alleviating the inequality of the situation. Not only that, this would help offset some of the disruption of technology on the workforce and other landscapes as well by providing a source of income to those displaced if they choose to monetize their rights, i.e., data.

There has been a push lately in the area of a universal basic income. If technology is driving some of the need for this and we're anticipating the forward progress of technology along with AI into the future, then maybe it isn't government's place to make up the difference. Maybe the answer lies in the

tech industry compensating those whose property is what makes the whole technology-based ecosystem as valuable as it is.

PATRICK LOFTIS
Cincinnati

When I do a threat assessment on a scale of 10 to 0 (10 being Armageddon and 0 being the tooth fairy), Mark Zuckerberg gets close to zero because he has no power to force me to do anything. At least Frankenstein looked scary; Mr. Zuckerberg looks like my paperboy.

The data migration is less of a control problem than a personal-responsibility issue. As my father cautioned us: "Fools names and fools faces are always found in public places." If I retorted that control of the "public" was the solution, he would have thought he was raising an idiot. Instead, take responsibility for your name and face.

The bureaucrats now meddling in our information systems are getting traction on my threat scale.

JIM STAUB
Laguna Niguel, Calif.

The Bloated Deep State Benefits One Party

J.T. Young's "How to Dig Into the 'Deep State'" (op-ed, March 27) is on target in tracing the dangers of an unaccountable, bloated bureaucracy to the balanced powers of the three branches of government designed by our Founders. His observations are not limited to the federal government but extend to state, county and municipal authorities, dramatically swelling the numbers and influence of unelected civil servants. Secondly, these bureaucrats largely serve with little oversight and impunity principally due to the clout of their civil-service unions.

Finally, the bureaucratic state is inherently biased politically. Its basic wiring is supportive of big government and this works to lubricate the union support of politicians, who repay with overly generous benefit packages and endless backing of a greater bureaucracy. Want to guess which party is privileged by the bureaucratic state?

EM. PROF. DONALD O. HENRY
University of Tulsa
Durango, Colo.

Mr. Young is right when he says we need changes in the bureaucracy. Consider the lack of transparency in salary and bonuses. Open-thebooks.com has reported that it filed a Freedom of Information Act request for salary information. The result was 254,839 federal salaries removed from the data. This is com-

pared to 3,416 when they filed in 2016. In 2016 openthebooks.com found about \$1.5 billion in incentive, recruitment, relocation, retention and performance bonuses. However, \$1.1 billion was withheld from disclosure. The GAO reported in 2016 that federal employees were rated as 99.6% successful. Are we allowed to know how they are rated? No.

John F. Kennedy had it right when he said: "The very word 'secrecy' is repugnant in a free and open society; and we are as a people inherently and historically opposed to secret societies, to secret oaths, and to secret proceedings."

The kind of secrecy that openthebooks.com has uncovered is destructive to a democracy.

MICHAEL P. CARTER
Savannah, Ga.

Pepper ...
And Salt

THE WALL STREET JOURNAL



"On the one hand, we'll burn in hell; on the other, that's a lot of money."

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OPINION

How to Make Trade Peace With China

By Martin Feldstein

Beijing have spent a week talking with officials and old friends here about the increasing trade conflict between the U.S. and China. The Chinese are nervous about a potential trade war and uncertain about what the U.S. wants. They say we need negotiations to reduce the trade tensions.

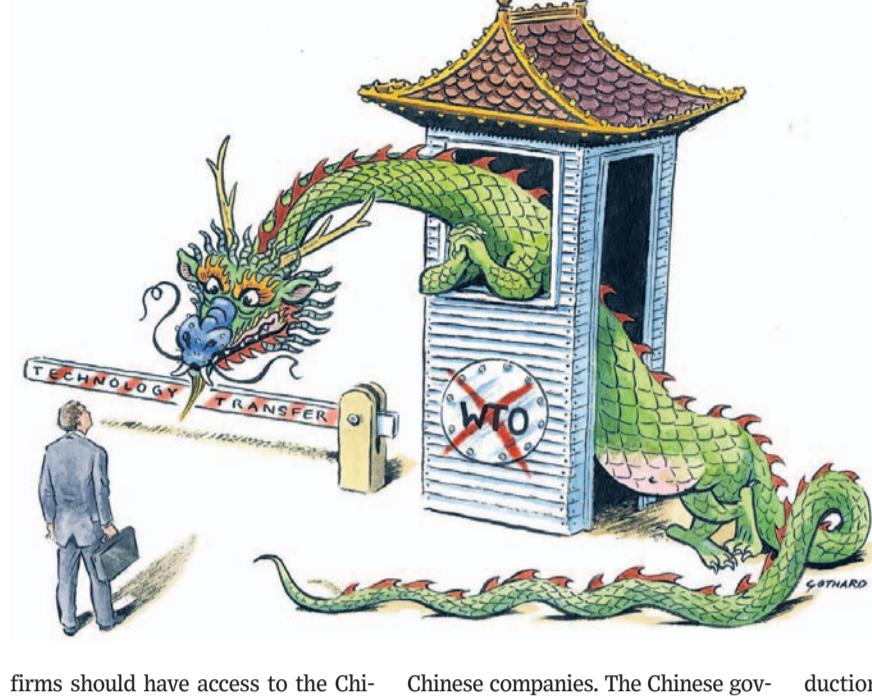
I explain that the U.S. has several straightforward goals and negotiations are not necessary. What is needed is a change in Chinese behavior to conform to the rules Beijing accepted when it joined the World Trade Organization in 2001.

The most important issue is the demand that U.S. companies transfer their technology to Chinese counterparts as a condition of doing business in China. American businesses that want to produce or sell in China are often required to enter into a joint venture with a Chinese firm that then has access to U.S. technology. Chinese companies then use that technology to expand their own production and

A mutual promise to abide by the WTO's intellectual property rules would solve much of the problem.

sales at home and to displace American firms in the rest of the world. The result is a loss of income to the American businesses.

The Chinese government acknowledges that WTO rules forbid making the transfer of technology a condition for access to a nation's economy. But it argues that the practice is "voluntary" because American firms aren't forced to do business in China—their other option is to stay out of the country. American companies and officials say it's a form of extortion because U.S.



firms should have access to the Chinese market, as they do to markets in Europe and elsewhere, without losing their intellectual property.

Although the Chinese practice violates WTO rules, it is difficult to bring a successful technology-transfer case because American companies fear retaliation by Beijing if they complain openly or provide detailed evidence that the U.S. government can use in pursuing such a case. Even so, the U.S. government began an investigation in August 2017, as called for by WTO rules, and concluded last month that China does violate the rule that market access may not be conditioned on technology transfer. The U.S. then imposed tariffs and other penalties.

This is not the first accusation that China has taken intellectual property from American companies. The U.S. previously complained that Beijing was using sophisticated cyber tools to invade the computer systems of U.S. manufacturers, extract valuable technology, and transfer it to

Chinese companies. The Chinese government denied it.

President Obama met with President Xi Jinping in 2013 and showed the Chinese leader evidence obtained by U.S. intelligence that the Chinese army was infiltrating the computers of American companies. At the end of that meeting, the U.S. and China issued a statement that neither government would use its cyber skills to acquire foreign commercial technology. There was no admission of wrongdoing. I understand that such cyber exploitations of American commercial technology declined significantly afterward.

That experience may provide a good model for dealing with the current form of technology transfer. Presidents Trump and Xi could meet and agree that both countries would now accept a literal interpretation of the WTO rule barring technology transfer as a condition for market access, meaning any such practice should not be interpreted as voluntary.

There is no need to look back at past actions or admit past violations of WTO rules.

Although the U.S. does not require a transfer of technology by companies that want to do business there, Chinese firms like Baidu that are very sophisticated in artificial intelligence or other fields may welcome such a promise by America.

Other trade issues should be easy to resolve. The U.S. would like China to reduce its excess capacity in steel and other industries and to stop selling the resulting products on the global market at below cost, in violation of WTO rules. Mr. Trump's tariffs on steel are a way of putting extra pressure on China to accelerate its reduction of excess capacity.

The U.S. has an overall trade deficit of 3% of gross domestic product because Americans want to consume more than they produce. Reducing the large U.S. bilateral trade deficit with China would not reduce America's global trade imbalance, but it still would be a politically significant achievement. This could be achieved if China were to substantially shift its global purchase of natural gas toward American producers.

As the Chinese economy grows and Beijing deploys increased military and diplomatic force around Asia and in the rest of the world, the U.S. faces significant geopolitical challenges. Trade issues and the transfer of intellectual property should not be allowed to exacerbate those tensions.

Mr. Feldstein, chairman of the Council of Economic Advisers under President Reagan, is a professor at Harvard and a member of the Journal's board of contributors.

I'm David Hogg, and I Support Gun Rights

By David Hogg

Charlotte, N.C.

My name is David Hogg and I'm not from Parkland, Fla. I first found out about the other David Hogg from my grandfather. He called and asked my parents to turn on the TV because there was a David Hogg who looked similar to me and was close to my age—I'm 16, he's 17. We were all saddened by the events in Parkland and found the coincidence of names odd.

But then it turned into something we didn't expect. My mom and I started getting hate messages through social media because people were confusing me with the David in Florida. They used our pictures from Facebook, used anti-Semitic words (although we're not Jewish), made

My mom and I got hate mail in Parkland's wake. But it was all a case of mistaken identity.

fun of our looks and our last name, and said many other hateful and crude things. We contacted them one by one to prove that we were a different family. Some believed us, but some just thought it was part of the conspiracy theory.

It kept snowballing. My younger brother was asked at school if that was his elder brother on TV. One of my professors, in the middle of a lecture, asked if I was the David Hogg from Florida.

We hoped things would settle down, but they didn't. After a while, I decided it was time to tell my story and where I stand on the subject, even though this isn't my fight.

I feel for Mr. Hogg, his classmates and the community of Parkland, as they have gone through a horrific atrocity. I wish that nothing like this would ever happen again. At the same time, I believe in protecting everyone's constitutional rights and liberties, and I feel that the Second Amendment is important.

I believe that gun education needs to be improved for buyers and gun-safety instruction should be mandatory in school, much like CPR in health class. Even if you do not personally want a gun, you should be educated on the basics of firearms and what to do in different situations. To help make schools safer, an obvious improvement would be to have more trained, armed security officers at schools and have limited outside entries. Many schools have all doors locked to outsiders; everyone enters through the front area.

The answer is not to take away guns from law-abiding citizens, because that would result in less protection. In theory taking away guns sounds like a good idea, but it's more complicated than that. Not everyone abides by the law. The law tries to prevent incidents and punishes offenders when crimes occur, but it can't stop people from hurting others. And it is unjust to punish the majority of law-abiding citizens based on the actions of criminals.

The other David Hogg and I have similar goals but disagree on the means for accomplishing them. He puts more blame on the gun and the National Rifle Association than on the criminal. Still, I applaud him and his fellow activists for exercising their First Amendment right to speak out, without which nothing would ever get accomplished. In order for America to do something about a problem, people must discuss the issue and find the best solution for it.

I am no political scientist, activist or journalist, but I have a viewpoint too. I urge Florida's Mr. Hogg to listen to people with differing views, because he would want them to listen to him. I recommend he be less demanding and more open to other ideas. People who are not willing to budge from their goal make it harder for change to occur. Also, some of his recent actions—like calling sponsors to stop advertising on a commentator's program because she was rude to him—come across as bullying, as he claims the NRA is doing to Congress.

I would like to see him soften his tone and be more respectful in delivering his message. Teenagers are smart, but we certainly don't have all the answers. Both the Florida David and I have a long way to go in life and a lot to learn.

Mr. Hogg studies engineering at the University of North Carolina at Charlotte.

Businesses Can Make Sure Growth Helps Workers

By Jamie Dimon

On Thursday I'm releasing my annual letter to JPMorgan Chase shareholders. Beyond describing the state of our company, I am proposing a vision for how all businesses can live up to their responsibility to spread opportunity throughout America.

As the economy is transformed, government and private companies must collaborate to add jobs, increase wages and help those left behind. We must overcome divisiveness and polarization, and work together on three policies that would help businesses and workers adapt to globalization and technological change.

First, Congress should reform and expand the earned-income tax credit. The EITC rewards work and supplements the incomes of low-paid workers. A single mother with two children earning \$9 an hour—approximately \$20,000 a year at full time—could get a tax credit of more than \$5,000. Last year the EITC lifted an estimated nine million Americans above the poverty line.

Yet it is far from perfect. Each year, about 21% of the people who are eligible for the EITC don't file for it, likely because they don't know about it. There also are many fraudulent claims. And the current rules make too few workers eligible. About 21 million Americans earn between \$7.25 and \$10.10 an hour. It's hard to argue that this is a living wage, particularly for workers with families.

Converting the EITC into a payroll credit would deliver the benefit to more Americans in need. Automatically calculating the credit for everyone would help, too, while reducing fraud. Eligibility should be expanded to include more workers without children.

Supplementing workers' wages is an investment, not a gift. It draws more people into the workforce and increases the likelihood they will remain

employed. That leads to positive social outcomes, such as more household formation, less crime and better health. The American economy is generating an enormous amount of wealth, and expanding the EITC would allow more people to access it while boosting overall productivity.

Companies can ensure employees are trained in useful skills, and they can hire ex-prisoners.

Second, business and political leaders—local and national—should focus on better employment training as a way to improve Americans' productiveness and earning power. The U.S. used to boast the world's best-trained workforce, but the challenge today is adapting to the labor market's shifting demands. America's high schools, vocational schools, technical schools and community colleges should work together with local businesses to train students in skills that match high-paying jobs in growing sectors. Apprenticeships and skill

certifications ought to be widely available, giving workers an affordable route to better-paid positions. And such students can still return to college if they so choose.

Right now, Americans are all paying the price for the education system's inability to prepare students for employment. The U.S. ranks 24th out of 33 advanced countries in math and science, according to the Organization for Economic Cooperation and Development. Making an investment that gets us to the OECD average in the coming decades would significantly boost America's economic competitiveness.

Finally, as the labor market tightens, helping former prison inmates re-enter society would help fill job openings and heal many lives and communities. Making it easier for people with criminal records to find employment could prevent them from returning to criminal activity. That could break the destructive cycle of crime and joblessness that's evident in too many American cities and towns.

The barriers to hiring citizens returning from incarceration can be high, and some are even imposed by law. For instance, the Federal Deposit Insurance

Corp. has rules governing who can work in a bank, disqualifying some people for even minor convictions. But the FDIC has proposed changes to allow banks more flexibility, and JPMorgan welcomes that reform. Our company's responsibility to recruit, hire, retain and train talented workers extends to this population.

Recently, I visited one of our partners in Chicago, the North Lawndale Employment Network, which gives formerly incarcerated people a path to well-paying jobs. The network also builds a pipeline of trained mechanics for Chicago's transportation sector. This is a win-win for workers, employers and the economy as a whole.

These are just a few examples of how government and private companies are working together to create inclusive economic growth and a better society for all. By cooperating to address labor challenges, we can solve one of the greatest challenges facing our country. That would be good for everyone—and good for business.

Mr. Dimon is chairman and CEO of JPMorgan Chase and chairman of Business Roundtable.

Coffee Won't Kill You, But CAFE Might

By Sam Kazman

The federal government's auto fuel economy standards have for decades posed a simple problem: They kill people. Worse, the National Highway Traffic Safety Administration has covered this up. The Environmental Protection Agency, which since 2009 has helped manage the Corporate Average Fuel Economy standards, known as CAFE, also played a role in burying their deleterious effects. But change finally is coming.

On Monday EPA Administrator

Scott Pruitt announced he is re-examining the stringent standards set by the Obama administration in 2012. This might finally bring some honesty to the issue of CAFE's lethal effects and push the safety issue to the forefront of the debate over government efficiency mandates. Or it might not.

To call it a coverup isn't hyperbole. CAFE kills people by causing cars to be made smaller and lighter. While these downsized cars are more fuel-efficient, they are also less crashworthy. In 1992 in *Competitive Enterprise Institute v. NHTSA*, a lawsuit my organization brought with Consumer Alert, a federal appeals court ruled that the agency had "obscured the safety problem" through a combination of "fudged analysis," "statistical legerdemain" and "bureaucratic mumbo-jumbo." In the court's view, nothing in the record "appears to undermine the inference that the 27.5 mpg standard kills people."

How many people? A 1989 Harvard-Brookings study estimated the death toll at between 2,200 and 3,900 a year. Similarly, a 2002 National Academy of Sciences study estimated that CAFE had contributed to up to 2,600 fatalities in 1993. This was at a relatively lenient CAFE level of 27.5 miles per gallon. Under what the Obama administration had in store, CAFE would soon approach levels twice as stringent.

These inconvenient truths should have led the government to change

its approach to CAFE. At least the standards didn't get worse for about a decade throughout the 1990s, despite environmentalist demands for a stricter—and therefore more lethal—approach. But then CAFE was swept up in climate-change politics.

Advocates of stringent standards claim that automotive technologies have advanced since that 1992 court ruling, making vehicle mass less significant. But the basic relationship between size and safety has not changed. The Insurance Institute for Highway Safety, which closely monitors crashworthiness, still provides the same advice it has been giving for years: "Bigger, heavier vehicles are safer."

CAFE advocates like Consumer Reports treat lighter cars as merely a question of comfort, not crashworthiness. Car makers and dealers may express concerns about safety in the abstract, but considerations of politics and marketing make them hesitant to discuss hard numbers.

In his announcement, Mr. Pruitt proved admirably blunt in characterizing the Obama CAFE standards as based on "politically charged expediency" and assumptions "that didn't comport with reality." Let's hope he'll be similarly candid about CAFE's risks. A lethal program that's been in effect for decades deserves one thing above all—an accounting.

Mr. Kazman is general counsel of the Competitive Enterprise Institute.

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WORLD NEWS

Ruling Upends da Silva's Re-Election Bid in Brazil

By SAMANTHA PEARSON
AND PAULO TREVISANI

SÃO PAULO—Brazil's Supreme Court rejected former President Luiz Inácio Lula da Silva's efforts to avoid jail in a watershed ruling early Thursday morning that is expected to land the populist leader behind bars within days and end his bid for re-election.

In a case that has divided this nation and put the country's three-decade-old democracy to the test, the court's justices voted 6 to 5 against the

'This is a civilized country,' said an ex-justice. 'The judiciary gets the last word.'

leftist leader, denying his request to remain out of prison while he exhausts all possible appeals against his conviction for corruption.

The 72-year-old was found guilty last year of accepting a penthouse apartment from a construction firm in exchange for favors, landing him a 12-year prison sentence and marking a dramatic fall from grace for the former shoeshine boy who left office seven years ago as one of the world's most popular politicians.

Thursday's ruling all but ends Mr. da Silva's hopes of running in October's presiden-

tial election, a vote that polls show he would win. The outcome also propels other potential candidates to the front of the pack, including a right-wing former army captain, Jair Bolsonaro, and the environmentalist Marina Silva.

Brazil's streets were largely deserted initially after the ruling early Thursday, which came at around 12:30 a.m. local time after almost 11 hours of deliberations. Authorities were bracing for demonstrations later in the day.

"His case has divided public opinion in such a passionate way," said Carlos Ayres Britto, a former justice at the court. But the role of Brazil's highest court, he said, is to "apply the constitution and re-establish an atmosphere of peace, order and harmony."

"This is a civilized country," he said, and "the judiciary gets the last word."

After the court's ruling, it is now up to Judge Sérgio Moro, who convicted Mr. da Silva last year as part of the country's massive Car Wash corruption investigation, to issue a warrant for his arrest—a mere technicality, criminal lawyers said.

Protests have broken out across Brazil's major cities this week, led by leftist groups that believe the corruption case—and six others in which Mr. da Silva is a defendant—are part of a witch hunt by conservative parties, backed by army generals and wealthier voters.

"Lula is clearly being tar-



Demonstrators against former Brazil President Luiz Inácio Lula da Silva gathered outside the National Congress in Brasília Wednesday.

geted because he was the only president who fought inequality and helped the poor," said Conrado Pereira Sousa, 74, a retired driver who joined demonstrations in the capital Brasília Wednesday. Many held up banners denouncing what they say is a coup, reminiscent of the military intervention that led to

Brazil's 1964-85 dictatorship. Meanwhile, crowds of elated Brazilians dressed in the country's national green and yellow colors have also taken to the streets over recent days, calling for Mr. da Silva's arrest, which they see as reinforcing the rule of law in a country racked with corruption and impunity.

"Whoever is sentenced in the appeals court should be arrested," said Murilo Brito, 34, a cattle-rancher in downtown Brasília.

Mr. da Silva was convicted of corruption and money laundering in July last year and lost his first appeal in January.

Brazil's Clean Slate law bars

convicted criminals who lost their first appeal from running for office, but Mr. da Silva had vowed to make it to the ballot box regardless—a battle that experts said will be close to impossible behind bars.

—Luciana Magalhães and Jeffrey T. Lewis contributed to this article.

Migrant Caravan in Trump Crosshairs Stalls Far From the U.S. Border

By JUAN MONTES

MATIAS ROMERO, Mexico—A caravan of migrants from Central America set out from southern Mexico last week hoping to raise awareness of the suffering many migrants face from poverty and violence at home.

Many said they hoped to make it to the U.S. and begin a new life. Instead, they have become the focus of a growing crisis between the U.S. and

began their fourth day at a public sports center here. "We're in limbo," said one man who lay down outside the center, surrounded by rolled mattresses and garbage bags.

Organizers acknowledge they were taken aback by both the size of this year's caravan—which has been a periodic ritual since 2010—and the attention it has received. They also say their original plan of making their way to the U.S.

border has likely changed. "We cannot arrive to the border with 1,000 people. The group is too large, we never had seen this amount of people before," said Irineo Mujica, one of the leaders of the caravan. He said previous caravans had about 300 people.

Mr. Trump has sharply criticized Mexico for not stopping the caravan and returning migrants home.

For its part, Mexico also was

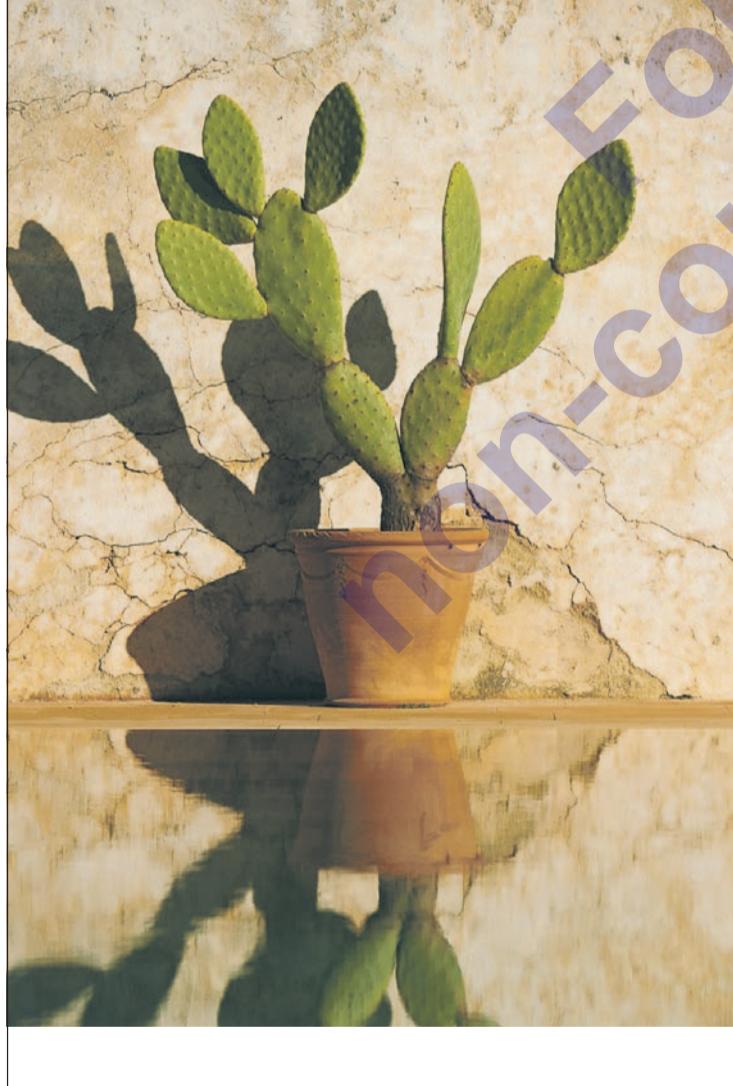
caught off balance by the furor over the caravan. Mexican officials say they don't allow illegal immigration and point out that Mexico has deported growing numbers of Central Americans over the past few years.

Mexican immigration officials are now offering most of the caravan migrants either a 20-day transit visa through Mexico or a 30-day humanitarian visa for those who want to apply for asylum in Mexico.

Mexican officials privately say they hope the offer will entice enough of the migrants to apply for asylum here to make the crisis go away.

Mr. Mujica said around 70% of immigrants are willing to stay in Mexico if they get their papers to stay and work here.

"What I need is a job to support my family, and if Mexico provides me with papers and work I will stay with a cousin," said Walter Romero, 40.



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BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

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Big Banks Aim to Gain From Volatility

Wall Street trading desks are expected to report higher revenue as market convulses

BY TELIS DEMOS

Following wild price swings for markets in the first quarter, Wall Street's trading desks are poised to report one of their best three-month periods in years.

While no one is expecting a new peak in trading like the ones that occurred in 2009 and shortly before the financial crisis, the trading desks of the biggest U.S. banks are an-

ticipated to report revenue as much as 5% higher than a year ago, say analysts at Credit Suisse. Analysts at Jefferies are a bit more optimistic, saying that trading results, which sometimes make or break a quarter for some of the largest U.S. lenders, could rise in the high single-digit percentages.

That would be welcome news to Wall Street and bank investors, especially because the first quarter of 2017 was itself a relatively strong trading period in the wake of the U.S. presidential election. Another boost could put the five biggest U.S. banks by trading revenue—JPMorgan Chase & Co., Citigroup Inc., Bank of

America Corp., Morgan Stanley and Goldman Sachs Group Inc.—in line for possibly their biggest trading quarter since the beginning of 2015.

Still, the three-month bump is relatively small in the context of the surging volatility earlier this year. The trading business more broadly has shrunk since its heyday, pressured by a decline in active investment, an increase in low-cost electronic trading and a scaling back of proprietary trading.

For the five biggest Wall Street banks, trading revenue was about \$70 billion last year, down from nearly \$100 billion in 2009.

In the latest quarter, busy,

fast-moving markets encouraged some investors to buy or sell to protect their portfolios or take advantage of new opportunities. Easing regulations on banks may also give them more flexibility to make trades.

Stock-trading desks in particular are expected to report strong results, up more than 10% at the biggest firms, analysts at Goldman Sachs estimate.

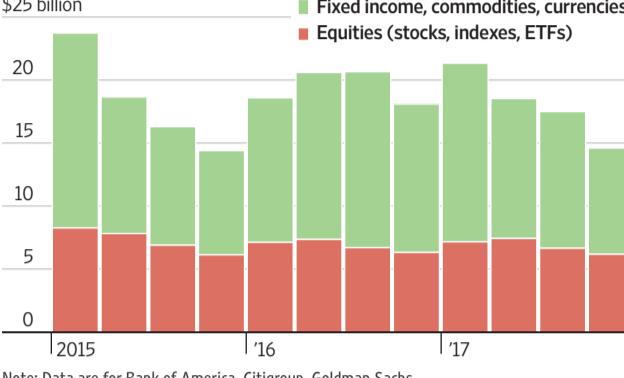
Revenue at larger fixed-income desks also is expected to increase from last year, though with more muted gains. Up-

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◆ Wednesday's markets: Stocks climb after a wild day..... B11

On the Verge

Trading revenue at big banks is expected to bounce in the first quarter.



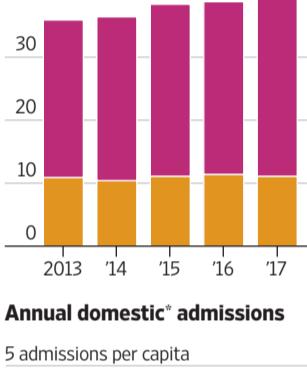
Note: Data are for Bank of America, Citigroup, Goldman Sachs, JPMorgan Chase and Morgan Stanley
Source: Jefferies analysts

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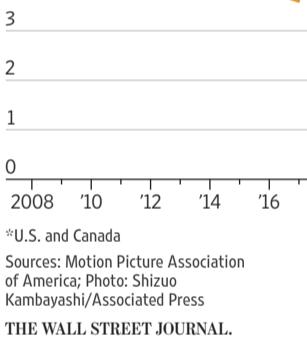
Film Industry, Becalmed at Home, Sails On Abroad

Moviegoing has stagnated domestically, while continuing to grow internationally.

Box office



Annual domestic* admissions



*U.S. and Canada

Sources: Motion Picture Association of America; Photo: Shizuo Kambayashi/Associated Press

THE WALL STREET JOURNAL.



BOX-OFFICE TREASURE: Fans of actor Johnny Depp before the Japan premiere of the latest 'Pirates of the Caribbean' film last year. B6

Campus Security Puts Tech In Bind

BY ELIOT BROWN

Tuesday's shooting at YouTube's San Bruno, Calif., headquarters comes as many of Silicon Valley's largest companies are pushing to make their office areas more accessible to the public.

Multiple tech giants including YouTube parent Alphabet Inc. and Facebook Inc. have included in planned expansions efforts to make their sprawling campuses more inviting, so employees can mix with their neighbors in retail and green spaces and plazas. Such goals are inherently at odds with many measures to beef up security, like fencing off campuses.

Tech companies "are struggling with that balance right now," said Timothy Tosta, a land-use attorney at Arent Fox LLP who works with Silicon Valley firms. "The tension is between how do we become open and remain safe."

Police said on Wednesday that the shooter, Nasim Aghdam, entered YouTube's campus through a parking garage but added that investigators were still trying to determine what security measures she may have gotten past. The shooting took place in a courtyard behind the campus's main building, they said. "Thanks to the security protections in place, she never entered the building itself," YouTube said late Wednesday.

The YouTube office in San Bruno—roughly 10 miles south of San Francisco—was the scene of a shooting on Tuesday morning.

Please see CAMPUS page B4

Spotify's Slump Raises Listing Questions

BY MAUREEN FARRELL AND CHELSEY DULANEY

Spotify Technology SA shares slumped Wednesday, raising questions about the potential costs of its unorthodox listing process a day after its splashy market debut.

The music-streaming company thundered onto public markets Tuesday with an opening stock price of \$165.90,

well above where its shares had been valued in private markets. But the stock has mostly been on a slow grind lower since then, falling as much as 9% on Wednesday before paring losses to close 3.2% lower at \$144.22.

Since the opening trade Tuesday, the company has lost nearly \$4 billion in market value, lowering its market capitalization to \$25.69 billion.

"We're seeing some hiccups," said Rob Sanderson, a senior analyst at MKM Partners. "We're still wrestling through the necessary process of building an adequately liquid marketplace."

The slow slide and sudden upward volatility at the end of trading Wednesday highlight the risks of Spotify's unusual direct-listing process through which it simply floated sub-

stantially all of the company onto public markets. Unlike a typical IPO, Spotify didn't raise money or use underwriters who would typically step in to buy shares and stabilize the price if a stock were sliding. It saved tens of millions of dollars in underwriting fees in the process.

Spotify's first day as a public company was largely hailed as a success because trading in

its shares was orderly and devoid of wild price swings or halts that would be more likely without the hallmarks of a typical IPO: a backstopping bank, locked-up shareholders who can't sell and a new base of big mutual-fund shareholders who are expected to be long-term investors.

The stock's \$22 slide over the past two days led some

Please see SPOTIFY page B2

WPP's Look at Sorrell Is Break From the Past

BY NICK KOSTOV

WPP PLC's probe of Chief Executive Martin Sorrell marks a rare public attempt by the advertising giant's board to scrutinize an executive who has largely been given free rein over the empire he built.

Mr. Sorrell is under investigation for alleged personal misconduct. In addition, the board is looking into whether he misused company assets, according to people familiar with the matter. The executive has denied any suggestion of wrongdoing.

Long regarded as an oracle of the ad industry, Mr. Sorrell helped transform the little-known British manufacturer of wire shopping carts called Wire & Plastic Products into a global advertising empire. His outsized influence on the industry and company led to a symbiotic relationship with the board, on which the 73-year-old sits, and generous perks and paychecks.

The board's decision to hire an outside law firm to investigate Mr. Sorrell has broken the bonhomie, according to a person familiar with the relationship.

Investors have long criticized the board for being too lax, particularly when it comes to CEO compensation. Those voices have become stronger in recent months amid lackluster financial results, as WPP strains under the force of digital disruption from tech giants such as Facebook Inc. and Alphabet Inc.'s Google, which now dominate the roughly \$230 billion global digital advertising market.

The board also is under pressure to solve what many investors consider one of WPP's biggest long-term liabilities: the lack of a clear successor to Mr. Sorrell. "In the eyes of many investors, Martin Sorrell and WPP are indistinguishable," said Conor O'Shea, an analyst at Kepler Cheuvreux. "Shareholders seem to want more transparency on succession, particularly at a time when the company is no longer delivering the growth it has in the past."

News of the probe came as a shock to many at the company, where many top executives are fiercely loyal to Mr. Sorrell, according to insiders. But details remained scarce.

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INSIDE



RETAILERS RETURN FIRE ON RETURNS

SHOPPING, B3



ACTIVIST PUTS \$1 BILLION INTO HYUNDAI

INVESTING, B10

HEARD ON THE STREET | By Spencer Jakab

Stocks' Value Still Isn't Right

Price Matters

Twenty-year stock-market returns ranked by decile, 1919-2017

Most expensive

Low

Second most

High

Third most

Low

Third cheapest

High

Second cheapest

Low

Cheapest

High

0% 5 10 15 20

Sources: Crestmont Research

THE WALL STREET JOURNAL.

Valuation, and especially a long-term measure of valuation, were the only ones that predicted anything. Even that was no timing tool.

In a separate study, Crestmont Research illustrates the importance of valuation by looking at stock-market total returns between 1919 and 2017 and slicing them into deciles from worst to best over 20-year periods.

The worst had annualized returns averaging 5.2% and the best 15.4%. That is a huge difference, turning a \$10,000 investment into either

\$28,000 or \$175,000.

The main difference between the two was starting and ending valuation—specifically the cyclically-adjusted price/earnings ratio that measures the past 10 years of inflation-adjusted earnings popularized by economist Robert Shiller.

The lowest-return periods had an average starting cyclically-adjusted P/E of 18.2 but ended at 9.2. The best periods started at 10.1 times on average but ended at 28.2 times.

The Shiller P/E, currently at 31, sits firmly in the most expensive decile historically.

Valuation trumps earnings growth. The Dow Jones Industrial Average first flirted with the 1,000-point mark in 1966 but didn't break through permanently until late 1982.

Stocks at the latter date were the cheapest since the Great Depression. In the ensuing 10 years an investor owning the S&P 500 made 17.4% annually. Back in 1966, though, valuations were elevated and an investor would have made just 3.3% annually over a decade.

With stocks, what you pay really is what you get.

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BUSINESS & FINANCE



CHRIS J. RATCLIFFE/BLOOMBERG NEWS

WPP Chief Executive Martin Sorrell helped transform the predecessor company Wire & Plastic Products into an advertising empire.

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SORRELL

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Mr. Sorrell has weathered previous scrutiny of his personal and professional life. More than a decade ago, he acknowledged having an affair with Daniela Weber, WPP's chief operating officer in Italy at the time, and sued two former employees for allegedly writing about the relationship in anonymous blogs. The former employees denied the allegation and reached a settlement with Mr. Sorrell.

The episode didn't have any lasting impact on Mr. Sorrell's standing in the company. The executive moved on to notch up some of the ad industry's biggest payouts—£70.4 million (\$99 million) in 2015 and £48.1 million in 2016—due in part to generous, long-term-incentive stock awards, which make up most of Mr. Sorrell's compensation. The pay package was approved by shareholders in 2009, when WPP was reeling from the financial crisis. As economic growth recovered, the package vested, leading to the large payouts.

Shareholder groups railed against those payments, as well as Mr. Sorrell's benefits, which in 2016 included £37,000 in car benefits, £68,000 in health care, an £86,000 accommodation allowance and £37,000 in "other expenses," according to WPP's annual report. In 2014, shareholder groups sharply criticized him for receiving a £274,000 allowance for "spousal travel," allowing his wife Cristiana Falcone to travel with him on business trips around the world.

WPP has defended Mr. Sorrell's compensation, saying the vast majority of it is based on the company's performance.

A solid gain in trading revenue would reverse a slump in that business toward the end of last year and help banks combat anticipated pressures on their consumer banking and corporate banking businesses.

Banks need the boost. Investors have been cooling on shares of lenders after pushing

WPP Settles Suit Alleging Misdeeds

WPP PLC has settled a lawsuit brought by an employee that alleged racist and sexist behavior by a top executive at one of the advertising giant's premier agencies, ending a legal dispute that helped raise awareness about inappropriate behavior on Madison Avenue.

Erin Johnson, chief communications officer of the WPP-owned agency J. Walter Thompson, is receiving a substantial settlement, a person familiar with the matter told *The Wall Street Journal*, which first reported news of the agreement Wednesday.

In her 2016 lawsuit, Ms. Johnson alleged that JWT's then-chief executive, Gustavo Martinez, engaged in a pattern of misconduct that amounted to gender discrimination and a violation of her civil rights.

In a statement, JWT confirmed it had reached the set-

tlement and declined to disclose the terms. The company said Ms. Johnson has resigned from her role at the agency.

Shortly after Ms. Johnson filed the lawsuit, Mr. Martinez left his post as chief executive of JWT. A WPP spokesman said Mr. Martinez is currently working on assignments in Spain for WPP.

Ms. Johnson said in a statement, "I am grateful for the love and encouragement from family, friends and those of you in the industry who spoke up and offered support." She added, "I hope that my personal experience will encourage others to speak up and follow their convictions."

News of the settlement comes as WPP's board is investigating allegations of personal misconduct by the company's chief executive, Martin Sorrell. The *Wall Street Journal* reported Tuesday that the board is looking into whether Mr. Sorrell misused company assets.

The company confirmed it is investigating Mr. Sorrell, who has

denied any misconduct.

Madison Avenue has struggled to move beyond the perception that the advertising world is hostile to women and lacks diversity. Ms. Johnson's case helped reignite debate over workplace behavior in the industry—even before the broader #MeToo movement took off. JWT is a storied ad agency whose clients include Macy's, Ford and HSBC.

Ms. Johnson's lawsuit, filed in federal court in New York, named as defendants Mr. Martinez, JWT and WPP.

It alleged she was subjected to a hostile work environment, and that Mr. Martinez engaged in an "unending stream of racist and sexist comments as well as unwanted touching and other unlawful conduct."

The complaint claimed that in conversations with colleagues Mr. Martinez referred to personnel at airports as "black monkeys" and "apes" who don't know how to use computers.

—Alexandra Bruell and Suzanne Vranica

Boeing Seeks Talks on U.S.-China Trade Fight

By DOUG CAMERON

Boeing Co. said Wednesday it would engage in talks with the U.S. and China in an effort to prevent their trade spat from harming the global aerospace industry.

Proposed tariffs on imports of Boeing jets to China would catch a sliver of the aerospace giant's products, but investors on Wednesday continued to dump the stock amid concerns about a broader global trade war.

Aircraft are among the products targeted by the many levies unveiled by Chinese authorities

Wednesday, but the tariffs are restricted to smaller planes with empty takeoff weights of 15,000 kilograms to 45,000 kilograms.

Analysts said those tariffs would affect the existing version of the single-aisle workhorse Boeing 737, which is being phased out, and the smallest type of the replacement 737 Max, which has only a handful of orders from Chinese customers. Together, these account for just 5% of Boeing's 737 backlog.

Boeing didn't comment on the potential fallout if the trade war escalates or the impact on individual aircraft.

While both governments have outlined positions that could harm the global aerospace industry, neither has yet imposed these drastic measures, the company said in a statement.

—Robert Wall contributed to this article.

An accelerating erosion of WPP's business model over the past year, however, has forced a reckoning at the company.

Tech giants have elbowed their way into the ad market, and large advertisers such as **Procter & Gamble** Co. have shifted some spending away from the traditional agencies that anchor WPP. Trust between ad giants and advertisers took a hit in 2016 after an Association of National Advertisers report found that ad agencies were accepting rebates from media companies without clients' knowledge.

Big ad firms, including WPP, denied wrongdoing.

In its most recent quarter, WPP logged its worst perfor-

mance since the financial crisis, as net sales fell slightly compared with a year earlier. The firm said it is setting budgets for 2018 on the assumption of no growth in revenue and net sales.

Disappointing financial results have helped push WPP's stock about 35% lower over the past 12 months. Shares fell 2% Wednesday, their first day of trading after *The Wall Street Journal* reported on the probe.

"It's the perfect storm of WPP on the cusp of a downward spiral, and then you have the CEO investigated by the board," said an executive at one of WPP's largest agencies.

The question of who will

eventually succeed Mr. Sorrell, who has been at the helm of WPP since 1986, has become a perennial topic for attendees of the company's annual shareholder meeting.

Though Mr. Sorrell hasn't indicated any plans to step back, WPP said it has taken steps to identify possible successors. In the latest annual report, board Chairman Roberto Quarta said the company held three senior management and CEO succession-planning reviews in 2016. He said the company had an "exceptional team of potential candidates" from which to draw.

—Lara O'Reilly and Alexandra Bruell contributed to this article.

BANKS

Continued from the prior page

ticks in currency and interest-rate trading may be counterbalanced by a decline in trading on corporate credit, the consequence of a decline in underwriting of new loans and bonds.

A solid gain in trading revenue would reverse a slump in that business toward the end of last year and help banks combat anticipated pressures on their consumer banking and corporate banking businesses.

Banks need the boost. Investors have been cooling on shares of lenders after pushing

them sharply higher in 2017. The KBW Nasdaq Bank Index is up 0.6% in 2018, following a 16% gain last year.

Steadily rising interest rates, a result of the Federal Reserve dialing back its quantitative easing, or stimulus, program, will challenge banks as depositors demand bigger payouts and corporations raise less new debt. But rising rates may also provide a lift to trading, as changing rates cause stock and bond prices to move up or down more frequently.

"We've obviously had a pickup in revenues from a very depressed fourth quarter," Morgan Stanley President Colm Kelleher told analysts in late March. "The withdrawal from [quantitative easing] is long-

term good for the market and for investors. The pickup in [volatility] is long-term good."

That dynamic justifies banks' faith in their trading units over several difficult years, when placid markets challenged revenue. That led some investors to question whether the big banks would be better off dialing back their risky and complex Wall Street operations and focusing more on traditional lending.

JPMorgan Chase and Citigroup have said they expect trading revenue to be up by single-digit percentages from a year ago. Goldman Sachs also is expected to benefit from a comparison with its poor showing a year ago, when first-quarter trading revenue

dropped due in part to a stumble on its commodities desk.

Still, banks caution that they won't be immune to some of the same pressures that have caused their revenue to shrink in recent years. A big factor was a shift into passively managed funds, which aim to match returns from an index. That means investors are looking for broad, low-cost plays on rising markets, not looking to banks' desks to help them put on expensive, complex trades.

John Gerspach, Citigroup's chief financial officer, told analysts in early March that when markets "become particularly erratic...we've had some of our investor clients move to the sidelines."

Two-thirds of its shares, as some big investors including co-founders Daniel Ek and Martin Lorentzon are expected to hold on to their stakes.

Typically, IPOs aren't only an opportunity for companies to raise capital but also for large shareholders to sell a block of shares. From there, most shareholders are locked up for a period, often six months, so potential buyers understand the universe of big blocks of sellers.

But in Spotify's case, there is no pattern recognition yet about who will sell and when, leaving buyers on the sidelines, one person said. People close to the deal said they expect volatility to continue for many more trading days.

—Alexander Osipovich contributed to this article.



MICHAEL NAGLE/BLOOMBERG NEWS

SPOTIFY

Continued from the prior page

analysts to question whether Spotify's big debut price, the range for which was boosted

several times before trading opened Tuesday, was justified.

Before the listing, Spotify's stock value in private markets had more than doubled from a year ago and had risen 6% this year through mid-March.

"In retrospect, with what the stock has done over the past 24 hours, perhaps it was too high," said James Cordwell, an internet analyst at Atlantic Equities.

Because the number of Spotify shares eligible for sale is so much higher than in a normal IPO, buyers have

been hesitant to jump in for fear of doing so just before a large block of shares comes onto the market, people familiar with Spotify trading said.

On Wednesday, Sony Music Entertainment, one of Spotify's biggest shareholders, disclosed that it had sold 17.2% of its 10.2 million-share stake—or roughly 1% of Spotify's shares outstanding—during the first day of trading Tuesday.

Since 1995, U.S.-listed companies on average have sold roughly 35% of their shares in IPOs, and U.S.-listed technology companies have sold 27%, according to Dealogic. Spotify's number of shares eligible for trading is dramatically higher at 91%, though the actual potential float is closer to

MICHAEL NAGLE/BLOOMBERG NEWS

BUSINESS NEWS

Unsatisfied Buyers Beware

Returning too much merchandise of a sort too quickly can make retailers suspect fraud

BY KHADEEJA SAFDAR

More consumers are finding out that stores are using a third-party service to monitor their shopping behavior and limit the amount of merchandise they can return.

Best Buy Co. has been the target of a large share of consumer complaints on Facebook, Twitter, Yelp and other online forums about its efforts to police returns with the help of a firm called Retail Equation. But the same service is used by a variety of other retailers, including **J.C. Penney** Co., **Sephora**, **CVS Health** Corp., **Advance Auto Parts** Inc., **Dick's Sporting Goods** Inc., **Home Depot** Inc. and Victoria's Secret. Some only penalize shoppers for merchandise that is returned without a receipt, while others also count received returns.

The Wall Street Journal previously reported that Retail Equation develops a "risk score" on each customer based on the person's shopping behavior, then sometimes issues warnings and denials. The firm, based in Irvine, Calif., receives information about shoppers when they provide a form of identification to retailers.

The actions that hurt a shopper's score and the thresholds for getting rejected on additional returns vary by retailer and often aren't disclosed in their policies. Behaviors that can harm a score include returning a large percentage of purchases in a short period and bringing back items that tend to get stolen at that retailer.

Retail Equation said it doesn't share a person's data from one retailer with another.

U.S. retailers lost more than \$351 billion in sales last year due to merchandise returns, and an estimated \$22.8 billion of that came from fraudulent



J.C. Penney says its use of a system to check returns doesn't affect 'the vast majority' of sales.

and abusive returns, according to a report by Appriss Inc., a Louisville, Ky., data analytics firm that acquired Retail Equation in 2015. The company said it used a recent survey conducted by the National Retail Federation to determine the losses.

Sue Tillman, 55-year-old social worker, of Guilderland, N.Y., said she received a warning in August from Retail Equation when she tried to return men's shirts at the J.C. Penney store in nearby Albany. She said she had a receipt and was following the store's guidelines. After returning one, she said a salesperson told her she would be denied from making returns for 60 days and advised her to contact Retail Equation to request her so-called return activity report, a history of her transactions.

Her report reveals the firm has been tracking her shopping behavior for at least seven years. Since the start of 2017, Ms. Tillman returned 10 other items at Penney, each with a receipt, according to the August report, which was reviewed by the Journal.

At J.C. Penney, returning too many items or bringing back

products that tend to get stolen such as cosmetics can hurt a shopper's score. The retailer uses Retail Equation to help prevent fraudulent or abusive returns, but the system doesn't "impact the vast majority of day-to-day transactions," said spokesman Joseph Thomas.

While most retailers don't publicize their relationship with Retail Equation, many dis-

Retail Equation said it doesn't share data on shoppers' behavior among retailers.

close in their return policies that they work with a third party.

"When we identify excessive return patterns, we notify those customers that we may limit future returns or exchanges if no proof of purchase is provided," said a Sephora spokeswoman.

Victoria's Secret reveals the thresholds for returns on its website. At the lingerie retailer, owned by L Brands Inc., shop-

pers can make up to seven returns in a 90-day period and bring back \$250 of merchandise over the same time frame without a receipt.

Home Depot said it only uses Retail Equation to track returns with no receipt.

CVS started using Retail Equation last year, and about one-third of 1% of returns have been declined at its stores since, said CVS spokesman Mike DeAngelis. "Similar to other major retailers, we reserve the right to decline to accept a return even if accompanied by a receipt if it does not pass our third-party verification," he said.

Robert Berardino, 43, a technology manager from Millersville, Md., said he learned about Retail Equation for the first time in February when he went to Dick's Sporting Goods in Gambrills, Md., and tried to return three items his wife had purchased online.

He said he brought a receipt but he received a warning notice after the first return, a pair of shoes. Dick's Sporting Goods didn't respond to requests for comment.

"It was insulting," Mr. Berardino said.

Points of No Return

The Retail Equation develops 'risk scores' based on shoppers' behavior. The actions that hurt a customer's standing and thresholds for denying a return vary by retailer.

Examples of behavior that can raise flags:

Returning a large percentage of your total purchases

Returning a high dollar amount

Returning items that tend to get stolen at the retailer

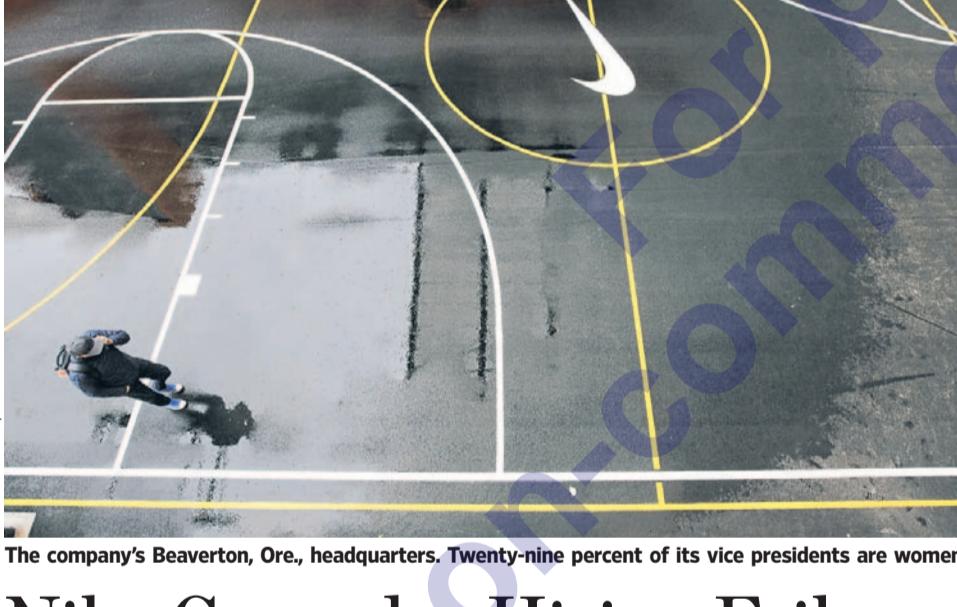
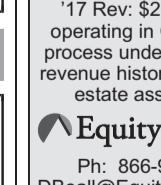
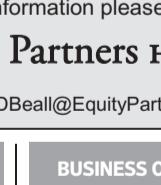
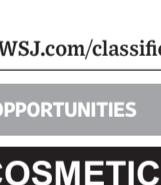
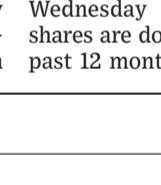
Returning an item after a certain period

Returning too many items in a short period



Source: The Retail Equation

RETURNS



The company's Beaverton, Ore., headquarters. Twenty-nine percent of its vice presidents are women.

Nike Concedes Hiring Failures

BY SARA GERMANO

Nike Inc.'s top human-resources executive told employees Wednesday that the sports-wear giant "has failed to gain traction" in hiring and promoting women and minorities, weeks after complaints of inappropriate workplace behavior led to a leadership shake-up.

In a memo to staff reviewed by The Wall Street Journal, Monica Matheson wrote that the company wants "to create a culture of true inclusion. As part of our plan, we need to improve representation of women and people of color."

"While we've spoken about this many times, and tried different ways to achieve change, we have failed to gain traction—and our hiring and promotion decisions are not changing senior-level representation as quickly as we have wanted," she wrote.

Ms. Matheson disclosed that 29% of the company's vice presidents are women, even though the company's global workforce is evenly split between men and women. In the U.S., 16% of vice presidents are nonwhite, she wrote. Nike, which has 74,000 employees, has several hundred vice presidents, according to people familiar with the matter.

A Nike spokesman had no immediate comment.

Ms. Matheson, a 20-year Nike veteran who was chief talent and diversity officer before

being promoted in July, wrote that the company would change how it hires and promotes staff. Among the changes, she wrote, Nike will seek to "remove bias from critical moments of the hiring process" by enabling blind resume reviews and eliminating the collection of salary histories.

She also wrote that Nike would begin training next month "to ensure all managers are clear on expectations—when and how they are compelled to act," and start mandatory awareness training for "unconscious bias" for all employees.

As they try to diversify their workforces, big businesses are teaching staffers to recognize that unconscious bias—an implicit preference for certain groups—often influences important workplace decisions.

Last month, Nike Chief Executive Mark Parker told Nike employees the company had received complaints of inappropriate workplace behavior, and that the company would undergo a review of its human-resources department and leadership teams.

Current and former Nike employees say culture problems have persisted at the company for years, and that the human-resources department has been unhelpful or in some cases disrespectful to employees seeking to remedy workplace complaints. David Ayre, who was

the human-resources chief from 2007 until last summer, was subject to two internal investigations pertaining to allegations he fostered a hostile work environment, before his retirement, the people said.

Mr. Ayre hasn't responded to requests for comment.

—Joann S. Lublin contributed to this article.

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Starboard Pursues Proxy Fight Despite Newell Deal With Icahn

BY CARA LOMBARD

Activist hedge fund **Starboard Value** LP isn't dropping its proxy fight at **Newell Brands** Inc. after the maker of Elmer's Glue and Graco baby strollers struck a deal with another activist, Carl Icahn.

Starboard, which owns a 3.8% stake in Newell, said in a Wednesday filing that the agreement with Mr. Icahn isn't sufficient to fix the company's issues.

Newell agreed to let Mr. Icahn nominate five of 11 directors and promised to explore selling more of its businesses. Mr. Icahn holds a 6.9% stake in Newell.

Newell, which didn't immediately respond to a request for comment, sent a letter to Starboard last week emphasizing that many of the changes being made appeared to be in line with Starboard's demands, including a refreshed board and new board leadership.

Newell has agreed to appoint Brett Icahn, a consultant for Icahn Enterprises and Mr.

Icahn's son; Andrew Langham, general counsel of Icahn Enterprises; and Courtney Mather, portfolio manager of Icahn Capital.

It has also named Patrick Campbell, the former chief financial officer of 3M Co., as chairman.

But Starboard said it still plans to nominate a minority slate of directors to the Newell board to stand for election

at the annual meeting May 15.

Newell has had five board members leave this year and has struggled with weak sales. Three of those directors had joined with Starboard but parted ways with the activist after Newell's deal with Mr. Icahn.

Newell shares rose 3.1% Wednesday to \$25.67. Its shares are down 44% over the past 12 months.

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TECHNOLOGY

WSJ.com/Tech

Residential Solar Has Down Year

After costly push to promote rooftop systems, installers cut back on marketing

BY RUSSELL GOLD

The number of U.S. homeowners putting solar panels on their roofs declined last year after leading installers including Tesla Inc. abandoned aggressive sales practices that had helped drive breakneck growth.

Residential solar had been on a tear, averaging 49% annual growth between 2010 and 2016, but the number of megawatts added last year dropped by 16% compared with the year before, according to new data from GTM Research, a firm that tracks renewable energy. It was the first annual decline since at least 2000, which is as far back as GTM tracks figures.

Industry executives and energy experts said the slowdown was driven by a sharp retreat by national solar installers, including Tesla's SolarCity and Vivint Solar Inc. Those big outfits had deployed large sales forces to pitch homeowners on the benefits of rooftop solar, and heavily marketed deals to lease panels that required little to no money down.

The race to build a dominant national solar brand led companies to burn through cash. Unable to maintain that pace, companies scaled back and focused on profits over growth, or in some cases, got out of the rooftop solar business altogether.

SolarCity, purchased by Tesla in 2016, posted the largest declines. Once the clear-cut leader among solar installers, with one-third of the national market two years ago, it ended door-to-door sales last year and cut customer-acquisition spending. Its sales, as measured by megawatts deployed, fell by 38% in 2017, according to company figures, which include both residential and commer-



An installation by SolarCity in 2016. The Tesla unit has moved away from the no-money-down leases that won it a big market share.

cial installations.

Tesla said it was moving away from no-money-down leases and toward sales. It appears to have been passed by rival Sunrun Inc. in recent months as the top solar installer in the country, according to GTM.

Other companies also retreated from heavily marketing their home solar businesses, including NRG Energy Inc., which shut its business last year, and Vivint, which posted a 17% drop in residential sales volume in 2017 as it moved to prioritize profitability. Sungevity Inc. filed for bankruptcy protection last year after an aggressive growth strategy resulted in too much debt, the company said in a court filing.

The industry's sales strategies have attracted scrutiny by regulators in some states, including New Mexico, where the state attorney general filed a lawsuit last month claiming that Vivint used "false, misleading and fraudulent statements" to sign customers up for long-term deals.

Setting Sun

U.S. residential solar installations fell in 2017, after years of rapid growth.



Source: SEIA/GTM Research
THE WALL STREET JOURNAL.

pany would have fired a salesperson for misrepresentations.

SolarCity grew with help from a hard-charging sales culture. Before being acquired by Tesla, the company, which was run by Lyndon Rive, the cousin of Tesla founder Elon Musk, tapped salespeople from the mortgage industry and Las Vegas casinos to sell solar panels, and gave them aggressive quotas, according to current and former managers and employees interviewed by The Wall Street Journal.

Last year, Tesla changed course and began selling solar panels through the same stores that sell its cars. Other sales approaches were shut down in order to "focus on projects with better margins," the company said.

Eric White, president and chief executive of Dividend Finance, a San Francisco-based company that provides loans to homeowners putting solar on their roofs, said many solar companies acted too much like Silicon Valley firms, pursuing growth at all costs in hopes of

becoming leaders in a nascent market.

Mr. White said that while the industry's prior growth is "not sustainable and leaves bodies in its tracks," 5%-to-15% annual increases are achievable.

Solar energy grew rapidly in recent years as the cost of solar panels declined. The all-in cost of a typical rooftop solar system fell 61% between 2010 and 2017 to \$2.80 per watt, or roughly \$16,000 for the average home system, according to the federal government.

Solar executives and industry analysts see annual residential solar growth resuming in 2018. But two developments risk hurting sales in coming years. First, new Trump administration tariffs on imported solar modules, mostly from China, are expected to marginally raise costs. Second, a federal government tax incentive to homeowners worth 30% of the value of the solar array is set to end by 2021.

—Kirsten Grind contributed to this article.

Arbitration Weighed By Judge in AT&T Case

BY BRENT KENDALL

WASHINGTON—The federal judge considering the government's legal challenge to AT&T Inc.'s planned acquisition of Time Warner Inc. asked in court Wednesday whether the merger's alleged harms to rival pay TV distributors could be mitigated through fair arbitration.

The questions, from U.S. District Judge Richard Leon, lasted only a few minutes, but they raised the prospect that the judge could consider remedies to the \$85 billion merger short of blocking the deal outright if he finds it is a threat to competition. Judge Leon has been reticent during eight days of trial proceedings on the Justice Department's antitrust lawsuit against the merger, and his questions Wednesday were some of his most substantial.

Much of the early trial testimony has focused on the DOJ's claims that AT&T, which owns DirecTV, could use Time Warner's popular Turner networks as leverage against rival distributors such as Charter Communications, Cox Communications and Dish Network.

AT&T has argued that it wouldn't have the incentive or

Federal judge asks about ways to address Time Warner deal's alleged effects on rivals.

ability to force rivals to accept onerous terms for such Turner channels as TNT, TBS and CNN. And it has touted an offer it made to distributors that would allow the fees for those networks to be set through arbitration if necessary.

Charter executive Tom Montemagno and others, however, have testified that the arbitration agreement is inadequate on several fronts. With Mr. Montemagno on the witness stand, Judge Leon asked whether it would make a difference if the arbitration was "restructured" to address some of the distributors' concerns.

Among other things, the judge asked whether it would help if the AT&T arbitration offer was changed from an all-or-nothing arrangement in which one side wins all its terms and the other side wins nothing. He also asked if arbitration might be more acceptable if the rivals had more visibility into the process so they wouldn't have to blindly submit offers to an arbitrator without access to certain information. Mr. Montemagno said such changes would help.

Judge Leon noted that Charter, in earlier negotiations with Comcast Corp. over NBCUniversal rights, had used the threat of going to arbitration as a way to spur more productive negotiations. The Charter executive agreed that was true.

Comcast consented to an arbitration mechanism as part of agreements with the Justice Department and Federal Communications Commission that allowed it to acquire NCU in 2011. Judge Leon oversaw the Justice Department settlement in that case and approved it, but not before threatening to hold it up because he was concerned the terms didn't sufficiently protect online video distributors.

AT&T has said it modeled its arbitration offer on Comcast's. It unveiled its proposal last November, a week after the Justice Department sued to block the AT&T-Time Warner deal. The proposal would allow any TV distributor haggling over rates with an AT&T-owned Turner to turn to a third-party arbitrator, which would then pick the offer deemed more reasonable.

Each side would have one shot to propose fair rates for Turner's channels and the arbitrator wouldn't be allowed to split the difference. The arrangement would also bar Turner from taking its channels off-air during arbitration with the cable, satellite or internet-TV provider in question.

—Drew Fitzgerald contributed to this article.

◆ Heard: U.S. signals future scrutiny of big deals B12

CBS-Viacom Deal Talks Are on Shaky Ground

BY JOE FLINT

CBS Corp. and Viacom Inc. are digging in their heels in negotiations over deal price and leadership, a divide that threatens to derail or at least delay a merger of the media companies, according to people familiar with the matter.

Talks between the two companies—which are exploring a merger at the behest of their controlling shareholder, the Redstone family's National Amusements Inc.—have turned acrimonious. CBS made an all-stock offer for Viacom that valued the company at less than its market value at the time of the offer and insisted that its executive team run the combined entity.

Viacom rejected what it considered a lowball bid and is expected to make a counterproposal this week, people fa-

miliar with the matter said. Viacom wants a premium to its current stock price and for its chief executive officer, Bob Bakish, to be named CBS CEO Leslie Moonves's No. 2, the people said.

Shari Redstone, president of National Amusements and a vice chair of both companies, wasn't given a heads up on CBS's proposal and was caught by surprise, a person familiar with her thinking said. She has grown frustrated with the process and believes CBS isn't negotiating in good faith, this person said.

The special committee of CBS's independent board members, which has been tasked with handling these merger negotiations, had recommended to Viacom's special committee that CBS Chief Operating Officer Joe Ianniello remain Mr. Moonves's second-

in-command and the heir apparent, people familiar with the offer said. Ms. Redstone isn't on either board's special committee.

The idea that Mr. Bakish wouldn't be in line to eventually succeed Mr. Moonves to run the combined company is a very hard sell for her, and CBS's stance on the issue has further convinced her that Mr. Bakish should have a senior role, the person familiar with Ms. Redstone's thinking said.

Viacom's special committee has argued, and Ms. Redstone concurs, that Mr. Bakish is better equipped to eventually succeed the 68-year-old Mr. Moonves and lead the combined entity because he has more operational experience than Mr. Ianniello. Mr. Bakish ran Viacom's international operations for a decade before becoming CEO in December

2016. Mr. Ianniello served as chief financial officer of CBS before becoming COO in 2013.

Since becoming CEO, Mr. Bakish has focused on strengthening Viacom's core cable networks including MTV, Nickelodeon and the rebranded Paramount Network. He has also worked to repair Viacom's relationship with pay-TV distributors and rebuild the struggling Paramount Pictures, where he put a new management team in place.

Advocates for Mr. Ianniello counter that in his role as COO, he oversees many of CBS's key businesses including relations with pay-TV distributors, which are Viacom's biggest source of revenue. Mr. Ianniello also oversees content licensing of CBS programs. In addition, people close to him add that he spent six years at Viacom in corporate develop-

ment, while Mr. Bakish has no CBS experience.

Ms. Redstone believes that Mr. Ianniello is a good executive but that Mr. Bakish is better suited, in large part because of his international experience and for the way he is attempting to reshape Viacom to be a stronger competitor, the person close to her said.

Mr. Bakish and Ms. Redstone enjoy a close relationship, while their relationship with Mr. Moonves has shown signs of strains in recent months. Earlier this year, Ms. Redstone began advocating for new blood on CBS's board of directors and complained of a lack of long-term strategic planning at the company. Mr. Moonves had been resistant to her efforts to once again jump-start merger talks between Viacom and CBS, which had split in 2006 and pulled the plug on merger talks in 2016.

CAMPUS

Continued from page B1
of San Francisco—is a tiny slice of Alphabet's vast global real-estate portfolio. Alphabet has been vocal about its push to make its suburban buildings feel more urban and open to the public, a trend seen in cities, too, where companies including Amazon.com Inc. are spreading out in clusters of buildings connected via public space.

Integrating campuses with the public serves two aims: They offer more vibrancy and retail options that many young tech workers prefer, and they are an olive branch to surrounding communities, whose approval is necessary for expansion.

Security remains a factor. By and large, office space within these companies' buildings are still only open to employees.

Openness is a pillar of Alphabet's plans for a major expansion of its headquarters, which is now under construction in Mountain View, Calif. "We're really making sure that we make spaces very open and accessible so that it's not just for Googlers, but it's for any-

one who's in the area to come by," said David Radcliffe, vice president for real estate at Google, the predecessor company to Alphabet, in a 2015 video.

Designed by renowned architects Bjarke Ingels and Thomas Heatherwick, the plans call for a series of bubblelike glass structures that are interspersed with retail stores open to the public, bike paths and fields. The first phase is a building that includes a public pedestrian path through its ground floor, which is dotted with courtyards and shops. Construction is expected to be completed in 2019. "It can't be a fortress that shuts away the neighbors," Mr. Ingels said in the 2015 video.

In a video released last year, Facebook's head of real estate also said that the company's major campus expansion in Menlo Park, Calif., "needs to be integrated into the community." Both Facebook and Alphabet are planning to intersperse their offices with apartments open to the public.

The talk of openness is in contrast to the design philosophy behind the new headquarters at Apple in nearby Cupertino. Opened last year, the circular building encircles a park reserved for Apple employees only. Meanwhile, in Los Angeles, some of the most desirable real estate for tech companies sits in Playa Vista—a neighborhood near Los Angeles International Airport. There, a cluster of tech companies including YouTube and Google are spread out on grassy campuses filled

with picnic tables and fire pits open to outsiders.

Alphabet didn't respond to a request for comment, and a Facebook spokesman said "the safety of our employees is paramount."

Concerns about office security aren't new. While the public used to be able to go into almost any skyscraper, a 1993

shooting at a law firm in a San Francisco skyscraper helped to spur some urban security measures for urban towers, as did the attacks of Sept. 11, 2001. Today, it is difficult to get into a skyscraper in cities like New York or San Francisco without permission.

—Zusha Elinson contributed to this article.



Google offices in Mountain View, Calif., in 2016. Parent firm Alphabet is now undertaking an expansion.

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—Drew Fitzgerald contributed to this article.

◆ Heard: U.S. signals future scrutiny of big deals B12

MANAGEMENT

New Approaches on Mentoring, Team-Building

Navigating the rules of office engagement in #MeToo era, many seek updated guidance how to avoid crossing a line

BY JOHN SIMONS

Being a male ally in the era of #MeToo takes some practice.

Jeremy Sussman, a Google product manager, recently told a young woman sitting beside him, "I've noticed your work and you're very good."

The visibly uneasy Mr. Sussman, who is 49, continued to explain that he has mentored other women in the past. "And if you want to have that kind of conversation, I'm willing to do it," he said.

The woman responded positively, but Aloke Desai, a 24-year-old software developer on Google's Docs team, interrupted the conversation. "I don't know," Mr. Desai said. "I got a little date-y vibe from it."

The exchange was part of a training exercise at last week's Male Ally Summit, where 90 men, predominantly from the tech industry, gathered for a day of workshops, panel discussions and role-playing sessions at an event space in New York. The conference, organized by the nonprofit women's organization AnitaB.Org, was designed to help men who want to serve as mentors and advocates for female co-workers but also want guidance in navigating the supercharged atmosphere some workplaces have become for male-female working relationships.

#MeToo has a lot of men watching their step—but not always in ways that are helpful to women. After a number of powerful men lost their jobs over sexual-misconduct allegations, many others—unsure of how to engage with women at work—are responding by distancing themselves from female colleagues. They are sidestepping one-on-one meetings, ducking out of after-work



BRANDON ELLIGE/MALE ALLY SUMMIT

Training can prevent 'bro-propriations,' or instances where a man takes credit for restating an idea raised by a woman in the same meeting.

drinks and, in some cases, leaving women out of the day-to-day interactions that build professional relationships and further careers.

Nearly half of male managers said they were uncomfortable joining a woman in a common work activity, such as mentoring, working alone or socializing together, according to a recent survey of about 3,000 employed adults from LeanIn.Org, a nonprofit organization that aims to support women's careers. And 55% of American men said the increased focus on sexual harassment and assault has made it harder for them to know how to interact with women at work, according to a new Pew Research Center Poll of more than 6,000 adults.

Men like the 90 gathered

at the Male Ally Summit in New York say they are doubling down on their commitment to help women advance by coaching them and calling out biases. Most attendees said they found out about the event through friends or co-workers. Many said they were expensing the \$250 admission fee for the event to their employers.

The conference's keynote speakers were Brad Johnson and David Smith, co-authors of "Athena Rising: How and Why Men Should Mentor Women," published by Routledge in 2016. They said that instead of pulling away from female co-workers, men should actively pursue more equality at the office.

"What that means is more coffees, more dinners, more mentorship," Mr. Johnson

said, adding that men need to find a way to offer help without simply opening with "I'd like to be your mentor." Any offer of mentorship should always be accompanied by a concrete observation about

to extend the offer.

"They truly are scared that they're going to say the wrong thing, do the wrong thing, but some men are using this as an excuse," said Mr. Smith.

Kyle Fritz, a software-development engineer at Audible, said he isn't comfortable assuming the mantle of male ally just yet. He has been training as a manager with a team of four men and one woman at the Amazon Inc.-owned audio-entertainment company for six months. In that time, he says he has been putting male allyship into practice, mostly by employing calculated strategies to involve women more.

Early on, Mr. Fritz noticed a pattern in his team's unstructured brainstorming

Efforts focus on ways to foster more equality in workplace relationships.

the potential mentee's work performance, he said.

The two authors noted that women receive less mentoring when men wait for those relationships to form in an organic way, and now some men are reticent

sessions: "The guys would get animated, snatching pens out of each other's hands to write on the whiteboard," he said. Meanwhile, the team's only female, who has more experience than the men, would withdraw.

To give her more of a voice, Mr. Fritz ditched the whiteboard, which created a dynamic where men jockeyed for position, and now holds meetings around a table.

Jamy Barton, a senior director of program management at Audible—and one of about 20 women in attendance at the Male Ally Summit—said she simply wants colleagues who want the best people in the room to get the best results.

"I just want someone who has my back, listens to me communicate in my own way," she said.

In meetings, male allies can help women guard against two common occurrences—"bropropriations," or instances where a man takes credit for restating an idea previously raised by a woman in the same meeting, and "man-terruptions," which is just what it sounds like, said Karen Catlin, a former vice president of engineering at Adobe Systems Inc., who now helps technology firms find ways to attract and retain more women.

Her suggestion: Pipe up and say something like, "I see you agree with a point Ana made earlier in the meeting" or, "I'd like to hear Emma finish her thought."

Daniel Wong, a 24-year-old consultant for Microsoft Corp. based in Phoenix, helps companies implement the software giant's Azure cloud-computing service. Lately, he said, he has been coaching a female co-worker on ways to establish credibility with clients who doubt her expertise. "That kind of thing never happens to me," Mr. Wong said.

'Shark Tank'-Like Contests Flourish at Business Schools

BY KELSEY GEE

Business schools have an elevator pitch for prospective students: Choose our school and win cash for your startup.

Contests for M.B.A. students to sell faculty judges on their

BUSINESS EDUCATION business ideas have existed for decades, but

the size, scope and stakes of the events have ballooned as business schools struggle to lure young professionals who are increasingly wary of shellacking out as much as \$250,000 for the graduate degree.

At Harvard Business School later this month, four teams in the final round of its startup challenge will compete for more than \$315,000 in cash and prizes, compared with a pool of around \$170,000 in 2010. University of Chicago Booth School of Business in March announced that it was using most of a \$5 million gift from alumnus and construction magnate Rattan Khosa to endow a prize for its startup competition, ensuring the winning students walk away with at least \$150,000.

At Rice University this week, 42 teams of graduate-level students from schools around the world are competing for \$1.4 million in cash and services—the largest prize among roughly 300 business schools hosting these "Shark Tank"-style challenges, according to Reviewer, a software company that helps manage the events. The pot was \$10,000 in 2001 when the school launched the contest.

What was once a B-school novelty is now frequently a high-stakes event attracting hundreds of alumni, judges and spectators eager to witness business leaders and angel investors pepper contestants with questions about how to commercialize their products, said Catherine Santamaria, director of the Rice Business Plan Competition. "It's like putting on a three-day wedding," she said of the contest, which costs around \$450,000 annually to

operate, on top of prize funds raised from donors.

For Rice M.B.A. students, who compete against peers in their program as well as teams from other schools and departments, this is no mere academic exercise, said Mary Lynn Fernau, marketing director for the Rice Alliance for Technology and Entrepreneurship, which organizes the pitch contest. "Your grade is, 'Are investors interested in your company?'" she said.

Most schools limit participation to their own M.B.A. students, but a number of contests like the one at Rice are open to startup teams from any graduate program.

Business schools have poured millions into entrepreneurship programs that cater to a generation more interested in starting their own

companies than pursuing traditional post-M.B.A. careers such as investment banking.

Schools hope the competitions help future students—and donors—associate their M.B.A. programs with innovation and entrepreneurship.

The founders of Grubhub Inc., an app-based food-delivery service, won \$25,000 in 2006 from the startup competition at Chicago's Booth business school, where Chief Executive Matt Maloney was pursuing his M.B.A. Under the contest rules, the university received a share of Grubhub's future equity. When the company went public in 2014, Booth's equity stake was worth \$2 million, said Starr Marcello, executive director of the school's Polsky Center for Entrepreneurship and Innovation.

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BUSINESS NEWS

Global Box Office Picked Up Pace in 2017

Gain of 5% came entirely from overseas as receipts slumped in U.S. and Canada

BY BEN FRITZ

Strong growth overseas helped to make up for a box-office slump in the U.S. and Canada last year, according to data released Wednesday by the Motion Picture Association of America.

Global box-office sales grew 5% in 2017, to \$40.6 billion, the Hollywood trade group said, driven entirely by a 7% surge overseas, to \$29.5 billion. Domestically, box office was down 2%, at \$11.1 billion, indicative of what the MPAA called a "mature" market.

Box office in China, the world's second largest market, increased 21%, to \$7.9 billion, thanks in large part to locally made hits such as "Wolf Warrior 2," the most successful film ever in that country, with a total gross of \$854.2 million, according to Box Office Mojo. Russia grew an even more robust 22%, to \$1 billion, while Brazil was up 15%, at \$900 million.



Hollywood's major studios have been focusing their resources on fewer, more expensive 'event' films.

options and the increasing concentration of box office in a handful of ultrasuccessful films, such as this year's "Black Panther."

John Fithian, who heads the theatre-owners group, said many forms of traditional media have suffered substantial declines in the face of digital competition. Broadcast television ratings, for example, have fallen consistently for the past several years.

"The stability of theatrical movies against all those other choices is a good sign," Mr. Fithian said on a conference call Wednesday.

Americans and Canadians between ages 12 and 17 saw nearly five movies on average last year, according to survey results from the MPAA, while those age 60 and over saw just 2.5. Hispanics continued to be the most movie-hungry ethnic group in the U.S. and Canada, seeing 4.5 films each on average, while white moviegoers saw the fewest: 3.2.

Hollywood's major studios, faced with growing digital competition, continued to shrink their slates as they concentrated more resources in fewer, more expensive "event" films. The studios released 130

movies last year, compared with 139 in 2016 and 147 in 2015. Independent studios released 647 movies, up 12%, though many of those were to only a handful of theaters.

The MPAA for the first time reported data for movies bought and rented at home. Globally, home-entertainment revenue rose 11%, to \$47.8 billion, with a 31% increase in digital media making up for a 15% drop in physical media such as DVDs and Blu-ray discs.

For the first time, data was reported for movies bought and rented at home.

Nearly all of the growth in the digital category, however, came from subscriptions to services like Netflix Inc., which surged 47% to \$22.4 billion. That's not necessarily good news for the movie business overall, as Netflix is becoming more of a competitor than partner to other studios.

AMC to Open First Saudi Cinema After 35-Year Drought

BY ERICH SCHWARTZEL
AND MARGHERITA STANCATI

A host of cultural reforms and initiatives once unheard of in Saudi Arabia were announced during the crown prince's visit to Los Angeles this week, most notably a plan by **AMC Entertainment Holdings** Inc. to open the country's first movie theater in 35 years later this month.

The world's largest exhibitor said Wednesday it had finalized an agreement with Saudi Arabia's sovereign wealth fund to bring the first new cinema to a country that lifted a decadeslong ban on

them only five months ago. The news coincided with a weekslong trip led by Saudi Crown Prince Mohammed bin Salman, who met with entertainment executives in Los Angeles.

The lifting of the ban on movie theaters is one part of a broader initiative the prince is spearheading to diversify his oil-dependent country and open up its ultraconservative society. Saudi Arabia now has a General Entertainment Authority, a body tasked with bringing cinemas, music and sports to the kingdom.

Speaking on the sidelines of an entertainment summit the

Saudi government was hosting in Los Angeles, Faisal Baqarat, GEA's chief executive, said Islam and entertainment are compatible.

"Our Prophet was encouraging people to have fun," said Mr. Baqarat, speaking at the Four Seasons in Beverly Hills, a few feet away from a statue of Marilyn Monroe, her skirt rising in the air. Still, he said that future events will remain family friendly and comply with the country's Islamic values and culture.

The Saudi government estimates that Saudis every year spend around \$20 billion traveling abroad, of which \$5.6 bil-

lion is spent on entertainment alone. It wants Saudis to spend more of that money locally.

Saudi Arabia is home to one of the world's most austere interpretations of Sunni Islam. But the kingdom's strict social rules have loosened in recent years. Women will soon finally be allowed to drive. Music, widely considered taboo, is now regularly performed in public events. But women must still wear all-covering gowns in public, and unrelated men and women officially aren't allowed to mix in public.

The opening of cinemas will represent one of the most visible signs of change in the king-

dom so far.

AMC's first theater isn't expected to be segregated by gender, as many public places in Saudi Arabia are, but will have some showtimes designated for men or women only, said AMC Chief Executive Adam Aron.

AMC said it wants to open up to 40 cinemas in 15 cities across the Saudi Arabia within five years and up to 100 by 2030. The first location, a symphony concert hall in Riyadh being converted into a four-screen theater, will open on April 18.

"We are working at a frantic pace to get it ready," Mr. Aron

said on a conference call announcing the deal.

Overall, Saudi officials are targeting the opening of 300 cinemas with some 2,000 screens by 2030.

Other entertainment-related deals struck by the country in recent weeks include a plan to bring a custom-made Cirque du Soleil show for Saudi Arabia's national day, which falls on September 23.

The planned Cirque show, one of largest-scale single-performance shows the company has ever worked on, will see some 150 male and female artists performing before a mixed crowd of men and women.

TECH'S
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MARKETS DIGEST

EQUITIES

Dow Jones Industrial Average

24264.30 ▲ 230.94, or 0.96%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 25.63 21.06
 P/E estimate * 16.24 17.72
 Dividend yield 2.19 2.36
 All-time high 26616.71, 01/26/18



Bars measure the point change from session's open

Dec. Jan. Feb. Mar. 22000 2450

*Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

S&P 500 Index

2644.69 ▲ 30.24, or 1.16%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 24.51 24.75
 P/E estimate * 16.85 18.28
 Dividend yield 1.95 1.97
 All-time high 2872.87, 01/26/18



Dec. Jan. Feb. Mar. 2600 2525

Nasdaq Composite Index

7042.11 ▲ 100.83, or 1.45%
 High, low, open and close for each trading day of the past three months.

Trailing P/E ratio 25.21 25.97
 P/E estimate * 19.97 20.38
 Dividend yield 1.04 1.11
 All-time high 7588.32, 03/12/18



Dec. Jan. Feb. Mar. 6500 7500

Major U.S. Stock-Market Indexes

	High	Low	Latest Close	Net chg	% chg	52-Week High	52-Week Low	% chg	YTD	3-yr. ann.
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Dow Jones	24308.96	23523.16	24264.30	230.94	0.96	26616.71	20404.49	17.5	-1.8	11.0
Industrial Average	24308.96	23523.16	24264.30	230.94	0.96	26616.71	20404.49	17.5	-1.8	11.0
Transportation Avg	10404.85	10184.67	10388.03	-6.22	-0.06	11373.38	8783.74	14.2	-2.1	6.5
Utility Average	692.43	683.45	690.65	1.64	0.24	774.47	647.90	-1.9	-4.5	5.4
Total Stock Market	27460.54	26687.69	27410.17	311.39	1.15	29630.47	24125.20	12.6	-1.0	8.1
Barron's 400	712.05	692.61	710.90	7.67	1.09	757.37	610.89	15.8	-0.005	7.6

Nasdaq Stock Market	7059.29	6811.77	7042.11	100.83	1.45	7588.32	5805.15	20.1	2.0	13.0
Nasdaq 100	6578.56	6326.54	6560.06	101.23	1.57	7131.12	5353.59	21.1	2.6	15.0

S&P	2649.86	2573.61	2644.69	30.24	1.16	2872.87	2328.95	12.4	-1.1	8.6
500 Index	1879.65	1835.21	1876.78	16.41	0.88	1995.23	1681.04	10.7	-1.3	7.2
MidCap 400	944.01	918.22	942.06	11.14	1.20	979.57	815.62	15.0	0.6	9.3

Other Indexes	1534.57	1491.69	1531.66	19.51	1.29	1610.71	1345.24	13.3	-0.3	6.8
NYSE Composite	12482.71	12193.85	12466.45	99.38	0.80	13637.02	11324.53	9.1	-2.7	4.4
Value Line	547.92	534.35	547.17	6.12	1.13	589.69	503.24	7.0	-2.7	2.2
NYSE Arca Biotech	4451.95	4255.55	4440.38	120.89	2.80	4939.86	3449.61	28.7	5.2	4.1
NYSE Arca Pharma	532.34	519.59	531.03	6.20	1.18	593.12	498.46	4.5	-2.6	-2.3
KWB Bank	107.52	104.27	107.28	1.35	1.28	116.52	88.02	18.4	0.5	14.0
PHLX® Gold/Silver	81.76	80.63	80.84	-0.38	-0.47	93.26	76.42	-6.4	-5.2	6.0
PHLX® Oil Service	135.13	131.25	134.81	-0.29	-0.21	171.55	117.79	-20.0	-9.9	-11.5
PHLX® Semiconductor	1321.96	1266.06	1319.01	16.92	1.30	1445.90	960.01	32.8	5.3	24.2
Cboe Volatility	24.51	19.86	20.06	-1.04	-4.93	37.32	9.14	55.6	81.7	11.0

\$ Nasdaq PHLX

Sources: SIX Financial Information; WSJ Market Data Group

Late Trading

Most-active and biggest movers among NYSE, NYSE Arca, NYSE Amer. and Nasdaq issues from 4 p.m. to 6:30 p.m. ET as reported by electronic trading services, securities dealers and regional exchanges. Minimum share price of \$2 and minimum after-hours volume of 50,000 shares.

Most-active issues in late trading

Company	Symbol	Volume (000)	Last	Net chg	% chg	After Hours	High	Low
Caesars Entertainment	CZR	12,918.0	11.30	0.25	2.26	11.30	11.05	
SPDR S&P 500	SPY	11,816.6	263.90	0.34	0.13	264.28	257.39	
Automatic Data	ADP	6,030.5	116.75	0.03	0.03	117.02	114.52	
iShares Commodity Sel Strat	COMT	5,682.0	36.06	-0.46	-1.25	36.06	36.06	
Cnsmr Staples Sel Sector	XLP	4,442.2	52.83	...		52.84	52.60	
Comcast Cl A	CMSA	3,411.3	34.31	...		35.00	33.47	
Vanguard Short-Term Bond	BSV	3,286.0	78.28	...		78.28	78.28	
Bank of America	BAC	3,100.6	29.93	0.05	0.17	29.95	29.44	

Percentage gainers...

Company	Symbol	Latest	Session	Close	Net chg	% chg	High	Low
Comstock Resources	CRK	100.7	6.06	0.28	4.84	6.06	5.78	
Exelixis	EXEL	418.8	22.95	0.64	2.87	22.95	21.53	
Achaogen	AKAO	72.1	12.75	0.34	2.74	12.75	12.34	
Portola Pharmaceuticals	PTLA	66.6	34.00	0.89	2.69	34.00		

COMMODITIES

WSJ.com/commodities

Futures Contracts

Metal & Petroleum Futures

	Contract	Open	High	Low	Settle	Chg	Open interest
Copper-High (CMX)	-25,000 lbs.; \$ per lb.	3,0575	3,075	2,9720	3,0070	-0.0510	1,935
April		3,0575	3,075	2,9720	3,0070	-0.0510	1,935
May		3,0670	3,0695	2,9700	3,0105	-0.0530	140,850

Gold (CMX)	-100 troy oz.; \$ per troy oz.
April	1331.80
June	1336.70
Aug	1342.50
Oct	1348.20
Dec	1354.70
Feb'19	1374.40

Palladium (NYM)	-50 troy oz.; \$ per troy oz.
June	928.35
Sept	922.60

Platinum (NYM)	-50 troy oz.; \$ per troy oz.
May	918.40
July	930.00

Silver (CMX)	-5,000 troy oz.; \$ per troy oz.
April	16,435
May	16,400

Crude Oil, Light Sweet (NYM)	-1,000 bbls.; \$ per bbl.
May	63.60
June	63.56
July	63.30
Sept	62.30
Dec	60.99
Dec'19	56.70

NY Harbor ULSD (NYM)	-42,000 gal.; \$ per gal.
May	1,9953
June	1,9915

Gasoline-NY RBOB (NYM)	-42,000 gal.; \$ per gal.
May	1,9730
June	1,9784

Natural Gas (NYM)	-10,000 MMBtu; \$ per MMBtu.
May	2,703
June	2,748
July	2,807
Sept	2,811
Oct	2,825
Jan'19	3,082

Corn (CBT)	-5,000 bu.; cents per bu.
May	388.00
July	396.50

Oats (CBT)	-5,000 bu.; cents per bu.
May	234.00
July	242.00

Soybeans (CBT)	-5,000 bu.; cents per bu.
May	1038.75
July	1049.50

Soybean Meal (CBT)	-100 tons; \$ per ton.
May	380.50
July	383.30

Soybean Oil (CBT)	-60,000 lbs.; cents per lb.
May	32.34
July	32.60

Rough Rice (CBT)	-2,000 cwt.; \$ per cwt.
May	1240.50
July	1257.50

Wheat (CBT)	-5,000 bu.; cents per bu.
May	583.00
July	592.25

Cattle-Feeder (CME)	-50,000 lbs.; cents per lb.
April	111,600
June	98,925

Cattle-Live (CME)	-40,000 lbs.; cents per lb.
April	112,065
June	102,235

Hogs-Lean (CME)	-40,000 lbs.; cents per lb.
April	51,750
June	53,625

Rough Rice (CME)	-2,000 cwt.; \$ per cwt.
May	1244.00
July	1258.50

Wheat (KC)	-5,000 bu.; cents per bu.
May	484.25
July	502.75

Wheat (MPLS)	-5,000 bu.; cents per bu.
May	589.00
July	592.25

Cattle-Feeder (CME)	-50,000 lbs.; cents per lb.
April	130,075
May	130,525

Cattle-Live (CME)	-40,000 lbs.; cents per lb.
April	111,600
June	102,235

Hogs-Lean (CME)	-40,000 lbs.; cents per lb.
April	51,750
June	53,625

Milk (CME)	-200,000 lbs.; cents per lb.
April	14.44
May	14.45

Cocoa (ICE-US)	-10 metric tons; \$ per ton.
May	2,471
July	2,514

Crude oil and petroleum prod	-1,000,000 bbls.; \$ per bbl.
Current	1,185,581
Expected change	... 1,190
Previous week	1,190
Year ago	1,337
4-week avg	1,191
5-year avg	1,312

Crude oil and petroleum prod	-1,000,000 bbls.; \$ per bbl.
Current	1,185,581
Expected change	... 1,190
Previous week	1,190
Year ago	1,337
4-week avg	1,191
5-year avg	1,312

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BIGGEST 1,000 STOCKS

How to Read the Stock Tables		Footnotes:	
The following explanations apply to NYSE, NYSE Arca, NYSE American and Nasdaq Stock Market listed securities. Prices are composite quotations that include primary market trades as well as trades reported by Nasdaq BX (formerly Boston), Chicago Stock Exchange, Cboe, NYSE National and Nasdaq ISE. The list comprises the 1,000 largest companies based on market capitalization.		I-New 52-week high. I-New 52-week low. dd-Indicates loss in the most recent four quarters. FD-FIRST day of trading. H-Does not meet continuing listing standards. IF-Initial filing. q-Temporary exemption from Nasdaq requirements. t-NYSE bankruptcy. v-Trading halted on primary market. Vi-In bankruptcy or receivership or being reorganized under the Bankruptcy Code, or securities assumed by such companies.	
Underlined quotations are those stocks with large changes in volume compared with the issue's average trading volume.		Boldfaced quotations highlight those issues whose price changed by 5% or more if their previous closing price was \$2 or higher.	
Wall Street Journal stock tables reflect composite regular trading as of 4 p.m. and changes in the closing prices from 4 p.m. the previous day.			

Wednesday, April 4, 2018

Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg	Stock	Sym	Close	Net Chg
A	B	C																									
ABB	ABB	22.28	-0.20	Autodesk	ADSK	17.50	2.66	AtmosEnergy	ATO	82.70	-0.20	CanNRG Inv	CNI	73.71	-0.28	Deo	DEO	137.80	3.17	GoDaddy	GDDY	60.57	-0.32	LATAMAirlines	LTM	15.49	...
AECOM	ACM	35.93	0.35	AutoHome	ATHM	85.21	1.52	AutoZone	AZO	68.65	-0.92	CanNaturalRes	CNR	32.45	-0.15	DiamondKfm	FANG	122.58	-0.86	Goldcorp	GG	13.88	-0.08	GoldmanSachs	GS	252.62	2.04
AES	AES	11.39	-0.11	Afflco	ALV	150.40	-2.41	AirCorps	ACR	36.72	-0.07	DigitalRealty	DLR	104.60	-1.58	DiscoverFinVcs	DFFS	71.69	1.09	DiscoverA	DISCA	22.54	0.51	DiscoverC	DISCK	106.00	-0.49
Aflac	AFL	44.24	0.55	Airbus	ALB	166.02	-1.06	AirlineB	ALN	50.83	-0.32	AirlineB	ALN	50.83	-0.32	AirlineB	ALN	50.83	-0.32	AirlineB	ALN	50.83	-0.32	AirlineB	ALN	50.83	-0.32
AGNC Inv	AGNC	18.94	0.06	AirDevn	AIR	106.21	-1.65	AirDevn	AIR	106.21	-1.65	AirDevn	AIR	106.21	-1.65	AirDevn	AIR	106.21	-1.65	AirDevn	AIR	106.21	-1.65	AirDevn	AIR	106.21	-1.65
ANGI Homesvc	ANGI	13.51	0.12	AlataCoating	AXTA	30.84	0.50	Albemarle	ALB	67.35	-0.25	Albemarle	ALB	67.35	-0.25	Albemarle	ALB	67.35	-0.25	Albemarle	ALB	67.35	-0.25	Albemarle	ALB	67.35	-0.25
Ansys	ANSS	157.95	1.82	Albion	ALB	52.67	0.72	Albion	ALB	52.67	0.72	Albion	ALB	52.67	0.72	Albion	ALB	52.67	0.72	Albion	ALB	52.67	0.72	Albion	ALB	52.67	0.72
ASML	ASML	198.26	-1.17	AlbottLabs	ALB	59.46	0.46	AlbottLabs	ALB	59.46	0.46	AlbottLabs	ALB	59.46	0.46	AlbottLabs	ALB	59.46	0.46	AlbottLabs	ALB	59.46	0.46	AlbottLabs	ALB	59.46	0.46
ATT&T	T	35.88	-0.11	Abbvie	ABV	92.94	-0.35	Abbvie	ABV	92.94	-0.35	Abbvie	ABV	92.94	-0.35	Abbvie	ABV	92.94	-0.35	Abbvie	ABV	92.94	-0.35	Abbvie	ABV	92.94	-0.35
Accenture	ACN	149.97	1.11	ABF	ABF	6.03	-0.01	AcuityBrands	AVY	129.48	-0.53	AcuityBrands	AVY	129.48	-0.53	AcuityBrands	AVY	129.48	-0.53	AcuityBrands	AVY	129.48	-0.53	AcuityBrands	AVY	129.48	-0.53
ActivisionBlz	ATVI	67.22	0.79	Actv	ACTV	16.78	-0.11	Actv	ACTV	16.78	-0.11	Actv	ACTV	16.78	-0.11	Actv	ACTV	16.78	-0.11	Actv	ACTV	16.78	-0.11	Actv	ACTV	16.78	-0.11
Adient	ADNT	62.95	1.84	AdobeSystems	ADBE	225.90	0.74	AdobeSystems	ADBE	225.90	0.74	AdobeSystems	ADBE	225.90	0.74	AdobeSystems	ADBE	225.90	0.74	AdobeSystems	ADBE	225.90	0.74	AdobeSystems	ADBE	225.90	0.74
AdvantEdge	AAVE	11.44	2.57	AdvMktDevcs	ADMK	9.77	0.22	AdvMktDevcs	ADMK	9.77	0.22	AdvMktDevcs	ADMK	9.77	0.22	AdvMktDevcs	ADMK	9.77	0.22	AdvMktDevcs	ADMK	9.77	0.22	AdvMktDevcs	ADMK	9.77	0.22
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BANKING & FINANCE



The insurance program was scrutinized last year after three hurricanes in under two months. A flooded street in Maine last month.

Rate Rise Bites Vulnerable Firms

By SAM GOLDFARB

Shares of companies with high levels of floating-rate debt are lagging behind the S&P 500, a sign of investor jitters about the financial impact of rising short-term interest rates.

As rates climbed, shares of 50 companies whose floating-rate bonds account for more than 5% of their total debt fell about 4% this year through March 29, according to a report by Goldman Sachs Group Inc. That is worse than overall index's 1% decline in that time.

Since the end of last year, the three-month London interbank offered rate has increased to 2.32% from 1.69%.

Libor measures the cost for banks to lend to one another and is used to set interest rates on roughly \$200 trillion in dollar-based financial contracts globally, including floating-rate bonds.

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Among those companies:

Kraft Heinz Co., whose share price has dropped about 21% this year;

Stanley Black & Decker Inc., which has lost 9.3%; and **General Mills** Inc., which has tumbled 23%, according to FactSet.

One factor should help companies that use floating-rate debt: When interest rates rise, it typically boosts investor demand for floating-rate bonds and loans. That allows businesses, when they issue such debt, to get a lower rate, or "spread," on the fixed rate they pay in addition to Libor.

and new corporate tax policies.

Over time, rising interest rates should lead to increased borrowing costs for all companies, as fixed-rate bonds are replaced with new debt. But the uptick in rates is of more immediate concern to businesses with a lot of debt with rates that rise and fall with underlying rates.

As of March 29, the shares of companies Goldman Sachs identified with significant floating-rate bond debt traded at 16 times their projected earnings for the next 12 months, compared with 17.6 for the broader index.

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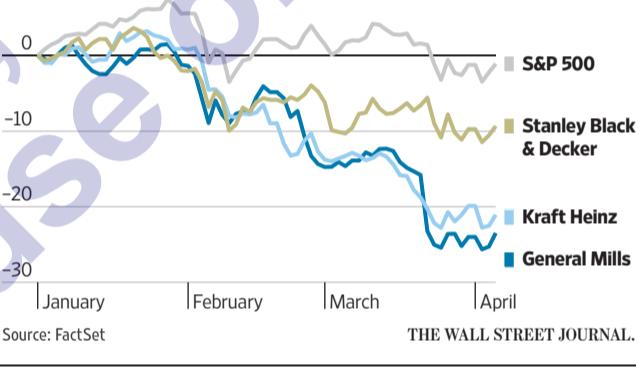
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Submerged

Shares of companies with high levels of floating-rate debt have fallen more than the broader index.



THE WALL STREET JOURNAL.

FEMA Seeks to Shift Risk

Agency intends to sell catastrophe bonds, which could transfer losses to investors

By NICOLE FRIEDMAN

The Federal Emergency Management Agency plans to unload more of its flood-insurance risk to investors before the height of next hurricane season.

FEMA on Monday said that it expects to issue its first catastrophe bond around July 1 to transfer some of the National Flood Insurance Program's risk exposure to the capital markets.

The NFIP, which sells flood

insurance to individuals and businesses, expects its losses from last year's hurricanes Harvey, Irma and Maria to exceed \$10 billion, the agency said in a quarterly report.

"The NFIP requires a stronger financial framework," the agency's director, Roy Wright, said in a press release.

The NFIP was created about 50 years ago because private insurers were unwilling to risk catastrophic flood losses.

Many Americans buy the government's NFIP policies through their private-sector insurer, which is then compensated for that service.

The flood-insurance program came under heavy scrutiny last year after three devastating hurricanes in less

than two months and because it was scheduled to expire on Sept. 30.

Last month, President Donald Trump signed legislation that extends the NFIP's authorization to July 31.

One move taken to improve the agency's financial position was its purchase of reinsurance for the first time in 2017. It recovered the full amount.

This year, the NFIP increased its reinsurance purchase, paying a premium of \$235 million for \$1.46 billion in coverage.

The decision to issue catastrophe bonds taps an alternative to traditional reinsurance. Insurers or an entity seeking insurance can issue bonds to investors such as pension

funds and endowments. The investors receive interest payments but can lose their principal if certain disasters occur.

FEMA said it would work with a reinsurer to issue the catastrophe bond. The agency didn't say how large the issuance could be.

The total catastrophe bond market has about \$32.8 billion in bonds outstanding, according to researcher Artemis.

Despite heavy catastrophe losses for the insurance industry in 2017, investors continue to show interest in catastrophe bonds, which can help diversify their portfolios.

A record \$4.2 billion in new catastrophe bonds were issued in the first quarter of this year, according to Artemis.

slumped to as low as \$4,755 during that period.

The sharp divergence prompted cryptocurrency investors to flock to social media to complain about the activity, with some alleging the exchange had tampered with prices.

In a statement on its website, OKEx denied that claim and said it is implementing new "price limit rules" to prevent similar incidents in the future. The exchange didn't say how many transactions it would void, and it accused "a group of people" of manipulating the contract and causing its price to fall significantly.

"We deeply apologize for the inconvenience caused," the exchange said, adding it provides a platform for customers to transact, "but we are not

directly involved in the trades."

OKEx also posted what it said were "fake screenshots" of price charts that had circulated on social media. The exchange said it doesn't profit

\$4,755

The low point of bitcoin futures, compared with \$7,000 spot price

from big moves in prices and instead generates income from transaction fees. It added it has no reason to, has never and won't "manipulate the prices" of any of its markets.

Late Wednesday, bitcoin

was trading at \$6,835, according to CoinDesk. It is down from a high of nearly \$20,000 that it reached in mid-December, but has still more than doubled from last summer.

OKEx, which has an address in Hong Kong, is one of dozens of online exchanges that have sprung up in recent years for investors to trade cryptocurrencies. But these lightly regulated venues come with heightened concerns, including the risks of cyberattacks or price tampering. Since 2014, hacks on cryptocurrency exchanges have cost investors about \$1.4 billion.

These platforms also bear little resemblance to the better-regulated venues that enable investors to buy and sell traditional assets such as stocks and commodity futures.

Bitcoin Price Swings Cause an Uproar Over Exchange

By STEVEN RUSSOLILLO



A cryptocurrency investor show in London last month.

HONG KONG—A large cryptocurrency exchange denied accusations from some customers that it manipulated prices of bitcoin futures after sudden price swings on its trading platform last week.

OKEx, which operates one of the world's most popular electronic venues for bitcoin trading, said it would cancel trades that occurred in a 90-minute period between 5 a.m. and 6:30 a.m. Hong Kong time Friday.

That was when the price of a bitcoin futures contract on OKEx fell sharply below bitcoin's spot price—which, according to CoinDesk, was about \$7,000 that day. The exchange didn't state the futures price, but traders said it

slumped to as low as \$4,755 during that period.

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Activist Elliott Buys Stakes In Three Hyundai Affiliates

By EUN-YOUNG JEONG AND JULIE STEINBERG

SEOUL—Activist hedge fund Elliott Management Corp. said Wednesday that it has accumulated more than \$1 billion in shares in three listed affiliates of **Hyundai Motor Group**, signaling renewed interest in South Korea's corporate-governance overhaul.

The disclosure from a Hong Kong-based unit of the New York hedge fund follows a move by the auto giant to reorganize its corporate structure in line with South Korean regulatory guidelines. The efforts have been aimed at boosting transparency around the country's large, family-owned conglomerates, known as *chaebols*.

In a statement, Elliott called Hyundai's plan an "encouraging" first step toward "an improved and more sustainable corporate structure." Still, it said that more needs to be done and it intends to have discussions with Hyundai's management and offer recommendations on the group's plan. A spokesman for Elliott declined to comment further.

Hyundai Motor Group, composed of more than 50 affiliates, is South Korea's second-largest conglomerate after Samsung. Elliott, which has \$35 billion in assets under management, said it holds shares in auto manufacturers Hyundai Motor Co. and Kia Motors Corp., as well as car-parts company Hyundai Mobis Co. but didn't disclose its stake size in each firm. The three companies have a combined market capitalization of around \$63 billion, according to S&P Global Market Intelligence.

Activist campaigns, once rare in Asia, have become more common in recent years as outsiders have tried to access a clubby investing culture in which local shareholders and family or government-owned companies often have close ties.

Elliott has been active in the region in recent years. One of its most high-profile campaigns saw the fund oppose a 2015 merger of two Samsung affiliates that it argued unfairly favored the controlling Lee family.

While Elliott narrowly lost that fight, Samsung's third-

generation heir apparent, Lee Jae-yong, was later convicted and jailed in relation to the case for offering bribes to a close friend of the former president, in exchange for government backing of the merger.

Mr. Lee has denied the charges and was released earlier this year on a suspended sentence.

The case will be taken up by South Korea's Supreme Court, but there is no set date for a trial.

Elliott also has challenged the Samsung conglomerate's flagship company, smartphone maker **Samsung Electronics** Co. In 2016, it called for the company to simplify its ownership structure and pay a special dividend.

Samsung Electronics subsequently pledged to improve shareholder value and increase transparency. It also boosted dividends and canceled \$35 billion in treasury shares, a type of holding that has concentrated voting power in the hands of chaebol families, but it has kept its ownership structure.

Last year, Elliott increased

its stake in Japanese semiconductor company Hitachi Kokusai Electric Inc., a unit of **Hitachi** Ltd., multiple times during an attempted takeover by private-equity giant **KKR & Co.** After Elliott disclosed its stakes, KKR twice increased

the price of a tender offer for the company and finally succeeded in acquiring it in December. Elliott ended up selling its 8.59% stake to KKR for about \$23.8 billion (\$223.2 million). Elliott last year also increased its stake to 8% in **Bank of East Asia** Ltd., a Hong Kong bank that the hedge fund has urged to explore selling itself, among other calls for corporate-governance changes. Bank of East Asia has rejected Elliott's demands.



Hyundai has moved to reorganize its business structure. A company production line in South Korea.

MARKETS

Stocks Rebound After Steep Drop

Trade jitters led to opening tumble by manufacturers and machinery companies

BY AMRITH RAMKUMAR
AND DAVID HODARI

Major stock indexes recovered early losses and closed sharply higher Wednesday, as investors bet the recent trade disruptions between the U.S. and China are negotiating tactics and the countries will ultimately reach a compromise.

Shares of manufacturers and machinery companies initially came under pressure after China unveiled plans

for a series of retaliatory tariffs on American goods.

But stocks erased those declines in afternoon trading, as some analysts said knee-jerk selling on worries that protectionist trade policies could slow global economic growth might have been overdone.

Trading was volatile again, with the Dow Jones Industrial Average swinging in a 741-point range. The S&P 500 logged a move of at least 1% for the eighth time in the past nine sessions, posting consecutive gains for the first time in nearly a month. Ten of the index's 11 sectors closed higher.

Despite initial unease that trade policies could result in higher costs for manufacturers of everything from computer chips to smartphones, some investors said the tariff announcements seem more like negotiating tactics.

"When people think about it a little bit more, they think it's not done yet, it's not played out and it's only affecting a small part of the economy," said Thomas Martin, senior portfolio manager at Atlanta-based Globalt Investments. "You do have a lot of skittishness in the market, and people wanting to be on top if there is a change."

The Dow industrials added 230.94 points, or 1%, to 24264.30, after dropping as much as 510 points in the opening minutes of trading. The S&P 500 climbed 30.24 points, or 1.2%, to 2644.69. Both indexes remain more than 7.5% below their January



Stocks ended higher as investors decided selling on trade worries likely was overdone. Ships carrying steel rods and steel wire in China.

More Swings

Shares of Boeing and Deere were among the worst performers Wednesday, though they recovered some of their early losses.



THE WALL STREET JOURNAL.

come as unease over stricter regulation and data privacy have dragged down highflying technology and internet stocks that led the market higher in recent months.

Facebook shares fell 1.01, or 0.7%, to 155.10 after lawmakers said founder and Chief Executive Mark Zuckerberg will appear at a House committee hearing on April 11 to answer questions on the firm's handling of user data. The social-media firm also said the Facebook information of as many as 87 million people, more than initially reported, may have been improperly shared with an analytics firm tied to President Donald Trump's 2016 campaign.

Some investors think the high concentration of market gains in a few stocks could lead to further volatility. Microsoft, Nvidia and the so-called FAANG stocks of Facebook, Amazon.com, Apple, Netflix and Google parent Alphabet are responsible for roughly half of the market's gains since the 2013 "taper tantrum," said Barry Bannister, head of institutional equity strategy at Stifel Nicolaus.

"That's a pretty narrow market," he said. "We're see-

ing several things come together at one time. It's not just trade tensions."

Widespread selling of big technology and internet stocks moderated Wednesday, with the S&P 500 information-technology sector adding 1.4%.

Some investors are looking ahead to the first-quarter earnings season, which begins in earnest next week. Some think robust profit growth can give stocks a boost moving forward.

The threat of higher interest rates around the world has also hung over global markets during the recent bout of volatility. Investors are awaiting Friday's jobs report for the latest reading on the U.S. economy and clues about whether the Federal Reserve will raise short-term borrowing costs two or three more times this year. The yield on the benchmark 10-year U.S. Treasury note edged up to 2.788% from 2.784% Tuesday. Yields rise as bond prices fall.

In early trading in Asia Thursday, Japan's Nikkei was up 1%.

—Kenan Machado, Liyan Qi and Lingling Wei contributed to this article.

Treasurys End Day Slightly Weaker

BY AKANE OTANI

U.S. government-bond prices inched lower Wednesday, reversing course from earlier in the day as stocks recovered from losses spurred by escalating trade tensions.

CREDIT MARKETS The yield on the benchmark 10-year U.S. Treasury note settled at 2.788%, compared with 2.784% Tuesday.

Yields, which fall as bond prices rise, initially slipped overnight, pressured by a rocky stretch of trading for global stocks that drove up demand for assets seen as safer stores of value.

The U.S. has touted increasingly protectionist trade positions in recent weeks, driving fears among investors that other countries could impose retaliatory measures that ultimately crimp global economic growth.

The newest escalation in global trade tensions came this week, when the U.S. and China each unveiled plans to impose tariffs on billions of dollars of exports—with the U.S. listing 1,300 categories of goods that will be subject to penalties and China targeting 106 types of goods, including nearly \$23 billion worth of soybeans and smaller commercial passenger planes.

Still, as U.S. stocks recovered from early losses that initially sent the Dow Jones Industrial Average falling more than 500 points, havens such as U.S. Treasurys and the Japanese yen retreated—one sign that investors appeared to be repricing the risks of protectionist trade policies. The yield on the 10-year note settled Wednesday near its session high.

"As trade tensions with China escalate, most eyes on the street are trying to discern if this is part of broader negotiations that will keep us out of a trade war or if this tit for tat will endure longer," said Mike Loewengart, vice president of investment strategy at E*Trade.

Trade Tension Cools Rally in Crude Price

BY ALISON SIDER
AND CHRISTOPHER ALESSI

Oil prices climbed back from more than two-week lows during trading Wednesday but still ended the day down despite an unexpected drop in U.S. oil inventories as trade fears rattled markets.

U.S. crude futures settled down 14 cents, or 0.22%, at \$63.37 a barrel on the New York Mercantile Exchange, bouncing back after trading as low as \$62.08 in earlier trading. Brent, the global benchmark, fell 10 cents, or 0.15%, to \$68.02 a barrel on ICE Futures Europe.

Oil prices fell sharply in earlier trading, following stock indexes as they tumbled in response to China's announcement early Wednesday of 25%

tariffs on critical exports from the U.S., including soybeans, airplanes and automobiles. The retaliatory measures came a day after the Trump administration threatened stiff new tariffs on some \$50 billion in Chinese imports across 1,300 categories of products. The U.S. earlier this year imposed tariffs on Chinese steel and aluminum imports.

"Crude prices are down today amid broader economic concerns, with the prospect of an escalating trade war between the U.S. and China threatening an extended stretch of global economic growth," Schneider Electric analysts wrote in a research note.

Prices pared losses after the U.S. Energy Information Administration reported that oil stockpiles fell by 4.6 million barrels last week, the biggest weekly decline since January.

Anbang Gets \$9.7 Billion

BY STELLA YIFAN XIE

Chinese conglomerate Anbang Insurance Group Co. said it will receive a 60.8 billion yuan (\$9.7 billion) capital injection from an industry-rescue fund to help stabilize its operations and keep it solvent while it tries to find new private investors.

The large capital infusion comes a month and a half after China's insurance regulator said it had formally seized control of Anbang, the country's third-largest insurer by assets. Anbang in recent years had gone on an overseas acquisition spree, spending billions on real estate and luxury hotels, including the Waldorf Astoria in New York.

Last week, Anbang's former

chairman, Wu Xiaohui, went on trial in a Shanghai court on charges of fraud and embezzlement. The court didn't specify whether he entered a plea to the charges. A sentence has yet to be handed down.

Chinese authorities have provided little detail about Anbang's financial position beyond saying the company's "legal activities" could put the firm's solvency "at great risk."

The fresh capital will come from China Insurance Security Fund Co., an industry fund designed to backstop the country's insurance companies. The fund, which gets contributions from life and property insurers and was set up by Chinese authorities in 2008, had 115.9 billion yuan in assets at the end of January.



About one-quarter of soybeans grown in the U.S. are exported to China, which plans to levy 25% tariffs on soybeans and other crops.

Soybeans Lead the Farm Belt Lower

BY LUCY CRAYMER

China's proposed 25% tariffs on soybeans and other U.S. commodities are designed to hit the Farm Belt where it hurts.

As much as a quarter of soybeans grown in the U.S. are exported to China, where the crops are pressed into oil and the leftover soybean meal is largely used as feed for pig, chicken, cow and fish farms.

China is the world's largest importer of soybeans. Last year, it imported 95.5 million metric tons, or about \$40 billion, of the commodity. Roughly one-third of those soybeans came from the U.S.

"A 25% proposed import tariff on soybeans will essentially shut off U.S. soybean exports to China," says Terry Reilly, a senior analyst at Fu-

tures International.

On Wednesday, May-dated soybean futures recovered some losses to close 2.2% lower at \$10.1525 a bushel at the Chicago Board of Trade.

Prices for wheat, corn and cotton, which also will be targeted by tariffs, followed soybeans lower. CBOT May corn futures fell 1.9% to \$3.81 a bushel, May wheat slid 0.4% to \$4.5575 a bushel, and May cotton on the ICE Futures U.S. exchange fell 2.9%, to 79.64 cents a pound.

"It is regretful that this has happened," said Xiaoping Zhang, China director for the U.S. Soybean Export Council, referring to China's planned tariffs. The organization is a lobbying group that represents American soybean producers and other players in the agricultural supply chain, and has

opposed the move.

Both sides stand to lose from the punitive measures. Without U.S. soybeans, analysts say global supplies of the crop would be insufficient to meet China's long-term demands. And if the tariffs are

2.2%

Drop in soybean futures on the Chicago Board of Trade

implemented, U.S. soybeans may have to be sold at a discount relative to crops from South America.

"Clearly, it will mean prices in China will be elevated for soybeans and soy oil, while

prices in the United States will be more and more under pressure," said Stefan Vogel, head of Agri Commodity Markets at Rabobank. He said the tariffs will likely lift prices for livestock and meat in China as feed becomes costlier.

There could be some timing advantage for China if it imposes tariffs on U.S. soybeans in the near term; crops in South America are being harvested, which means soybean imports from that region tend to pick up around this time of year. Because of this seasonal impact, Commerzbank AG noted that China can signal that "it will not even shy away from hitting U.S. agricultural production at its heart" without immediate consequences to its own soybean supplies.

—Benjamin Parkin contributed to this article.

MARKETS

Investors Put Brakes on Palladium Rally

The metal, considered a gauge of growth, is 14% lower this year after surging in 2017

By AMRITH RAMKUMAR

Escalating trade tensions between the U.S. and China are weighing on palladium, a once-hot asset that has reversed after a historic 2017 run.

The front-month futures of the metal, a close relative of platinum whose price moves are often seen as a barometer of investors' growth outlooks, fell 1.1% on Wednesday, bringing their year-to-date drop to 14%. That is after a nearly 60% climb last year that sent palladium to its highest level since 2001.

Trade tensions, along with the prospect of a higher adoption of electric vehicles, have hurt the metal so far this year, analysts say, as have projections for higher supplies than some investors previously anticipated. Recent tariffs on a wide range of products enacted by the U.S. and China that helped send copper to its worst quarter since 2015 have also cooled the palladium rally, with some investors uneasy that higher manufacturing costs will lead to slower global economic growth and lower demand for commodities.

On Wednesday, China retaliated against the U.S., targeting high-value American exports with 25% duties on major American exports including airplanes and soybeans. The moves came shortly after the Trump administration rolled out plans for its own tariffs of 25% on Chinese goods worth \$50 billion, on top of previously announced levies on solar panels, washing machines, steel and aluminum.

Retaliatory Chinese levies on U.S. pork and fruit went into effect earlier this week.

"We expect the tariff war to enter into a more escalating, vi-

Palladium's run-up has reversed this year amid trade tensions and lukewarm car sales, after the metal in January hit its highest level since 2001.

Palladium price*



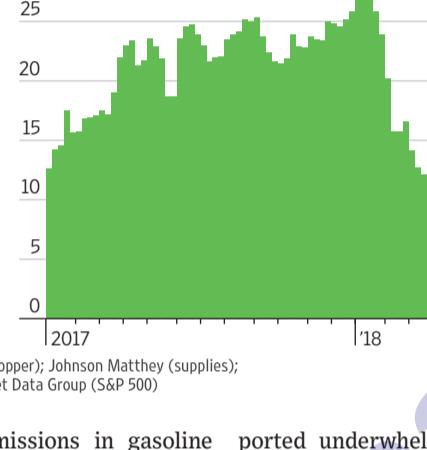
Analysts expect palladium supplies to increase this year...



Sources: Thomson Reuters (prices of palladium, platinum and copper); Johnson Matthey (supplies); Commodity Futures Trading Commission (net bets); WSJ Market Data Group (S&P 500)

...while speculative investors have turned more cautious...

Net bets on higher palladium prices



Sources: Thomson Reuters (prices of palladium, platinum and copper); Johnson Matthey (supplies); Commodity Futures Trading Commission (net bets); WSJ Market Data Group (S&P 500)

Close relative platinum has also been volatile.

Platinum price*



...and stocks and other commodities such as copper have tumbled recently.

Performance since the end of 2016



*Front-month contract
THE WALL STREET JOURNAL.

a 2.4% drop widened the gap between supplies and demand.

The prospect of higher supplies have weighed on other metals such as copper. The price of copper is down 8.3% this year after falling 1.7% on Wednesday.

Platinum has dropped 2.4% in 2018, but it has narrowed the gap on palladium. Platinum is used to neutralize emissions in diesel engines, so it is also affected by auto sales and the outlook for the adoption of electric cars.

Hedge funds and other speculative investors have started turning cautious. They have slashed net bets on higher palladium prices in nine of the past 11 weeks through March 27, to their lowest level since November 2016. That is after net bullish bets hit an all-time high in January, according to Commodity Futures Trading Commission data going back to 2006.

Palladium's drop on Wednesday sent it to \$918.90 a troy ounce, while platinum fell 1.4% to \$912.10.

Still, some analysts think stronger car-sales data—like the figures released Tuesday that showed nearly all of the biggest auto makers posted sales gains in March—and further emissions standards could boost palladium moving forward. Some have said signs that hybrid electric cars could become more popular might also spur a price rebound, as those would still require some palladium.

"Looking at demand moving forward is what's keeping things at bay," said Bob Haberkorn, senior market strategist at RJO Futures.

He said both metals would present attractive buying opportunities below \$900 a troy ounce despite the longer-term worries.

"There still is an immediate demand for it in the short term, or even medium term," Mr. Haberkorn said.

cious cycle where one trade tariff prompts another country to erect its own tariff," said Marwan Younes, chief investment officer of New York-based hedge fund Massar Capital Management. "As a result, global growth will be re-evaluated."

Because palladium is used in the catalytic converters that

scrub emissions in gasoline engines, it often behaves like an industrial metal and is sensitive to sentiment.

Signs of softening demand for palladium are already emerging. The U.S. auto industry last year recorded its first decline in annual sales since the financial crisis and re-

ported underwhelming sales early in the year.

Last year, the automotive industry accounted for more than 80% of palladium demand, according to Johnson Matthey PLC, a London-based metals trader and one of the world's largest makers of catalytic converters. North Ameri-

can vehicles accounted for roughly a quarter of that vehicle demand, with their palladium use rising 8% to a record.

Johnson Matthey said in its closely watched February market review that it expects global palladium supplies to grow roughly 2% this year. That compares with 2017, when

China's apparent threat to tax U.S.-made cars more heavily would hit a different diplomatic target from the one intended: Germany. The one U.S. car maker that would be heavily affected is Tesla.

China already imposes a 25% tariff on imported cars.

Whether the new 25% tariff would be in addition to the existing one is unclear. Liu He, President Xi Jinping's top economic adviser, had previously indicated that tariffs on imported cars would be reduced, most recently at Davos in late January.

If Chinese tariffs rise, in retaliation for the 25% tariffs U.S. President Donald Trump has threatened to impose on \$50 billion of Chinese imports, the worst affected would be car makers based in Germany, not Detroit.

China's restrictions on foreign ownership mean Western car makers can't hold more than 50% of a local

BMW

Mercedes

Tesla

Jeep

Lincoln

Subaru

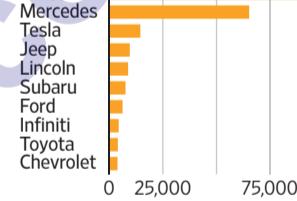
Ford

Infiniti

Toyota

Chevrolet

Estimated 2018 exports of cars from U.S. to China by brand



Sources: IHS, Bernstein

THE WALL STREET JOURNAL.

Tesla is in a different category: China accounted for 17% of revenues last year even though all the electric-car specialist's vehicles are made in California and thus subject to the existing 25% tariff.

Founder Elon Musk wants to sidestep the tax but is reluctant to cede control to a joint venture, which explains why he has been a vocal supporter of the White House's tough new China policy. He tweeted to Mr. Trump last month that the "current rules make things very difficult. It's like competing in an Olympic race wearing lead shoes."

China's tariff proposal, like the White House one, looks unlikely to survive in the hastily drafted form announced Wednesday morning. More likely is some kind of compromise. One thing is clear: If China wants to hit Mr. Trump where it hurts, it needs to find a better target.

—Stephen Wilmot

U.S. Signals Future Scrutiny of Big Deals

Dish subscribers to DirecTV.

But the government's real coup was testimony from John Martin, chief executive of Turner. His testimony included a cache of emails detailing negotiations in which Turner threatened to cut off its programming in an attempt to get higher rates.

For Justice, that evidence is "like a dream," said Mr. Jhaveri. While AT&T's lawyers can attack the motivation of witnesses from Dish and Comcast, which are AT&T's rivals, it is much more awkward to attack

The U.S. is trying to prove the hazard of combining AT&T with Time Warner.

their own witness. (Turner, as a division of Time Warner, is part of the defense.) Their cross-examination has tried instead to show that Time Warner has no incentive to black out distributors. Coleman Breland, another Turner executive, said that cutting off Dish cost the company more than \$30 million.

If the government's argument succeeds, it will be bad news for a lot of media companies seeking to do deals. Comcast has particular reason to worry. Mr. Jhaveri expects that the Justice Department will use coming Comcast witnesses to expose the flaws of the company's consent decree, in which it agreed to certain conditions in its 2011 takeover of NBC.

The point is to show that structural separation is the only viable option for AT&T and Time Warner. Next in the government's crosshairs could be Comcast-NBC.

—Elizabeth Winkler

Beijing's Tax Threat Misses Mark

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

How Trump's Tariffs Could Hurt China

Foreign Mojo

Industrial firms in China, return on assets

■ Foreign and greater China funded firms* ■ State-controlled firms

12%

9

6

3

0

2001 10

*Including firms with investment from Taiwan, Hong Kong and Macau

Source: CEIC

THE WALL STREET JOURNAL.

the long run. Crucially, they have done so without the dangerous buildup of debt that has characterized so much of China's domestic industry.

Firms with investment from abroad and greater China delivered 10% of urban job growth from the end of 2007 to 2016, using just 5.5% of total investment. In the industrial sector, where foreign investment is concentrated, return on assets was nearly 9% last year for such firms.

If China is going to escape its debt trap, it needs those numbers to go higher, not lower. And if trade takes a dive, Beijing could be forced into another round of unproductive debt-fueled stimulus.

So while U.S. leverage with China is weaker than a decade ago, there are still good reasons for China to offer concessions before the tariffs take effect.

A few things are perhaps achievable. They include greater purchases of U.S. semiconductors by Beijing; much looser joint-venture or foreign-ownership requirements, particularly in sectors like finance and health care where additional capital is sorely needed; and higher Chinese payments for U.S. intellectual property.

A rapid \$100 billion fall in the bilateral deficit, however, isn't attainable without a real and very damaging trade war.

—Nathaniel Taplin

The size of the U.S. tariffs isn't what worries China. At \$50 billion, the tariffs would only knock 0.1% off of China's growth in 2018.

The bigger issue is whether a trade war would stop foreign firms from investing in China. These companies are among the most productive of all firms there and are a critical conduit into the country for technology.

Those companies will dial back investment if they believe routing Chinese goods into the U.S. is set to become more difficult. And China—struggling under a massive debt load created by its own inefficient state firms—needs their dynamism and know-how.

China would ride out a