

# THE WALL STREET JOURNAL.

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As of 4 p.m. ET

DJIA 21206.29 ▲ 0.29%

NIKKEI 20177.28 ▲ 1.60%

STOXX 600 392.55 ▲ 0.23%

BRENT 49.95 ▼ 1.34%

GOLD 1276.80 ▲ 0.77%

EURO 1.1272 ▲ 0.54%

DLR ¥110.48 ▼ 0.79%

## What's News

### Business & Finance

Beijing's crackdown on debt is driving some companies to a murkier form of financing as it gets harder to secure bank loans or tap the bond market. **A1**

◆ Tencent has become China's top corporate investor in Silicon Valley, pouring funds into everything from electric cars to moonshot ventures. **B1**

◆ SpaceX for the first time launched a refurbished cargo capsule that had been used on a previous mission. **B1**

◆ One of Ivanka Trump's companies applied for trademarks in China a day before she was named a White House adviser. **B2**

◆ Much of Venezuela's debt is held by Venezuelans who struggle to reconcile profits with the plight of their countrymen. **B1**

◆ Insurers facing surging losses are pushing U.S. truckers to adopt sometimes-invasive technology to get their coverage renewed. **B1**

◆ Oil analysts cut their price forecasts amid doubts that a deal to limit output will clear a glut of crude. **B4**

◆ Global beef prices rose as India's move to ban the slaughter of cattle fuel supply concerns. **B7**

◆ Sony is releasing the first title from a new unit focusing on smartphone games, initially in Japan. **B3**

◆ The Nikkei topped 20000 and closed at its highest level since August 2015. **B8**

### World-Wide

◆ Police in London arrested 12 people in connection with the attacks by three knife-wielding men who plowed a van into pedestrians on London Bridge and stabbed people at a nearby area of pubs and restaurants. Seven people were killed and dozens injured in the third terrorist attack in the U.K. in three months. **A1, A4**

◆ Trump in remarks on Twitter suggested that the mayor of London was playing down the threat posed by terrorism. **A4**

◆ The attack halted campaigning in Britain's general election, adding further uncertainty to a race that already had become hard to call. **A4**

◆ Manila police ruled out terror in the attack at a gaming complex, saying the gunman was a gambling addict who had been barred from casinos. **A3**

◆ Afghan authorities arrested over a dozen people in connection with a triple suicide bombing at a funeral that killed and wounded more than 100. **A3**

◆ Cosby's sexual-assault trial beginning Monday outside Philadelphia could be the only time he will have to defend himself against criminal charges in court. **A7**

◆ U.N. ambassador Haley said Trump believes climate is changing but reiterated his argument that the Paris accord would hurt U.S. companies. **A7**

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## Britain Reels From Third Attack



Seven killed, dozens injured; May says more must be done to stop radicalization

By JASON DOUGLAS AND JENNY GROSS

LONDON—Terrorists struck Britain for the third time in three months, again interrupting a national election campaign and laying bare a growing challenge to the country's police and intelligence agencies.

Seven people were killed and dozens were injured, 21 of them hospitalized in critical condition, by three knife-wielding men who carried out a deadly rampage in the capital Saturday night, plowing a rented white van into pedestrians on London Bridge and then indiscriminately stabbing people in a lively area of pubs and restaurants nearby.

Police ended the violence by shooting dead the three assailants just eight minutes after they received the first reports of the bridge incident on a balmy night. No group immediately claimed responsibility.

Twelve people were arrested Sunday in Barking, East London, in connection with the attacks and authorities were carrying out raids in a nearby neighborhood. Police didn't give details, but I.J. Johnson, a neighbor who lives across the street from an apartment building in Barking that was raided, said he saw a white van rushing out of the complex around 9 p.m. Saturday.

The attack brought to 34 the number of people killed in three terrorist incidents in the U.K. since March 22, when a car driver killed five people on

Please see SCENE page A4

Please see ATTACK page A4

## Assault Shatters Evening Revelry

LONDON—It all happened in eight minutes.

The evening was warm, and Borough Market was buzzing. The fruit and vegetable stalls,

filled with customers cheered by the summery weather.

A short walk away, Londoners and tourists strolled along London Bridge across the River Thames. During the workweek, the span is clogged with pedestrian and vehicle traffic bound for London's financial district. On weekend evenings, though, the same stretch is less hurried and cluttered, offering bystanders more time to savor views of Tower Bridge down river and

the Shard, the spiky glass skyscraper, towering above.

That tranquility was shattered just a few minutes after 10 p.m. on Saturday when three men in what witnesses described as a white delivery van careened across the bridge at high speed, heading toward Borough Market.

The van slammed into pedestrians on the sidewalk near the bridge's south end, then three men raced away from the vehicle wielding knives and

wearing what police said later were fake explosive vests.

Police said they received the first reports of an incident at London Bridge at 10:08 p.m. Squad cars, ambulances and specially armed and armored police rushed to the scene. Social media lit up.

After leaving the van, the three men ran along the bridge toward the market, which is nestled next to the span under a railroad trestle. They en-

Please see SCENE page A4

## China's Debt Fight Boosts Trust Loans

BY CHAO DENG AND LINGLING WEI

BEIJING—China's crackdown on debt is driving some companies to a murkier form of financing as it gets harder to secure bank loans or tap the bond market.

New loans from so-called trusts, firms that raise money from individuals and corporations to plow into riskier areas of the economy, reached 882.3 billion yuan (\$129.5 billion) in the first four months of this year, according to data from the People's Bank of China, nearly five times as much as the same period in 2016.

Trust firms, which often charge borrowers higher rates than banks, occupy a middle ground between banking and asset management. They are licensed and loosely regulated by China's banking watchdog, but they lack some of banks' protections, such as govern-

ment deposit insurance, and they have more flexibility to invest in risky areas than banks do.

For companies, trusts represent the next best thing as bank loans or bond financing dry up or become more expensive.

Government-owned Qingzhou City Construction & Investment Co., in the eastern city of Qingzhou, received permission to issue bonds last year. But with yields rising on corporate debt, it has turned to a trust firm instead, according to people familiar with the matter.

Daye Trust Co. is helping Qingzhou City Construction raise 200 million yuan through a two-year product that offers investors returns of 6.5% a year. The firm would pay Daye a rate of about 8%, which is still less than it was expecting to pay for bonds, these people say. Qingzhou City Construc-

Please see CHINA page A2

### These 11 People Watch Every Movie—Especially the Icky Bits

\* \* \*

Hollywood's 'raters' put in long hours deciding what's acceptable; don't smoke

BY ERICH SCHWARTZEL

LOS ANGELES—In a nondescript building attached to an outdoor mall, Joan Graves and her colleagues sit down each day to talk about the movies they have seen. Nothing unusual there.

In this office, though, nobody cares about a film's Academy Award prospects. Their reviews focus on a different set of criteria: Did any ashtrays appear on screen? When the bad guy got shot, did his blood ooze out slowly or splatter against a wall? And just how "active" were the actors during their romantic interludes?

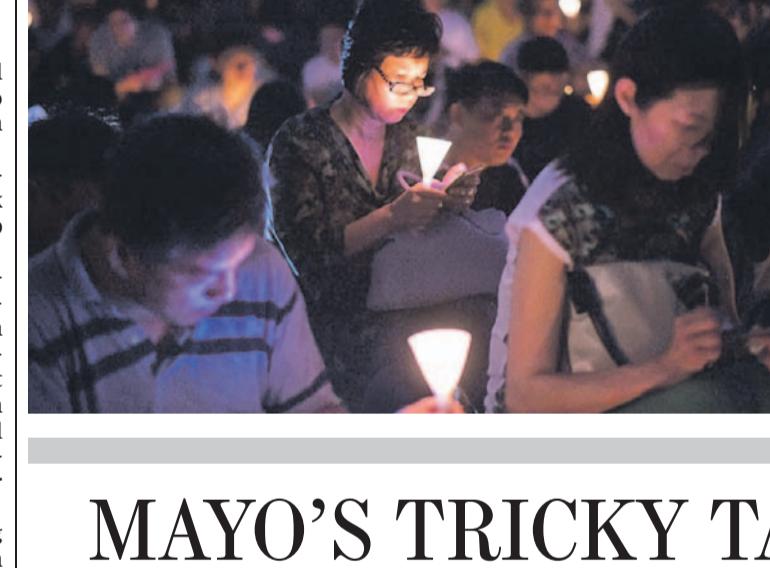
One year, "every movie we saw seemed to have people throwing up in it," Mrs. Graves recalls. At another point, she

added, the hot cinematic trend was "people literally sitting on the toilet." One odd development in recent years, said co-worker Tracey Downs-Berle, was a sudden proliferation of "people getting hit by buses."

Mrs. Graves and Mrs. Downs-Berle are among the 11 people who serve as "raters" for the Motion Picture Association of America. It's their job to measure Hollywood's output against an ever-shifting list of what American parents find objectionable.

In years past, it was the proliferation of blood, gore and apocalyptic blow-em-up spectacles. Today, surveys show parents are less sensitive to violence but are increasing-

Please see RATERS page A6



## 28 Years After Tiananmen

REMEMBRANCE: Thousands of people took part in a candlelight vigil in Hong Kong to mark the anniversary of the deadly military crackdown against Chinese pro-democracy demonstrators in Tiananmen Square. Commemoration of the events remains taboo in mainland China.

## MAYO'S TRICKY TASK: REVAMP WHAT WORKS

The elite clinic, renowned for success in treating complex cases, is tackling cost pressures by rethinking most aspects of its system

BY RON WINSLOW

ROCHESTER, Minn.—Change is hard. It is especially hard when the organization in question is among the top in its field.

Doctors at the Mayo Clinic, the 153-year-old institution that pioneered the concept of patient-centered care, considered it an ideal place to practice, one that wasn't in much need of fixing. It is renowned for diagnosing and treating medicine's most complex patients.

Dr. John Noseworthy, Mayo's chief executive officer, had a different view about the need for change. He saw declining revenue,

he says, from accelerating efforts by government health programs, private insurers and employers to rein in health-care costs as a looming threat to the clinic's health.

So when surgeons asked for two more operating rooms to meet demand for open-heart surgery, one of the clinic's major revenue sources, Dr. Noseworthy not only said no, he says, he also pushed them to redesign all facets of heart-surgery care and cut costs 20%.

The initial request, made eight years ago, sparked a yearslong revamp—part of a wrenching overhaul spearheaded by Mayo's

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### INSIDE



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#### REMOTE WORK CAN'T BE STOPPED

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## WORLD NEWS

THE OUTLOOK | By Tom Fairless

# For ECB, Ending Easy Money Is Complicated



FRANKFURT—As the eurozone economy gathers pace, European

Central Bank officials are plotting a route back to normality from an era of exceptionally easy money policies.

It could be a complicated path.

The ECB has indicated it

will follow the U.S. Federal Reserve's game plan for unwinding its policies, first by phasing out a €60 billion-a-month bond-purchase program known as quantitative easing and then turning to increase short-term interest rates, which have been negative since 2014.

But a debate has broken out inside the central bank about whether that sequence is right. Some officials suggested at their March meeting starting to raise rates first, to get them out of negative territory, before ending bond purchases, a person familiar with the matter said. Other officials, notably the bank's chief economist, Peter Praet, believe the Fed's sequence has a strong logic and are wary of shifting from that approach.

It might sound esoteric, but the path the central bank chooses could have big consequences for bank stocks and lending, market volatility and the outlook for the

euro. The two policies are different in part because they affect different kinds of interest rates. The negative rate policies impact short-term rates, while bond purchases hit long-term rates.

The distinction matters in markets. The euro jumped and eurozone bonds tumbled in March on reports that ECB policy makers had considered raising interest rates before ending the bond purchases.

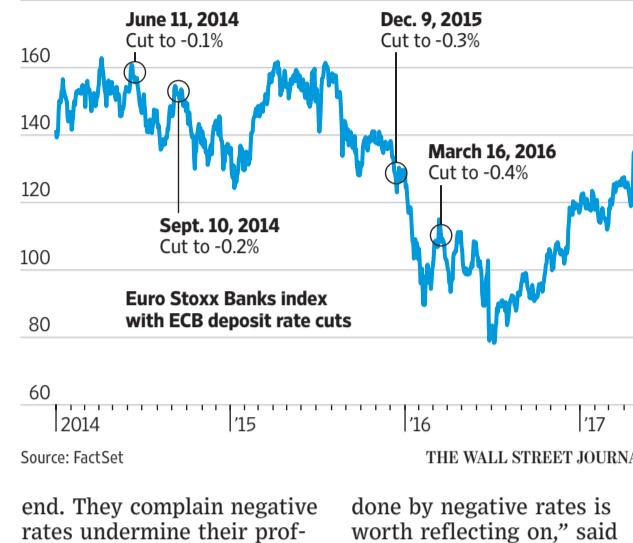
ECB officials will meet in Estonia on Wednesday and Thursday to consider their next moves. Mario Draghi, the bank's president, is expected to express greater confidence in the economy after the meeting. He could announce a review into different exit strategies.

Officials meet amid signs of an economic pickup. Growth in the 19-nation bloc outpaced that in the U.S. in the first quarter; unemployment has fallen to an eight-year low of 9.3%, and inflation has risen from less than zero to 1.4% over the past 12 months, approaching the ECB's target of just below 2%.

Some eurozone bank executives have chafed under negative interest rates and would like the ECB to end its policy of negative interest rates as soon as possible, even before bond purchases

### Negative Equity

Bank stocks slumped as the ECB pushed interest rates below zero, but they recently staged a rebound as the eurozone economy picked up.



Source: FactSet

over time...in terms of reducing the interest margin of banks," ECB board member Benoit Coeuré said in New York in April.

In Germany, negative rates have become an object of scorn in some political and media circles, which refer to them as "Strafzinsen," or "penalty rates."

"Removing negative rates would be a good, cheap way to improve the ECB's public image," said Frederik Ducret, an economist with Pictet in Geneva.

Crucially, though, Germany's influential central bank takes a different view. The Bundesbank is much less worried by negative rates than by bond purchases, which it argues reduce pressure on eurozone governments to carry out economic reforms.

To compensate for an early rate increase, the ECB might decide to extend its bond purchases. That would likely win favor among central-bank governors from southern Europe because the ECB's purchases of government debt hold down their borrowing costs. But it would displease Bundesbank President Jens Weidmann, who voted in favor of cutting rates below zero in June 2014, but has never voted for government bond purchases.

Still, some officials worry about the longer-running effects. "We see the negative impact being accumulated done by negative rates is worth reflecting on," said Huw van Steenis, global head of strategy at Schroders in London.

ECB officials are weighing mixed evidence as they consider whether to raise rates first. Despite bank complaints about the impact of negative rates, bank lending to eurozone companies grew at the fastest pace in almost eight years in April, rising by 2.4% year-to-year.

Still, some officials worry about the longer-running effects. "We see the negative impact being accumulated

Nor is it clear how much longer the ECB can continue

bond purchases, under which it has already amassed around €2 trillion of bonds. The bond program is due to run through at least December, but constraints on its design mean the ECB could struggle to find enough bonds to buy next year, particularly German bunds.

Within the ECB, the debate is likely to hinge on the overall impact of negative rates on the economy.

Late last year, top ECB officials appeared to cool toward the policy, warning that it could, over time, cause banks to reduce lending.

More recently, though, ECB officials have appeared to change tack, arguing that the effects of negative rates have been mostly positive. The change in tone coincides with a recovery in eurozone bank stocks, which have risen by about 40% since October.

"We've seen the initial impact of our negative-rate policy being clearly positive," Mr. Coeuré said. The policy anchors short-term borrowing costs at low levels, stabilizes financial conditions and encourages banks to lend rather than leave excess funds at the central bank, he said.

"At some point we might change our conclusion," Mr. Coeuré said. "We're not there."

## ECONOMIC CALENDAR

### MONDAY: The Labor Department releases revised U.S. first-quarter productivity figures.

Productivity, or how many goods and services U.S. workers produce per hour, fell at an annual rate of 0.6% in the first quarter of 2017 from the prior three months, the most recent report showed. Economists surveyed by The Wall Street Journal expect the productivity figure to be raised to 0%, still reflecting softness.

TUESDAY: An electoral court in a three-day session starting Tuesday could indirectly decide the fate of Brazil's pension-overhaul bill, which aims to defuse a budget time bomb and pave the way for sustainable growth. The court will decide whether the winning ticket in the 2014 election used illegal funding. The ticket's head, Dilma Rousseff, has already been ousted and her running mate, President Michel Temer, launched the pension overhaul. If he ends up being ousted, the bill is likely to get stuck or even be killed in Congress.

THURSDAY: Beijing will release its May export data—a key barometer of global demand—which is expected to de-

celerate to around 6% year-over-year growth from April's 8% level on the heels of softening business sentiment in advanced economies, weaker trade data from neighboring South Korea and lower commodity prices.

The European Central Bank is expected to leave its stimulus measures in place when policy makers meet in Tallinn, Estonia. However, the governing council could change its forward guidance by removing language that suggests rates could be cut again and the size of its bond-buying program increased.

Japan will release revised gross domestic product figures for January through March. Economists expect GDP to have grown 2.4% from the previous quarter on an annualized basis, higher than the preliminary estimate's 2.2%.

FRIDAY: China is set to release May inflation data as economists forecast consumer inflation rose modestly to around 1.5% year on year from April's 1.2% level, driven by higher non-food prices. Industrial inflation is expected to continue to decelerate to around 5.6%, from April's 6.4%, on softer commodity prices.

declined to comment on the rise in trust loans.

Actions by China's central bank and banking regulator to raise short-term funding costs and rein in banks' hidden loans have made banks increasingly reluctant to lend.

China Zheshang Bank Co., a midsize lender that had grown with the help of off-book loans and aggressive lending tactics, said that it would step up scrutiny of borrowers, turning down property developers in cities with unsold housing and businesses in "outdated industries."

The regulatory storm has roiled Chinese markets, sending bond yields to the highest levels in two years, as banks sell down their bondholdings to boost liquidity. Yields rise as bond prices fall. Higher yields are a burden for companies, many of which have canceled bond-issuance plans.

## Cambodian Opposition Gains Ground in Vote



TESTED: Cambodian Prime Minister Hun Sen, above, cast his vote during local elections on Sunday. In early results, the opposition Cambodia National Rescue Party made significant gains against the ruling party of the authoritarian leader, who came to power in 1985.

## CHINA

Continued from Page One  
tion intends to use the proceeds to finance a water-treatment project.

One area of concern for authorities as they tackle soaring Chinese debt—a factor in Moody's Investors Service's downgrade of China's sovereign debt last month—is loans that banks disguise as investments. A shift to trust lending would make it even harder to gauge the true extent of credit in the system.

"Regulation of the trust sector has been much more ad hoc" compared with that of the formal banking sector, says George Xu, a Moody's credit analyst. As a result, "trust firms can hide where they're investing."

China's banking regulator

don't typically include companies that can get bank loans.

Trust loans have surged at times in the past, amid regulator tolerance and high demand for credit from companies when the economy was booming. A record surge in the first four months of 2013 led regulators to crack down on the sector. Two years later, trusts helped investors leverage bets to buy stocks, which contributed to a flood of borrowing that culminated in a market crash that summer.

At the end of 2016, trust loans made up 10% of China's total so-called shadow-banking system, or lending outside regular bank loans and bond markets, according to Moody's.

Trust loans accounted for 15% of total shadow banking as of the end of 2013. Moody's says the decline in share was mainly because high-yielding investment products from banks, another kind of shadow lending, grew faster.

Even companies with access to formal banking channels and the capital markets are turning to shadow lending.

"It takes time to issue bonds," said Eva Lau, investment relations manager at Shimao Property Holdings Ltd., one of China's largest property developers. The Hong Kong-listed firm got central-bank approval to issue notes in the interbank market, but in anticipation of a lengthy process, it turned to Xiamen Trust Co., which is helping Shimao Property raise 1 billion yuan.

The company still plans to issue bonds and expects to pay

yields of up to 4.5% on the later bond sale, said Ms. Lau. By comparison, borrowing from nonbank financial institutions, including trusts, came at 5.7% interest rates in 2016, compared with 5.3% from banks issuing yuan loans, according to Shimao's latest 2016 financial report.

Ms. Lau said Shimao turned to Xiamen to diversify funding channels and said that the recent regulatory tightening wasn't a factor. The company doesn't detail its funding sources; Ms. Lau said trust financing is a tiny portion of the firm's total financing.

Back in Qingzhou, one person familiar with Qingzhou

City Construction & Investment said the company's strong government backing means it doesn't have to pay as much as a private company for trust financing.

The firm has yet to tap the bond market.

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China's campaign to exercise greater control over bank loans has raised funding costs, driving some companies to borrow from less-transparent lenders such as so-called trusts.

Five-year corporate bond yields

New trust loans\*

Size of financing markets

10 trillion yuan

120 trillion yuan

Shadow banking†

Bank loans

20 40 60 80 100 120

2011 '12 '13 '14 '15 '16

January through April

5.0% 4.8% 4.6% 4.4% 4.2% 4.0% 3.8%

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# WORLD NEWS

## Police Rule Out Terror in Manila Attack

Gunman who went on deadly rampage at casino complex was said to be a gambler

BY BEN OTTO  
AND JAKE MAXWELL WATTS

MANILA—The gunman who went on a deadly rampage at a metro Manila gaming complex was a Filipino gambling addict who had been recently barred from the country's casinos, Philippine police said.

On Sunday, police identified Jessie Carlos as the assailant in an early Friday gun-and-arson attack at Resorts World Manila that left at least 36 casino guests and employees dead of suffocation from smoke.

Philippine President Rodrigo Duterte said Saturday the tragedy didn't resemble a terrorist attack by Islamic State, which has claimed the gunman was one of its fighters. Militants allied with Islamic State have been fighting Philippine troops in the country's south for nearly two weeks, leaving more than 100 people dead. Also Saturday, dramatic security video footage of the attack



Philippine President Rodrigo Duterte attended a wake Saturday for victims of the attack.

Fernando Carlos, his father, said his son wasn't mentally ill. He said he didn't know where his son got the M4 assault rifle used in the attack.

Police said they traced Mr. Carlos's movements ahead of the casino attack by reviewing CCTV footage of him.

"I think this already dispels all the notions, all the speculations of terrorism," Mr. Albayalde said. "You are no longer in your right mind when you are addicted. It's like being addicted to drugs."

Casino officials and police released security video footage Saturday that showed Mr. Carlos, who they said was tall and spoke English and Tagalog, arriving at the casino by taxi at 12:07 a.m. Friday. He joined two guests in an elevator, then got out on a second-floor parking area.

Mr. Carlos, who was dressed in black, then donned a black mask and at 12:11 a.m. entered the casino, walking past a metal detector operated by a security guard. She ran after him, but fled with other employees and guests as he appeared to show his weapon or fire shots. He was wielding an M4 assault rifle, Armeen Gomez, chief security officer of Resorts World Manila,

was released to the public.

Manila Police Chief Oscar Albayalde, who spoke to the media Sunday alongside Mr. Carlos's family at a hotel next to the casino, said the attacker had a gambling addiction and was deep in debt.

Police said the government-owned **Philippine Amusement and Gaming Corporation** banned Mr. Carlos from casin-

os in April at the request of Mr. Carlos's family. Mr. Carlos, who was in his early 40s, was a father of three who lived with his wife in Manila, police said.

"This could have probably triggered him," Mr. Albayalde said, describing Mr. Carlos as a high roller who typically played with a minimum bet of 40,000 Philippine pesos (\$808). Mr. Albayalde said Mr.

Carlos had been addicted to gambling for several years and had sold property to try to settle his debts.

Police said Mr. Carlos was a former employee of the government's Finance Department who had been fired. Local media said his departure was related to discrepancies in his personal statement of assets and liabilities.

said at a news conference.

At 12:12 a.m., footage showed the attacker entering another part of the casino and torching three gaming tables. Mr. Carlos then set fire to another table in a gaming salon and other areas.

At 12:18 a.m., he went behind the cashiers' cage and shot and kicked his way into a room where chips were stored, taking about 113 million Philippine pesos (\$2.3 million) worth of high-value black chips, casino and police officials said.

Footage next showed security personnel encountering the gunman in what appeared to be a stairwell. Shots were exchanged and the gunman was wounded. He made his way to a fifth-floor room, where he shot and kicked the door until it opened, footage showed.

Mr. Carlos burned linen in the corridor. Inside the room, and out of view of security cameras, he lay down on the bed, set himself on fire and fatally shot himself, Mr. Gomez said.

Presidential spokesman Ernesto Abella said separately Sunday that "this is the action of one person." He said Mr. Carlos's attack was a "criminal act perpetrated by an emotionally disturbed individual."

## WORLD WATCH

### RUSSIA

#### Kremlin Critic Vows to Fight On

Russian opposition leader Alexei Navalny has mobilized thousands of demonstrators across the country to protest corruption under President Vladimir Putin. Now he says he is pressing ahead with a quixotic effort to run against his country's powerful leader in elections next year.

In an interview in his Moscow office, Mr. Navalny said he would continue to campaign for Russia's highest office, despite last week incurring the latest in a series of serious legal obstacles to his running for any office.

"The task before us now is to create a situation in which society demands my registration" on the ballot in 2018, he said. "And then the Kremlin will have no choice other than to put me on the ballot."

The bar remains extremely high for Mr. Navalny. This year, he was found guilty of embezzlement by a court in Kirov, 500 miles east of Moscow, a verdict he said was politically motivated to keep him from running for public office. And on Wednesday, he lost a defamation case brought by Alisher Usmanov, one of Russia's wealthiest businessmen, over Mr.

Navalny's allegations, aired in a video that drew millions of viewers on YouTube, that Mr. Usmanov was involved in official corruption.

A Moscow judge ordered Mr. Navalny to delete portions of the video referring to allegations that Mr. Usmanov gave property to a foundation linked to Russian Prime Minister Dmitry Medvedev. Both Mr. Medvedev and Mr. Usmanov, who holds controlling stakes in a major telecommunications firm and in social-media enterprises, have dismissed Mr. Navalny's claims as baseless.

—Nathan Hodge

### IRELAND

#### Country Set for First Gay Prime Minister

Ireland's ruling Fine Gael party elected Leo Varadkar as its new leader, paving the way for him to become the country's first openly gay prime minister as successor to Enda Kenny.

The 38-year-old's likely rise to the country's highest office is a marker of Ireland's transformation in recent decades from one of the most socially conservative countries in Europe. Until 1993, same-sex sexual activity was a criminal offense.

"If this election has shown anything, it is that prejudice has no place in this Republic," he said after defeating fellow minister Simon Coveney.

Mr. Varadkar's greatest challenge will be the U.K.'s departure from the European Union. Ireland has closer economic, political and cultural ties with Britain than other members of the bloc and expects the consequences of Brexit to be mostly negative.

—Paul Hannon

## Arrests Made in Bombings at Afghan Funeral

BY JESSICA DONATI  
AND EHSANULLAH AMIRI

KABUL—Afghan authorities on Sunday arrested more than a dozen people in connection to a triple suicide bombing at a funeral the day before that killed and wounded more than 100 people, capping one of the most violent weeks in the capital in years.

The funeral was being held for a protester, the son of the deputy speaker of the Senate, who was shot dead in clashes with police at an antigovernment demonstration over the failure to prevent a massive truck bombing on Wednesday. That bombing killed at least 90 people and injured more than 400.

The spate of violence has

left more than 600 people dead or wounded in the Afghan capital this week and prompted President Ashraf Ghani to appeal for unity in a televised address on Saturday evening.

Over the weekend, the United Nations and U.S. embassies issued statements urging calm. Several embassies, including the German, United Arab Emirates and British, withdrew staff from Afghanistan after the truck bomb damaged their premises.

The collateral damage extended into international diplomacy. It wasn't immediately clear whether an international peace conference to be hosted by the Afghan government in the week ahead would take place as scheduled.

The more immediate concern in the capital were fears of renewed ethnic violence in a city that was reduced to rubble during a civil war in the 1990s. Many top government officials at the funeral belonged to the country's Tajik-led Jamiat-e Islami political party, and some accused the Pashtun-led government of a plot against the group.

The Afghan government said the attackers had been trained in Pakistan, which it accuses of using the Taliban as a proxy force to destabilize the country. Islamabad denies the charge. The U.S. last year cut aid to Pakistan, demanding the country do more to fight terrorism on its soil.

Those angry with the government included the powerful

Tajik governor of northern Balkh province, Mohammad Atta Noor, who said Sunday the Jamiat-e Islami party, in which he is a senior member, had declined to meet with the president to discuss the attacks.

In a Facebook post, Mr. Noor said the party had instead sent a delegation of 10 people to talk to Chief Executive Abdullah Abdullah, whose role is similar to that of a prime minister and is seen to represent Tajik interests. Mr. Abdullah has urged people to unite against terrorism, and let the government continue its work.

Mr. Abdullah is part of a unity government formed with Mr. Ghani, who belongs to the majority Pashtun ethnic group, in late 2014 after conceding

defeat in a bitterly disputed presidential election.

Rivalry and infighting has crippled their partnership and hampered efforts to fight corruption in the country.

In his televised address late on Saturday, Mr. Ghani vowed to deliver long-promised security-sector reforms.

The country's armed forces remain in disarray following the resignation of top officials after a devastating attack on the army's northern headquarters in April. More than 170 people died when Taliban fighters infiltrated the heavily fortified base with heavy weapons and massacred soldiers at rest for lunch and afternoon prayers.

—Habib Khan Totakhil

contributed to this article.

## Iran-Backed Iraqi Forces Oust ISIS From Town West of Mosul

Shiite forces have captured the Iraqi town of Baaj from Islamic State, further shrinking the northern region under jihadist control as part of a U.S.-backed campaign to retake the city of Mosul, the Iraqi military said on Sunday.

Eight months into the Mosul offensive, ISIS militants have been dislodged from all of the city except an enclave along the western bank of the Tigris river.

The militants' grip on the Iraqi side of the northern region along the border with Syria, where Iraqi and U.S. sources believe ISIS leader Abu Bakr al-Baghdadi is hiding, has been ebbing as forces fighting alongside Iraq's government have advanced. The Iraqi air force provided cover for the thrust into Baaj of Shiite paramilitary forces known as Popular Mobilization, said a statement from the

Irqi joint operations command. Popular Mobilization is steered by Iran, an adversary of the U.S., but is playing a part in the campaign to defeat Islamic State, an enemy of both, in Mosul and the surrounding province of Nineveh.

Irqi government armed forces are focusing their effort on dislodging insurgents from remaining pockets in Mosul, since 2014 Islamic State's de facto

capital in Iraq. While reporting nominally to Iraq's Shiite-led government, Popular Mobilization has Iranian military advisers. A statement published by Popular Mobilization announcing the capture of Baaj came from Abu Mahdi al-Muhandis, a prominent leader of the paramilitary with longstanding ties to Iran.

—Reuters



## LONDON TERROR ATTACK

# Trump Challenges London Mayor in Tweet

President suggests Sadiq Khan's remarks about attack play down terror threat

BY PETER NICHOLAS

President Donald Trump suggested on Sunday the mayor of London was playing down the threat posed by terrorism, in remarks on Twitter the day after terrorist attacks in the city.

In other morning tweets, the president wrote that terrorism would rise if people insisted on being "politically correct" and seemed to take issue with gun-control activi-

sts, writing that the assailants used other weapons in carrying out the assaults.

"Do you notice we are not having a gun debate right now?" Mr. Trump wrote. "That's because they used knives and a truck!"

Mr. Trump's messages capped a flurry of tweets he sent out following the London attack, which left seven people dead and 48 injured. While expressing solidarity with Britain, the president also used his Twitter feed to make the case for pieces of his agenda and for his overall view of how best to combat terrorism.

In one tweet Saturday night, Mr. Trump touted his executive order temporarily

banning travel from six Muslim-majority countries, which he has said is needed to fight terrorism. The courts have blocked the order and the administration is asking the Supreme Court to reinstate it.

"We need to be smart, vigilant and tough," Mr. Trump wrote. "We need the courts to give us back our rights. We need the Travel Ban as an extra level of safety!"

Separately, Mr. Trump spoke to British Prime Minister Theresa May on Saturday and offered "his condolences for the brutal terror attacks," the White House said.

Mr. Trump seemed unimpressed by London Mayor Sadiq Khan's response to the

attacks. In a television interview, Mr. Khan said that "Londoners will see an increased police presence today and over the course of the next few days."

That, he said, is "no reason to be alarmed," adding, "One of the things the police and all of us need to do is make sure we're as safe as we possibly can be."

Mr. Trump tweeted: "At least 7 dead and 48 wounded in terror attack and Mayor of London says there is 'no reason to be alarmed!'"

A spokesperson for Mr. Khan's office, asked for a response to Mr. Trump's tweet, said that the mayor "has more important things to do than

respond to Donald Trump's ill-informed tweet that deliberately takes out of context his remarks urging Londoners not to be alarmed when they saw more police—including armed officers—on the streets."

The Trump family has sparred with Mr. Khan in the past. In March, coming off another terrorist attack in London, this one outside Parliament, Mr. Trump's eldest son Donald Trump Jr., tweeted a link to a newspaper article from 2016 that quoted Mr. Khan as saying the threat of terrorist attacks are "part and parcel of living in a big city."

"You have to be kidding me?!" Donald Trump Jr. tweeted. Soon after that

tweet, Mr. Khan said in an interview with CNN that, "I'm not going to respond to a tweet from Donald Trump Jr. I've been doing far more important things over the last 24 hours."

Earlier this year, Mr. Khan described President Trump's travel policies as "cruel and shameful" and said that Great Britain should not be "rolling out the red carpet" for him in the form of a future state visit.

Later on Sunday morning, Mr. Trump left the White House and went to his golf course in northern Virginia. The White House didn't specify if he would be playing golf or holding meetings.

## Vote Campaigning Is Halted in U.K.

BY JASON DOUGLAS

LONDON—Britain's already tightly fought general election campaign was thrown into further uncertainty by the weekend terrorist attack in London, the second such assault to hit the country in less than two weeks.

The issues of security and leadership were already at the forefront of the campaign, thrust there by the suicide bombing last month in Manchester that left 22 dead and dozens of others injured. Until then, debate had focused mostly on Brexit, as well as perennial British concerns such as funding the **National Health Service**.

Polling shows voters prefer U.K. Prime Minister Theresa May and the ruling Conservatives over Labour and its leader, Jeremy Corbyn, when it comes to leadership and security, but that doesn't appear to have translated into any significant electoral advantage. Mrs. May spent six years in charge of Britain's Home Office, the government department responsible for counterterrorism.

How Saturday's van and knife attack will alter the race as it heads into its final days before Thursday's vote wasn't yet clear. It was the third terrorist assault in the U.K. this year and the second since campaigning began.

In March, five were killed when 52-year-old Khalid Masood drove his car into pedestrians on Westminster Bridge before stabbing a policeman at the British Parliament.

The May 22 bombing in Manchester at a pop concert came just days after the country's two main parties unveiled their election platforms. Officials halted campaigning while police scrambled to investigate the killer, 22-year-old Salman Abedi, and whether he had any help.

While controversy in Spain over the government's handling of train bombings in Madrid in 2004 contributed to the incum-

bent administration's defeat, John Curtice, a polling expert at the University of Strathclyde in Scotland, said he didn't think the attack would have a big effect. There has been little evidence that the Manchester bombing caused any shift in opinion polls, he said.

"I don't see any reason why this should make any significant difference, although we will never know the counterfactual," he said.

Lena Komileva, chief economist at G+ Economics, said she thinks the attack may raise the importance of security in the final days of campaigning and that "would favor the incumbent prime minister."

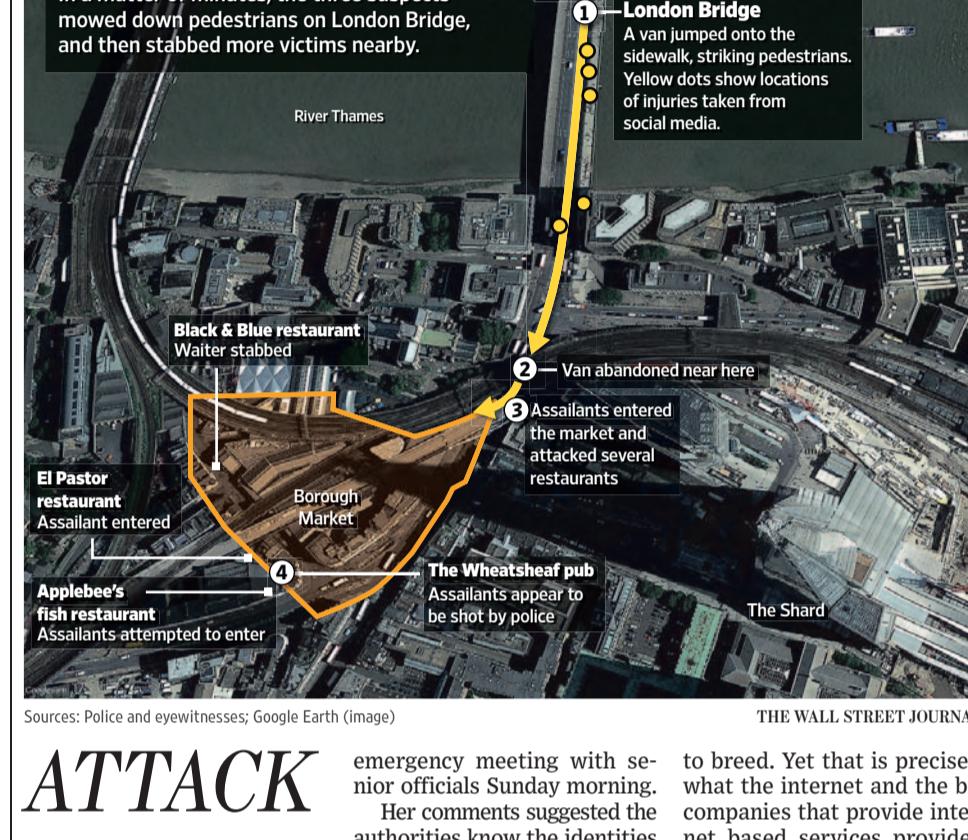
Yet Mrs. May faces trouble on other issues. The Conservatives' lead over Labour has narrowed dramatically since campaigning began, a slide that pollsters say primarily reflects stumbles by Mrs. May's party on issues including elderly care and a well-received Labour manifesto that pledged to nationalize railways and pick up the tab for college tuition.

No poll has suggested Labour will win the election Thursday, though a group of surveys published Saturday, before the London Bridge attack, showed a wide variation in the extent of the Conservative lead.

A poll by Survation put the Conservatives with 40% of the vote and Labour with 39%, once those unlikely to vote were excluded. The remainder said they plan to vote for smaller parties.

By contrast, a poll by ComRes gave the Conservatives a 12-point lead over Labour, with 47% of the vote against Labour's 35%. The discrepancy in part reflects pollsters' different methods for assessing the likelihood of eligible voters to cast ballots on Thursday.

Most political parties suspended their campaigning for the day because of the weekend attack.



## ATTACK

Continued from Page One

Westminster Bridge and then stabbed a policeman to death. In May, 22 people were killed and more than 100 injured by a lone suicide bomber at a pop concert in Manchester.

The assault suggests a growing tempo of attacks that represents a particular challenge to authorities: relatively unsophisticated plots using easily obtainable materials by small groups or individuals. They can be very difficult for the authorities to track because they often have few links with known suspects.

Prime Minister Theresa May said Sunday that since the Westminster attack, the security services had uncovered five other credible plots.

"In terms of their planning and execution, the recent attacks are not connected. But we believe we are experiencing a new trend in the threat we face, as terrorism breeds terrorism," she said following an

emergency meeting with senior officials Sunday morning.

Her comments suggested the authorities know the identities of the attackers, and police said they believed the three were the only ones directly involved. The government left the country's terrorism threat rating at severe—the third rung of four—implying investigators didn't see a threat of an imminent further attack.

Mrs. May warned that more must be done to stop people becoming radicalized, pointing out that attackers have been inspired by those that have come before, often using unsophisticated means.

She added that in the U.K. there is "too much tolerance" of extremism and more must be done to stamp it out, saying the government will consider lengthier prison sentences for extremist-related offenses.

She took aim at internet companies for what she said was allowing extremism—a "perversion" of the Islamic faith—to flourish online.

"We cannot allow this ideology the safe space it needs

to breed. Yet that is precisely what the internet and the big companies that provide internet based services provide," Mrs. May said.

Assistant Commissioner Mark Rowley, the U.K.'s top counterterrorist police officer, said Sunday police are working "relentlessly" to piece together exactly what happened and have already made progress.

He said eight firearms officers confronted the three assailants in the Borough Market area and fired around 50 rounds to kill them, believing they were equipped with suicide vests. Police have since said the vests were hoaxes.

He said one civilian suffered a gunshot wound when police opened fire and is in the hospital, though the injuries weren't believed to be critical.

In Barking, neighbors said they heard bangs and then saw a phalanx of police vehicles during the early Sunday raid at an apartment complex.

They said it appeared a woman who wore a niqab veil was among those arrested, and that she and her husband

lived in a lower-floor apartment with two children.

Samya Mohamed, 18, who lives nearby, said the husband was a family man who kept to himself. Another neighbor said she saw three people detained, among them a man she believed worked out at a local gym. That man also had a wife and small child, she said.

Later Sunday, police descended on East Ham, another east London neighborhood. One witness, who works at a chicken shop, said she saw a half-dozen people being arrested, including some who were customers at the shop and used to regularly order wings.

Malik Rouf was shopping on the busy street when he saw police descending on the Paddy Power betting shop. He saw one man, whom he described as around 30 years old, wearing a gray vest and blue jeans, trying to escape through a window above the shop.

"Police with rifles shouted at him 'get back in get back in,'" he said. "There was another armed officer inside who grabbed him."

Shortly after, he said he saw another man, around the same age, with a shaved head and a beard, and dressed in a white robe, dragged out in handcuffs.

Britain's Conservative and Labor parties and other parties temporarily suspended campaigning for the nation's election on Thursday—as they did after the Manchester attack. Mrs. May said the vote would go on as planned.

President Donald Trump spoke to Mrs. May, offering "the full support of the United States government in investigating and bringing those responsible for these heinous acts to justice." He also tweeted that U.S. courts should unblock his proposed travel restrictions to provide greater safety to Americans. "We need to be smart, vigilant and tough," Mr. Trump tweeted.

*Benoit Faucon, Max Colchester, Riva Gold, Laurence Fletcher, Margot Patrick and Robert Wall contributed to this article.*



Police said they received the first reports of an incident at London Bridge at 10:08 p.m. Saturday. Above, officers at the site.

rants in the Shard, the tallest building in the European Union, Gemma Martinez and Karl Reed were sitting down to their window table for dinner when they saw hordes of police vehicles and ambulances converging on the market, and spotted police vessels on the Thames scurrying to the base of London Bridge.

They saw flashes of gunfire. According to London's Metropolitan police, armed officers confronted the three men and shot them dead at 10:16 p.m.

When calm settled in hours later, an Applebee's employee shared with The Wall Street Journal a video that showed three inert bodies in front of the Wheatsheaf pub, just next door to Applebee's, with black canisters strapped around their upper bodies and several green laser pointers trained on them.

After hearing gunfire and seeing "dozens of people sprinting past my building" from her balcony, Meghan Feeks, an American, took to Twitter. She lives near the apartment where the "Bridget Jones" movies were filmed.

She offered "emergency supplies, tea or a quiet place to wait things out," a post that was retweeted more than 4,500 times. She was one of dozens who took to social media to offer shelter, food and taxi rides to those in need. Soon, the hashtag #SofaForLondon started trending on Twitter.

*Ben Dummert, Jenny Strasburg and Mike Bird contributed to this article.*

## SCENE

*Continued from Page One* countered a British Transport Police officer, one of the first responders to early reports of the incident. At least one of the men stabbed the officer, causing serious but not life threatening wounds, police said.

At the south end of the bridge, the three men plunged down a steep, narrow flight of stairs into the market and among the crowded outdoor tables of Cafe Brood, a grill-and-tapas restaurant. In the bustle, the men seemed to be taken aback, at least at first, said Mark Stemberger, the restaurant's owner.

The three were brandishing long knives, Mr. Stemberger said, and as soon as his staff saw the men, they began herding as many customers as they could into the restaurant's indoor section. The men "seemed to hesitate and then moved on to another pub," he said.

Jack Applebee said he was having a vape with friends outside the door of the seafood restaurant near Cafe Brood that bears the family's name when a young woman ran by screaming, "Someone's running around stabbing people!"

Mr. Applebee said he ran inside the restaurant and told about 50 customers to move quickly to the rear of the dining room. About a minute later, the three men were

standing in front of the restaurant's wall-to-wall windows, gazing inside. One of the three held what Mr. Applebee described as a machete.

"They looked to come in, and for some reason turned to carry on down the street," Mr. Applebee said.

Mr. Applebee and one of his employees then ran outside and lowered the facade's metal shutters, leaving about two feet of space at the bottom so they could crawl back inside. They barricaded the space with chairs, and diners were moved the second floor of the restaurant. Mr. Applebee said he

hadly pointed to stay away from the windows and served them water.

Apparently deterred from entering restaurants, the three men targeted individuals instead. A few fought back, throwing wine bottles and glasses.

Gerard Vowles said he saw three men dashing down one of the winding lanes inside the market. "All they wanted to do was kill people," he said, adding that he heard one of the men say, "This is for Allah."

One of the attackers repeatedly stabbed a woman. "It's the hardest thing I've ever seen" said Mr. Vowles, who said he

hurled bottles and glasses at the men then ran away after one of the attackers rushed at him.

Jag Sandhu said he was having drinks with friends at the Black & Blue restaurant, down the street from Applebee's, when he heard what he thought was a fight outside. He looked out and saw three men throwing chairs into some of the market's open-air restaurants.

Moments later, a man entered Black & Blue, walked over to a waiter and stabbed the waiter in the back, Mr. Sandhu said. As diners scrambled for cover under tables, Mr. Sandhu and his friends sprinted toward

the restaurant door.

Once outside they saw the three attackers about 50 feet away. Two held kitchen knives, they said, one pink-handled blade.

Alex Martinez was waiting

tables at the nearby El Pastor restaurant when he saw one of the men enter the restaurant holding a knife.

"Everybody started screaming," recalled Mr. Martinez, adding that he ran out the back door and jumped into a garbage bin to hide.

Already, armed police were closing in. Far above the market, inside one of the restau-

rant's

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## WORLD NEWS

# Europe Reckons With Its Depleted Armies

Soldiers in Germany's Light Infantry Battalion 413 near the Baltic Sea coast complained last year that they didn't have enough sniper rifles or antitank weapons or the right kind of vehicles.

By Julian E. Barnes in Brussels, Anton Troianovski in Berlin and Robert Wall in London

During exercises, they told a parliamentary ombudsman, their unit didn't have the munitions to simulate battle. Instead, they were told to imagine the bangs.

Across Europe, similar shortfalls riddle land, sea, air and cyber forces following years of defense cutbacks.

When Belgium put hundreds of soldiers on street patrols in Brussels after the Paris terror attacks in 2015, it had to request a thousand armor sets from the U.S. Army. Britain's Royal Navy has 19 destroyers and frigates. In 1982, during the Falklands War, it had 55.

Fighting wars—and prevent-

ing them—doesn't entail just bullets and bombs. Troops and heavy weapons must be moved to the front, requiring fleets of planes, helicopters and trucks. Arsenals must be ready to reload weapons, necessitating stockpiles of munitions. Armies must be ready to defend themselves and counterattack, which requires specialized systems. In Europe, all are in short supply.

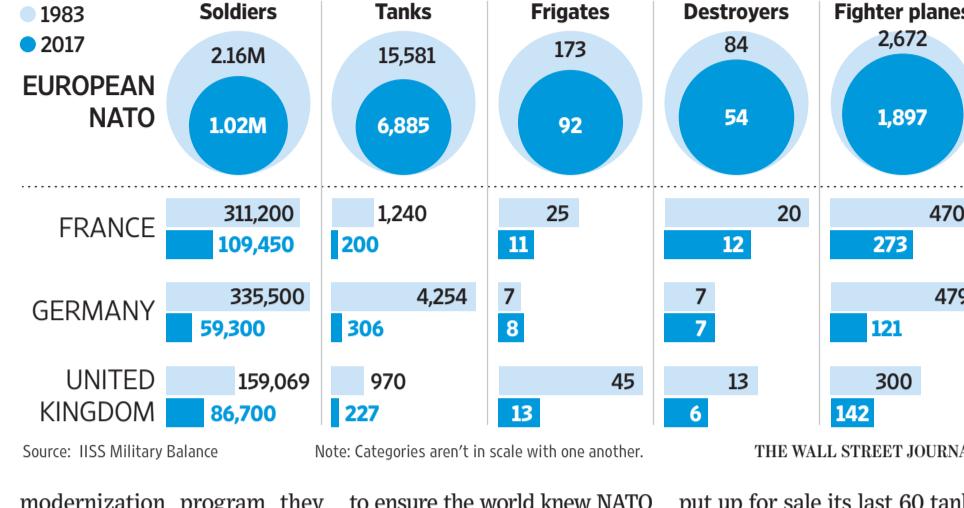
Europeans have tried for decades to more efficiently build military hardware and organize troops—an effort littered with failures, delays and compromises. Today European allies spend about half as much as the U.S. on defense yet have less than one-sixth its combat power; European officials acknowledge.

The U.S. has long chastised Europeans on their inadequate military. The real wake-up call, allied officials say, was Russia's 2014 annexation of Crimea, followed by Moscow's intervention in Syria. Both displayed new Russian weaponry. Suddenly long-ignored weapons of the Cold War became relevant again.

"The Russian ground forces have under way the biggest

### Lower Deterrence

Since the Cold War, as the U.S. has spent more on globally oriented materiel, European NATO countries have reduced their military strength in categories considered vital to defending the continent.



Note: Categories aren't in scale with one another.

half were ready for action.

Hans-Peter Bartels, the German parliament's armed forces commissioner who functions as a military ombudsman, said in a report this year that efforts to improve equipment and replenish munitions stores were taking too long. At Light Infantry Battalion 413 the battalion near the Baltic Sea, he said, materiel shortages led to "discontent and frustration" among the troops.

A German army spokeswoman declined to comment on whether the complaints were accurate. She said the battalion currently has the equipment and munitions it needs to carry out its duties.

Stories of shortages abound. France recently sent only five tanks and 300 troops to a new NATO force in the Baltic states partly because deployments in Africa, Syria and the streets of Paris have overtaxed its military, according to allied officials. Britain's storied Royal Navy is without a single battleship or aircraft carrier while it awaits the delivery of two carriers.

—Emre Peker in Brussels contributed to this article.

modernization program they have undertaken in the last 50 years," said Christopher Foss, editor of Jane's Armored Fighting Vehicles. "Their new vehicles are a step-change in capability on what NATO has got."

The best way to prevent Moscow from stirring up trouble on NATO's borders has been

to ensure the world knew NATO had the firepower to win any kind of conflict, U.S. and allied officials say.

NATO's challenges in achieving such deterrence today are exemplified in the decline in stocks of tanks. During the Cold War, the Netherlands had 445 battle tanks. In 2015, the country

put up for sale its last 60 tanks and its transport helicopters and many of its naval minesweepers. Instead, the Dutch sent soldiers to operate German tanks.

But Germany was also cutting tank numbers, from a Cold War peak of 2,125 Leopard 2 battle tanks to a force of 244, of which just over

## U.S. Defense Chief Urges Beijing to Rein In Pyongyang

SINGAPORE—U.S. Defense Secretary Jim Mattis urged China to help the international community to isolate North Korea and persuade it to halt its

By Gordon Lubold, Jeremy Page and Patrick Barta

ballistic missile and nuclear programs, but didn't spare criticism of China for its own behavior, in the South China Sea.

North Korea's ballistic missile and nuclear programs must be stopped and the era of "strategic patience," a buzzword for the approach taken during the Obama years, is over, Mr. Mattis said during a speech at the Shangri-La Dialogue, a regional security conference here.

"While the North Korean regime has a long record of murder of diplomats, of kidnapping, killing of sailors and criminal activity, its nuclear-weapons program is a threat to all," Mr. Mattis told international military officials, senior lawmakers from around the globe, experts and

others in an auditorium at the Shangri-La Hotel on Saturday.

But the U.S. has few viable military options when it comes to North Korea, U.S. officials say, and Washington's primary strategy for now is to influence North Korea through economic and diplomatic means. And on those counts, it has pushed Beijing, a major aid donor and trading partner of North Korea, to help.

"Ultimately, we believe China will come to recognize North Korea as a strategic liability, not an asset—a liability inciting increased disharmony and causing peace-loving populations in the region to increase defense spending," he said.

Mr. Mattis, cited Chinese President Xi Jinping's own words earlier this year. "Only if all sides live up to their responsibilities and come together from different directions can the nuclear issues on the peninsula be resolved as quickly as possible," Mr. Mattis said. "I agree with President Xi's words on this point, and those words must be followed by actions," he said.



South Korea Defense Minister Han Min-koo, U.S. Secretary of Defense Jim Mattis and Japan Defense Minister Tomomi Inada on Saturday.

Mr. Mattis' remarks prompted a pointed response from one of China's top experts on nuclear strategy, retired Maj. Gen. Yao Yunzhu, who said the U.S. had itself contributed to tensions on the Korean Peninsula

by continuing to provide the South with nuclear deterrence guarantees. That, and labeling Pyongyang as part of an "axis of evil" in 2002, had given the North Koreans a "deep sense of insecurity" and convinced them

that "only nuclear weapons could be the ultimate guarantee," she said during a panel discussion later in the day.

She defended China's record in trying to bring about a negotiated solution, and reiterated Bei-

jing's recent proposal that North Korea should suspend its nuclear tests in exchange for a halt to joint military drills between the U.S. and South Korea. U.S. and South Korean officials have rejected that proposal.

## Paris Accord's Backers Split

China and the European Union abandoned a plan to jointly declare their commitment to the Paris climate accord one day after President Donald Trump withdrew the U.S. from the global pact.

By Laurence Norman and Emre Peker in Brussels and Matthew Dalton in Paris

The plan to issue a joint declaration from a Brussels summit on Friday was derailed by EU-China trade disputes—a reminder of the challenges of embracing China's efforts to carry the torch for globalist policies opposed by Mr. Trump.

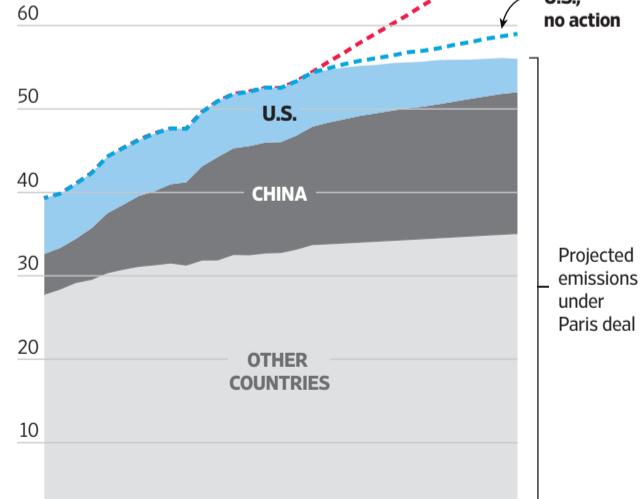
Mr. Trump's rejection of the Paris accord gave China and the EU new common ground as each has faced fresh tensions with the U.S. Chinese Premier Li Keqiang said at the summit that his country's partnership with the EU "is useful to counter the uncertainties in the world."

Following months of doubt about whether Mr. Trump would sustain his predecessor President Barack Obama's commitment to the Paris accord, EU and Chinese officials had drafted the statement proclaiming their "highest political commitment" to the Paris accord and vowed cooperation.

China, the world's largest emitter of greenhouse gasses, has said it would uphold its

### Cutting Carbon

The Paris climate deal envisions rich countries slashing greenhouse-gas emissions, while China would reach its peak level by 2030.



## Real Madrid Beats Juventus To Win Champions League

Real is first team in nearly 30 years to lift the trophy back-to-back

By JOSHUA ROBINSON

CARDIFF, Wales—No club in world soccer obsesses over history books like Real Madrid. Everything must be ranked and counted and Los Blancos must always be first—especially when it comes to European titles. And on that front, Real is untouchable.

With a 4-1 victory over Juventus here on Saturday, the club won its third Champions League trophy in four years and a record 12th overall. Real also became the first side in nearly 30 years to lift the trophy in back-to-back seasons. Without a doubt, the results make this an era-defining squad, the facts printed black on Real Madrid white.

But here's the thing about Real's modern achievements: They will look better in the record books than the team

ever did on the field.

Over the past four seasons, Real never hit the delirious stylistic highs of a Barcelona or a Bayern Munich at their best. Nor was it as consistently in control as Juve was in this year's Champions League. But when push comes to shove, Real becomes irresistible, the ultimate club for the major occasion. Its past six trips to Europe's most prestigious game have all ended in victory.

"I didn't think it was possible to defend this title, it is so difficult to win it once," Real midfielder Toni Kroos said.

Real waited 12 years between its ninth and 10th European titles, consumed by the prospect of what it called La Decima. The longer the club took to win it, the more it believed that its greatest modern star, Cristiano Ronaldo, might come

and go without collecting a Champions League. But that changed with the 2014 final against Atlético Madrid.

With the way Juventus started the night, Real's march toward history nearly went astray. The Italian champions were more menacing for 20 minutes until they were cold-cocked by Ronaldo. And, of course, his sweeping finish from the edge of the box came with its own nuggets of history: He became the first player score in three finals in the Champions League era, which dates back to 1992.

Juventus responded with one of the most spectacular goals a Champions League final had ever seen—even if it turned out to be futile. Leonardo Bonucci clipped a ball from the center circle into the Real Madrid box, where it was knocked across twice and finally into the goal with a Mario Mandzukic bicycle kick.

Three Juventus players took a total of five touches in the Real Madrid box in the buildup. At no point did the ball hit the ground until it was in the net.

After the break, the tide turned against Juventus dramatically. The defensive trio of Leonardo Bonucci, Giorgio Chiellini and Andrea Baragli, backed up by goalkeeper Gianluigi Buffon, had only conceded three goals over 12 games on the road to Cardiff.

They conceded that many again in the space of 30 minutes.



Cristiano Ronaldo of Real Madrid celebrates the team's victory.

LAURENCE GRIFITHS/GETTY IMAGES

# MAYO

Continued from Page One

CEO that has tested nearly every aspect of the institution's renowned system and that continues to this day. The heart-surgery department was approved to hire one additional surgeon, who started in March. And in January, it got one new operating room.

"Turning around a successful organization is not that easy," Dr. Noseworthy says. Hundreds of Mayo doctors "who assumed life was great weren't immediately eager to change how they work."

Each year, some 1.3 million patients from all 50 states and 140 countries come to Mayo. Scores of doctors, hospital administrators, politicians and health researchers visit each month in hopes of emulating it.

To maintain its approach, it must adapt to new payment policies from Medicare, high-deductible health plans and insurers' restrictions on out-of-network care that are putting pressure on hospital revenue across the U.S. And while the Medicaid expansion under the Affordable Care Act extended coverage in many states, efforts by President Donald Trump and his Republican Party to repeal it could change that.

Mayo, long insulated from many such forces, is no longer immune, says Dr. Noseworthy. "We're going to be paid a lot less for the work we do."

The overhaul, called the Mayo Clinic 2020 Initiative, is well past the halfway point, and officials are seeing results of more than 400 projects aimed at squeezing costs and improving quality in services ranging from heart surgery to emergency-room waiting time. Dr. Noseworthy says dozens of major re-engineering projects have helped cut an accumulated \$900 million in costs in the past five years.

The clinic is also seeking new areas for growth. Mayo took the lead—including committing \$3 billion of its own capital—on a \$5.6 billion urban-development project now under way to transform its headquarters city of Rochester into a destination medical center to better compete with rival institutions in Cleveland, Baltimore, Boston and Los Angeles.

Other top hospitals are also facing cost pressures, including Cleveland Clinic, which despite reducing costs by some \$800 million over the last four years reported a 71% drop in operating income in 2016 to \$139.3 million, citing reimbursement pressure, higher drug costs and pension-plan adjustments. In May, Partners HealthCare, a Boston-based system founded by Harvard-affiliated Brigham and Women's Hospital and Massachusetts General Hospital, said it plans to cut \$600 million of costs over the next three years to better compete "in a challenging new regulatory, legislative and consumer-driven environment."

While Mayo is "an American treasure," says Donald M. Berwick, former acting administrator of the Centers for Medicare and Medicaid Services, the clinic, as with most of the U.S. health-care system, is "too expensive and they need to find ways to deliver the same or better care at a lower cost."

Mayo, with major facilities in Florida and Arizona and a community-based health system of 19 hospitals and 44 clinics within 125 miles of Rochester, has 64,000 employees. It reported \$11.0 billion in revenue last year, up 6% from 2015.

Mayo was founded as a surgical practice in Rochester in 1864 by William W. Mayo, a Union Army examining officer.

The clinic's reputation for "patient-centered care" was embedded in its approach long before the term became a marketing buzzword. For Mayo, the concept includes bringing a team of specialists together to focus on the needs of patients with a complex problem and typically providing a schedule of appointments within hours of their arrival at the clinic. Patients don't have to make each appointment themselves or travel to specialists in different organizations. Mayo patients are welcomed by volunteers who escort them to their appointments.

"What made it jell was a common medical record," says Chet Rihal, head of cardiovascular medicine. Instead of each doctor's keeping a private record for each patient, one record followed the patient.

Today, nearly one in five surgeries involves multiple teams. "It's nobody's case. It's Mayo's case," Dr. Noseworthy says. "That is hard to do at other places where people work in isolation."

Mayo physicians are salaried, so there isn't competition over fees or any incentives to order tests and procedures a patient doesn't need, in contrast to the much more common fee-for-service medicine.

Dr. Noseworthy, a Canadian-educated neurologist, led an inquiry into the institution's readiness to face the future a year before he became CEO in 2009. It identified a "perfect storm of reduced revenue and increased costs" due to an aging population with chronic diseases and the emergence of "disruptive technologies" such as DNA sequencing.

The report was presented to Mayo's board of trustees in August 2008. Six weeks later, Dr. Noseworthy says, "Lehman Brothers disappeared." It was a stark reminder, he says, of the vulnerability of iconic institutions.

## Doctors at Mayo considered it a place that wasn't in much need of fixing.

Mayo launched into its 2020 program the following year. Retooling projects included restructuring care for children with complex feeding, breathing and swallowing disorders. The effort reduced average time to diagnosis to four days from 210 days and cut the use of anesthesia and imaging tests by nearly half.

Expanding the role of nurses in the care of epilepsy patients shaved an average of 17 minutes off the time doctors spent on a visit, increasing slots for new patients. Adding more clinicians to the emergency room during the afternoon reduced patient waiting times during high-demand evening hours.

Doctors have bristled at



When Mayo heart surgeons asked for more operating rooms, the CEO said no, pushing them to cut costs 20%. Above, a Mayo heart surgery.

some changes to their routines, Dr. Noseworthy and some other Mayo physicians say, including an initiative dubbed "eliminate white space" intended to optimize physician calendars. One goal was to schedule more time for new, complicated patients while booking shorter, 30-minute follow-ups for "established" patients.

Unhurried visits are a hallmark of the clinic. When one of her patients flew from Washington state for a follow-up, cardiologist Sharonne N. Hayes quickly realized 30 minutes wasn't sufficient. The patient had suffered two heart attacks since her last visit and the two needed more time.

It turned out the patient was assigned a 30-minute visit by mistake, and despite a full calendar, Dr. Hayes continued the visit into her lunch hour. "I know they have the best intent and want to preserve the culture," Dr. Hayes says, but "when you see that time going away from your calendar, that is a huge disconnect."

The administration soon realized the idea wasn't working and let departments devise their own ways to increase new-patient visits. It was a lesson that surfaced throughout the broader initiative, Dr. Noseworthy says. "Departments and divisions needed to have more local control of this work."

The heart-surgery project began just as Mayo's revamp did, in 2009. That year, the surgeons asked for the two new operating rooms to meet demand for surgery they thought would outstrip capacity. Even for high-revenue-producing departments, high-cost proposals generally trigger an intense review.

In denying the request, Dr. Noseworthy went a step further. With the ink barely dry



Turning around a successful organization is not that easy, says Mayo Clinic CEO Dr. John Noseworthy.

on the 2020 Initiative report, which described challenges neither the surgeons nor the clinic had to seriously consider before, he asked them to cut their costs 20%.

Surgeons were initially "disappointed," says Joseph A. Dearani, chief of cardiovascular surgery, but "ultimately everybody stepped up and did what was asked."

Cardiac surgery was ripe for overhaul. An initial analysis showed as much as a twofold variation in surgeons' average cost per case—from \$55,000 to about \$110,000 in one procedure. That is "too much variability," says Dr. Dearani.

The operating-room teams competed in contests to reduce the time from "wheels out"—when one patient's surgery was over—to when the room was set up for the next patient. Results for each surgeon's room were posted, and staff met to discuss what worked and what didn't. No

team was declared a winner, but the exercise trimmed average turnover times about 50% to between 20 and 30 minutes, Dr. Dearani says.

The overall effort revealed two main cost drivers: a patient's length of stay and the surgeons' use of mechanical heart valves. So many valve brands were on the shelf, Dr. Dearani says, "it was like going into a shoe store."

The clinic, one of America's largest users of such valves, decided to use its purchasing power to negotiate lower prices and limit surgeons to models from two vendors. It took nearly two years for surgeons to agree on which ones, Dr. Dearani says. "Everybody eventually came around, but it really ticked off a lot of people."

Doctors also began discharging out-of-town patients to a hotel a day or two before their flight home, then seeing them for an outpatient visit. Previously, many patients remained in the hospital until just before their flights.

In the hospital, patients are exposed to infection or remain sedentary. "When you get out, your activity level improves and your appetite gets better," Dr. Dearani says.

Scheduling changed significantly. Surgeons accustomed to operating every other day began doing surgery daily. New physician-developed protocols empowered nurses to streamline post-operative care, making it more efficient.

Some shifts started later in the day to account for staggered operating-room start times, to reduce overtime and to avoid peaks and valleys in intensive-care-unit staffing. That disrupted family commitments, prompting some oper-

ating-room staffers to seek reassignment, Dr. Dearani says.

Dr. Noseworthy says at the core of Mayo's turnaround effort is an attempt to protect its ability to take on complex cases, such as that of Carrie Mearns. The 39-year-old North Carolina high-school teacher, born with a defective heart valve, had heart surgery at Mayo before and after the new protocol. In 2000, after undergoing an open-heart operation to replace the valve, she spent six days in the hospital.

In May, the mother of two was back to have the device replaced. The morning after her third night, her doctors decided she was progressing so well they would discharge her to a hotel that day.

"We were shocked," says Ms. Mearns, whose parents accompanied her. "With open-heart surgery, you're kind of like in a little bit of disbelief." The experience, she says, turned out "very positive."

Dr. Dearani says the department reduced costs by "millions of dollars" and significantly narrowed the variation among surgeons in cost for heart procedures. The clinic declined to say whether it met the 20% target.

"We are a specialty with a lot of strong personalities who don't really embrace change," Dr. Dearani says. "It was quite eye-opening in terms of the improvement that could occur."

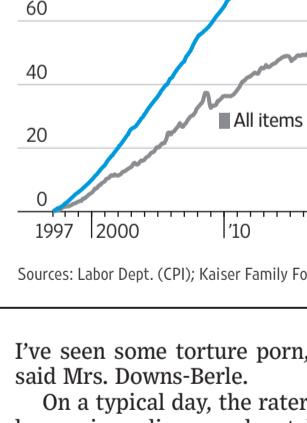
For Dr. Noseworthy, the heart-surgery initiative and scores of projects like it are part of the organization's continuing evolution. Outside analysts have provided the clinic with projections that over the next five years its reimbursement could decline 5% to 20%.

"The storm," Dr. Noseworthy says, "is still coming."

## Cost of Care

As U.S. medical costs outstrip inflation...

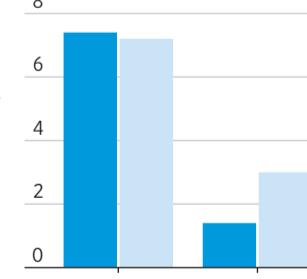
Consumer-price index, change since 1997



Sources: Labor Dept. (CPI); Kaiser Family Foundation (spending); Mayo Clinic

...and insurance-spending growth rates decline...

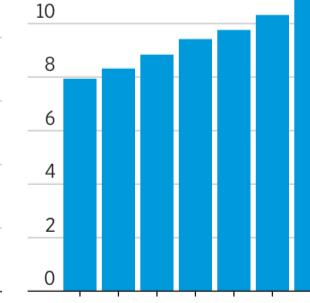
Average annual growth in per-capita spending, 2000-15



Medicare      Private insurance

...Mayo Clinic is revamping even as its revenues grow steadily.

Total revenue



\$12 billion

THE WALL STREET JOURNAL.

I've seen some torture porn," said Mrs. Downs-Berle.

On a typical day, the raters lounge in recliners and watch two to three movies. They're often among the first to catch highly anticipated films like "Star Wars" installments whose plots have been kept under wraps. Others are obscure titles most moviegoers never see. In 2016, the board rated 605 movies.

Mrs. Graves said the raters stick to a schedule that calls for "violence in the morning and sex in the afternoon." The team tends to eat potato chips during violent films and devours chocolate during sexy ones. "When they were bored, they wanted bagels," she said.

The job comes with some unique workplace challenges.

Sex scenes are watched—and dissected. Filmmakers dispute rulings and call the raters prudes. Moviegoers phone in their complaints about Hollywood's lack of morals, mistakenly thinking the raters are studio executives.

Mr. Young, 62 years old, started the job in 1987 after MPAA leadership feared its raters were growing too reflective of permissive West Coast mores. He was recruited because he lived in Canton, Ohio, at the time. "I had Midwestern sensibilities."

Hiring raters today falls on Mrs. Graves, a 75-year-old, Stanford-educated former stockbroker. Raters must have children between the ages of 5 and 15 when they're hired, and unless promoted to a senior

status, must leave when their youngsters hit 21. Being an extrovert who talks with other parents helps: A hairdresser who rated movies part-time was especially effective, said Mrs. Graves. The board charges between \$2,500 and \$25,000 to have a film rated.

Flagging objectionable content in movies goes back to the 1930s, when an industry-mandated set of rules known as the Hays Code prohibited any film that would "lower the moral standards of those who see it."

The Hays Code dissolved in the 1960s, and in 1968, the MPAA replaced it with raters who were supposed to serve as proxies to parents nationwide.

Complaining moviegoers from the South in particular despise blasphemy, Mrs. Graves

said. The Midwest blanches at sex, especially in PG-13 movies. Residents of the coasts are concerned with violence. "The Northeast does not care about language at all," she said.

Despite watching movies all day, Mrs. Graves heads to the theater every few weeks. Friends know a movie is good if she agrees to see it yet again. If the group decides on a movie Mrs. Graves knows is a clunker, "she'll just say, 'I'll meet you at the restaurant,'" said her husband, Pierce, also a former stockbroker.

Mrs. Graves doesn't discuss specific rating decisions, but some are legendary within the industry. In 1999, she received a memo from Matt Stone, director of "South Park: Bigger, Longer & Uncut," the raunchy

cartoon movie. The memo lays out, in graphic detail, six points the creators wanted to address with the MPAA, including putting "a new storyboard in for clarification in the scene with Sadaam [sic] Hussein's penis." Mrs. Graves keeps a copy of the letter on her desk. The raters' schedule on a recent Tuesday included filing into the screening room just to watch a two-minute clip re-edited to show the removal of a curse word.

The effect of seeing so many horror movies has bled into the raters' everyday lives. When Mrs. Downs-Berle recently rented a cabin in the woods with her family, she said she refused to go down to the basement. "I've seen that movie," she said.

# RATERS

Continued from Page One

ing concerned about smoking and bullying.

For nearly every movie released this year, the raters decide whether it will be rated G, NC-17 or something in between—a judgment that can have big implications at the box office. The stakes are so high, in fact, they often keep their deliberations secret.

"It's kind of like being on a grand jury," said Scott Young,

who said he has clammed up about his job at parties and Little League games. At times, it can be a difficult job to leave behind. "Nothing like picking up the kid at preschool after

## U.S. NEWS

# Border Retailers Say Tension Hits Sales

Some see Trump's tough talk worsening already bad business as Mexican travel slows

By JIM CARLTON

SAN YSIDRO, Calif.—For decades, this border community has prospered because of Mexican shoppers crossing into the U.S. to buy everything from shoes to phones.

But a few years ago the value of the peso against the dollar fell by half as oil prices plunged. American big-box stores that opened in Mexico siphoned customers away from U.S. shops.

Now, business owners in the San Diego district of about 30,000 population say the decline has worsened in the last five months because of a new factor: economic and political tension between the U.S. and Mexico.

President Donald Trump came into office based in part on pledges to beef up security on the Mexican border by building a wall and renegotiating what he called unfair trade pacts like the North American Free Trade Agreement.

Business groups have cautioned the Trump administration to avoid putting Nafta's benefits at risk.

Since Robert Lighthizer was approved by the Senate to be

the U.S. Trade Representative in May, the Trump administration has softened its rhetoric on Nafta toward modernizing the agreement rather than a wholesale "rethinking the issue of trade" that Trump promised on the campaign trail.

The peso got a 4% bump after Mr. Trump's inauguration, then tumbled as tensions escalated between the U.S. and Mexico. Late Friday the dollar was roughly flat at 18.68 pesos.

The currency fluctuations have made it less attractive for Mexicans to cross the border to shop.

All along the U.S.-Mexican border, American retailers are reporting sharp falloffs in sales this year that many attribute to tough policies on trade and immigration.

Mr. Trump has insisted that Mexico would pay for a border wall, launched a renegotiation of the North American Free Trade Agreement, and tightened deportation rules.

Stepped-up deportations and border enforcement, merchants say, have discouraged many Mexicans from venturing north to shop at stores that often feature better prices and selection on everything from women's apparel to smartphones and other electronics.

"It's like a chilling effect," said Denise Ducheny, senior policy adviser at the University of California, San Diego's Center



Pedestrians walk into Mexico with shopping bags, along the U.S.-Mexico border in San Ysidro, Calif.

for U.S.-Mexican Studies.

Still, some Mexican shoppers said Mr. Trump's tough talk doesn't faze them.

"He's just another president," Arlette Mendez, a 43-year-old visitor from Mexico City, said as she entered a discount outlet mall in San Ysidro in April in search of brand-name clothing.

In Texas, the state's five biggest border metropolitan areas—Brownsville, McAllen, Del Rio, Laredo and El Paso—combined received 2.7% less sales tax allocations in the first quarter than the same quarter a year earlier, according to estimates by the Texas Comptroller.

ler's office.

Those numbers fell to \$96.8 million from \$99.5 million, even as cities statewide in Texas saw a 2.44% jump in the sales tax allocations over the same period.

The same data on sales tax allocations showed gains in most other Texas cities that aren't on the border, including Dallas, up 3.8%, Fort Worth, up 7.2%, Austin, up 4.5%, and San Antonio, up 2.6%.

"It's depressing," said Eric Pineda, co-owner of a Cricket Wireless outlet in San Ysidro. He estimates his store has seen a 50% drop in sales so far this year compared with last year.

Mr. Pineda said his store,

which sells cellphone plans, has suffered in part from a reluctance of Mexican customers to venture across the border. "[April] was the worst month of the five years we have been in business, and I think it's because of the president," Mr. Pineda said.

In Texas, the steepest decline in shopping was reported in the Rio Grande Valley city of McAllen, where sales tax allocations fell 6.4%. Earlier this year, a social media campaign called #AdiosMcAllen was launched, calling on Mexican shoppers across the border in Reynosa to boycott the border city.

In El Paso, Texas, which with

its cross-border counterpart Juarez makes a binational metropolis of about 2.5 million people, pedestrian crossings from the south declined 15.7% in February to 496,048 from 588,719 in November, while passenger-vehicle crossings decreased 4.2% to 963,659 from 1,005,512 over the same period, according to preliminary data from U.S. Customs and Border Protection.

Economists say much of the shortfall represents Mexicans either making fewer shopping trips into the U.S.

"A lot of visitors say they no longer feel welcome in the U.S. or safe," said Tom Fullerton, a professor of economics at the University of Texas at El Paso. "They worry they will be subject to searches by uniformed officials and are concerned they could have their visas or passports confiscated."

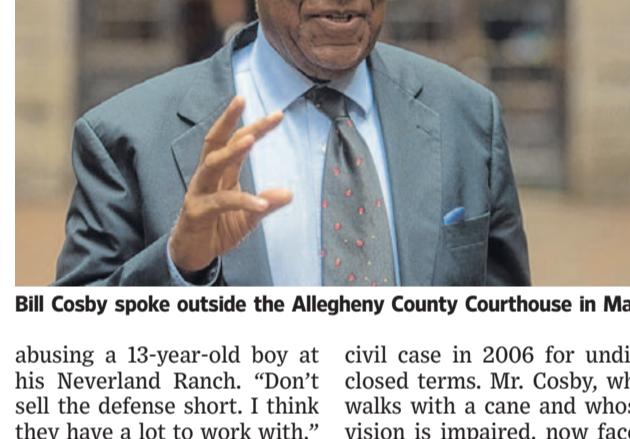
White House officials didn't return a call for comment.

Tanny Berg, a commercial property landlord in El Paso, said the vacancy rate for 100,000 square feet of retail space he and a partner control near that city's international border has doubled from 15% a year earlier to 30%.

"We have seen tenants moving out in the last two months," Mr. Berg said in May. "What's really hurting us now is the Mexicans are not coming to shop here."

## Cosby Sexual Assault Trial to Start

By KRIS MAHER



NATE SMALLWOOD/PRESS POOL/GT IMAGES

Bill Cosby spoke outside the Allegheny County Courthouse in May.

Comedian Bill Cosby has been accused of sexual assault by dozens of women over the past several years, but his coming trial outside Philadelphia could be the only time he will have to defend himself against criminal charges in court.

The legal reckoning represents an astonishing fall for an iconic entertainer, a once-beloved figure who shattered racial barriers with roles in television shows like "I Spy" in the 1960s and "The Cosby Show" in the 1980s.

The Montgomery County district attorney charged Mr. Cosby with three counts of aggravated indecent sexual assault, alleging he first drugged the woman at his home in 2004.

Mr. Cosby, 79 years old, has said he won't testify—which legal experts said could make humanizing him for a jury more difficult. But despite months of punishing publicity for Mr. Cosby, defense attorneys and others say the prosecution's case may be tougher than it first appears and that the defense has several strategies to pursue.

"The defense needs to challenge this jury to rise above media invective and follow the law as presented to them by the trial judge," said Thomas Mesereau, who successfully defended the late Michael Jackson in 2005 against charges of

abusing a 13-year-old boy at his Neverland Ranch. "Don't sell the defense short. I think they have a lot to work with," Mr. Mesereau added.

Legal experts expect the defense in its opening statement Monday to focus on attacking the credibility of Andrea Constand, who said Mr. Cosby assaulted her after inviting her to his home in Cheltenham, Pa., near Philadelphia, to discuss her career.

Ms. Constand, a former Temple University employee, said in a criminal complaint that she had been drained and "emotionally occupied," and that Mr. Cosby gave her wine and pills to relax. She said he helped her to a couch where he sexually assaulted her.

Mr. Cosby has said Ms. Constand consented to his sexual advances. The parties settled a

civil case in 2006 for undisclosed terms. Mr. Cosby, who walks with a cane and whose vision is impaired, now faces up to 10 years in prison if convicted in the criminal case.

Stuart Slotnick, a New York defense attorney who isn't affiliated with the Cosby case, said he expects defense lawyers on Monday to seize on statements Ms. Constand made in the criminal complaint, including that she had rebuffed Mr. Cosby's sexual overtures two times before she agreed to go to his home in 2004.

"She says she trusted him even after all these unwanted sexual advances. The question is can you believe that for one second?" Mr. Slotnick said. "The complaint that she signed is a treasure trove for cross-examination material for the defense."

Prosecutors, meanwhile, are expected to hammer on comments Mr. Cosby made in a 2005 deposition in the civil case brought by Ms. Constand, in which he said under oath that he got prescriptions for Quaaludes to give the sedatives to women he wanted to have sex with.

Mr. Slotnick said the defense will have to stress that Mr. Cosby has never said he gave the pills to women without their knowledge.

In a pretrial victory for prosecutors, Judge Steven O'Neill ruled in February that another woman who has alleged that Mr. Cosby assaulted her after giving her pills can testify at the trial. Prosecutors hope to strengthen their case against Mr. Cosby using her testimony to establish a pattern of behavior.

Experts, however, said the defense is likely to portray the inclusion of another accuser as a sign of weakness, arguing that prosecutors couldn't prove the case involving Ms. Constand on its own merits.

The 12-member jury was selected in Pittsburgh and bused to the trial in Montgomery County Court in Norristown, Pa., after Mr. Cosby's lawyers argued that he couldn't get a fair hearing from people in the Philadelphia area.

Mr. Cosby's celebrity has been widely seen as hurting him, because the tide of pre-trial publicity has been overwhelmingly negative.

## Trump Believes Climate Is Changing, Haley Says

By NAFTALI BENDAVID



Ambassador Nikki Haley

WASHINGTON—President Donald Trump agrees that the world's climate is changing and that human actions are part of the cause, United Nations Ambassador Nikki Haley said in an interview that aired Sunday.

"President Trump believes the climate is changing. And he believes pollutants are part of that equation," Ms. Haley said in an interview for CNN's State of the Union. "So that is the fact. That is where we are. That's where it stands."

After Mr. Trump announced Thursday that the U.S. would withdraw from the Paris climate-change accord, citing economic factors and what he called the pact's unfairness to the U.S., White House officials had declined to say whether Mr. Trump believes human activity is contributing to a change in the globe's climate.

There is a broad scientific consensus that climate change is real, but Mr. Trump had tweeted during his campaign that global warming was a hoax invented by the Chinese.

"He knows that it's changing. He knows that the U.S. has to be responsible with it, and that's what we're going to do," Ms. Haley told CNN. "Just because we got out of a club doesn't mean that we don't care about the environment."

Mr. Trump's move was

cheered by his supporters, but it was also criticized by a wide array of U.S. allies and many American businesses.

A small demonstration gathered in front of the White House Saturday to support the president's decision, which fulfilled a pledge he'd made during the campaign.

In the CNN interview, Ms. Haley reiterated Mr. Trump's argument that the Paris accord would hurt U.S. companies.

"What I will tell you is the regulations from the Paris agreement were disadvantageous to our companies. We know that," she said. "The jobs were not attainable as long as we had to live under those regulations."

Some economists dispute the notion that the U.S. economy would suffer under the Paris deal, which was joined by almost every country in the world.

## 'Pink Slime' Food-Label Defamation Case Set to Begin

By JACOB GERSHMAN  
AND LUKAS I. ALPERT

Opening statements in what could be the largest defamation case in U.S. history are set to begin Monday in a South Dakota courtroom.

In suing ABC News for its coverage of a widely used processed-meat product that the news organization and others have branded "pink slime," Beef Products Inc. claims it was a victim of a journalistic hit job. The family-owned South Dakota meat processor claims the reporting reduced its revenue.

Raising the stakes is a state food-disparagement law that allows prevailing plaintiffs to triple actual damages. Beef Products has alleged \$1.9 billion in damages. That means, in theory, ABC could be hit with a nearly \$6 billion judgment, not including any potential punitive damages awarded if it loses.

ABC, a unit of Walt Disney Co., says it never reported anything about the beef that it knew to be a lie and contends Beef Products is trying to punish it for making reasonable editorial judgments.

The case will go before a 12-person jury at a time when opinion polls have shown declining trust in the media.

In court documents, Beef Products has referred to ABC's coverage as "fake news," a term widely used to describe scurrilous internet reporting, that has broadened in use since the 2016 presidential election.

"This was the opposite of fake news," said ABC lawyer Kevin Baine, a First Amendment attorney at Williams & Connolly LLP. "It was real news of interest to consumers who didn't know this product was in their ground beef."

ABC's first segment on the product aired March 7, 2012. Then-World News anchor Diane Sawyer opened it telling viewers: "A startling ABC News investigation, a whistleblower has come forward to tell consumers about the ground beef a lot of us buy at the supermarket. Is it what we think it is?"

ABC's report, national correspondent Jim Avila, a defendant in the case, described the company's meat product as pink slime made from "beef trimmings...once used only in dog food" and "sprayed with

ammonia to make them safe to eat and then added to most ground beef as a cheaper filler."

In the ensuing weeks, ABC followed the segment with several more broadcasts and more than a dozen online stories about the beef, reporting on the fallout for Beef Products.

The company filed suit later that year, accusing ABC of creating a false impression "that BPI's product was not beef or meat, had little or no nutritional value, and was not safe to eat."

Beef Products says the product, called lean finely textured beef or LFTB, is merely the result of discovering how to extract more lean beef from cows. Approved by the U.S. Department of Agriculture in 1993, LFTB is made from beef trimmings put through centrifuges to remove fat. Some LFTB is treated with tiny amounts of ammonia gas to kill pathogens.

In the wake of ABC's report, Beef Products says its sales plummeted and ground-beef processors canceled orders in droves, forcing the company to lay off 700 workers. Less than three weeks after ABC's first report, Beef Prod-

ucts suspended operations in three of its four processing facilities.

The company says ABC relied on biased experts and intentionally omitted accurate and more positive information about LFTB's safety that Beef Products tried to communicate to ABC before the segments aired.

"There is not a shred of evidence, let alone clear and convincing proof, that ABC intended to convey the message that LFTB is 'unsafe for public consumption,'" ABC lawyers stated in a court filing, noting that its coverage repeatedly said that LFTB is "safe to eat."

In addition to its defamation

claims, Beef Products is suing under South Dakota's Agricultural Disparagement Act, which imposes liability for knowingly publishing false information that asserts or implies that an agricultural food product isn't safe for public consumption. South Dakota is among more than a dozen states that have enacted "food libel" statutes intended to shield the food-production industry from bogus safety scares.

To prevail, Beef Products will have to show that ABC acted with actual malice, meaning it must prove that the news organization either knew the information was false or reck-

lessly disregarded the truth.

"There is vast proof of ABC's actual malice," the company's lawyers wrote in court papers, quoting an email from an ABC producer saying he was "[b]usy putting pink slime makers out of business [sic] today."

ABC says the email was taken out of context.

At trial, lawyers are likely to focus significant time on the meaning of the word "slime."

"There is not a more offensive way of describing a food product than to call it 'slime,'" stated Beef Products' lawyers. The company counted 137 instances in which ABC used the phrase "pink slime" in broadcasts, online reports and social media postings.

ABC said in a court document that slime may be an unflattering word choice, but it is "the kind of 'imaginative expression' and 'rhetorical hyperbole' that is constitutionally protected."

The trial in South Dakota is expected to run through July. The courthouse in Union County built a new courtroom in the basement that could accommodate all the lawyers and spectators expected to attend.



Beef Products' 'lean, finely textured beef' was also dubbed 'pink slime.'

NATHAN HARRIS/ASSOCIATED PRESS

# LIFE & ARTS

## HEALTH

# Making a Tough Medical Call

Cancer-fighting treatments that can damage the heart put some patients into an agonizing quandary



FROM TOP: NICOLE CRANE FOR THE WALL STREET JOURNAL; REED HUTCHINSON/UCLA

BY LUCETTE LAGNADO

**AFTER FIGHTING** breast cancer with lots of chemotherapy and surgery, Jennine Elkins rejoiced last month, believing she was through the worst.

Then the 38-year-old math teacher from Staten Island, N.Y., got some bad news. Her heart was getting weaker—and doctors felt it was due to Herceptin, a potentially life-saving drug she was on to prevent the cancer from returning. The hospital stopped the drug.

Now Ms. Elkins is waiting to see if her heart will get better so she can resume Herceptin, which is given intravenously and can stave off even some aggressive breast cancers. It could damage her heart all over again, so Ms. Elkins must decide if she wants to take that risk. Fighting cancer or heart failure "is like a coin toss," she says. "Which one do you choose?"

Thousands of cancer patients are confronting similar dilemmas because their treatment may also cause heart problems, either immediately or down the road. Women like Ms. Elkins face a tough choice: Stay on a miracle drug that might damage their heart or stop the drug and risk having the cancer spread.

"It is a balancing act," says Richard Steingart, chief of cardiology at Memorial Sloan Kettering Cancer Center, who is monitoring Ms. Elkins's heart while cancer specialists follow her cancer. He—and Ms. Elkins—hope she can resume taking Herceptin and be watched closely to avoid heart failure.

Genentech, the maker of Herceptin, said the drug has become "the standard of care" for certain aggressive breast cancers that once had a very poor prognosis, and it has improved survival rates among many women who have been treated with it in addition to chemotherapy. Cardiac risks are included in the prescribing information, the company said, and physicians "are familiar with this risk."

Herceptin often is used against breast cancer in tandem with or after other therapies. Among women treated with Herceptin, 10% to 15% develop heart problems, Dr. Steingart says. But he points out that with Herceptin, 72% of women with a certain type of early-stage breast cancer enjoy disease-free survival for 10 years. "It is a remarkably effective drug," he says, despite the cardiac-toxicity, which he believes is "manageable."

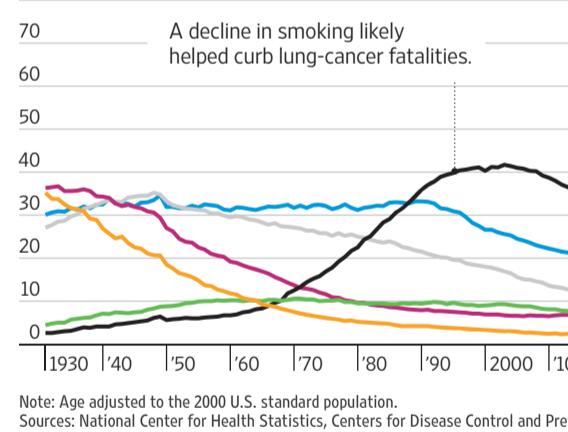
Men and women on some kidney-cancer and lung-cancer drugs

## Hopeful Signs

Cancer death rates declined overall by 25% in the past two and a half decades, but barely budged for some types.

■ Lung and bronchus ■ Breast ■ Colorectum ■ Ovary ■ Uterus ■ Stomach ■ Prostate

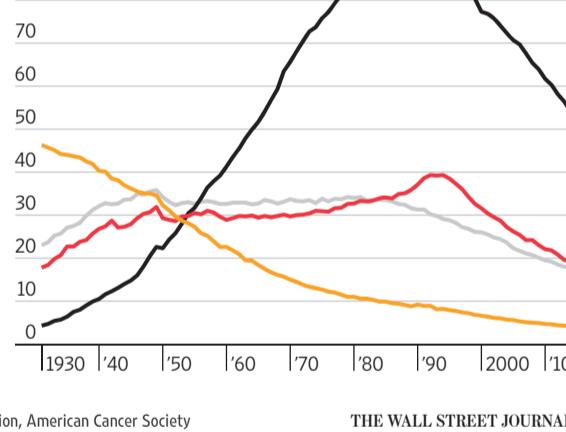
### Cancer death rates per 100,000 women



Note: Age adjusted to the 2000 U.S. standard population.

Sources: National Center for Health Statistics, Centers for Disease Control and Prevention, American Cancer Society

### Cancer death rates per 100,000 men



THE WALL STREET JOURNAL.

Jennine Elkins, at her home in Staten Island, N.Y., stopped a treatment to keep her breast cancer from returning because doctors thought the drug was damaging her heart.

Many cancer patients are vigilant about getting checked for cancer, but ignore potentially greater risks they face with their heart, says Dr. Agarwal, a cardiologist with an interest in the emerging subspecialty of onco-cardiology, also called cardio-oncology.

"Every one of those survivors, they go back to their oncologists; [the female patients] get screening mammograms, they get routine colonoscopies, their doctors reiterate the importance of wearing sunscreen to prevent melanoma," she says. "But once you cross 10, 12 years, [cancer] isn't your main issue: What you should be concerned about is heart disease, and everyone forgets that."

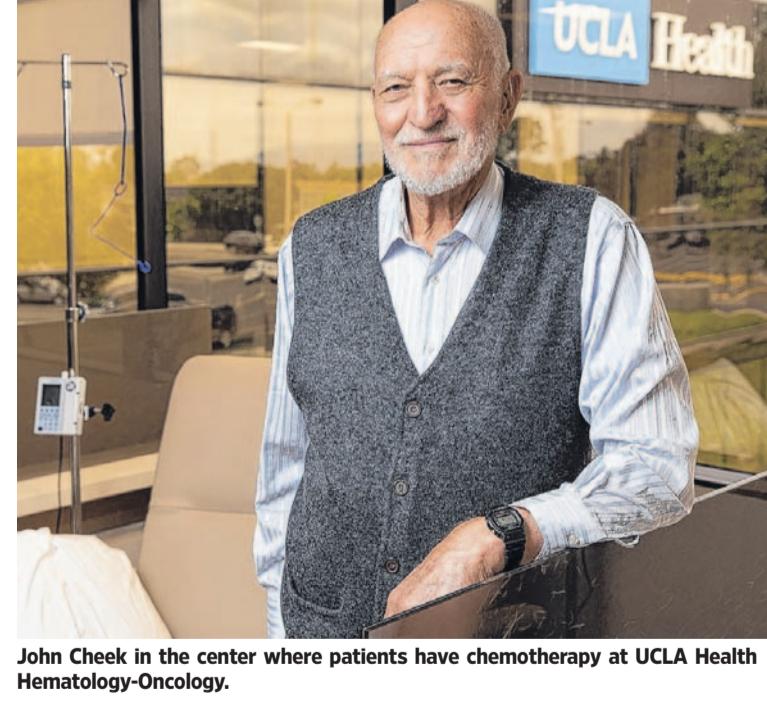
Sometimes the risk to the heart is worth taking. Last year, John Cheek, an 86-year-old retiree from Idaho, moved in with his daughter in Oak View, Calif., after he was diagnosed with Stage 4 lung cancer and given three months to live. He had treatment at UCLA Health Hematology-Oncology and seemed to be beating the odds. Then he started feeling poorly. "My breathing was so bad I could hardly carry on a conversation," he says.

The problem turned out to be his heart, Dr. Agarwal says. She believes the cancer therapy was the source of his problems, even as it was saving his life. His daughter, Lynette Cheek, a nurse, is philosophical. "I know there are risks and benefits," she says. "I can't help thinking that without the cancer treatment he wouldn't be here. He is still walking."

Some patients beset by cancer and heart issues manage to survive both.

That has been the case for Emeldine McAndrew, a patient of Dr. Steingart for 20 years. She consulted him for a serious heart problem in 1998 when he was practicing cardiology in Long Island, N.Y. Ms. McAndrew was diagnosed with Stage 3 breast cancer in 2005. Following chemotherapy and radiation, she started Herceptin, but after a month, developed heart problems.

Doctors told her that if they continued "you will be cancer-free but you will also be gone," the 59-year-old accountant recalls. They stopped the drug. Twelve years later, she is cancer-free and her heart has been stable. She has annual check-ups for breast cancer. Every six months, Dr. Steingart monitors her heart. Ms. McAndrew says she also has simply been "lucky."



John Cheek in the center where patients have chemotherapy at UCLA Health Hematology-Oncology.

ceived recently or long ago.

Rae Harris, a nurse in Santa Barbara, Calif., developed Hodgkin's lymphoma, a cancer of the lymph-node system, in the late '70s when she was 26. She was treated aggressively with radiation and had more radiation along with chemotherapy after she relapsed.

Now 65, Ms. Harris felt that "All in all, I survived very, very well." But a few months ago, doctors found signs of a heart murmur that had gotten worse. Tests showed problems with two heart valves. To fix them, Ms. Harris is supposed to have surgery in a few weeks.

Decades ago, doctors pointed

out that radiation could cause serious side effects, including other forms of cancer, but Ms. Harris doesn't recall warnings about heart problems. "I didn't see it coming," she said.

Her cardiologist, Megha Agarwal, at UCLA Health Specialty Practice in Ventura, Calif., says Ms. Harris's heart problems are the result of the radiation she received nearly 40 years ago. That radiation caused scar tissue to form over the heart valves, making them rigid and no longer functioning adequately. She wishes that a cardiologist had monitored Ms. Harris through the years.

## LIFE & ARTS

WHAT'S YOUR WORKOUT? || By Jen Murphy

# 'Contact Combat' Before Work

PayPal chief executive Dan Schulman swears by Krav Maga, the intense Israeli self-defense practice; a tool for conflict resolution

**MOST CEOs** start their day strategizing bottom lines or growth strategies over email. Dan Schulman starts his day at the gym, figuring out how to disarm someone with a knife. He credits his daily Krav Maga (pronounced krahv mah-GAH) training with developing leadership skills he has put to use in roles at American Express, Virgin Mobile, Priceline, AT&T and in his current position as president and CEO of PayPal Holdings Inc. "They say leadership is defined in times of stress, and I think Krav Maga trains you for those moments," he says.

Krav Maga, or "contact combat" in Hebrew, is a self-defense and fighting system that combines techniques from judo, boxing, wrestling and aikido. It was originally taught to the Israeli army. Today, the practice has been embraced by law-enforcement agencies, as well as gyms, where a faster-paced version has become an increasingly popular workout.

Mr. Schulman, 59, was introduced to the practice when he was 13 and visiting Israel. "I was living on a kibbutz and was put into youth military training," he recalls. "I was a skinny little kid and it was incredibly intense, but also extraordinarily practical and useful in stressful situations involving conflict."

In Krav Maga, all elements of the body—legs, knees, elbows, hands, feet—are used as tools to strike and defend. "People complain about having less resources, but having too many tools often starves you from being as creative as you might be," Mr. Schulman says. He rediscovered Krav Maga after college and now practices daily. He splits his time with his wife between Silicon Valley and the New York City area. (The couple has two college-aged children.)

He trains at **Tactica Krav Maga Institute** in Santa Clara, Calif. At Gotham Gym in New York he boxes and slips in some Krav Maga kicks.

"Part of the Krav Maga philosophy is that the best way to win a fight is not to get into a fight. So we spend a lot of time figuring out how do you de-escalate situations and win through avoidance of conflict," he says.

When conflict is unavoidable,



PayPal CEO Dan Schulman, above and top right, during a Krav Maga self-defense workout with his coach, Danny Zelig.

Krav Maga teaches how to use everything at your disposal to neutralize a threat while remaining calm under pressure. "My teacher always says, 'Standing still is asking to be hit.' That's a valuable lesson in business," he says. "If you stand still as a business just because things are going well and you don't challenge yourself, inevitably your competition catches up with you."

### The Workout

Mr. Schulman trains for a minimum of one hour daily during the week and up to three hours on Saturdays and Sundays. He warms up on the speed bag or heavy bag, sometimes challenging his core by balancing each foot on a skateboard, and will then do footwork

drills, like various kicks, to loosen up. The next phase involves working on technique, like a particular combination of kicking and striking, or escaping from a headlock, followed by 15 to 20 minutes of sparring. He might have to disarm someone with a knife, stick or gun.

Once he's worn out from sparring, he finishes the workout with a set of drills. He might bear-crawl around the perimeter of the room, stopping in each corner to perform push-ups, then reverse and go the opposite direction. "I might end up doing 150 push-ups in that exercise," he says. "It requires incredible focus to get through it when your body is already at its limit."

Mr. Schulman typically works one-on-one with a coach or spar-

ring partner, but says it's also important to train with groups. "Often in fights, there are multiple attackers," he says.

### The Diet

Mr. Schulman has half of a cup of coffee pre-workout. "That's just enough to get the body going without having coffee sloshing around in my stomach during a workout," he says. Post-workout he has yogurt and fruit. Lunch is usually a salad, and dinner is a protein, steak or fish, with a vegetable or salad. Two to three times a week he must attend a work lunch or dinner. "I'll have one or two sips of wine to be social, because people don't want to drink alone," he says.

### The Krav Maga Mentality at Work



Krav Maga might look like something out of "Fight Club," but proponents say the philosophy of the fighting system develops skills that translate to the office. "Krav Maga training develops an individual's ability to effectively deal with confrontation," says Danny Zelig, founder of the Tactica Krav Maga Institute, based in San Francisco. "People learn to maintain confidence and mental function without shying away from conflict due to fear of confrontation."

"Making decisions under stress boosts mental strength and teaches students to focus their efforts and energy on the most important, immediate needs," he says. Krav Maga develops heightened negotiation and improvisation skills through situational awareness, he says.

"An individual learns to take cues from others during their attempts to de-escalate and negotiate with an aggressor during dangerous situations," Mr. Zelig says. "A heightened sense of awareness allows leaders to understand their peers, co-workers and upper management and to be in tune and aware of their co-workers' current mental states by the cues they give."

### The Gear & Cost

Mr. Schulman spars barefoot. His uniform consists of Nike Pro Combat compression shorts, a T-shirt, a mouth guard and Revgear MMA gloves, which retail between \$30 and \$60. "If we're really going at it, I wear shin guards," he says. "I have scars on my legs from not wearing them."

## MUSIC

# THE BENEFITS OF HIRING OLD-TIMERS

BY JOHN JURGENSEN

**DAN AUERBACH'S** new album "Waiting On a Song" is billed as a solo project because it doesn't feature his famous rock band the Black Keys. In fact, his "solo" album resulted from top-to-bottom collaboration with some of the best songwriters and session musicians in Nashville.

Mr. Auerbach didn't seek out hot, young talent. Instead, he surrounded himself with seasoned veterans—most of whom are about twice the age of the 38-year-old singer and guitarist.

"They have this magic that transcends age," Mr. Auerbach says of his writing and recording team, including John Prine, age 70, keyboardist Bobby Wood, 76, and guitarist Duane Eddy, 79.

Unlike the slash-and-burn style that made early Black Keys recordings stand out, "Waiting On a Song," out June 2, has a precise, multi-layered sound that pays respect to the bright pop of the 1960s and '70s.

By working daily with musicians who helped create hits of that era, Mr. Auerbach says he learned how to collaborate across generations. Some of his takeaways:

### Seek out introductions

After the Black Keys moved to Nashville in 2010 from their hometown of Akron, Ohio, Mr. Auerbach became fast friends with David Ferguson, a sound engineer who worked with Johnny Cash, among many other artists. "Fergie" would go on to introduce Mr. Auerbach to most everyone who contributed to "Waiting For a Song," including Mr. Prine and his longtime mandolin player Pat McLaughlin, who co-wrote most of the songs.

### Do the work

Songwriting sessions typically began at 9 a.m. when Mr. Ferguson and Mr. McLaughlin arrived at Mr. Auerbach's house. At quitting time, about eight hours later, they would emerge with two or three new songs. In total, Mr. Auerbach wrote about 200 songs with various collaborators, though only 10 made it onto the album.

"That's the thing about songwriting in Nashville, you don't get paid for your job directly. You have to work a lot of hours to possibly get a song used [by a recording art-



Dan Auerbach collaborated with some of the best songwriters in Nashville for 'Waiting On a Song.'

ist]. So songwriters are used to writing just to write, and you end up sharpening your blade."

### Don't get lost in nostalgia

Despite being surrounded by musicians who worked side by side with legends such as Elvis Presley (as Mr. Wood did), Mr. Auerbach says nobody wasted time on nostalgia.

"I like to hear a story every now and then, but I don't hang out with these guys for the work they did. I hang out with them for what they might do, right now," Mr. Auerbach says. "And they are as addicted and in love with making music as they ever were."

### Create the right setting

The album was recorded in Mr. Auerbach's Easy Eye Sound, which he built to function in the way that legendary studios like Stax and Motown did—with musicians playing live together in one room. "Then I meet these guys, who spent their entire lives recording just like that," Mr. Auerbach says. "Immediately they felt at home and they knew exactly what to do."

### Don't get stuck on pecking order

As the one whose name and image is on the album cover, Mr. Auerbach says he wasn't timid about guiding colleagues with decades more experience: "It doesn't mat-

ter how old you are or what you've done before. All that goes out the window in the studio. Whoever makes the magic is what matters."

### Soak up the expertise

By spending days at a time with his collaborators, Mr. Auerbach absorbed their quirks—such as Mr. Prine's knowledge of meatloaf specials across Nashville restaurants—and advice. In addition to helping him learn "not to overthink things," Mr. Auerbach says, "those guys taught me that to really be a someone in Nashville, you've got to drive a Cadillac."

He adds, "I definitely got that Cadillac. It's working already."



## OPINION

### REVIEW & OUTLOOK

#### Jihad Returns to Britain

Saturday's terror attack in the heart of London, Britain's third murderous assault in 72 days, poses a difficult choice for free societies: Do more to contain this internal Islamist insurgency now, or risk a political backlash that will result in even more draconian limits on civil liberties.

No group had taken responsibility as we went to press, but the operation that killed seven and wounded 48 bore the hallmarks of recent jihadist atrocities. The London Bridge area and nearby Borough Market are packed with bars popular with tourists and young people. The three alleged perpetrators rammed a van into pedestrians, then began stabbing people before police shot them.

Prime Minister Theresa May said Saturday's attack wasn't directly linked to the suicide bombing committed by Salman Abedi at a pop concert in Manchester last month. But the three attacks in succession show why governments must target the threat at its roots, in self-isolating Muslim communities that reject mainstream values and create homegrown or Islamic State-inspired radicals like Abedi.

On this front, Mrs. May is well ahead of many of her European counterparts. The Prime Minister in a speech Sunday morning outlined a new counterterrorism strategy that puts ideology and Muslim integration at the forefront. The trio of recent attacks in Britain, she said, were "bound together by the single evil ideology of Islamist extremism."

Mrs. May went on to call for a battle of ideas against Islamism and tough love for British Muslims who have failed to confront radicals in their mosques and community centers. Said the Prime Minister: "We need to live our lives not in a series of separated, segregated communities, but as one truly United Kingdom."

Mrs. May suggested this would involve "diffi-

cult and often embarrassing conversations" with the Muslim community, and she is right. This has to include an end to political coddling of so-called soft Islamist groups and imams who treat candor about the Islamist threat as anti-Muslim or refuse to identify radicals in their midst.

The one misstep in an otherwise clear-eyed speech is Mrs. May's suggestion to outsource surveillance of jihadist online speech to social-media platforms. This line is popular among Western leaders because it provides an excuse for their failure to defend the need for Big Data surveillance and threat analysis following Edward Snowden's National Security Agency thefts.

Silicon Valley companies such as Facebook and Google bear some of the blame because they joined the fashionable campaign against the NSA's metadata collection. And by all means Facebook, Twitter and other social media need to police their sites against the promotion of violence and jihad. If they refuse, politicians will eventually do it for them because Western publics will not allow mass murder to become a new normal.

But that's all the more reason for governments to revive the use of Big Data and surveillance to prevent attacks to avoid even worse intrusions on civil liberties. As attacks continue, so will political pressure for measures such as quarantines and mass preventive arrests of people on terror watch lists.

On that score the U.S. is no exception. President Trump played off the London attack in a typically heavy-handed way with a tweet urging "the courts" to restore his travel ban. But the anti-antiterror left needs to realize that hostility to surveillance and honest debate about jihad will make such bans inevitable if attacks continue—and Mr. Trump won't be the only politician pushing them.

#### The Trump Jerusalem Waiver

Way back in 1995, Congress passed a law requiring the U.S. State Department to move the American Embassy in Israel to Jerusalem from Tel Aviv. On Thursday Donald Trump became the latest in a long line of Presidents to issue a waiver to put off the move.

Moving the embassy to the actual capital of the Jewish State isn't the most important U.S. priority in the region. But because Mr. Trump made such a point of it in the campaign—vowing that he would make good where others had backed down—the waiver damages American credibility. As President Obama's infamous red line in Syria illustrated, the world is more dangerous when Presidents show they don't mean what they say.

In a statement explaining the waiver, the White House said that "the question is not if that move happens, but only when." The statement

further claims the embassy waiver was given in hopes of boosting chances for an Israeli-Palestinian peace accord.

Here lies the bigger problem, which is less that the embassy is staying in Tel Aviv than that the Trump White House has concluded it should spend scarce political capital on a Palestinian-Israeli peace that has eluded Presidents for decades. That peace will only have a chance when the two parties are prepared to negotiate seriously, and the Palestinians now are not. They won't be any more likely to deal because Mr. Trump backed down on the embassy.

No one forced Mr. Trump to make his pledge. He chose to make it a campaign issue. The Israelis will be disappointed but are still delighted to have a President who is friendlier than his predecessor. The Palestinians will pocket this concession and hold out for more.

#### Trump Bids Paris Adieu

President Trump announced Thursday that the U.S. will withdraw from the Paris climate agreement, to the horror of green elites world-wide. If the decision shows he is more mindful of American economic interests than they are, the other virtue of pulling out is to expose the fraudulence of this Potemkin village.

In a Rose Garden ceremony, Mr. Trump broke with the 2015 agreement, starting the formal four-year withdrawal process: "We're getting out. And we will start to renegotiate and we'll see if there's a better deal. If we can, great. If we can't, that's fine."

This nonchalance inspired a predictable political meltdown, with the antarbon lobby invoking death, planetary disaster and a permanent historical stain. Billionaire Democratic donor Tom Steyer called it "a traitorous act of war against the American people," while Barack Obama accused his successor of joining "a small handful of nations that reject the future," whatever that means. Get ready for another march on the White House.

But amid the outrage, the aggrieved still haven't gotten around to resolving the central Paris contradiction, which is that it promises to be Earth-saving but fails on its own terms. It is a pledge of phony progress.

The 195 signatory nations volunteered their own carbon emission-reduction pledges, known as "intended nationally determined contributions," or INDCs. China and the other developing nations account for 63% of annual global CO<sub>2</sub> emissions, and their share is rising. They submitted INDCs that pledged to peak the carbon status quo "around" 2030, and maybe later, or never, since Paris included no enforcement mechanisms to prevent cheating.

Meanwhile, the developed OECD nations—responsible for 55% of world CO<sub>2</sub> as recently as 2000—made unrealistic assurances that even they knew they couldn't achieve. As central-planning prone as the Obama Administration was, it never identified a tax-and-regulation program that came close to meeting its own emissions pledge of 26% to 28% reductions from 2005 levels by 2025.

Paris is thus an exercise in moral and social signaling that is likely to exert little if any influence on atmospheric CO<sub>2</sub>, much less on global temperatures. The Paris target was to limit the surface temperature increase to "well below" 2 degrees Celsius from the preindustrial level by

2100. Researchers at the Massachusetts Institute of Technology's Joint Program conclude that even if every INDC is fulfilled to the letter, the temperature increase will be in the range of 1.9–2.6 degrees Celsius by 2050, and 3.1–5.2 degrees Celsius by 2100.

Such forecasts are highly uncertain, which is inherent when scientists attempt to predict the future behavior of a system as complex as global climate. The best form of climate-change insurance is a large and growing economy so that future generations can afford to adapt to whatever they may confront.

A more prosperous society a century or more from now is a more important goal than asking the world to accept a lower standard of living today in exchange for symbolic benefits. Poorer nations in a world where 1.35 billion live without electricity will never accept such a trade in any case, while Mr. Trump is right to decline to lock in U.S. promises that make U.S. industries less competitive.

The surest way to "reject the future" is to burden the economy with new political controls today, because economic growth underwrites technological progress and human ingenuity. These are the major drivers of energy transitions that allow people to generate more wealth with fewer resources. Energy intensity—the amount of energy necessary to create a dollar of GDP—has plunged 58% in the U.S. since 1990, according to the U.S. Energy Information Administration.

Over the same period, intensity declined merely 37% in OECD Europe, 22% in Mexico, 20% in Japan and 7% in Korea. China dropped by 133%, but working off a far more wasteful initial base. Superior efficiency helps explain why U.S. carbon emissions fell by 145 million tons in 2016 compared to 2015, more than any other country. Russia was second, at minus-64 million tons. Over the past five years U.S. emissions have fallen by 270 million tons, while China—the No. 1 CO<sub>2</sub> emitter—added 1.1 billion tons.

All of which make the claims that the U.S. is abdicating global leadership so overwrought. Leadership isn't defined as the U.S. endorsing whatever other world leaders have already decided they want to do, and the U.S. is providing a better model in any case. Private economies that can innovate and provide cost-effective energy alternatives will always beat meaningless international agreements. To the extent Paris damages economic growth, the irony is that it would leave the world less prepared for climate change.

#### The News You Aren't Hearing About America



POTOMAC WATCH  
By Kimberly A. Strassel

Here is what Americans are being told counts as "news": Jared Kushner's past meetings. Russians. James Comey's upcoming testimony. Russians. Hillary Clinton's latest conspiracy theories. Russians. Bob Mueller's as-yet-nonexistent investigation (into Russians). Kathy Griffin, Mr. Met and, of course, "covfefe." Total words printed on these subjects? At least a duodecillion.

Here's what actually happened last week, the "news" that holds real consequences for real Americans:

- Interior Secretary Ryan Zinke signed an order to begin reopening Alaska's National Petroleum Reserve to oil and gas exploration, reversing the Obama administration's ideologically driven 2013 shutdown. The order even aims at opening the Arctic National Wildlife Refuge to production—a move that is decades overdue. This could not only buck up the listless Alaskan economy but cement the U.S. as an oil and gas powerhouse.

- In related news, the Dakota Access Pipeline finally went live.

- The U.S. Fish and Wildlife Service took steps that may stop the Obama administration's last-minute endangered-species listing for the Texas Hornshell, a freshwater mussel. That listing, based on outdated science, threatens significant harm to the Texas economy and was done over the protest of state officials and local industry.

- Commerce Secretary Wilbur Ross surprisingly said that he was open to completing the Transatlantic Trade and Investment Partnership, or TTIP, a far-reaching trade agreement being negotiated with the European Union.

- Sen. John Thune, the upper chamber's third-ranking Republican, said his caucus had moved beyond meetings and on to "drafting" the base language of an ObamaCare replacement. The No. 2 Republican, John Cornyn, vowed the Senate would "absolutely" have a bill by "the end of July at the latest."

And on and on. The Environmental Protection Agency stayed crushing regulations. The U.S. tested the first ground-based system for intercepting ballistic missiles. New numbers showed the private economy adding a rip-roaring 253,000 jobs in May.

Who is to blame for this real-news blackout? The press, obviously. But the co-culprit: Donald Trump.

Americans know that much of the mainstream media is biased in how it presents stories. The dirty little secret is that journalists' far greater power rests in what they choose to—or not to—report. The country is no better informed about exactly how Russia interfered in the election than it was in October, when intelligence agencies issued a statement expressing their belief that Moscow had helped hack emails. Not a

single useful fact has since been added, nor a single investigation completed, nor a single official report produced. Until those inquiries are completed, we will have no new real facts. Yet every day, a new Russia story.

Few expect better from today's ratings-obsessed media. Especially given its new mission of working with Democrats and Never Trumpers to take down a presidency. That means spewing strategic leaks and suppositions, which create new controversies, which are spun into yet more distant scandals.

We are these days reading exposés about former national security adviser Mike Flynn's work for a Turkish businessman, which is utterly removed from the original question of Russian "collusion."

#### Reporters only want to talk about Russia, instead of what Team Trump is getting done.

The result is a surreal situation in which the near-hysterical press coverage of Trump the man (and potential Russian operative) is utterly divorced from the substantive actions his administration takes or the progress it makes. Mr. Trump's cabinet, which includes some of the best reformers in the conservative world, is methodically implementing a far-reaching deregulatory agenda. Congress is moving ahead on important promises.

Thus Mr. Trump's culpability. The president knows better than most the ills of the media; he rails about them constantly. Yet he continues to be the indulger in chief. He daily provides new, explosive tweets that give reporters every excuse to keep up their obsessions about Russia, Mr. Comey, Hillary, Carter Page.

Mr. Trump's Twitter feed may be the most powerful communications tool on the planet. He has the awesome ability, unlike any president in history, to force the press to focus on his agenda by putting it out into the world every morning (or late at night, as it may be). He could use that tool to set the daily discussion. Instead, he's using it to undermine his own administration.

Mr. Trump also has at his disposal an array of famous surrogates who could spread his message. He has all the free media he could ever hope for, if only he used it in a strategic fashion. He has activist groups to help push for his reforms, but they can't compete amid the crazy headlines.

Team Trump owes it to voters to get the real news out about its agenda and successes. But that will require doing more than complaining about the press. This White House needs to set and define the daily debate. It's that, or Russia headlines through 2018.

Write to [kim@wsj.com](mailto:kim@wsj.com).

#### Winston Churchill, Hollywood Movie Star

By Lee Pollock

He is just like an actor. He loves the limelight and the approbation of the pit.

That biting appraisal was bestowed in 1907 by one future British prime minister, David Lloyd George, on another: the rising, still-young Winston Churchill. Although he never appeared on camera professionally, Churchill was a film buff who regularly tearing up watching his favorite, the 1941 classic "That Hamilton Woman." He even discussed writing a script for a Charlie Chaplin film about Napoleon.

Fifty-two years after Churchill's death, he has become an irresistible movie character himself. Last year brought "Churchill's Secret," a well-crafted ITV depiction of the aging lion's recovery from a stroke in 1953, while he was prime minister.

At the same time the highlight of Netflix's hit series "The Crown" was John Lithgow's Golden Globe-winning Churchill portrayal. The 6-foot-4 Mr. Lithgow had to stoop to depict his 5-foot-7 subject, and the script took predictable liberties. Churchill was not as grumpy as shown, and the presentation of his marriage is overwrought. Still, the characterization worked.

A less fortunate treatment is "Churchill"—which opened Friday in the U.K. and will be released in the U.K. later this month—and set in the four days before D-Day. The veteran Scottish actor Brian Cox is well-cast as Churchill but sabotaged by a historically absurd story line in which he pathologically opposes the Normandy landings, even ludicrously praying on his knees for a Shakespearean tempest to stop the whole undertaking.

The real Churchill wasn't much given to prayer, and he completely supported the enormously well-prepared Allied invasion.

Historical dramas always distort at the edges and add fictional characters—in Churchill films, usually a devoted nurse or secretary. But good films center on a core truth. Without that, "Churchill" collapses into a heap of comic-book characters, historically shouted insults unfound in the historical record, and slipshod errors.

For instance, Gen. Dwight Eisenhower sports British medals. Particularly disappointing is watching Churchill spout wobbly phrases such

#### Thumbs down to the latest film, but a good one may be coming.

as: "The most important thing in a war is for people to feel truly unified." The film's reported \$10 million budget apparently lacked room to license the actual, glorious words of the real Winston.

"Churchill" is billed as the "untold fascinating true story of D-Day" but it includes so much distortion and fabrication that the historian Andrew Roberts called the film "a depiction with which Dr. Goebbels would have been delighted."

With any luck, a better Churchill will be on the way shortly. "Darkest Hour," centered on the dramatic first months of Churchill's wartime leadership, with Gary Oldman in the leading role, will open around the new year. The scriptwriter, Anthony McCarten, while not a professional historian, may produce this year's surest, most accurate depiction of the 20th century's greatest leader. Any Churchill filmmaker certainly begins with a fabulous subject.

Mr. Pollock is a trustee and adviser to the board of the International Churchill Society.

## OPINION

# Hillary Lacks Remorse of Conscience



**DECLARATIONS**  
By Peggy Noonan

I don't want to beat up on Hillary Clinton. She thought she'd win and she lost, embarrassingly, to a man she considered deeply unworthy. At the same time she won the popular vote by 2.9 million. It would take anyone time to absorb these things emotionally and psychologically.

But wow. Her public statements since defeat have been malignant little masterpieces of victimhood-claiming, blame-shifting and unhelpful accusation. They deserve censure.

**She seems completely sincere, as if she believes the alternative facts she's peddling.**

Last month she was the commencement speaker at her alma mater, Wellesley, where she insulted the man who beat her. On Wednesday she was at the 2017 Code Conference, hosted by the Recode website, where she was interviewed by friendly journalists Walt Mossberg and Kara Swisher. She eagerly offered a comprehensive list of the reasons she lost the 2016 presidential election.

She lost because America is a hopelessly reactionary country in which dark forces fight a constant "reguard action" to "turn back the clock." She lost because Republicans are both technologically advanced and underhanded.

Democrats, for instance, use data and analytics to target and rouse voters—"better messaging." Republicans, on the other hand, use "content farms" and make "an enormous investment in falsehoods, fake news,

call it what you will." Democrats "did not engage in false content." She lost because of the Russians: "Who were they coordinating with, or colluding with?"

She lost because of "voter suppression" and "unaccountable money flowing in against me." She lost because the Democratic National Committee didn't help her. "I inherit nothing from the Democratic Party. I mean it was bankrupt.... Its data was mediocre to poor, nonexistent, wrong. I had to inject money into it."

She lost because FBI Director James Comey told Congress the investigation regarding her email server had been reopened. "So for whatever reason... and I can't look inside the guy's mind, you know, he dumps that on me on Oct. 28, and I immediately start falling."

She lost because she was "swimming against a historic tide. It's very difficult historically to succeed a two-term president of your own party." She lost because she was "the victim of a very broad assumption that I was going to win." She lost because the news media ignored her policy positions.

And then there was sexism. "It sort of bleeds into misogyny. And let's just be honest, you know, people who have... a set of expectations about who should be president and what a president looks like, you know, they're going to be much more skeptical and critical of somebody who doesn't look like and talk like and sound like everybody else who's been president. Any you know, President Obama broke that racial barrier, but you know, he's a very attractive, good-looking man."

Oh my goodness, how she thinks.

Oddly, she seemed completely sincere, as if she believes her own story. It tells you something about our own power to hypnotize ourselves, to invent reasons that avoid the real reasons. It is a tribute to the power of human denial. And at first you think: I hope it was cathartic. Maybe these



GETTY IMAGES

Mrs. Clinton in New York on May 2.

are just stories she tells herself to feel better.

But none of this, in truth, is without point. It is purposeful. It isn't mere narrative-spinning. It is insisting on alternative facts so that journalists and historians will have to take them into account. It is a monotonous repetition of a certain version of events, which will be amplified, picked up and repeated into the future.

And it's not true.

The truth is Bernie Sanders destroyed Mrs. Clinton's chance of winning by almost knocking her off, and in the process revealing her party's base had changed. Her plodding, charmless, insincere style of campaigning defeated her.

Bad decisions in her campaign approach to the battleground states did it; a long history of personal scandals did it; fat Wall Street speeches did it; the Clinton Foundation's bloat and chicanery did it—and most of all the sense that she ultimately stands for nothing but Hillary did it.

In the campaign book "Shattered," journalists Jonathan Allen and Amie Parnes report they were surprised "when Clintonworld sources started

telling us in 2015 that Hillary was still struggling to articulate her motivation for seeking the presidency." Her campaign was "an unholy mess, fraught with tangled lines of authority... distorted priorities, and no sense of greater purpose."

"Hillary didn't have a vision to articulate. And no one else could give one to her."

"Hillary had been running for president for almost a decade and still didn't really have a rationale."

What is true is that throughout her career Mrs. Clinton has shown herself to be largely incapable of honest self-reflection, of pointing the finger, for even a moment, at herself. She isn't capable of what in Middle English was called "agenbite of inwit"—remorse of conscience, the self-indictment and implicit growth, that come of taking a serious personal inventory.

People are always doing bad things to her, she never does bad things to them. They operate in bad faith, she only in good. They lie and exaggerate, she doesn't. They are low and partisan, not her. There's no vast left-wing conspiracy, only a right-wing one.

People can see this. It's part of why she lost.

It is one thing to say, "I take responsibility," and follow that up with a list of things you believe you got wrong. It's another thing to say, "I take responsibility for everything I got wrong, but that's not why I lost," is literally what she said Wednesday.

Mr. Mossberg asked her about her misjudgments. What about Goldman Sachs? You were running for president, he said, why did you do those high-priced speeches?

"Why do you have Goldman Sachs [at this conference]?" Mrs. Clinton countered.

Mr. Mossberg: "Because they pay us."

Mrs. Clinton: "They paid me."

Mr. Mossberg noted they paid her a lot. Mrs. Clinton replied she speaks to many groups, she had been elected in New York, which includes Wall Street. Then: "Men got paid for the speeches they made. I got paid for the speeches I made."

The worst part is that she insulted her own country by both stating and implying that America is full of knuckle-dragging, deplorable oafs who are averse to powerful women and would never elect one president. Has she not learned anything? Does she never think Britain had Margaret Thatcher in 1979 and Theresa May now, that Germany has had as its leader Angela Merkel since 2005? Is America really more backward, narrow and hate-filled toward women than those countries? Or was Mrs. Clinton simply the wrong woman, and the wrong candidate?

It would have been helpful if she'd spoken at least of those who'd voted for her and supported her and donated to her campaign precisely because she was a woman.

You should never slander a country that rejected you. Maybe it had its reasons. Maybe her most constructive act now would be to quietly reflect on what they might be.

## The American Guts and Grit That Sank Japan at Midway

By Robert R. Garnett

Seventy-five years ago Sunday, some 150 Japanese warships, 250 warplanes and 25 admirals were steaming toward a small atoll 1,300 miles northwest of Oahu. Imminent was the most crucial naval battle of World War II—Midway.

Aboard the Yamato, the world's largest battleship, Adm. Isoroku Yamamoto retired to his quarters each evening to play chess. He had spent

**When his bosses hedged, Adm. Chester Nimitz took a chance on a codebreaker—and surprised the enemy.**

his final nights in port with his geisha, Kawai Chiyo. Departing, he sent her verses: "Today too I ache for you / Calling your name / Again and again / And pressing kisses / Upon your picture."

His present concerns were less sentimental. For six months, Japan's navy had battered Allied forces across 8,000 miles of ocean, from Pearl Harbor to Ceylon (modern-day Sri Lanka). Still, Yamamoto worried that the American fleet was wounded but still dangerous. "We have scorched the snake," as Macbeth had put it, "not killed it."

His American counterpart, Adm. Chester Nimitz, relaxed by pitching horseshoes. Steady, calm, old-school—his most violent oath was "Now see here!"—Nimitz marshaled his forces for battle, waiting for the unsuspecting Japanese.

Weeks earlier, with strikes expected toward Australia, Washington had ordered Nimitz's aircraft carriers to the far South Pacific. Others feared assaults on Hawaii, perhaps San Francisco or San Diego. Or the Panama Canal, Alaska, even Siberia.

But in a windowless basement near the fleet's Pearl Harbor headquarters, codebreakers under Cmdr. Joe Rochefort pored over intercepted Japanese radio traffic. Independent, impolitic, single-minded, Rochefort "left the basement only to bathe, change clothes, or get an occasional meal to supplement a steady diet of coffee and sandwiches," one officer recalled. "For weeks the only sleep he got was on a field cot pushed into a crowded corner."

Rochefort's team could decode about one-eighth of an average message, filling in the gaps by educated intuition. For example, the messages called the proximate Japanese objective "AF." But where was "AF"? Midway, Rochefort concluded. The authorities in Washington scoffed. Why would Japan dispatch a massive armada to seize a tiny atoll?

Nimitz, responsible for millions of square miles of ocean, had scant means to repel the Japanese anywhere, let alone everywhere. With his fleet, and perhaps the entire Pacific war, at stake, "I had to do a bit of hard thinking," he would recall.

As the Navy's heavyweights vacillated, Nimitz decided to gamble on the out-of-step Rochefort. He recalled his three carriers from the South Pacific to defend Midway. Time was short. The USS Yorktown had been damaged in the Battle of the Coral Sea and had recently returned to Pearl Harbor trailing a 10-mile oil slick. Repair estimates ranged up to three months.

Three days, ordered Nimitz. Fourteen hundred welders and shipfitters swarmed aboard. Three days later, the Yorktown sailed for Midway.

When the Japanese approached on June 4, Nimitz's forces were waiting. Yet the battle began badly. Agile Japanese fighter planes—Zeros—annihilated the Navy's obsolete torpedo bombers. American dive bombers struggled even to find the enemy carriers.

But then came another lucky break. Hunting for the Japanese carriers, his fuel running low, Wade McClusky, a dive-bomber group leader, spotted a lone Japanese destroyer making speed. Guessing that it was hurrying toward carriers, he followed. His hunch was correct. McClusky's bombers dropped out of the blue on two Japanese carriers just as another squadron arrived to attack a third. Within minutes, all three were flaming wrecks.

Searching for a fourth, Navy pilot Sam Adams sighted the Hiryu and her escorts. "One carrier, two battleships, three heavy cruisers, four destroyers," he dictated to his radio man and gunner, Joseph Karrol, to transmit in dots and dashes to the American fleet. "Course north, speed 20 knots."

The business case for the Paris agreement has nothing to do with climate change. It goes like this: It is better to be part of any confab than outside of it. Like saluting the flag or bowing your head in church, there is no cost to being insincere, but there is a cost to not going along.

Let us understand something: One hundred and ninety five countries will not be dragged kicking and screaming to sign any agreement that imposes a cost on them. Such deals exist only because they provide an international imprimatur to what politicians were going to do anyway.

The oil countries like Saudi Arabia and Norway signed. They plan to keep producing oil. India and China plan to grow energy consumption until it is similar to the per capita consumption of the developed countries, at which point it will level off.

The U.S. and Europe intend to keep subsidizing green energy as long as domestic voters give them permission to do so, because the whole point of being in office is to redirect resources to interest groups best able to reward politicians for doling out the goodies.

The Paris countries agreed to meet certain emissions targets, and claimed an intent to hold a planetary temperature increase to less than 2 degrees Celsius.

Not only are the emission targets unenforceable, they have no intelligible relation to the temperature goal according to the very iffy science. By the shot-in-the-dark estimates of the Intergovernmental Panel on Climate Change, it's even possible the rest of the century will bring little warming anyway.

"Mr. Adams," Karrol interrupted, "would you mind waiting a minute? There's a Zero on our tail." After shaking the enemy, Karrol finished keying the report. Soon the Hiryu, too, was ablaze and sinking.

Neither man, however, made it home. Adams and Karrol would die on another mission the following day. The patched-together Yorktown would be bombed, torpedoed and sunk. Still, Japan's six-month Pacific blitzkrieg had been stunningly halted, never to be resumed.

Book titles proclaim it the Miracle at Midway and an Incredible Victory. Perhaps. But providence and chance work mysteriously, judgment and daring more plainly.

"The enemy lacks the will to fight," Japan's overconfident admirals had judged, disastrously. Nimitz, acting

boldly while his bosses hedged, gave his outgunned Navy the first shot. His sailors and pilots made it count.

Three weeks later, flying to San Francisco to confer with his Washington superior, Nimitz was shaken but uninjured when his seaplane, while landing, struck floating debris and flipped over. As the capsized plane sank, he stepped aboard a small crash boat, where he stood watching rescue operations.

"Sit down, you!" the coxswain barked—before noticing, with horror, his faux pas. He stumbled out apologies.

Nimitz sat down. "Stick to your guns, sailor," he said. "You were quite right."

Mr. Garnett is a professor of English literature at Gettysburg College.

## Donald Trump Skips Climate Church

The business case for the Paris agreement has nothing to do with climate change. It goes like this: It is better to be part of any confab than outside of it. Like saluting the flag or bowing your head in church, there is no cost to being insincere, but there is a cost to not going along.

And that's good. Because the unenforceable cuts agreed to in Paris would be a rounding error even if carried out.

In the 30 years since global warming became a daily concern of the newspapers, one lesson has been reliably demonstrated for policy participants: There is no appetite in the body politic for the kinds of energy taxes and prohibitions needed to make a meaningful change in atmospheric CO<sub>2</sub>.

We won't dwell on the media hysteria since the Trump decision, or why many of you, dear readers, in defiance of your own reason, will participate in the hysteria even when you know better. Human beings are social animals. When a mob is forming, we experience high anxiety if we're not part of it.

Agreements like Paris arguably aim at the wrong target anyway. Only when technology can meet mankind's energy demand at competitive cost will low-carbon energy prevail. Governments would be wise to invest in basic energy research rather than throwing money at energy technologies that are viable only as long as the subsidies keep flowing. But the latter is what brings in the political bacon.

Oh well. Hypocrisy is the universal solvent of social relations. This also explains the other big climate story of the day, the significance of which reporters have given themselves hypoxia trying to inflate. We're referring to the vote by 62% of Exxon shareholders, led by giant funds Vanguard, Fidelity and BlackRock, to ask the company to explain

how the Paris temperature target would affect its business.

For 30 years there has been push-and-pull in politics over climate change. During every nanosecond of that time, at least while markets were open, investors were repricing energy shares in light of the possibility of climate-change legislation.

Exxon has nothing new or useful to tell investors in this regard. Would a carbon tax be good for bad for the company? It would accelerate the displacement of coal by natural gas, which Exxon produces. Is an electric-car battery in the offing that would go 300 miles and be rechargeable in a five-minute stop at a charging station? Probably not. In which case, even a sizable carbon tax would be unlikely to make much dent in the 8% of global emissions caused by passenger cars.

Americans bought 143 billion gallons of gas last year when the price was \$2.25; they bought 133 billion gallons in 2012 when the price was \$3.64.

"Our patience is not infinite," huffed a statement by BlackRock, the \$5.4 trillion Wall Street fund, as it voted for Exxon's climate penance.

This gesture, of surpassing meaninglessness, is a case of one prominent institution trying to buff up its reputation for church attendance at the expense of another.

And yet, regardless of Mr. Trump's Paris decision, only one large national economy has been reporting sizable emissions declines, thanks to fracking. The same economy may soon also be able to take credit for slowing China's prodigious emissions growth thanks to natural gas exports to displace Chinese coal. That country is the U.S. under the unthinkable monster Donald Trump.

Whatever evolution toward a lower-carbon energy system takes place in the future, it will also certainly be driven overwhelmingly by technology and markets, not policy.

## THE WALL STREET JOURNAL.

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## LIFE & ARTS

### FOOD & DRINK

# Office Baristas Take Your Order

U.S. companies take a page from tech and startup cultures by installing coffee bars to keep employees at work

BY ALINA DIZIK

**FORGET THE SLUDGE** in the break room. The latest corporate perk is a barista who knows how to pour.

Companies are opening on-premise coffee shops that wouldn't look out of place on Instagram. There is cold brew on tap and expertly pulled espresso shots keep employees from stepping out.

It is an uphill battle. Daily coffee drinkers spend more than 62 hours a year purchasing coffee away from the office with 75% of full-time employees also drinking coffee at work, according to a 2015 research report from Packaged Facts, a market research firm.

The shift follows technology companies, which learned decades ago that stocking premium snacks and providing hip areas for lounging can improve the office atmosphere, keep long days more enticing and encourage employees to stay at their desks. Now the idea is reaching the mainstream, including at manufacturers and real-estate investment firms, as they look for ways to revamp more traditional offices and recruit young talent.

Employees typically pay for the coffee drinks, but prices are passed on to employees without a markup. Costs can be as much as 50% less in-house. A 16-ounce Stumptown cafe latte costs around \$4.25 at their cafes, but only \$2.50 in offices.

Companies outsource daily operations, staffing and build-out of the cafes. Coffee revenues go directly to the company, but the firms pay \$18,000 to \$100,000 monthly per space, says Michael Schultz, founder of Infuse, a year-old Chicago based firm that works with companies and hotels to create cafe spaces and menus from independent roasters. Most firms end up breaking even on the running of the cafes, he says. Mr. Schultz



Jones Lang LaSalle's coffee shop is run by Chicago's Infuse. Barista George Fero, Jr. makes a green tea matcha latte.

works with brands including Irving Farm Coffee Roasters, Ritual Coffee Roasters and Metric Coffee and uses the same kind of commercial espresso machines that are used by the roasters.

At Jones Lang LaSalle's Chicago headquarters, the "Club," a seating area with a long coffee bar, draws younger employees, who don't want to spend the day in a traditional cubicle, says Ed Nolan, managing director of workplace strat-

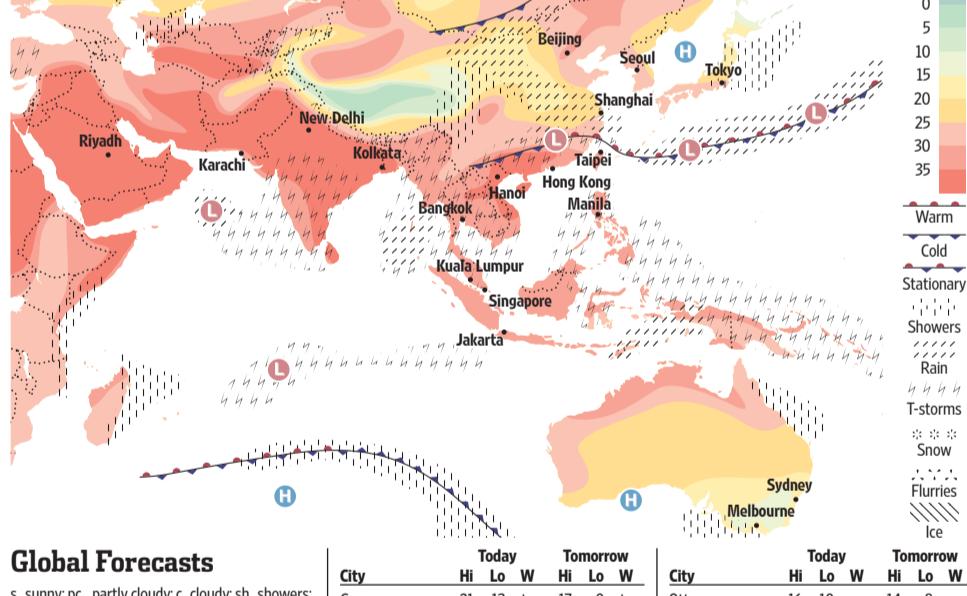
egy. The company built out the space to feel like an "internal co-working space," but it has become so popular that it's now a spot for external meetings, Mr. Nolan says. Unlike in nearby cafes, "they are free to loiter," he adds.

Employees can plug in laptops along the bar area while sipping traditional espresso-based drinks, pour-over offerings from local roasters, sparkling teas and green tea matcha lattes. Cold brew is of-

fered on tap. "I keep it pretty legit," says George Fero, Jr., the lead barista at Jones Lang LaSalle who often uses ceramic cups in lieu of paper. Recently, Mr. Fero who works for Infuse, introduced some employees to a traditional macchiato, an espresso with a dash of milk.

Piercings, tattoos and casual clothing are allowed—and, at times, encouraged. "They are not walking in in a suit and tie and serving up coffee like it's the Ad-

### Weather



### Global Forecasts

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

t...tstorms; r...rain; sf...snow flurries; sn...snow; i...ice

City Today Hi Lo W Tomorrow Hi Lo W

Amsterdam 21 14 pc 17 12 pc

Anchorage 14 8 pc 16 10 pc

Athens 29 19 s 29 19 s

Atlanta 28 20 c 25 18 t

Bahrain 43 25 s 45 27 s

Baltimore 25 16 r 24 12 c

Bangkok 33 25 t 33 25 t

Beijing 31 15 c 19 14 c

Berlin 21 12 pc 23 11 t

Bogota 20 9 c 19 9 pc

Boise 24 11 pc 30 16 s

Boston 14 10 r 12 10 r

Brussels 22 13 pc 16 10 t

Buenos Aires 13 0 pc 15 4 s

Cairo 37 25 s 39 27 s

Calgary 18 8 c 21 8 c

Caracas 32 27 pc 32 27 t

Charlotte 29 20 t 27 16 c

Chicago 22 11 s 23 12 s

Dallas 29 21 t 32 20 pc

Denver 30 12 t 24 12 t

Detroit 23 13 pc 20 12 pc

Dubai 38 31 pc 42 30 s

Dublin 16 8 r 16 8 t

Edinburgh 17 9 r 15 9 r

Frankfurt 23 13 sh 18 11 t

City Today Hi Lo W Tomorrow Hi Lo W

Geneva 21 13 t 17 9 t

Hanoi 40 29 s 35 27 t

Havana 31 24 pc 31 24 pc

Hong Kong 32 28 t 32 27 sh

Honolulu 30 22 p 30 23 pc

Houston 31 22 t 32 21 t

Istanbul 25 19 pc 25 18 s

Jakarta 32 24 t 32 24 pc

Johannesburg 20 3 s 19 4 s

Kansas City 32 16 s 27 14 s

Las Vegas 40 26 s 40 24 s

Lima 22 17 pc 22 17 s

London 18 11 r 16 10 t

Los Angeles 26 16 p 25 16 pc

Madrid 27 14 s 28 13 s

Manila 32 26 t 34 26 s

Melbourne 15 8 sh 12 7 sh

Mexico City 28 14 p 28 13 pc

Miami 31 26 sh 32 26 t

Milan 24 16 t 23 12 t

Minneapolis 27 14 s 27 14 s

Monterrey 38 22 pc 37 20 s

Montreal 17 10 r 20 9 r

Moscow 15 8 r 17 8 c

Mumbai 32 29 t 32 29 t

Nashville 26 19 t 27 14 s

New Delhi 44 32 p 41 28 s

New Orleans 28 22 t 28 22 t

New York City 21 14 t 16 11 sh

Omaha 34 16 s 30 16 s

Orlando 29 21 sh 28 22 t

### The WSJ Daily Crossword | Edited by Mike Shenk



### CHANCES ARE | By Daniel Hamm

#### Across

- 1 Donna Summer's music  
6 Tack on  
9 Stress-relieving resorts  
13 From Brunei, Bhutan or Bangladesh  
14 "...man \_\_\_\_ mouse?"  
15 Conduct a census  
16 \*Stool occupant, perhaps  
18 \_\_\_\_ la vistal"  
19 \*Person who gets the picture  
21 Conditions  
24 Semicl transparent gem  
25 Bond, for one
- 26 "The Mikado" town  
28 Genesis name  
29 Language suffix  
32 Close angrily  
33 \*Shark, maybe  
37 John Smith, often  
39 Recipient of much Apr. mail  
40 Like many a negligee  
41 \*Expert at drawing?  
44 Anna's sister in "Frozen"  
45 Military control, for short  
46 Printer cartridge contents  
47 Focus (on)
- 49 List-shortening abbr.  
50 Hit's opposite  
52 Explosive letters  
53 \*Physical location?  
58 Banish  
59 Might succeed, and what the starred answers do  
63 No longer bright  
64 Mamie's husband  
65 Pageant winner's headgear  
66 Eliot Ness, notably  
67 For every  
68 County northeast of London

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

miral's Lounge," Mr. Schultz says. Corporate food-service company, Compass Group's Bon Appétit subsidiary, is also working to mimic in offices what employees are purchasing off premises, says Maisie Ganzler, chief strategy and brand officer. Three years ago, the company started hiring coffee managers, who are professionally trained baristas that can "discuss coffee at length" and host regular tastings with employees, says Ms. Ganzler. Companies are more demanding when it comes to beverage offerings, she says. "Fifteen years ago, it was just coffee," she says.

Most weekdays, ConAgra Brands attorney Megan Agnew orders her regular—a latte with cinnamon—and stays for the chitchat. At the one-year-old cafe, which is run by Infuse, baristas keep regulars' mugs behind the bar and offer Kombucha, a fermented tea beverage, on tap. The cafe also serves breakfast tacos and chia seed pudding. "These are my besties at work," says Ms. Agnew who often shares photos of her children with the baristas.

At Mastercard's Union Square office in New York, people often sit for meetings in nooks surrounding the cafe where a barista pours drinks from Portland roaster, Stumptown. Employees are less likely "go out hunting New York City for this kind of experience," says John Sheldon, a senior vice president at Mastercard.

At some companies, coffee lounges are replacing the corporate cafeteria. In 2010, office furniture maker Steelcase turned an under-utilized cafeteria into what the company bills the Workcafe in their Grand Rapids, Mich., headquarters. They've replicated it for some clients. In addition to a barista, employees get access to a full kitchen and a "nourishment bar." It is open from 7 a.m. to 7 p.m. with an atmosphere that resembles a cafe, says Ms. Johnson: "We purposely offer the best coffee—and it's not self service."

28 Different
1 Bit of ointment
2 "A Dream ____ Wish Your Heart Makes"
3 Army address
4 "Lil' Abner" creator
5 How some ground balls are fielded
6 Major artery
7 Bib moistener
8 "Rats!"
9 Melodramatic
10 Promote the sale of
11 Cost for a hand
12 Feature of the Texan flag
15 Wedding settings
17 Convertible driver's option
20 Answer an invitation
21 "We're on!"
22 Get gas
23 Challenges for dry cleaners
27 "____ corny as Kansas in August" ("South Pacific" lyric)

28 Grade determiner, often
29 Hole for a lace
30 Does an usher's job
31 Straying from the proper course
34 Sound from a sty
35 Assn.'s kin
36 "Pardon me..."
38 Like some revealing skirts
42 Ruler division
43 River through Lyon
48 Addictive drug
49 TV's DeGeneres
50 Bit of snow
51 Gallbladder's neighbor
53 Test the weight of
54 Grade determiner, often
55 1871 Verdi opera
56 Intel product
57 Settings of four series in a CBS franchise
60 Laugh sounds
61 Mine output
62 39-Across collection

#### Previous Puzzle's Solution

WAD	MIXER	VEDAS
HUE	AGREE	EXUDE
IRR	DUAL	PURPOSE
SAMEDAY	OPIE	KLAXONS
PIGA	PILEATHER	STROVE
AREAS	WHITS	BRR
NEXT	RILLES	LOGO
IRE	NINOS	LAYER
SARDONYX	CAP	ENTERS
CEES	PREENER	SAMSUNG
ARIEL	SHARON	BAI
CONIC	EXALT	OLD
TONTTO	METES	XES

The contest answer is DEPOSIT. The X's in the grid are the "checks," and they are balanced in the grid symmetrically (as suggested by the clue at 49-Down) by letters that spell the contest answer.

WSJ  
PODCASTS



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# BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Monday, June 5, 2017 | B1

**Yen vs. Dollar** 110.4820 ▼ 0.79%

**Hang Seng** 25924.05 ▲ 0.44%

**Gold** 1276.80 ▲ 0.77%

**WTI crude** 47.66 ▼ 1.45%

**10-Year JGB yield** 0.054%

**10-Year Treasury yield** 2.159%

## China's Tencent Pours Funds in U.S. Tech

By DAN STRUMPF

HONG KONG—In its quest to expand its global reach, **Tencent Holdings** Ltd. has quietly become China's top corporate investor in Silicon Valley, pouring money into everything from electric cars to moonshot ventures such as space tourism and asteroid mining.

Tencent's best-known investments are gaming companies, including "Clash of Clans" maker **Supercell** Oy of Finland and "League of Legends" maker **Riot Games** Inc. But the internet giant hasn't stopped there.

People close to Tencent, China's most valuable listed



Tencent's booth at the Global Mobile Internet Conference in Beijing.

company with a market capitalization of \$328 billion, say the approach reflects the company's desire to remain

abreast of even the most far-fetched ideas and products out of Silicon Valley—and its fear of missing out on the

next big thing.

While several Chinese firms have jumped into hot areas such as artificial intelligence and driverless vehicles, Tencent hopes an active investment arm will offer a window into even more outside-the-box developments in Silicon Valley, people familiar with the company said.

The strategy underscores Tencent's broader ambitions after rising to dominance at home with its ubiquitous WeChat app—which hasn't gained much traction overseas amid competition from the likes of Facebook Inc.

The WeChat social-media platform boasted 938 million

monthly active users in the first quarter, 23% more than a year earlier.

"If you want to be a top-10 corporation on a global scale—and Tencent is already a top 10-type of corporation—I don't think there is any aspect of technology that you should leave behind," said Sinovation Ventures' Chris Evdemon, of Tencent's U.S. approach. Mr. Evdemon is a partner at the venture-capital firm, which has made investments alongside Tencent.

Tencent's top U.S. executive, David Wallerstein, said the active U.S. investing presence is aimed at finding companies tackling big-picture

problems. "I deliberately seek to push out on the frontier a little further than the other teams" in Tencent, he said.

Based in the southern Chinese technology hub of Shenzhen, Tencent competes on many fronts with China's two other tech giants, Alibaba Group Holding Ltd. and Baidu Inc. Each has ventured overseas as part of their appetite for growth outside China, though none has invested as aggressively in the U.S. as Tencent.

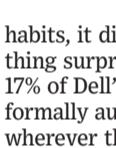
Since 2011, Tencent has invested in 41 tech startups in the U.S., joining fundraising rounds worth \$3.5 billion. The

Please see INVEST page B2

### KEYWORDS

By Christopher Mims

## Remote Work Trend Is Aided by New Tools



When Dell recently surveyed its 110,000 employees about their work habits, it discovered something surprising: While only 17% of Dell's employees were formally authorized to work wherever they prefer, 58% were already working remotely at least one day a week. That is good news, says Steve Price, chief human-resources officer at Dell. In 2013, the company had said it wanted half its employees to work remotely for at least part of their week—by 2020.

In contrast, International Business Machines recently gave thousands of its home-based employees a choice: Start working at one of IBM's regional offices or take a hike. IBM once boasted that 40% of its employees work outside traditional offices. It has its own in-house tools to facilitate remote work, and it regularly promotes telework to its clients. Other companies that have reversed course on remote work include Yahoo, Bank of America and Aetna.

In 2016, 43% of Americans did some or all of their work from home, surveys say.

Despite these moves by big companies, data indicate that the remote-work trend in the U.S. labor force is inexorable, aided by ever-better tools for getting work done anywhere. Surveys done by Gallup indicate that in 2016, the proportion of Americans who did some or all of their work from home was 43%, up from 39% in 2012. Over the same period, the proportion who only work remotely went to 20% from 15%. Amazon.com, American Express, UnitedHealth Group and Salesforce.com allow employees to work remotely at least some of the time.

IBM has said it hasn't found remote work saves money. It also said the shift away from remote work isn't aimed at cutting costs—though inevitably some employees leave as a result. Other companies, though, cite saving on rent among a variety of reasons for letting employees work remotely. They say it also improves employee satisfaction, helping retention and recruiting.

The larger truth is that nearly every company that employs knowledge workers is still learning which jobs can best be done remotely, as the tools to accomplish remote work become increasingly powerful.

Please see MIMS page B3



Doctors protesting last month against the shortage of medicine in Venezuela. The country's government this year likely will spend as much money servicing foreign debt to investors as it does importing food and medicine, according to estimates by Nomura Securities.

## SpaceX Notches One More Milestone

By ANDY PASZTOR

Elon Musk's **SpaceX** for the first time launched a refurbished cargo capsule that had been used on a previous mission, a major stride toward eventually reusing spacecraft carrying astronauts.

Saturday's blastoff of the Falcon 9 rocket carrying the unmanned Dragon capsule went off like clockwork, rising from Florida's **Kennedy Space Center** on schedule at 5:07 p.m. local time. Neither the rocket nor the previously flown capsule, filled with roughly three tons of supplies and experiments destined for the international space station, experienced any technical problems.

The capsule initially flew and came back from the orbiting laboratory in 2014.

The latest feat by Southern California-based **Space Exploration Technologies** Corp. followed by two months the closely held company's historic accomplishment of launching, returning and vertically landing the major portion of a used booster to cap off two separate trips to space.

Slightly more than five years ago, SpaceX became the first corporate entity to link up a spacecraft with the orbiting space station.

Ultimately, Mr. Musk and many other space experts consider reusable rockets and spacecraft key to slashing the cost of access to space and stepping up launch tempos.

Over the years, a major challenge confronting SpaceX was ensuring that water didn't leak into returning Dragons as parachutes guided them to gentle splashdowns. A still unanswered question is how many times a capsule's heat shield—attached to the bottom of the pear-shaped vehicle and designed to withstand fiery returns through the atmosphere—can be reflown safely.

The recycled Dragon featured a new heat shield and replacement parachutes.

Three minutes after liftoff, the main engines stopped firing as planned, the first stage separated and then the engine powering the second stage ignited. Less than eight minutes

Please see SPACEX page B3

## Venezuela Bonds Pose Quandary

Investors have reaped big profits as South American nation grapples with deep economic crisis

By JULIE WERNAU  
AND KEJAL VYAS

As managing director at hedge-fund manager Knossos Asset Management, Francisco Gherzi buys and sells Venezuelan debt for a living. But as a Venezuelan, he is also hoping for the day when his country puts rebuilding over repaying him.

"If a new government stepped in and said it couldn't pay me for five years because it had a plan to resolve the problems in Venezuela, I would say, OK," he said.

About 23.4% of the country's outstanding debt is held by individuals and institutions inside Venezuela, according to investment bank **Torino Capital**. That doesn't include bonds held by the millions of expats who have fled in recent years.

This year, the country's Socialist government likely will

spend as much money servicing foreign debt to investors as it does importing food and medicine for its people, according to estimates by Nomura Securities.

Goldman Sachs's recent purchase, through an intermediary, of Venezuelan bonds that had been held by the country's central bank sparked an angry reaction from opposition groups. They said the transaction provided fresh funds for the embattled administration of President Nicolás Maduro as it faces rising unrest over food and medicine shortages.

Alejandro Grisanti, a Venezuelan economist, said he has no moral qualms about Venezuelans who bought bonds years ago or snapped them up on the secondary market as long as the transactions don't provide new capital for the

government, which he said might use the money on tear gas against protesters.

Many Venezuelan investors say they feel that by holding the bonds, they are helping to keep the country's wealth abroad.

Others believe that if Venezuela were to default, the money that would have gone to bondholders would simply be stolen rather than put toward food and medicine.

"I'd rather that they pay interest and principal rather than put more money in their pockets," said Mr. Sosa, who travels frequently to Venezuela to see family and even recently joined a street protest.

"Investors are out there marching against the regime and buying bonds," he said. "It's a little eerie. But it's a reality."

Please see BONDS page B2

## Truckers Accept Big Brother to Stay Insured

By LESLIE SCISM

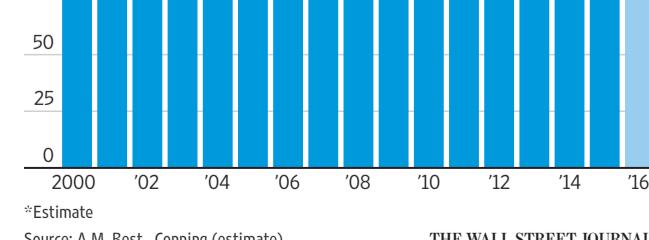
Insurers have a message for America's truckers: Let us monitor your every move or we might take away your coverage.

Behind the push are surging losses for many insurance companies as an improved economy has led to more crowded roads and more accidents. Meanwhile, smartphones have proliferated, increasing distracted driving. Last year, the commercial auto-insurance industry lost an estimated \$716 million before taxes on policies, as costs totaled nearly \$112 for every \$100 of premium they collected, according to researchers at investment-management firm Conning Inc.

The business line's underwriting results have been deteriorating since 2011, and are at their worst level since 2001,

### Hauling Losses

Percentage of premium dollars that commercial-auto insurers have spent on claims and expenses



according to data collected from insurers by ratings firm A.M. Best.

To keep losses from repeating, insurers are increasing premiums across much of a busi-

ness that generated \$28 billion in premiums last year. Increases have ranged from low-single-digit percentages to 30% a year, companies and brokers say. Some insurers have even

exited certain types of coverage altogether, including **American International Group** Inc.

Insurers are more likely to renew coverage, however, if a customer adopts sometimes-invasive technology. As a result, a wide range of commercial operators are installing cameras in the cabs of their vehicles, and cellphone applications to block use while a vehicle is in motion.

"We're in the same boat as everyone else who operates a fleet in Atlanta: how to not lose our coverage," said Ellis Lowe, human-resources manager at Estes Services, a heating and air-conditioning firm. "Insurance companies are tightening up."

Estes's annual premium for auto insurance, in the low six figures, has risen more than 20% over the past two years,

Please see TRUCKS page B2

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## TRUCKS

Continued from the prior page  
Mr. Lowe said. The firm just finished installing a program called Cellcontrol on phones of 112 technicians. The technology detects a vehicle's motion and can be programmed to prevent drivers from any calling, app use, texting and emailing unless the vehicle is stopped, said Robert Guba, chief executive of Cellcontrol.

An insurance broker suggested the technology as a way for Estes to hold down future rate increases—and possibly avoid cancellation.

Many carriers have toughened their stance on writing new commercial-auto policies, said Lawson Burnat, a principal at the broker Pritchard & Jerden. "There is a lot more scrutiny. You have to be a lot cleaner risk" and focused on reducing claims, he said.

Pittsburgh-based **Beitler Trucking** Inc. President Quentin Beitler said he was "looking for any technology that would help bring our claims down" when he saw a television program about onboard video cameras. He now has them in 45 trucks.

If there is a triggering event such as slammed brakes, these create video of the seconds just before and after the event. The video can exonerate a driver if wrongly accused of causing a crash, and it can help the firm coach its drivers if necessary, Mr. Beitler said. Across the industry, drivers can be fired for serious driving problems, though dismissal policies vary by company. The firm's insurer, Zurich's North America unit, reduced Mr. Beitler's insurance bill to encourage the use of smart technologies, a spokeswoman said.

Paul Farrell, a specialist in commercial-auto insurance at **Nationwide**, said he spends "a lot of time talking to the presidents and CEOs [of tech firms] about what they have in the pipeline," to help steer policyholders to promising safety gear. The insurer reduces the premium for some policyholders who use such equipment.

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### BANKRUPTCIES

#### THE COMPANIES LAW

#### NOTICE OF APPOINTMENT OF OFFICIAL LIQUIDATOR

CHC Group Ltd. (In Official Liquidation)

TAKE NOTICE that by order of the Grand Court made on 28 May 2017, CHC Group Ltd., registration number 213521, whose registered office is situated at Deloitte & Touche, P.O. Box 1787, Grand Cayman, KY1-1109, Cayman Islands, was ordered to be wound up in accordance with the Companies Law (2016 Revision).

AND FURTHER TAKE NOTICE that Stuart Sybersma of Deloitte & Touche at P.O. Box 1787, Grand Cayman, KY1-1109, Cayman Islands, and Neville Kahn of Deloitte LLP, Athene Place, 66 Shoe Lane, London, UK, EC4A 3BQ, have been appointed as Joint Official Liquidators of the Company.

AND FURTHER TAKE NOTICE that pursuant to Order 8, Rule 2 of the Companies Winding Up Rules 2018 (as amended) the first meeting of any creditors of the Company will be held at the offices of Deloitte & Touche, 4th Floor, Citrus Grove Building, Goring Avenue, KY1-1109, Cayman Islands, on 4 July 2017 at 10:00am local time.

ANY PERSONS CLAIMING TO BE CREDITORS OF THE COMPANY ARE TO PROVE THEIR DEBTS OR CLAIMS ON OR BEFORE 28 JUNE 2017 AND TO ESTABLISH ANY TITLE THEY MAY HAVE UNDER THE COMPANIES LAW (2016 Revision), OR ARE TO BE EXCLUDED FROM THE BENEFIT OF ANY DISTRIBUTION MADE BEFORE THE DEBTS ARE PROVED OR FROM OBJECTING TO THE DISTRIBUTION.

Dated this 26th day of May 2017

Stuart Sybersma, Joint Official Liquidator

Contact for enquiries: Michael Green, Deloitte & Touche, P.O. Box 1787, Grand Cayman, KY1-1109, Cayman Islands, Telephone: +1 (345) 814-2223, Facsimile: +1 (345) 949-8258, Email: michaelgreen@deloitte.com

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## BUSINESS & FINANCE

# Ivanka Trump Trademarks Eyed

By Eva Dou

BEIJING—One of Ivanka Trump's companies applied for a wide range of new trademarks in China in March, a day before she was named a White House adviser, according to previously unreported Chinese filings.

The 14 trademark applications cover sectors ranging from construction to legal services to alcoholic beverages except beer. If approved, they would allow Ms. Trump to widely expand her business in the world's second-largest economy—or guard against opportunistic local companies seeking to use her name.

Ms. Trump's China trademarks came under scrutiny in April, when China granted preliminary approval for spa and handbag trademark applications the same day Chinese President Xi Jinping held a summit in Florida with Ms. Trump's father, President Donald Trump. Those approvals, first reported by the Associated Press, came in response to applications filed before Mr. Trump's election.

These 14 still-unreviewed applications appear to be the first ones filed by Ms. Trump's company in China after her father's election. Ms. Trump's



IGAN GUAN/ASSOCIATED PRESS

One of Ms. Trump's companies filed new applications in China.

company applied for 36 trademarks in China in January through July 2016, then submitted 14 on March 28, according to the filing records.

The applications also cover telecoms, education, carpets, insurance and videogame equipment.

China's State Administration of Industry and Commerce, the agency that handles trademark approvals, didn't respond to a request for comment. Filing a trademark application doesn't mean a company will actually sell products in that sector. Businesses often apply protec-

tively for trademarks to ward off brand "squatters" who try to grab Chinese versions of well-known foreign companies and products, usually to try to extract payment to relinquish their claim.

Abigail Klem, president of Ms. Trump's company, Ivanka Trump, said the applications were made as part of routine business operations. "The brand has filed, updated, and rigorously protected its international trademarks over the past several years in the normal course of business, especially in regions where trademark infringement is

rampant," Ms. Klem said.

The White House declined to comment, referring questions to Ms. Trump's company.

The global business interests of President Trump and his family have generated criticism in the U.S. over the potential for conflicts of interest. Mr. Trump has said his company, the Trump Organization, will be run by his sons and won't strike new foreign deals. He said he would have no contact with it under the terms of a private trust. Ms. Trump is no longer involved in the management of her brand company, but retains ownership through a trust.

Questions have swirled among U.S.-based ethics watchdogs about whether Beijing is seeking to build influence with the Trump administration, either by granting trademark approvals or via corporate proxies. Kushner Cos., the developer owned by the family of Ms. Trump's husband and White House adviser, Jared Kushner, saw a deal for a \$1.25 billion investment in a New York skyscraper by China's Anbang Insurance Group collapse in March amid an outcry over its propriety.

—Yang Jie and Suzanne Kapner contributed to this article.

## INVEST

Continued from the prior page  
figure excludes investments in public companies. That makes it the second-biggest foreign investor in the sector—behind only Korea's Samsung Group—and tied for 11th biggest corporate investor overall, up from 18th four years ago, according to research firm CB Insights. Google parent Alphabet Inc. is at the top of the list.

In May Tencent reported a 58% rise in first-quarter profit and a cash pile of \$4 billion.

Mr. Wallerstein, whose official title is "chief exploration officer," is a key figure in the company's overseas push. The California native joined Tencent in 2001 and spent more

and the executive team and help the company become the best company they can become," he said. "We will work with the company to bring their technology to China when they're ready, but we do not push the company."

These investments differ from the handful of big-ticket stakes that Tencent has taken in the U.S. Those deals have been led by the company's China-based deals team, people familiar with the company said, and include its acquisition of Los Angeles-based Riot Games as well as its \$1.8 billion investment in Tesla Inc.

"Chinese companies are now wanting to go global more than ever before," said Connie Chan, partner at the Menlo Park, Calif., venture-capital firm Andreessen Horowitz.

Among recent investments,

Tencent led a \$10 million investment round in Academia.edu, a San Francisco-based company that operates a platform for scientists and academics to publish and review papers online.

Richard Price, the company's founder, said he hopes to give researchers an alternative to the longstanding model of publishing papers in physical journals.

Other smaller stakes include: a \$3 million investment disclosed earlier this year in Innovega Inc., a Bellevue, Wash.-based company building an "augmented reality" device into a contact lens. A former Tencent executive now sits on the company's board, and Chief Executive Steve Willey says he plans to first launch the final product in China with Tencent's help.

Some of Tencent's early in-

vestments paid off big, like its investment in Snap Inc. in 2013, four years before the Snapchat parent went public. But not every investment has taken off.

Since 2014 the company has participated in \$25 million worth of fundraising by Kamcord, a San Francisco social-media company. Kamcord has had ambitions to expand in Asia, but last year discontinued its live video-streaming service. Kamcord wasn't available for comment.

In March Tencent partici-

\$500,000 to invest and you try to convince him to buy General Electric stock, Procter & Gamble, and the return is 2%-3% a year. They say, 'Why am I going to do that when Venezuela keeps paying?' They have never been proven wrong," he said.

Venezuela has gone to extraordinary lengths to keep servicing its debt.

One reason could be the large number of wealthy expatriates and Venezuelan institutions that still hold it, and profit handsomely from it. Lo-

cal state-run and private banks hold about \$15.5 billion in debt, according to investment bank Torino Capital.

The government could force them to swap those securities for locally denominated notes. Venezuelan officials could then raise about \$5 billion to \$6 billion by selling these bonds at a deep discount as it did with Goldman, which paid 31 cents on the dollar. This could service the country's debt payments for an additional eight months, according to Torino.

## BONDS

Continued from the prior page

Under Mr. Maduro's predecessor, the late strongman Hugo Chávez, Venezuela's government piled on debt despite a \$1 trillion oil windfall during his tenure.

But years of mismanagement and lower oil prices have left the country scrambling for cash. Venezuela's opaque finances have haunted investors and credit-rating firms trying

to figure out how much money the country has. On the central bank's balance sheet, a host of securities it holds are valued at four different exchange rates due to the country's Byzantine currency controls.

Venezuelan investors think they know enough about Venezuela that they will get out in time, said Alejandro Lara, a former securities broker in Venezuela and a Florida licensed independent investment adviser.

"You're sitting in front of a prospective client with

globally in May, with 15,639 cars sold compared with 12,029 in the same period last year. Sales of the XC90 dropped to 6,647 cars from 7,615 last year.

—Dominic Chopping

TOYOTA

## Auto Maker Sold Tesla Stake in 2016

Toyota Motor Corp. sold its stake in Tesla Motors Inc. some time last year, the company said, formally ending a partnership between the car makers.

A spokesman for the Japanese auto maker on Saturday declined to say when the transaction occurred or how much Toyota made from the sale.

Toyota owned 2.3 million shares in Tesla in March last year, and its stake was valued at \$53.1 billion (\$480 million) at the time, according to the most recent disclosure from the company.

The two companies teamed up in 2010 to work on electric vehicles. Toyota took a \$50 million stake in the maker of electric cars and sport-utility vehicles. In return, Tesla produced components for the battery-powered version of the RAV4 crossover SUV.

Toyota sold a portion of its Tesla holdings in 2014, after announcing it would stop using Tesla as a supplier for the electric RAV4, which is no longer sold.

—Sean McLain

## BUSINESS WATCH

### VOLVO CAR

#### Sales Increase 12% On Strong Demand

Swedish car maker Volvo Car Corp. said sales rose 12% in May, reflecting strong demand across all regions, with China the standout performer.

The company, owned by China's Zhejiang Geely Holding Group Co., said on Friday that it sold 47,247 cars in the month, a 12% rise year-over-year, aided by demand for its new 90-series models but underpinned by its best-selling model, the XC60 sport-utility vehicle.

China was Volvo's biggest market in May, posting a 39% increase in sales from a year earlier, helped by locally pro-

### TOYOTA

## TECHNOLOGY

WSJ.com/Tech

# SPACEX

# Sony Launches New Mobile Game

Continued from page B1  
By TAKASHI MOCHIZUKI

TOKYO—Sony Corp. is releasing the first title from a new unit focusing on smartphone games, initially targeting Japan where its PlayStation 4 console is flagging.

The company said users could start signing up for a mobile version of "Everybody's Golf," a popular game that has been available since 1997 mainly for PlayStation platforms. It said the phone app would be available soon and free to download for Apple Inc.'s iPhones and handsets running the Android operating system from Google parent Alphabet Inc.

As with many other smartphone games, Sony plans to earn money from small in-app purchases, such as costumes to dress up players' characters.

A smartphone version of the golf game was previously released for NTT DoCoMo Inc.,



A screen image from PlayStation's 'Everybody's Golf.' The title will be the first from a new Sony unit.

Japan's largest wireless carrier, but the latest version is optimized for smart devices such that users can play with one hand.

Sony's PlayStation console is popular in the U.S. and Europe, especially among hard-core fans of so-called shooter games. In Japan, where many gamers

have migrated to smartphones, PlayStation's presence is smaller. Japan accounts for less than 10% of the more than 53 million PlayStation 4 units sold

globally since November 2013, according to data from Sony and Japanese videogame magazine Famitsu.

The smartphone-game market in Japan is more than twice as big as that for consoles, according to Computer Entertainment Supplier's Association data. Sony hasn't made major inroads in the market with the exception of a game called "Fate/Grand Order" developed by a different Sony unit.

ForwardWorks plans to release four or five additional smartphone games in Japan by March 2018, company officials said. The company hasn't announced any plans for expanding beyond Asia.

Sony rival Nintendo Co. has been offering smartphone games since last year. Nintendo says it hopes those games will pull in casual users who may later trade up to a Nintendo device such as its new Switch machine.

## MIMS

Continued from page B1

Making the transition in a big company isn't easy, Dell's Mr. Price says. What is absolutely essential is getting everyone the right tools. This can be expensive and time-consuming, even for companies whose primary purpose is building those tools.

To understand the issues, it is helpful to look at a company that has always been almost entirely remote. Automattic, maker of WordPress, the content-management system that powers 28% of all websites, has 558 employees spread across more than 50 countries, up from 302 in December 2014.

Despite its growth, the company is getting rid of its custom-designed, light-filled, 14,250-square-foot office in a hip San Francisco neighborhood. On an average day, maybe five workers will show up, dwarfed by the cavernous

space and nearly outnumbered by the Ping-Pong and foosball tables that mostly sit idle.

With teams that may be spread across a dozen time zones, Automattic relies on Slack for synchronous communication, Zoom for weekly videoconferences and its own internal system of threaded conversations for documenting everyone's work and for major decisions.

When everyone is forced to communicate through these tools, no one is left out, says Mark Armstrong, whose site, Longreads, was acquired by Automattic in 2014. "Everyone knows that feeling where you're the one on the conference call and everyone else is in the room together," he says.

A distributed workforce can have other benefits, says Julia Amosova, a "happiness engineer" at Automattic. The online communication required allows for radical transparency, since anyone in the company can search

across all internal communications. "Most of the meetings were held behind closed doors at other places I worked at," she says. "I didn't have the same feeling of unity and inclusion."

Unless you're a pure software company like Automattic, being 100% remote probably isn't an option. Dell isn't

planning to get any more of its employees working remotely, Mr. Price says. "Engineering, leadership, R&D, sales and customer support—those are roles that don't lend

themselves very well to remote work. Not everybody gets to do it." Roles where it does work include HR, legal, marketing, analytics, data science and other support functions, he adds.

For workers in an office, collaboration occurs naturally, says Jason Owen-Smith, a professor of sociology at the University of Michigan who has studied collaboration and innovation at academic research institutions. His research indicates that for every 100 feet of overlap between the typical daily walking paths of people in a building, there is a 17% increase in the likelihood two researchers who have not previously worked together will collaborate on a new project—and a 20% increase in the likelihood they will get their project funded.

In one building Dr. Owen-Smith and his team studied, the men's and women's restrooms were at opposite ends of the facility. Same-gender collaborations went up and

mixed-gender collaborations were suppressed. Famously, at Pixar, Steve Jobs put the bathrooms in the center of the building, to force people to cross paths multiple times a day.

For remote workers, the communications tools they use daily are the equivalent of these common spaces. The canonical example, owing to its explosive growth and creeping ubiquity, is the group-chat service Slack.

What matters even more than the tools is the process that underlies them, says Jason Fried, co-founder and chief executive of Basecamp, which makes digital project-management and collaboration tools, and the author of "Remote," a book about working remotely.

"You have to be committed to this digital transformation, and be ready to invest to do this well," says Dell's Mr. Price. "Otherwise you have a lot of morale issues, engagement issues and a bad cultural response."

## THE HUMAN ELEMENT 勢在人为

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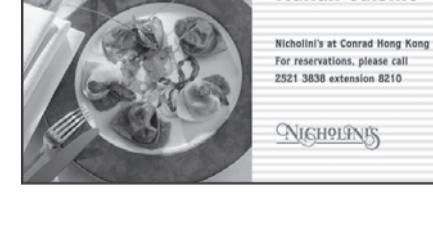
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## FINANCE & MARKETS

INTELLIGENT INVESTOR | By Jason Zweig

# Where Are You Investing? Take a Fresh Look



When U.S. investors send their money outside the country, some of it bounces

right back. In May, U.S. investors added \$23 billion to exchange-traded funds holding international stocks, estimates FactSet, even as they pulled almost \$2 billion out of U.S. stock ETFs. So far in 2017, U.S. investors have poured \$75 billion into foreign-stock ETFs.

But several ETFs specializing in South Korea hold at least 20% of their assets in a single stock, **Samsung Electronics** Co., which derives about a quarter of its revenue from the U.S. and almost none from Korea.

Or take the second-largest holding in many India funds, **Infosys** Ltd., which does more than 60% of its total sales in North America and only 3% in its home country.

And forget about Finland, where **Nokia** Corp., the telecommunications firm, and **Kone** Corp., the maker of elevators and escalators, account for 38% of the total market value of the MSCI Finland index, even though both firms do most of their business outside of Scandinavia.

A new study in the Financial Analysts Journal finds that investors can slightly improve risk and return by shopping for stocks abroad not on the basis of where

they are based but, rather, on where they do most of their business.

That research is based on 10 countries, mostly in Europe, and covers a relatively short period, from 1998 to 2012. The authors, finance scholars Cormac Mullen and Jenny Berrill of Trinity College in Dublin, weren't available to comment.

Murray Stahl, chairman of **Horizon Kinetics** LLC, an investment firm in New York that manages about \$5.4 billion, has been pondering what he calls "country misrepresentation" for years.

"Decades ago, more companies did the bulk of their business within their own national boundaries," Mr. Stahl says.

"But globalization has de-territorialized a lot of companies. Being listed or headquartered in a particular country doesn't mean they give you exposure to that country's economy."

Sensing that, many investors buy global giants like **Coca-Cola** Co., **Procter & Gamble** Co., Swiss-based **Nestle** SA or British-based **Unilever** PLC to capture a cut of their sales in emerging markets. Mr. Stahl is more interested in the dozens of local subsidiaries or affiliates of such companies.

Among such domestic versions of global companies are **British American Tobacco** Malaysia, **Coca-Cola Embenor** SA (Chile), **Guinness** Nigeria PLC, **Hindustan**



Unilever Ltd. (India) and Wal-Mart de Mexico SAB.

They offer targeted access to emerging-market consumers along with developed-world management standards, he says.

**Advanced Portfolio Management**, an investment firm in New York, has launched a strategy (for institutional clients only) that will invest in Indian companies catering to consumers there, not here.

"We want a pure play on India's consumers. We think it's going to be the fastest-growing large economy in

the world over the next few years," says Robert Kiernan, Advanced Portfolio Management's chief executive.

At heart, diversification works best when it relies on common sense.

Many traders sold British stocks in the wake of last year's surprise Brexit vote, thinking that companies in the U.K. would be hurt by its intent to leave the European Union.

But the top 100 British companies derive roughly 72% of their revenue overseas, according to Paul

Marsh, a finance professor at London Business School who studies long-term investment returns around the globe. Even small stocks in the U.K. get about 45% of their sales from abroad, he says.

So the correct, if counter-intuitive, decision was to buy—not sell—British stocks, especially the biggest exporters. Between the vote to exit the EU in June 2016 and the end of the year, domestic-oriented British companies gained 1% on average, says Prof. Marsh. Those with the

greatest overseas exposure gained an average of 30%.

Over long periods, however, the potential extra gain from a basket of local companies around the world isn't likely to be great. And buying nothing but monotonals amounts to "the exclusion of broad segments of the market," says Marlena Lee, head of investment research at **Dimensional Fund Advisors** in Austin, Texas. That would result in less diversification, not more.

To see why, imagine owning a mononational U.S. portfolio. S&P Dow Jones Indices estimates that among those companies in the S&P 500 reporting sufficient data, only 42 got less than 15% of revenue from outside the U.S. in 2015. A pure U.S.-only portfolio would have to exclude not just **Amazon.com** Inc. and **Apple** Inc. but even such firms as **Costco Wholesale** Corp. and **Home Depot** Inc., all of which do significant business abroad.

So the mononational approach makes sense only as a small speculation, says Tadas Viskanta, who blogs about investing at AbnormalReturns.com and has written several research papers on global diversification.

Buying purely domestic companies is probably best-suited for trading on geopolitical events or the growth prospects of a specific country. But it's not worth overhauling a whole portfolio for

## Investor Tackles a Demon: The Urge to Limit Losses

By CHRIS DIETERICH

Wesley Gray's value-focused fund of non-U.S. stocks is beating all its rivals over the past year. For him, it is almost beside the point.

Mr. Gray, chief executive of asset manager **Alpha Architect** LLC outside Philadelphia, says watching short-term market moves doesn't pay off.

Instead, his firm focuses on the benefits of finding and buying a small number of very cheap stocks, and holding them through thick and thin.

Alpha Architect is an upstart active investment manager that tripled its assets last year, a noteworthy perfor-

the University of Chicago Booth School of Business. He says extreme discipline is a crucial component of his concentrated, algorithmic adaptations of classic value investing, popularized by Benjamin Graham and Warren Buffett.

Last year, Mr. Gray put out a report, "Even God Would Get Fired as an Active Investor," concluding that stock-picking foresight alone wouldn't equip investors to conquer perhaps their most formidable foe: the fear-driven urge to cut losses.

"Investors' willingness and ability to deal with grim death and stick with it makes value investing work," he says.

Mr. Gray, who is now 37

years old, spent his earliest years on a cattle ranch in Colorado before moving as a teen to Northern California. He recalls thumbing through copies of Barron's during visits with his grandmother, a Buffett disciple, as a child.

Eugene Fama, a winner of a Nobel Prize for Economics and adviser to Mr. Gray during his Ph.D. program, recalls his engaging, unorthodox manner most of all.

"He kind of talked like the kids I grew up with in kind of a tough neighborhood in Boston, not like a normal Ph.D. student," Mr. Fama said.

Two years into graduate school, Mr. Gray took a four-year sabbatical to join the U.S. Marines. Two years later, he was deployed as a ground intelligence officer, alongside

the Iraqi army units in Anbar province. He learned conversational Arabic and, he says, the vital importance of building trust and relationships.

Returning to academic life in 2008, Mr. Gray set up a blog to distill the latest academic papers on quantitative investing.

Alpha Architect is a 15-minute drive from the offices of Vanguard Group, the index-fund giant, and Mr. Gray says he is out to turn his firm into a low-cost boutique aimed at delivering low-cost "alpha," or market-beating performance. The firm can keep costs down in part by cutting out distributors.

Unlike some investment strategies that use ill-defined signals to guide stock selection, Mr. Gray has co-written three books outlining Alpha's approach, including how its value algorithms seek the cheapest stocks with little financial distress, high returns on capital and growing margins. The portfolio currently includes electronics retailer Best Buy Co., Pottery Barn operator Williams-Sonoma Inc. and kitchen-container purveyor Tupperware Brands Corp.

The average expected price/earnings ratio for the 40 stocks in Alpha Architect's **ValueShares U.S. Quantitative Value ETF** is 13.4, far below the 17 forward P/E for the more than 300 stocks in the Vanguard Value ETF, according to Morningstar.

"We don't care about telling people what we do," he says. His approach is so unorthodox that fund managers seeking to replicate it "will get fired."

Of course, the market is littered with winning strategies that lose their potency over time, and smart-sounding theories that fail outright when put into practice. Moreover, success in investing often leaves managers awash in fund inflows that quickly outstrip their capacity to generate ideas.

Mr. Gray responds that the data upon which his strategies are based has proved their resilience for years, and that they can be explained by investors' behavior. He admits that he has considered the implications of getting too big, a state that he says isn't imminent but could force unhappy changes on his firm.

"We'd have to start shifting the portfolios, start diversifying," he says. "The truth is that you can't jam 10 pounds

of stuff into a one-inch hole."

## Oil Glut Lowers Price Forecasts

By GEORGI KANTCHEV

Oil analysts cut their price forecasts for the first time in eight months amid doubts that a deal by major producers to limit output will be enough to clear the global glut of crude.

Members of the Organization of the Petroleum Exporting Countries last month extended an agreement with 10 other crude-oil producers to limit output through March 2018.

Despite that renewed pledge, a poll of 14 investment banks by The Wall Street Journal in late May predicted that the global benchmark, Brent crude, will average \$56 a barrel this year, down \$1 from the April survey. The banks expect West Texas Intermediate, the U.S. oil gauge, to average \$54 a barrel this year, also down \$1.

Banks in the survey also downgraded their expectations for oil prices in the next few years, predicting Brent crude

will average \$59 a barrel next year, down \$9 from the survey a year ago. For 2019, the banks now see Brent at \$60 a barrel, down from their prediction of \$76 in May 2016.

On Friday, oil prices fell to three-week lows, after rising U.S. production and President Donald Trump's withdrawal from the Paris climate accord helped to reignite a recent selloff. Light, sweet crude for July delivery settled down 70 cents, or 1.4%, at \$47.66 a barrel on the New York Mercantile Exchange. Brent crude lost 68 cents, or 1.3%, to \$49.95 a barrel on ICE Futures Europe.

After the recent OPEC meeting, investors sent the oil price down about 4% on disappointment the group didn't offer deeper cuts.

"They have no exit strategy, and that is worrying the market," said Hamza Khan, head of commodity strategy at ING Bank. "The big concern is that after the deal ends in March,

OPEC will again flood the market with crude."

OPEC hasn't indicated what it intends to do after the deal expires. Low prices have drained once-flush national budgets, and analysts expect cartel members to raise output once the deal is over.

By keeping production at about 1.8 million barrels a day lower than late 2016's levels, the OPEC-led coalition is suppressing about 2% of global supply and aiming to put a floor under the price of oil, which is still down by around half of 2014 levels.

Even as producers have largely abided by the deal, they have failed to drain brimming storage tanks. Oil stocks in OECD nations, which reached records of more than 3 billion barrels last year, continued increasing in early 2017 and fell in March by just 32 million barrels, according to the International Energy Agency, an energy monitor.

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FUND NAME GF AT LB DATE CR NAV YTD -%RETURN- FUND NAME GF AT LB DATE CR NAV YTD -%RETURN-

Chartered Asset Management Pte Ltd - Tel No: 65-6835-8866 Fax No: 65-6835-8865, Website: [www.cam.com.sg](http://www.cam.com.sg) CAM-GTF Limited OT MUS 05/31 USD 30649.87 1.4 10.8 -3.8

VP Class-B Units AS EQ HKG 06/01 USD 139.47 21.7 32.1 -3.9

VP Class-C Units AS EQ HKG 06/01 USD 17.59 21.7 32.2 -4.3

VP Class-C Units AUD H AS EQ HKG 06/01 AUD 14.51 21.5 32.3 -4.0

VP Class-C Units CAD H AS EQ HKG 06/01 CAD 14.02 21.1 31.3 -5.1

VP Class-C Units HKD H AS EQ HKG 06/01 HKD 11.92 21.1 31.0 NS

VP Class-C Units NZD H AS EQ HKG 06/01 NZD 14.51 20.3 31.2 -3.8

VP Class-C Units RMB H AS EQ HKG 06/01 CNY 11.71 21.2 32.5 28.5 NS

VP Multi-Asset Fund Cls A HKD OT OT HKG 06/01 HKD 11.85 23.3 34.5 NS

VP Multi-Asset Fund Cls A USD OT OT HKG 06/01 USD 10.34 7.5 NS NS

VP Multi-Asset Fund Cls A USD OT OT HKG 06/01 USD 10.45 7.0 9.9 NS

VP Taiwan Fund AS EQ CYM 06/01 USD 19.23 14.8 26.3 8.5

Fund Name GF AT LB DATE CR NAV YTD -%RETURN- Fund Name GF AT LB DATE CR NAV YTD -%RETURN-

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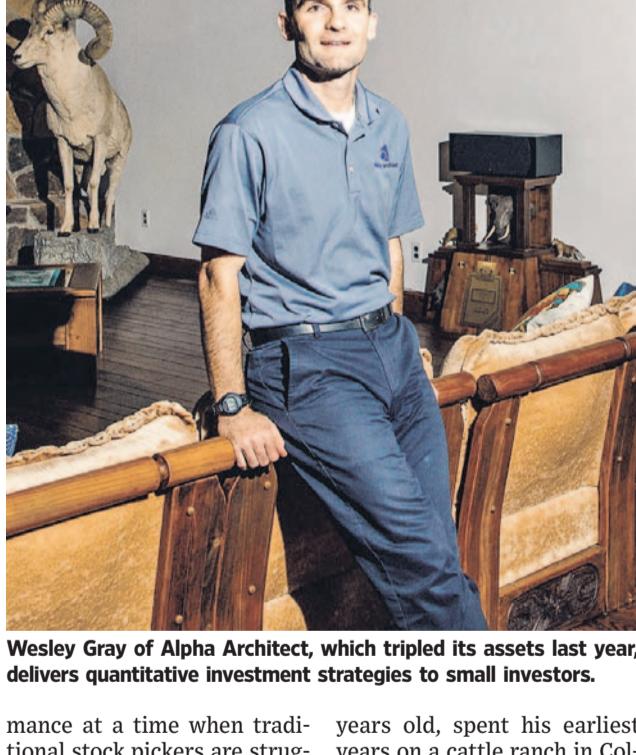
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THE WALL STREET JOURNAL.



MICHAEL BUCHER/THE WALL STREET JOURNAL

Wesley Gray of Alpha Architect, which tripled its assets last year, delivers quantitative investment strategies to small investors.

mance at a time when traditional stock pickers are struggling with lackluster performance and investors' withdrawals. The firm, with \$522 million in assets, is among a growing crop of money managers using academic financial and behavioral research, and algorithms, to identify stock bets likely to beat the market.

So-called quantitative investment strategies pulled from academic research have been around for years, popularized by the likes of Dimensional Fund Advisors. Mr. Gray and Alpha Architect aim to deliver iterations of those strategies to smaller investors.

Mr. Gray is a former captain in the U.S. Marine Corps who served a tour in Iraq and later earned a Ph.D. in finance from

years old, spent his earliest years on a cattle ranch in Colorado before moving as a teen to Northern California. He recalls thumbing through copies of Barron's during visits with his grandmother, a Buffett disciple, as a child.

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## JOURNAL REPORT | INVESTING IN FUNDS & ETFS



### EXCHANGE-TRADED FUNDS

# Europe's ETF Trek Is Speeding Up

Still far behind the U.S., the market hits a 'higher gear'

BY TANZEEL AKHTAR

IT HAS TAKEN nearly a decade for exchange-traded funds to gain traction in the European market, but they finally seem to be catching on.

Propelled by the U.S. market, where investors have been pouring money into passive investments such as ETFs, the appetite for cheaper funds that track European indexes has been slowly increasing.

Fund-tracker **Morningstar** Inc. predicts that by 2020, ETFs listed in Europe will have more than \$1 trillion in assets under management. Currently, there is about \$700 billion invested in European ETFs, according to Jose Garcia-Zarate, associate director of passive-strategies research at Morningstar.

"We've seen the European ETF market shifting to a higher gear," Mr. Garcia-Zarate says. In addition to ETFs that track core indexes, ETF providers are bringing to market products that offer more sophisticated strategies, including smart beta (in which holdings are weighted by something other than market value).

Mr. Garcia-Zarate calls it a natural evolution: "First, one starts with plain-vanilla, straightforward exposures. Then when clients are happy with those and are comfortable with how ETFs operate, they start demanding more-complex exposures and strategies."

#### Playing catch-up

At the end of 2016, there was about \$3.4 trillion in ETF assets globally, according to ETFGI LLP, a London-based consulting firm. U.S.-listed funds, which have been around since about 1993, continue to attract the most money, pulling in some 50% of all new ETF investment.

The first ETF listing on the London Stock Exchange came in April 2000. Now, there are some 1,350 exchange-traded products listed on the LSE.

Lida Eslami, manager of listed



Fidelity Investments' international arm has launched two smart-beta ETFs on the London Stock Exchange.

products at the London exchange, says a range of new ETPs have been coming to market in London. In April, she says, Fidelity International listed its first European ETFs in London.

Still, Europe is at least five years, and some would say a decade, behind the U.S. in the adoption of ETFs. What's behind the lag? Mr. Garcia-Zarate says one major reason is that Europe hasn't had the same demand from individual investors as the U.S. has.

"In the U.S. there is a very active participation of the retail community in the uptake of ETFs. This isn't the case in Europe," he says, adding that "distribution channels and regulation are more conducive to reach retail clients in the U.S."

Andrew Craswell, vice president at Brown Brothers Harriman, explains that Europe isn't a homogeneous market (so the way ETFs are distributed can differ from region to region). Still, his firm expects growth to accelerate over the next three to five years as new players bring innovation in terms of the types of products offered and how they are sold.

Regulatory changes such as the Markets in Financial Instruments Directive, a rules package set to take effect across Europe in January 2018, are expected to contribute to

ETF growth in Europe.

MiFid II, as the rules package is known, will create a level playing field for passive funds to compete against active funds, in that it will require all trades, including those over the counter, to be reported, experts say.

"The regulation will improve transparency, liquidity and price discovery for European ETFs," says Mr. Craswell of Brown Brothers. As such, it "has the potential to dramatically increase the ETF market in Europe," he says.

Already, the rise of low-cost index-tracking funds is contributing to an increase in mergers and acquisitions among asset managers.

Recently, two of Scotland's largest asset-management firms, **Standard Life** and **Aberdeen Asset Management**, announced a merger. Both firms, which run actively managed funds, said in their merger document that index funds are gaining ground and that many actively managed funds have had a hard time consistently outperforming their benchmarks, after fees.

#### Asia buying

In Asia, meanwhile, the Bank of Japan has been buying ETFs as part of an effort to jump-start the economy. According to Morningstar, the BOJ holds around \$123 billion worth

of ETF shares in Japan. That is more than half of the total \$211 billion in assets under management in ETFs in Japan as of April 2017.

Jackie Choy, director of ETF research at Morningstar Asia, says: "Since late 2010, the BOJ has been using ETF purchases [of funds tracking the Tokyo Price Index or Nikkei 225] as one of the tools under the asset purchase program for the purpose of monetary easing."

The BOJ is benefiting from the liquidity and diversification of ETFs to invest in local companies in support of achieving its inflation targets, says Todd Rosenbluth, director of ETF and mutual-fund research at financial data and analysis provider CFRA.

"By owning the underlying shares of companies through the ETF wrapper they are aiming to encourage and reward risk-taking," he says.

*Ms. Akhtar is a writer in London. She can be reached at [reports@wsj.com](mailto:reports@wsj.com).*

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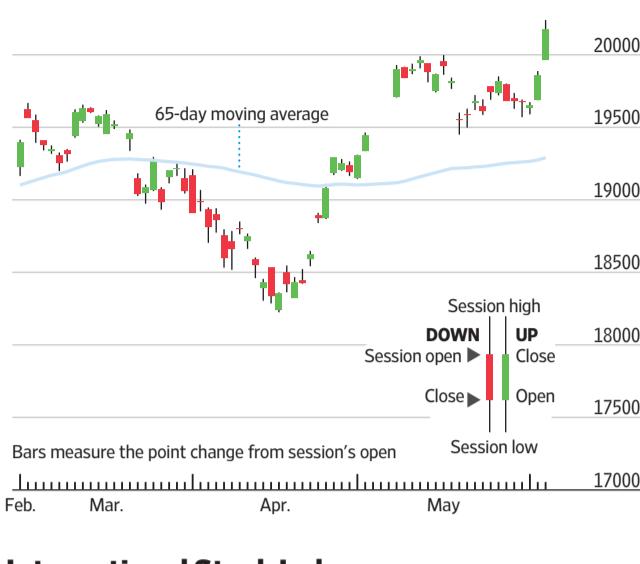
## MARKETS DIGEST

Data as of Friday, June 2, 2017

### Nikkei 225 Index

**2017.28** ▲ 317.25, or 1.60%

High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open

Feb. Mar. Apr. May

### STOXX 600 Index

**392.55** ▲ 0.89, or 0.23%

High, low, open and close for each trading day of the past three months.



Mar. Apr. May

### S&P 500 Index

4 p.m. New York time

Last 24.08, Year ago 24.22

Trailing P/E ratio 24.08

P/E estimate \* 19.01, Dividend yield 1.95

All-time high 2439.07, 06/02/17

**2439.07**

▲ 9.01, or 0.37%

High, low, open and close for each trading day of the past three months.



Feb. Mar. Apr. May

### International Stock Indexes

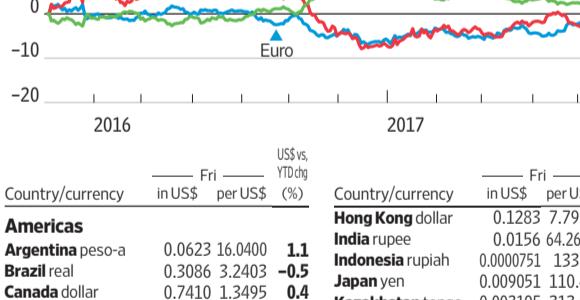
Data as of 4 p.m. New York time

Region/Country	Index	Close	Net Chg	% chg	52-Week Range	Low	Close	High	YTD % chg
<b>World</b>	<b>The Global Dow</b>	<b>2790.26</b>	18.80	<span style="color: green;">0.68</span>	2197.91	2790.26	10.2		
	<b>MSCI EAFE</b>	<b>1916.37</b>	21.75	<span style="color: green;">1.15</span>	1520.94	1916.37	13.8		
	<b>MSCI EM USD</b>	<b>1015.08</b>	6.61	<span style="color: green;">0.66</span>	794.56	1017.21	17.7		
<b>Americas</b>	<b>DJ Americas</b>	<b>585.14</b>	1.82	<span style="color: green;">0.31</span>	480.83	585.14	8.3		
Brazil	<b>Sao Paulo Bovespa</b>	<b>62510.69</b>	222.17	<span style="color: green;">0.36</span>	48648.29	62510.69	3.8		
Canada	<b>S&amp;P/TSX Comp</b>	<b>15442.75</b>	-27.16	<span style="color: red;">-0.18</span>	13689.79	15442.75	1.0		
Mexico	<b>IPC All-Share</b>	<b>49317.38</b>	215.74	<span style="color: green;">0.44</span>	44282.03	49317.38	8.1		
Chile	<b>Santiago IPSA</b>	<b>3724.11</b>	8.15	<span style="color: green;">0.22</span>	3067.58	3724.11	15.5		
<b>U.S.</b>	<b>DJIA</b>	<b>21206.29</b>	62.11	<span style="color: green;">0.29</span>	17140.24	21206.29	7.3		
	<b>Nasdaq Composite</b>	<b>6305.80</b>	58.97	<span style="color: green;">0.94</span>	4594.44	6305.80	17.1		
	<b>S&amp;P 500</b>	<b>2439.07</b>	9.01	<span style="color: green;">0.37</span>	2000.54	2439.07	8.9		
	<b>CBOE Volatility</b>	<b>9.75</b>	-0.14	<span style="color: red;">-1.42</span>	9.75	9.75	25.76	-30.6	
<b>EMEA</b>	<b>Stoxx Europe 600</b>	<b>392.55</b>	0.89	<span style="color: green;">0.23</span>	308.75	392.55	8.6		
	<b>Stoxx Europe 50</b>	<b>3233.89</b>	9.36	<span style="color: green;">0.29</span>	2636.71	3233.89	7.4		
France	<b>CAC 40</b>	<b>5343.41</b>	24.74	<span style="color: green;">0.47</span>	3984.72	5343.41	9.9		
Germany	<b>DAX</b>	<b>12822.94</b>	158.02	<span style="color: green;">1.25</span>	9268.66	12822.94	11.7		
Israel	<b>Tel Aviv</b>	<b>1421.14</b>	...	<b>Closed</b>	1378.66	1421.14	-3.4		
Italy	<b>FTSE MIB</b>	<b>20928.24</b>	-7.83	<span style="color: red;">-0.04</span>	15103.58	20928.24	8.8		
Netherlands	<b>AEX</b>	<b>526.74</b>	-0.29	<span style="color: red;">-0.06</span>	411.62	526.74	9.0		
Russia	<b>RTS Index</b>	<b>1046.02</b>	0.39	<span style="color: green;">0.04</span>	888.78	1046.02	-9.2		
Spain	<b>IBEX 35</b>	<b>10905.90</b>	24.90	<span style="color: green;">0.23</span>	7645.50	10905.90	16.6		
Switzerland	<b>Swiss Market</b>	<b>9043.96</b>	19.04	<span style="color: green;">0.21</span>	7593.20	9043.96	10.0		
South Africa	<b>Johannesburg All Share</b>	<b>52898.70</b>	49.02	<span style="color: green;">0.09</span>	48935.90	52898.70	4.4		
Turkey	<b>BIST 100</b>	<b>98867.90</b>	1502.11	<span style="color: green;">1.54</span>	71594.98	98867.90	26.5		
U.K.	<b>FTSE 100</b>	<b>7547.63</b>	3.86	<span style="color: green;">0.05</span>	5923.53	7547.63	5.7		
<b>Asia-Pacific</b>	<b>DJ Asia-Pacific TSM</b>	<b>1633.12</b>	22.89	<span style="color: green;">1.42</span>	1324.15	1633.12	14.8		
Australia	<b>S&amp;P/ASX 200</b>	<b>5788.10</b>	50.00	<span style="color: green;">0.87</span>	5103.30	5788.10	2.2		
China	<b>Shanghai Composite</b>	<b>3105.54</b>	2.92	<span style="color: green;">0.09</span>	2833.07	3105.54	0.1		
Hong Kong	<b>Hang Seng</b>	<b>25924.05</b>	114.83	<span style="color: green;">0.44</span>	20038.42	25924.05	17.8		
India	<b>S&amp;P BSE Sensex</b>	<b>31273.29</b>	135.70	<span style="color: green;">0.44</span>	25765.14	31273.29	17.5		
Indonesia	<b>Jakarta Composite</b>	<b>5742.45</b>	4.29	<span style="color: green;">0.07</span>	4807.23	5742.45	8.4		
Japan	<b>Nikkei Stock Avg</b>	<b>20177.28</b>	317.25	<span style="color: green;">1.60</span>	14952.02	20177.28	5.6		
Malaysia	<b>Kuala Lumpur Composite</b>	<b>1776.95</b>	13.84	<span style="color: green;">0.78</span>	1614.90	1776.95	8.2		
New Zealand	<b>S&amp;P/NZX 50</b>	<b>7499.97</b>	49.07	<span style="color: green;">0.66</span>	6664.21	7499.97	9.0		
Pakistan	<b>KSE 100</b>	<b>48555.30</b>	-225.51	<span style="color: red;">-0.46</span>	36940.88	48555.30	1.6		
Philippines	<b>PSEI</b>	<b>7907.66</b>	-19.83	<span style="color: red;">-0.25</span>	6563.67	7907.66	15.6		
Singapore	<b>Straits Times</b>	<b>3240.01</b>	4.05	<span style="color: green;">0.13</span>	2729.85	3240.01	12.5		
South Korea	<b>Kospi</b>	<b>2371.72</b>	27.11	<span style="color: green;">1.16</span>	1925.24	2371.72	17.0		
Taiwan	<b>Weighted</b>	<b>10152.53</b>	65.11	<span style="color: green;">0.65</span>	8458.87	10152.53	9.7		
Thailand	<b>SET</b>	<b>1567.60</b>	4.49	<span style="color: green;">0.29</span>	1406.18	1567.60	1.6		

Source: SIX Financial Information/WSJ Market Data Group

### Currencies

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



US\$ vs. in US\$ per US\$ (%)

Country/currency	Fri	YTD chg	Country/currency	Fri	YTD chg
<b>Americas</b>			<b>Hong Kong dollar</b>	<b>0.1283</b>	<b>1.7915</b>
<b>Argentina peso-a</b>	0.0623	16.0400	<b>India rupee</b>	0.0156	64.2600
<b>Brazil real</b>	0.3086	3.2403	<b>Indonesia rupiah</b>	0.000051	1331.00
<b>Canada dollar</b>	0.7410	1.3495	<b>Japan yen</b>	0.009051	110.48
<b>Chile peso</b>	0.001491	670.50	<b>Kazakhstan tenge</b>	0.003195	313.01
<b>Peru so'l</b>	0.3055	3.2735	<b>Macau pataca</b>	0.1244	8.0356
<b>Uruguay peso-e</b>	0.0353	28.310	<b>Malaysia ringgit-c</b>	0.2334	4.2836
<b>Venezuela bolivar</b>	0.098791	10.12	<b>New Zealand dollar</b>	0.7142	1.4002
<b>America</b>	0.0536	18.6654	<b>Pakistan rupee</b>	0.0095	104.793
<b>Brazil</b>	0.3055	3.2735	<b>Philippines peso</b>	0.0202	49.627
<b>Colombia peso</b>	0.0003454	2894.93	<b>Singapore dollar</b>	0.7240	1.3812
<b>Ecuador US dollar-f</b>	1	1 unch	<b>South Korea won</b>	0.0008939	1118.68
<b>Mexico peso-a</b>	0.0536	18.6654	<b>Sri Lanka rupee</b>	0.0941	153.08
<b					

## FINANCE & MARKETS

# Global Beef Prices Climb as India Acts

By LUCY CRAYMER  
AND VIBHUTI AGARWAL

A move by India to ban the slaughter of its cattle has sent global beef prices higher, raising concern about a reduction in supplies from the world's biggest exporter of the meat by volume.

India's government late last month decided to ban the sale of cattle—a category that includes both cows and buffaloes—for slaughter at livestock markets. The government said the order was aimed at preventing uncontrolled and unregulated animal trade.

The decision applies throughout the country, effectively cutting off the supply of meat for processors, challenging an industry that exports roughly \$4 billion of beef annually, according to official data.

The rules are being challenged in courts by several state governments, and could take many weeks to take full effect. Some investors are already betting that beef could become scarcer worldwide.

On Friday, the Australian Eastern Young Cattle Indicator—the benchmark for Australian cattle prices—ended up nearly 0.8%.

In the U.S., live-cattle futures on the Chicago Mercantile Exchange climbed on both



India's government has banned the sale of cattle for slaughter at livestock markets.

from water buffalo—is a low-end product that generally doesn't compete directly with products from other major exporters such as the U.S., Australia and Brazil.

If consumers can't get the cheap Indian beef, they might instead buy cheaper sources of protein such as pork and poultry, said Angus Gidley-Baird, an agricultural analyst at Rabobank in Australia.

India is predominantly of the Hindu religion and much of the population doesn't eat meat from cows, which is considered holy, while the export of cow beef is banned. The ban doesn't extend to the country's extensive population of water buffalo, although many Hindus don't eat buffalo either.

In recent years, many states have taken an increasingly strong stance on the killing of all cattle, which is currently banned in 18 of India's 29 states. However, in predominantly beef-consuming states, such as Kerala, West Bengal, and Meghalaya, the business has thrived.

While buffalo aren't revered, they have been included in the bans in an effort to make the new rules fit within an animal-welfare agenda, rather than a religious one, government critics have said.

India's Environment Minister Harsh Vardhan refuted

those assertions on Friday. The revised rules "are meant to regulate the animal market and strengthen the movement for [the] prevention of cruelty to animals," he said.

"There is nothing else in this."

The supply of cattle being sold at markets has already slumped as traders and farmers have been scared off by hard-line Hindu protesters, according to trade groups representing India's meat-selling industry.

"Millions of people are going to be unemployed" as a result of these new rules, said Abdul Faheem Qureshi, head of the Muslim All India Jamiatul Quresh Action Committee, which represents the cause of meat-sellers and is challenging the new rules in India's Supreme Court.

He noted that the revised rules won't just hit the meat-processing sector, but also industries such as leather. Some estimates by traders and industry experts suggest at least two million people, mostly Muslims, could be out of work as a result of the ban.

"How will we feed our children?" said Mohammad Mushataq Ahmad, who has slaughtered cattle and sold the meat for export. He owns five meat shops in the Nizamuddin area in New Delhi.

## FINANCE WATCH

### PRIVATE EQUITY

#### KKR Closes Fund Dedicated to Asia

KKR & Co. closed a \$9.3 billion fund dedicated to private-equity investments across the Asia-Pacific area, the largest such fund in the region, the U.S. private-equity firm said.

The fund's investors include public pensions, sovereign-wealth funds and family offices, the firm said Friday.

KKR is among a clutch of firms that have been raising

funds to cut deals in Asia, including Carlyle Group LP and Warburg Pincus LLC, amid a rush of private-equity investment in the region in recent years.

Data trackers say funds have raised more money than they have spent, which slowed fundraising slightly last year. Asia-focused closed funds raised \$43 billion in the region in 2016, after bringing in \$51 billion the year before and \$64 billion in 2014, according to a report from consulting firm Bain & Co.

As of the first quarter, Asia

has eclipsed Europe as the second-most-targeted region for private-equity investment, according to data provider Preqin.

KKR had previously raised Asia's largest private-equity fund at \$6 billion in 2013. That fund has netted investors an annual return of 21% after fees as of March 31.

The firm had primarily taken minority stakes in fast-expanding Chinese companies, but recently has been pursuing more deals that involve helping Chinese companies invest abroad.

—Julie Steinberg

### BARCLAYS

#### Electronic-Trading Chief to Join Citadel

Barclays PLC.'s head of electronic equities trading is leaving the bank for one of the top jobs at giant electronic market-making firm Citadel Securities LLC.

Joseph Mecane will become Citadel's new head of execution services, a role in which he will oversee its business in equities, options and exchange-traded funds, Citadel said Friday. He is to start in September, a Citadel

spokeswoman said.

Citadel Securities trades stocks, bonds, options and currencies in markets around the world. It handles more than a third of U.S. retail equities orders, paying online brokerages to execute their customers' orders and trade against them.

The announcement of Mr. Mecane's hiring comes two months after Citadel Securities said it had recruited Stephen Luparello, a former Securities and Exchange Commission regulator, as its general counsel.

—Alexander Osipovich

### CITIGROUP

#### Bank Makes a Hire in Quantitative Trading

Citigroup Inc. has tapped a quantitative-trading veteran as part of a broader build-up of its equities unit.

Thomas Chippas will join as global head of quantitative execution, the bank said Friday.

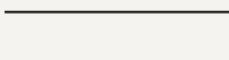
Mr. Chippas previously led quant-trading units at Barclays PLC and Deutsche Bank AG, before leaving for jobs beyond Wall Street.

—Telis Demos



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THE FUTURE OF EVERYTHING

# MARKETS

# Developing World's Currencies Ride a Growing Influx of Funds

BY SAUMYA VAISHAMPAYAN

Emerging-market currencies have been on a tear this year. But the central banks that manage them have proven unusually happy to sit on their hands.

The South Korean won, new Taiwan dollar, Indian rupee, Russian ruble and Mexican peso have all advanced more than 5% against the U.S. dollar so far in

**EMERGING MARKETS** by an influx of cash into emerging markets.

Foreigners poured an estimated net \$20.5 billion into emerging markets in May—the sixth consecutive month of net inflows—with the bulk of it going to Asian countries, according to the Institute of International Finance.

Friday, the U.S. dollar slid after a disappointing U.S. jobs report added to uncertainty about the prospects for higher U.S. interest rates. The WSJ Dollar Index, which measures the U.S. currency against 16 others, fell 0.5% to 88.28. The index had been essentially flat before the report.

The rush of funds into emerging markets has pushed some currencies to eye-watering levels. The Indian rupee was at its most expensive on record at the end of April, based on its real effective exchange rate, which reflects a currency's value against several trading partners, adjusted for inflation. The new Taiwan dollar was at its highest in a decade, while the Korean won recently hit its highest level since 2008, according to the Bank for International Settlements. The Mexican peso and Russian ru-

ble still look cheap compared with their long-term averages, despite their gains.

While data for May aren't yet available, most of these currencies kept rising against the U.S. dollar last month. The rupee slipped 0.3% against the greenback, but the small decline likely leaves it at a still-expensive overall level.

Normally, strong currencies are a headache for emerging countries. Export-driven economies like South Korea and Taiwan can find that their goods are less competitive globally. Countries like India that normally run current-account deficits can see them widen as imports rise. Rising currencies also hit corporate earnings, as money earned overseas is translated back into the stronger domestic currency.

But so far this year, most emerging-market economies have kept growing. The IIF recently lifted its 2017 forecast for emerging markets' economic growth to 4.6% from 4.4%, and now expects a rate of 4.9% next year. That is taking the heat off normally trigger-happy central banks.

"So far, I don't think these movements pose a threat to

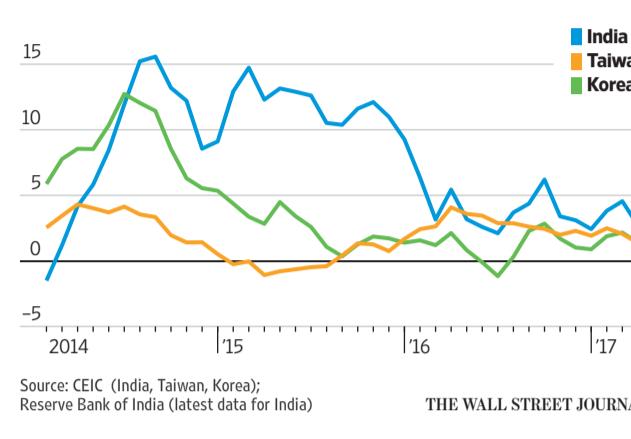
## China's Scrutiny of Transactions Rises

BEIJING—China's foreign-exchange regulator said it would launch a new system to monitor overseas spending using domestic bank cards, the latest move in a broader effort to curb capital outflows.

The system will cover all overseas cash withdrawals and

## Shifting Strategy

Asian central banks appear to be stepping back from currency intervention, as shown by smaller year-over-year increases in foreign-exchange reserves.



Source: CEIC (India, Taiwan, Korea); Reserve Bank of India (latest data for India)

central-bank policies," said Aidan Yao, senior emerging Asia economist at AXA Investment Managers in Hong Kong, referring to currency gains in Asian emerging markets. "If the trend continues and shows a bigger detachment from economic fundamentals, then central banks will have to react."

Besides encouraging economic data, central bankers are having to weigh the side effects of strengthening cur-

rencies with the unfavorable appearance of intervention. President Donald Trump has frequently leveled accusations of currency manipulation against other countries, though he has yet to take any punitive action. Both Korea and Taiwan are on the U.S. Treasury Department's watch list for manipulation.

Few central banks have even commented on their currencies recently. Taiwan's central bank acknowledged in

card transactions exceeding 1,000 yuan (\$147), the State Administration of Foreign Exchange said Friday.

Starting in September, banks will be required to report such information on a daily basis, including holidays, the regulator said.

The new system is aimed at preventing money laundering and other illegal activities, according to the regulator. Based on data collected, banks will be asked to

closely monitor "all kinds of illegal behaviors," the regulator said, without elaborating.

The new rules don't apply to nonbank payment institutions, SAFE said.

Faced with increased capital outflow pressures, Beijing has made it more difficult for individuals and companies to move funds offshore by stepping up compliance checks and banning some investment projects.

—Liyan Qi and Chao Deng

March that a stronger new Taiwanese dollar "has put domestic financial conditions under strains," and said it would step in if capital flows lead to extreme volatility or disorderly moves.

Asian central banks have in the past been quite aggressive in intervening to slow currency gains, especially during periods of dollar weakness. That usually entails buying up foreign currencies, which boosts their reserves.

But there is evidence that they are now stepping back: Foreign-exchange reserves in Taiwan rose just 1.2% in April from a year earlier, the smallest increase since November 2015, according to central-bank data.

The pace of year-over-year reserve accumulation has slowed for India and Korea since a recent peak in the summer of 2014, when the dollar had been declining in the preceding months.

There are some advantages to having a stronger currency. Debt denominated in foreign currencies becomes easier for governments and companies to repay. In India's case, the rise in the rupee is helping the central bank control inflation.

With central banks holding back, and trends such as resilient growth in global trade continuing, analysts say emerging-market currencies' lofty valuations don't necessarily presage a pullback soon.

"For many emerging markets, the currencies can trade away from what the models would suggest as 'fair value' for sustained periods of time," said Sameer Goel, head of Asia macro strategy at Deutsche Bank in Singapore.

## The Nikkei Rises Past A Milestone

BY SURYATAPA BHATTACHARYA

TOKYO—The Nikkei Stock Average surged above 20000 and closed at its highest level since August 2015, propelled by a stronger global economy that is helping manufacturers.

Many investors remained cautious about the prospects for a further jump, chastened by multiple cases in the past quarter-century when the Nikkei topped 20000, only to fall back. The index stands at barely more than half its peak level in 1989.

Still, analysts said they expect companies to be supported for now by global demand for products like industrial machinery and semiconductors.

Government data released Thursday showed Japanese companies raised their plant-and-equipment spending in the first quarter of this year, suggesting capital expenditures can drive further growth in an economy that has expanded for five quarters.

"The investor mind-set is backed by numbers," said Naoki Kamiyama, chief strategist at Nikko Asset Management. "If more capex is expected, then their confidence in management grows strong."

The Nikkei ended up 317.25 points, or 1.6%, at 20177.28 on Friday, the first close above 20000 since December 2015.

Nomura Securities said its year-end target for the Nikkei is 21000, a level the index hasn't breached since 1997. SMBC Nikko Securities Chief Executive Yoshihiko Shimizu said he thinks 23000 is possible, but that he is concerned by lackluster indicators from the U.S. recently.

Analysts at UBS said in a note, "We believe corporate net profit margins have reached a historical high, and further improvement is very difficult."

## HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

WSJ.com/Heard

Email: heard@wsj.com

# China Is a Highly Suspect Leader In Fight Against Climate Change

And then there were two.

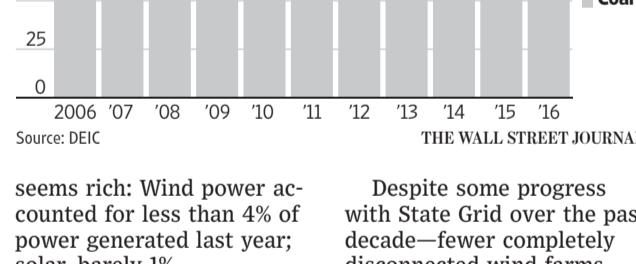
With the U.S. now intent on leaving the Paris climate agreement, the European Union and China, the world's other two large carbon-dioxide emitters, must now lead the charge against global warming.

But beware predictions of a green-tech bonanza in China. Though the country has invested enormously in clean power over the past decade, returns—whether financial or in power generated—have been strikingly low. As with global trade, China needs to fix market distortions at home before it can become a credible leader on climate change.

The motivation is there. China is both the world's largest source of greenhouse gases and a country highly vulnerable to climate change. It is overpopulated, particularly in coastal areas, its northern aquifers are running dry at an alarming rate, and pollution is already intense. The opportunity

## Winds of Change

Share of China's total electricity production



Source: DEIC

lated prices. As coal prices slid 60% in 2014 and 2015, the regulated price of coal-generated power stayed level, widening generator margins and stimulating investment. After falling 30% when coal prices were high from 2010 to 2012, annual investment in coal power has rebounded nearly 20%. Last year, it hit 117 billion yuan (\$26 billion), the highest since 2010.

China has made some real progress on tackling water pollution and raising standards for heavy polluters such as refineries, particularly in the wealthy eastern regions.

But as in the financial sector, capital continues to be directed into unproductive areas. Opportunities still exist—in nuclear power, water conservation and energy-efficient building technology, for example—but investors expecting an abundance of profitable green-power projects will be disappointed.

—Nathaniel Taplin

## OVERHEARD

Europe is daring to look forward with renewed optimism.

Recently, the European Commission launched a paper on deeper union that noted support for the euro among the citizens of the currency bloc had risen to 72%, its highest since 2004, and talked of "those who will join the euro area in the future."

But what do they think? Bulgaria, Croatia, the Czech Republic, Hungary, Poland, Romania and Sweden are formally required to join at some point. A May Eurobarometer survey shows support for joining outweighing opposition in four countries. The Czechs are the most euroskeptics.

None are in a particular rush. Less than a quarter of respondents thought their country was ready. Support to join "as soon as possible" ranges from 37% in Romania to just 8% in Sweden. The eurozone has defied predictions that it would lose members, but it might take a while before it expands again.

## Plenty Can Go Right for Bristol-Myers

Last year's cancer-drug darling is this year's value stock.

At last year's American Society of Clinical Oncology annual meeting, investors mostly considered **Bristol-Myers Squibb** to be the front-runner. That changed when the company announced last August that a key clinical trial in lung cancer for its main immuno-oncology drug, Opdivo, had failed. The news shocked investors, and the stock remains 24% lower over the past twelve months.

Bristol was expected to present new data to investors late on Sunday. They should recognize that falling share prices have the silver lining of lowered expectations. Analysts expect, for instance, that Bristol-Myers will book \$20.8 billion in revenue next year, down from nearly \$23 billion a year ago, according to FactSet. Bristol can clear that lower bar.

Opdivo sales still are growing, despite last year's setback. First-quarter sales of the drug were up 60% from a year earlier. While rivals have developed competitors, Opdivo's market share is holding steady in the drug's most important treatment categories, according to the company.

Bristol's shares aren't particularly cheap at about 18 times forward earnings, but this is down from 26 times a year ago. That is supported by the attractiveness of Opdivo. Any larger pharmaceutical company could theoretically buy the company and immediately get a large presence in a lucrative area.

Less than a year removed from a major disappointment, that should reassure investors. —Charley Grant

# Jobs Are Plentiful in U.S., but Wages Stagnate Anyway

U.S. unemployment is low, but it sure took a long time to get there.

The economy added 138,000 jobs in May, the Labor Department reported Friday, and payrolls for March and April were revised lower. That counted as a mild disappointment. Still, the unemployment rate kept grinding lower, dropping to 4.3% from 4.4%, reaching its lowest level since May 2001.

That counts as tight and would normally be associated with rapidly rising wages as companies struggled to find workers. So far, it hasn't. Average hourly

earnings were up 2.5% from a year earlier, the lower end of the range gains have been in for about a year.

The weakness in wages has been a mystery. The standard explanation had been that a large number of people had stopped looking for work, so the supply of workers was greater than the unemployment rate indicated. This unseen supply was keeping wages lower. But those sidelined workers have been on the sidelines for so long that it is no longer clear they exist. The labor-force participation rate—the share of the work-

## Diminuendo

Average monthly change in jobs by year



Source: Labor Department

THE WALL STREET JOURNAL.

ing-age population working or looking for work—actually fell last month.

Robert Barbera, co-director

for the Center for Financial Economics at Johns Hopkins University, suggests it is important to not just look at the unemployment rate's level, but how long it took to get there.

It took a long seven years for the unemployment rate to get to 4.3% from the peak of 10% in October 2009. Because of the sluggish growth, businesses never had to scramble, and pay more, to add workers. And at no point did workers feel they were awash in opportunity.

This slow growth doesn't give people confidence to

ask for higher wages. And plenty of workers have never experienced that kind of environment: The last decade was a bit of a dud outside of housing. Only workers in their 40s and older remember the 1990s boom.

Maybe the U.S. labor market is turning a bit like Japan's, where unemployment has fallen to its lowest level in nearly a quarter-century, but after so many years of disappointment, workers are hesitant to demand higher wages, and employers are hesitant to give them.

—Justin Lahart