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EXTRAFLAT

THE WALL STREET JOURNAL.

DOW JONES | News Corp

WEDNESDAY, JUNE 7, 2017 ~ VOL. XLI NO. 195

WSJ.com

ASIA EDITION

As of 12 p.m. ET DJIA 21169.97 ▼ 0.07% NIKKEI 19979.90 ▼ 0.95% STOXX 600 389.40 ▼ 0.67% BRENT 49.58 ▲ 0.22% GOLD 1293.20 ▲ 1.09% EURO 1.1270 ▲ 0.12% DLR \$109.36 ▼ 1.00%

What's News

Business & Finance

Investors are scrambling to protect themselves against big moves in the British pound ahead of this week's election. **B1**

◆ Harvard is selling 8,500 acres of New Zealand dairy farms and roughly 5,500 cows to KKR for more than \$70 million as the endowment attempts a high-profile turnaround. **A1**

◆ Apple revealed a voice-activated speaker, thrusting itself into the battle to control the home through a tabletop device. **B4**

◆ GM shareholders rejected activist Einhorn's plan to split the company's stock into two classes. **B3**

◆ Venezuela is trying to resell at a deep discount \$5 billion of bonds it issued in December. **B9**

◆ Amazon is dropping its Prime membership price for low-income shoppers, as it pursues a Wal-Mart stronghold. **B1**

◆ Trump will nominate Joseph Otting as comptroller of the currency, a post overseeing federally chartered banks. **B6**

◆ A measure that tracks stress in U.S. money markets tumbled to near its lowest level in seven years. **B9**

World-Wide

◆ The third attacker in the weekend rampage in London was prevented from boarding a flight from Italy to Istanbul last year and Islamic State propaganda was found on his phone, Italian officials said. **A1**

◆ U.S.-backed forces in Syria launched their long-anticipated final assault to capture Islamic State's de facto capital of Raqa. **A1**

◆ A Taliban rocket hit the Kabul home of the top Indian envoy to Afghanistan as officials gathered there for a peace conference. **A3**

◆ Trump won't seek to invoke executive privilege to block former FBI director Comey from testifying before Congress this week. **A6**

◆ French authorities locked down the area around Notre Dame Cathedral after a man attacked police with a hammer. **A3**

◆ A government contractor was charged with leaking an NSA report that described some of Russia's alleged election-hacking. **A6**

◆ David Rank, the top-ranking U.S. diplomat in Beijing, resigned over Trump's decision to withdraw from the Paris climate accord. **A5**

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China: RMB28.00; Hong Kong: HK\$23.00;
Indonesia: Rp25,000 (incl PPN);
Japan: Yen620 (incl JCT); Korea: Won4,000;
Malaysia: RM7.50; Singapore: S\$5.00 (incl GST)
KDN PP 9215/10/2012 (032725); MCI (P)
NO. 066/01/2017; SK MENPEN RI: NO. 01/
SK/MENPEN/SCJ/1998 TGL 4 SEPT 1998

ISSN 03779920 4 11 95
9 770377992000

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Members of the U.S.-backed Syrian Democratic Forces on the northern outskirts of Raqqa, the de facto capital of Islamic State.

Battle for ISIS Base Begins

By RAJA ABDURAHIM

BEIRUT—U.S.-backed forces in Syria on Tuesday launched their long-anticipated final assault to capture Islamic State's de facto capital of Raqa, setting off a battle that a top American general predicted would deal a "decisive blow" to the extremist group.

Backed by airstrikes from the American-led coalition fighting Islamic State, the U.S.-backed fighters, an alliance of Kurdish and Arab fighters operating under the umbrella of the Syrian Demo-

catic Forces, were pressing toward the city from three sides, according to fighters, monitoring groups and city residents. Fighting was intense, they said.

As clashes around the outskirts of the city erupted, bakeries closed and most people stayed in their homes, one person in the city said. Those who did venture out went to internet cafes to send messages assuring friends and relatives outside the city that they were safe or to find out from those who had already fled what escape routes

they took, he said.

Lt. Gen. Steve Townsend, commander of the anti-Islamic State coalition, said the fight for Raqa would be "long and difficult" but would deliver a "decisive blow to the idea of ISIS as a physical caliphate."

The start of the final assault to retake Raqa coincides

Taking Sides

President Trump sided with a group of Mideast states in their dispute with Qatar. **A3**

with the fight by U.S.-backed Iraqi government forces to retake the last vestiges of Islamic State control in the northern Iraqi city of Mosul, once the extremist group's largest Iraqi stronghold.

Lt. Gen. Townsend said the fight to wipe out Islamic State would continue beyond its defeat in its Syrian and Iraqi bastions.

"Once ISIS is defeated in both Mosul and (Raqa), there will still be a lot of hard fighting ahead, but this coalition is strong and committed

Please see RAQQA page A2

Third London Attacker Was Held In Italy

The third attacker in the weekend car-and-knife rampage in London was prevented from boarding a flight from Italy to Istanbul last year and Islamic State propaganda was found on his phone, Italian officials said Tuesday.

By Giovanni Legorano
in Rome and Jason Douglas and Laurence Fletcher in London

Youssef Zaghba, a 22-year-old Italian citizen born to a Moroccan father and an Italian mother, was stopped at Bologna's airport in March 2016 carrying no money or check-in luggage, Italian officials familiar with the matter said.

Authorities detained him briefly but didn't have enough evidence to press charges, the officials said. They shared information with the U.K. and other countries, they said.

UK. police have said Zaghba, who lived in east London, wasn't a "subject of interest." They wouldn't immediately comment further. Zaghba was killed in a hail of police gunfire Saturday along with two accomplices, Khuram Butt and

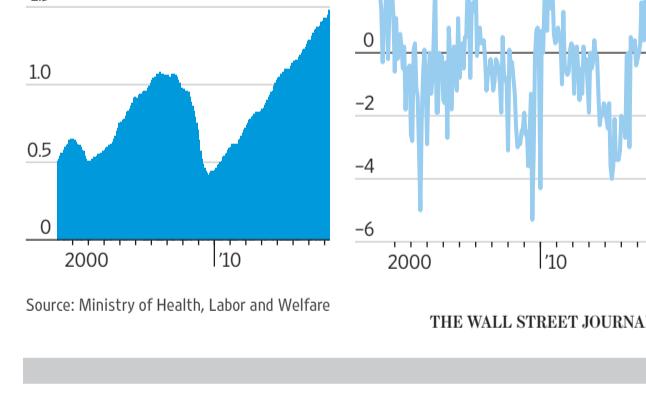
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◆ Tech firms struggle with online radicals A4
◆ Attacks force U.K. to rethink its strategy A4

A Japanese Mystery: Stagnant Wages

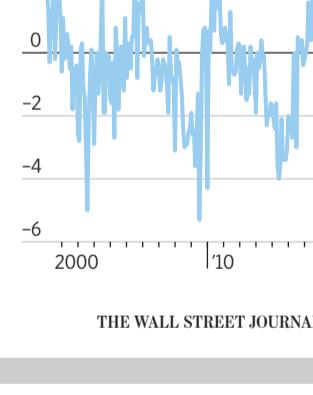
Demand for workers is getting stronger, but average real wages aren't growing. **A5**

Number of jobs available per job seeker



Source: Ministry of Health, Labor and Welfare

Year-on-year growth in average real wage



THE WALL STREET JOURNAL.

MANY COLLEGES FAIL IN TEACHING HOW TO THINK

A test finds students often gain little ability to make a cohesive argument

By DOUGLAS BELKIN

Freshmen and seniors at about 200 colleges across the U.S. take a little-known test every year to measure how much better they get at learning to think. The results are discouraging.

At more than half of schools, at least a third of seniors were unable to make a cohesive argument, assess the quality of evidence in a document or interpret data in a table, The Wall Street Journal found after reviewing the latest results from dozens of public colleges and universities that gave

the exam between 2013 and 2016.

At some of the most prestigious flagship universities, test results indicate the average graduate shows little or no improvement in critical thinking over four years.

Some of the biggest gains occur at smaller colleges where students are less accomplished at arrival but soak up a rigorous, interdisciplinary curriculum.

For prospective students and their parents looking to pick a college, it is almost impossible to figure out which schools help students learn critical thinking, because full

Please see THINK page A8

Harvard's \$70 Million Yard Sale

Harvard University spent years assembling 8,500 acres of dairy farms and roughly

By Juliet Chung, Dawn Lim and Lucy Craymer

5,500 cows on the South Island of New Zealand. Now it is selling.

Private-equity giant KKR & Co. is nearing a deal to buy those holdings from Harvard for more than \$70 million pending regulatory approval, said people familiar with the matter. The sale would mark an end to one of the most distinctive bets by the world's richest endowment.

Harvard is an anomaly among endowments, holding a \$4 billion natural resources portfolio that directly owns assets across five continents. The \$36 billion endowment owns California vineyards, Chilean timberland and Brazilian soybean and maize farms.

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CHINA AND THE CLIMATE

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INSIDE



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Jeans Aren't Allowed At School—Unless You Pay

* * *

'Jeans Day' is a new kind of fundraiser, even though it subverts the purpose of a uniform

By TAWNELL D. HOBBES

The uniform policy at Florida's Imagine School at Broward is strict—only khaki or navy bottoms with a school top; no open-toe shoes or sparkly undershirts; sweaters and jackets must be free of emblems other than the school logo.

It is all meant, according to the parent/student handbook, to "create a consistent and safe environment free of distractions."

There is an exception, which comes on Fridays when students at the charter school get to break dress code—as long as they pay up.

Move over cupcakes. As

uniforms become more common from California to Maine, "Jeans Day" is becoming a fundraising powerhouse.

School leaders praise jeans day as being a consistent moneymaker with no overhead or inventory. It's often used to pay for extras not covered in tight budgets.

"We gave some money to the band department, helped with our playground. We do a lot," said Katharine Irvine, the second vice president of Imagine's parent-teacher organization. To wear jeans at the school on Fridays, students must be members of the Jeans Day Club, which costs \$25 per student or \$35

Please see JEANS page A8

WORLD NEWS

Don't Count on China as Next Climate Crusader



CHINA'S WORLD

By Andrew Browne

BEIJING—For years, a wide spectrum of groups in the U.S. lectured, cajoled and entreated China to go green.

Multinationals and nonprofits teamed up with Chinese environmental groups to promote eco-friendly causes; Coca-Cola restored forests in the upper Yangtze.

U.S. labs offered scientific support. Academics collaborated on research. The former Treasury secretary, Hank Paulson, championed China's disappearing wetlands, a haven for migratory birds.

The well-funded effort amplified voices within China demanding the government take action. It was, said Orville Schell, a longtime China watcher and environmentalist, "the most effective missionary work in the past couple hundred years."

It is an irony of historic proportions how the roles have reversed: China, the world's worst polluter by far, is now a convert on climate change while the White

House under Donald Trump has turned apostate.

In pulling out of the 2015 Paris climate-change agreement, Mr. Trump has repudiated a signal accomplishment of the Obama presidency: persuading Beijing to become a partner in the effort to prevent the planet from heating up to the point of no return. Without China's support, the Paris deal might have fallen apart.

Mr. Paulson issued a statement saying he was dismayed and disappointed. "We have left a void for others to fill," he said.

Can China step in?

When it comes to the environment, China is still torn by conflicting priorities. It has installed more solar and wind capacity than any other nation—and plans to invest another \$360 billion in renewable energy between now and 2020.

The economy is rebalancing away from heavy industry and manufacturing toward much cleaner services and consumption.

Coal consumption has declined for three straight years. On current trends,

many scientists expect that China will reach peak carbon emissions well before its target date of 2030 under the Paris accord. Yet Beijing remains committed to rapid growth. And coal is still king.

Just ask the residents of Beijing. Whenever economic



Women wear masks as protection from air pollution in the dense smog of Beijing's Ritan Park.

policy makers set out to boost growth, spending flows to new real-estate and infrastructure projects, the steel mills around the capital fire up their coal furnaces—and commuters reach for their face masks.

This winter was particularly hard on the lungs. A spending splurge meant that Beijing's average pollution levels last year were double the national standard set by the State Council.

America's absence from the Paris accord weakens the global fight against climate change, while strengthening

China's position in clean technologies of the future. No doubt, the Chinese heavy-industry lobby will put pressure on the government to relax green targets. But Beijing seems eager to seize the moral high ground. President Xi Jinping has vowed to "protect" the climate-change agreement.

Li Shuo, a climate and green-energy campaigner for Greenpeace East Asia, thinks that "China will just carry on" with its cleanup measures. In his judgment, it isn't a question of whether Chinese leaders will take the

U.S. withdrawal as an excuse to backslide but "how far they will overachieve."

By 2020, every Chinese coal-fired power station will be required to achieve an efficiency standard so high that not a single U.S. plant could meet it today, according to a report by the Center for American Progress, a liberal think tank.

Meanwhile, Mr. Trump has scrapped the Obama-era Clean Power Plan to curb power-plant emissions.

For much of the past

four decades, China has pursued go-for-broke industrialization, heedless of the cost in human health. U.S. critics who lamented the damage to the planet often were told off for their imperialist attitudes.

Then Beijing's political calculus shifted. Urban residents rebelled at the smog, and when protests threatened social stability, the government began to embrace a green agenda.

That said, among Communist Party leaders the fear of environmental protests is matched by apprehension about the consequences of slower, more planet-friendly development. They have staked their credibility on China catching up to, and overtaking, America.

President Xi proclaims "supply-side reform," by which he means shutting down overcapacity in heavily polluting state industries.

On the other hand, his monumentally ambitious Silk Road plan to build trading infrastructure from Asia to Europe via the Middle East and Africa will prolong the life of some of the heaviest emitters making steel, glass, aluminum and cement—and export the country's carbon problem.

China may be going green, but it isn't there yet. On the environment as in trade, another area where Mr. Trump seems determined to abandon America's global leadership, don't look to China to supply the crusading zeal.

South Korea Honors Its Fallen



REMEMBRANCE: South Koreans visit the grave of a relative killed in the Korean War in Seoul during the country's Memorial Day.

SALE

Continued from Page One

Its natural resources bets helped the endowment profit for more than a decade.

But it is reworking that portfolio under a new head of natural resources after Harvard wrote down its value by more than 10% last year, its biggest loss since its 1997 inception.

Harvard is also auctioning

\$2.5 billion of private-equity, real-estate and venture-capital fund investments, including some of its interests in Kleiner Perkins Caufield & Byers, according to people familiar with the matter. For its portfolio of fund interests, Harvard has asked buyers to lock in deals by the end of June, when its fiscal year ends, said people familiar with the matter.

Any sales would give Harvard's new endowment chief, N.P. "Narv" Narvekar, more maneuverability as he attempts to engineer one of the investment world's most high-profile turnarounds. The 55-year-old Mr. Narvekar has been on the job six months and moved quickly to reshape the endowment. Harvard Management Co.'s returns were the second-lowest in the Ivy League for the decade ending June 30, 2016. He has announced plans to lay off roughly half the endowment's

staff and eliminate an internal hedge fund.

He has also tried to manage expectations about how quickly the endowment can change course, writing in a January letter that "transforming" the portfolio would take five years.

Under Mr. Narvekar, Harvard made a first-time investment in New York hedge fund Element Capital Management this April and recently invested with Cambridge Square Capital, a new Boston hedge fund launched by a former Harvard bond manager. Harvard also bought \$1 billion worth of exposure to exchange-traded funds last quarter, according to a securities filing, in an attempt to track markets at a low cost.

Quickly scaling up or down Harvard's illiquid natural resources holdings is more difficult. Harvard isn't planning to sell its entire natural resources portfolio and could even buy new assets, a person close to the endowment said, but will exit investments opportunistically.

Harvard was once the envy

of the endowment world, in part for its lucrative bets on farms and forests. Most other endowments invest in farmland and timber by parking money in funds. But Harvard in the 1990s began amassing direct investments in natural resources, eventually scouring the globe to buy assets di-

rectly and find local operators to care for its cows, trim trees and find buyers for the resulting commodities.

Over the decade ending 2014, the natural-resources portfolio gained an average annualized 11.6%, above the comparable return of the whole endowment. Harvard

hasn't published a more recent 10-year figure.

"They were early and they

were direct—that was really

the key differentiator in what they were doing versus other investors," said Brian Caldwell, who advises U.S. endowments and foundations at consulting firm Willis Towers Watson.

Harvard first ventured into

natural resources in 1997, buying a hardwood forest in the Appalachian region. Harvard snagged discounts on forestland by buying in size, believing that riding out timber-price slumps would help yield profits.

Harvard started moving away from U.S. timber in 2003, a person familiar with the matter said, a call that proved prescient when the U.S. housing market collapsed.

In New Zealand, Harvard spent about \$40 million to buy dairy farms and land over the past decade, plus millions more on improvements, said people familiar with the matter. One of the people said the deal is expected to be profitable for Harvard, even with dairy prices well below their peak.

One of Harvard's biggest

natural resources wins was a

more than \$600 million pur-

chase of New Zealand's Kain-

garoa forest assets. Over time,

the forestry venture sold for

nearly three times the endow-

ment's original investment,

one person said.

In 2016, however, Harvard

wrote down the natural re-

sources portfolio by 10.2%.

The markdowns came after

senior executives overseeing

the investments left in 2015 in

quick succession during a

time of broader turnover at

the endowment.

Luis Garcia contributed

to this article.

RAQQA

Continued from Page One
to the complete annihilation of ISIS in both Iraq and Syria," he said.

The SDF launched its campaign to retake Raqqa in November and has been laying the groundwork for the final push into the city for months.

It has seized Islamic State-held towns and villages around the city, cutting off most avenues of escape. Air-strikes and artillery fire aimed at weakening resistance in the city have also escalated.

Last week, in a move that U.S. ally Turkey publicly protested, the Trump administration started supplying weapons directly to the main Syrian Kurdish militia, the YPG, which forms the bulk of the SDF.

The U.S. has hundreds of Special Forces operatives in northern Syria to train and assist SDF fighters. Besides providing weapons and reinforcement from the air, it is also supplying them with intelligence and logistical support.

To prepare for the final battle for Raqqa, Islamic State militants have dug trenches and planted improvised explosive devices, one of the group's favored weapons, anti-Islamic State activists said.

In the past week, the U.S.-led coalition has dropped leaflets over the city, urging civilians to evacuate, activists said. The Pentagon also said the SDF has encouraged civilians to leave the city so that they don't get trapped or used as human shields by Islamic State or targeted by snipers.

There are believed to be tens of thousands of civilians still in the city, however, and in announcing the start of the battle early Tuesday, the SDF warned them to stay away from the front lines and from Islamic State buildings and headquarters.

There were also worries

about the fate of civilians from the surge in airstrikes and artillery fire, which already has led to more civilian casualties, activists and city residents said.

On Monday, more than a dozen civilians were killed in coalition airstrikes as they tried to flee the city by boat across the Euphrates, according to three Syrian monitoring groups and residents. The river is one of the few remaining escape routes after both bridges spanning it were destroyed by earlier bombings.

The Raqqa assault coincides with the fight to retake the last vestiges of Mosul.

"We don't know where the bodies are of the people who were struck while they were on the river and were either killed or drowned," a resident said. "When they try to flee (north) the bombs explode under their feet. And when they try to flee south, the coalition carries out airstrikes on them. People are in a state of despair."

The Pentagon said it was aware of reports of civilian casualties "as a result of strikes on ISIS fighters fleeing Raqqa on barges recently" and would assess the allegations.

THE WALL STREET JOURNAL.
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Hong Kong
Tel: 852 2573 7121 Fax 852 2834 5291

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Printers: Hong Kong: Euro Limited, 2/F, Block 1, Tai Ping Industrial Centre, 57 Ting Kok Road, Tai Po, Hong Kong; Indonesia: PT Gramedia Printing Group, Jalan Palmerah Selatan 22-28, Jakarta 10270; Japan: The Mainichi Newspapers Co., Ltd., 1-1 Hitotsubashi, Chiyoda-ku, Tokyo, 100-8051; Korea: JoongAng Ilbo, 100 Seosom-ro, Jung-gu, Seoul, 100-814; Publisher: Song, Pil-Ho; Malaysia: Basirah Cetak (M) Sdn Bhd, Lot 2, Jalan Sepana 15/3, Off Persiaran Selangor, Seksyen 15, 40200 Shah Alam, Selangor, Malaysia; Singapore: Singapore Press Holdings Limited, 82 Geling Lane Media Centre Singapore 349567

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Corrections & Amplifications

A map accompanying a Page One article Monday about the London terror attack incorrectly located the sequence of events, showing them slightly south of where they took place. A corrected version of the map is available at WSJ.com/Corrections.

The first name of physicist Bangalore Sathyaprakash was misspelled as Banglaore in a U.S. News article in the Friday-Sunday edition about the merger of two black holes.

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

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WORLD NEWS

Trump Sides With Gulf States Over Qatar

President, on Twitter, steps into a diplomatic dispute among U.S. military allies

By FELICIA SCHWARTZ

WASHINGTON—President Donald Trump on Tuesday sided with Saudi Arabia and other Gulf states in their dispute with Qatar over allegations the small emirate supports extremists, stepping into a dispute among important U.S. military allies.

Mr. Trump said in Twitter messages Tuesday that Gulf Arab leaders cited Qatar as a source of funding for extremism during his trip to the region last month, before a diplomatic rupture this week that holds implications for regional cooperation.

He tweeted: "During my recent trip to the Middle East I stated that there can no longer be funding of Radical Ideology. Leaders pointed to Qatar - look!"

Mr. Trump added: "So good to see the Saudi Arabia visit with the King and 50 countries already paying off. They said they would take a hard line on funding extremism, and all reference was pointing to Qatar. Perhaps this will be the beginning of the end to the horror of terrorism!"

Mr. Trump's decision to take sides on a tense diplomatic spat between Saudi Arabia, the United Arab Emirates, several other Gulf Arab countries and Qatar stands to fur-



AGENCE FRANCE PRESSE/GETTY IMAGES

The Doha port is the departure point for much of Qatar's imports and exports. Gulf states have closed air, sea and land routes to the nation.

ther inflame tensions in the region by singling out Qatar even though other top administration officials said earlier that diplomacy would smooth over the disagreement.

Mr. Trump's comments come amid longstanding U.S. concerns about Qatar's ties to Islamist militant groups, despite the nation's role as a military ally in the region.

Backers of a U.S. alliance with Qatar say the tiny emirate is crucial to the fight against Islamic State, and Qatar's Sunni Muslim monarchy

has used its vast oil and gas resources to build a reputation as the region's top mediator in conflicts ranging from Sudan to Lebanon.

But Qatar also has given financial or diplomatic support to Mideast rebel groups, including some that have ties to al Qaeda. The support includes providing sanctuary to leaders of Hamas and the Muslim Brotherhood, two groups the U.S. labels terrorist organizations. And it has riled some of its Sunni allies by adopting a more neutral stance toward

Shiite-majority Iran. U.S. officials have also raised concerns about the funding of extremist groups and ideologies by Saudi Arabia and other Gulf states.

A prolonged rift in the region could put the U.S. in a difficult position, as the command center overseeing the U.S.-led air war against Islamic State is at a U.S. military base in Qatar. The base is America's largest military facility in the Middle East.

Mr. Trump's tweets reflect conversations he had with

Saudi officials and others about Qatar two weeks ago, during a presidential visit to Saudi Arabia, where Mr. Trump tried to rally Arab allies around fighting terrorism and countering Iran's influence in the Middle East.

On Monday, the U.S. ambassador to Qatar, Dana Shell Smith, tweeted support for the emirate in its effort to confront terrorist financing and its role in the coalition against Islamic State.

In one tweet, she hailed "a great partnership" between

the U.S. and Qatar to counter terrorist financing and said the countries have made "real progress," pointing to a meeting in October between a senior Treasury official and Qatari officials.

Qatar's foreign minister on Tuesday sought to mend ties by calling on the other five member countries of the **Gulf Cooperation Council**—Saudi Arabia, the U.A.E., Oman, Kuwait and Bahrain—to resolve the dispute "at a dialogue table" and vowing Qatar wouldn't escalate the dispute by introducing its own sanctions. He said he had established contact with the foreign ministers of "fraternal and friendly countries," without specifying which.

The Qatar foreign minister, Sheikh Mohammed bin Abdulrahman Al Thani, also said the country's emir, Sheikh Tamim bin Hamad Al Thani, had postponed an address to the nation on this week's developments, in an attempt to give his Kuwaiti counterpart time to resolve the crisis.

In isolating the emirate, the Gulf states closed off air, sea and land routes to Qatar, causing a rush on supermarkets in the Qatari capital, Doha, and disrupting airline travel between the nations. On Tuesday, Dubai's DP World, one of the largest ports operators in the world, said it was banning all vessels carrying Qatar's flag from calling at its home terminals in the U.A.E.

—Nicolas Parasie and Asa Fitch contributed to this article.

Taliban Rocket Strikes Indian Compound in Kabul

A Taliban rocket hit the Kabul home of India's top envoy to Afghanistan, fueling security concerns as officials gathered in the Afghan capital for a peace conference amid the worst outbreak of violence since the U.S.-led invasion in 2001.

By Habib Khan Totakhil in Kabul and Jessica Donati in Dubai

The rocket landed in the compound's tennis court and didn't cause any injuries, the Indian embassy said. The residence is located in the Green Zone, the central diplomatic area home to foreign embassies and military bases.

At least 650 people have been killed or wounded in Kabul in the past week, the majority in a massive truck bombing that struck just outside an entrance to the Green Zone. That bombing was followed by a violent protest against perceived government failures to prevent such attacks; later, a triple suicide bombing occurred at the funeral of a protester killed in

the clashes with police.

The government on Tuesday revised the toll in the truck blast to 150 from 90, making it the deadliest single attack in the capital since the invasion.

The explosion damaged several foreign embassies, prompting Germany, the United Arab Emirates and the U.K. to withdraw staff.

The surge in violence has split President Ashraf Ghani's troubled unity government, rekindling fears of ethnic tension in a country that has experienced decades of war.

Mr. Ghani shares power with Chief Executive Abdullah Abdullah, who represents a political party led by the country's ethnic Tajik minority that has distanced itself this week from his leadership.

Afghanistan's Tajik foreign minister, Salahuddin Rabbani, boycotted the U.S.-backed peace conference Tuesday as his Jamiat-e-Islami party issued a list of demands for Mr. Ghani, including the resignation of top security officials. The conference will have Mr. Ghani hosting representatives from 24 countries to discuss



OMAR SOBHANI/REUTERS

Afghan President Ashraf Ghani, center, attends a peace and security cooperation conference in Kabul.

political solutions to his government's conflict with the Taliban.

Recent terror attacks have raised serious questions among the people regarding the capability of the heads of the defense and security institutions to effectively combat terrorism," Jamiat-e-Islami

said in its statement.

Mr. Ghani's office said it wouldn't comply with the demands, which included a request for National Security Council chief Hanif Atmar to step down. Mr. Ghani's office called Mr. Atmar an "honest" and "patriotic" person.

Foreign diplomats said the

top U.S. military commander in the country, General John Nicholson, had persuaded a wary Afghan government to proceed with Tuesday's gathering after promising to assist with security and rally support for its mission.

Gen. Nicholson definitely played a big role in recent

days, although he failed to convince [Foreign Minister Rabbani to participate]," one diplomat said.

The U.S. military didn't immediately respond to a request for comment.

Mr. Ghani opened the conference with an appeal for unity against terrorism. He also reiterated accusations that neighboring Pakistan, which the Afghan government blames for its worsening security, is using the Taliban and other militant groups as proxy forces to destabilize the country. Islamabad has repeatedly denied the allegations.

"What will it take to convince Pakistan that a stable Afghanistan helps them and helps our region?" he asked the assembly.

Pakistan in a statement Sunday called Afghan allegations that it played a role in last week's truck bombing "baseless" and "malicious."

No group has claimed responsibility, but the Afghan intelligence agency blamed the Haqqani network, a branch of the Taliban.

—Ehsanullah Amiri contributed to this article.

WORLD WATCH

FRANCE

Policeman Attacked At Notre Dame

French authorities locked down the area around Notre Dame Cathedral after a man attacked police with a hammer in an assault that prosecutors were investigating as a possible terror attack.

The attacker struck an officer in the head as he patrolled Notre Dame's square. Police responded by shooting him in the leg. Knives were discovered inside a backpack carried by the assailant, police said, adding that he was hospitalized. Police also found documents on the attacker suggesting he was an Algerian student in his 40s.

The attacker, who was alone, yelled, "This is for Syria" when he assaulted police, said Interior Minister Gerard Collomb.

Antiterrorism prosecutors were investigating the assault for possible terror links, a spokeswoman for Paris prosecutors said.

The policeman targeted in the attack was lightly injured and receiving treatment, said Christophe Girard, mayor of the district that includes Notre Dame.

The attack set off a scramble to secure one of the world's best-known tourist sites as po-

lice sent a warning over Twitter for people to stay away from the area and officers totting tactical gear surrounded the area.

The incident occurred at a time when Europe is on edge. On Saturday, three attackers killed seven people by driving a truck through a crowd on London Bridge and stabbing revelers inside London's Borough Market.

One Frenchman died in the London attack and eight others were injured. Two other French nationals remain missing.

—Matthew Dalton and Nick Kostov

SOUTH AFRICA

Economy Falls Into Technical Recession

South Africa's economy fell into a technical recession in the first quarter of 2017, data showed, adding to pressure on embattled President Jacob Zuma.

The gross domestic product of Africa's most developed economy shrank at an annualized rate of 0.7% in the first three months of the year, following a contraction of 0.3% in the fourth quarter of 2016, the country's statistics office said.

With two consecutive quarters of contraction, South Africa's economy meets the defini-

tion of a recession used by most economists. Its last technical recession ended in 2009.

The disappointing reading followed last week's announcement that unemployment hit 27.7% in the first quarter—the highest rate since 2003.

The data add to disenchantment with Mr. Zuma, who faces record-low approval ratings and is fending off allegations of widespread corruption and influ-

ence peddling.

An Ipsos poll released last week suggested 65% of South Africans—and 54% of supporters of Mr. Zuma's African National Congress—believe the president should resign ahead of national elections in 2019.

Mr. Zuma's approval rating has dropped to just 2.8 out of 10—the lowest reading for any South African president since the poll was first conducted in

1993, according to Ipsos. In November, Mr. Zuma still scored four out of 10.

—Gabriele Steinhauser

MEXICO

U.S. Nears Deal To Avert Trade War

The U.S. and Mexico were nearing an agreement that would avert a trade war over

Mexican sugar exports, Commerce Secretary Wilbur Ross said Monday.

Mr. Ross was expected to hold a news conference Tuesday with his Mexican counterpart to provide an update on their negotiations over curbing Mexican sugar exports—though it was still unclear whether they would announce an agreement, an extension beyond a U.S.-imposed deadline or American sanctions, according to a person familiar with the matter.

Mr. Ross and Mexican Economy Minister Ildefonso Guajardo have been locked in talks to try to resolve a longstanding trade dispute over Mexican sugar exports to the U.S. American industry complains Mexican competitors are dumping their products illegally, aided by Mexican government subsidies.

Mr. Ross previously set a deadline of June 5 for Mexico to either agree to new sales curbs or face steep American duties on Mexican products. He said Monday that he was extending the deadline by one day, saying that he was "quite optimistic that our two nations are on the precipice of an agreement" and that the "short extension" was needed to work out "a few technical details." But as of early Tuesday, those details had yet to be completed.

—Jacob M. Schlesinger



PHILIPPE WOJAZER/REUTERS

French security forces stood outside the Notre Dame Cathedral in Paris after a man attacked a policeman with a hammer. The officer was lightly injured; the attacker was shot in the leg.

LONDON TERROR ATTACK

Tech Firms Struggle With Online Radicals

After attacks, British prime minister criticized Silicon Valley for not cracking down enough

Terrorists are still using the internet to communicate with and recruit followers, despite progress by big tech companies in cracking down on the activity in recent years.

By Jack Nicas,
Sam Schechner
and Deepa
Seetharaman

Online terrorist propaganda is attracting fresh criticism in the wake of Saturday's deadly attack in London. Prime Minister Theresa May and others have singled out Silicon Valley for criticism, saying Facebook Inc., Twitter Inc., Alphabet Inc.'s Google and others need to do a better job policing content. It is unclear if the U.K. government has determined any link between online extremist content and the attack.

The challenge for tech companies is daunting: A stream of social-media accounts, web videos and blog pages are constantly popping up and spewing questionable content, while new accounts and sites are replacing deleted ones by the hour, researchers say. Much of the activity, like radical sermons or videos that use coded language, falls in a gray area that makes it difficult to track or is possibly covered by the companies' aim to protect free speech.

As Facebook, Twitter and Google's YouTube have improved in removing explicit ter-



Online terrorist propaganda is presenting a challenge for Silicon Valley as they have sought to crack down on it in recent years.

rorist content, much of that material has migrated to lesser-known platforms like chat app Telegram and text-sharing site PasteBin. Terrorists still use the major platforms—because that is where users are—but mainly to identify potential recruits and make contact, before moving conversations toward radicalization on encrypted messaging services, researchers say.

PasteBin didn't respond to a request for comment.

Tech firms' response to questionable content is largely to remove it after it has been flagged by users. Hundreds, if

not thousands, of people could see the content before it gets pulled, researchers say. A 26-second YouTube video explaining how to carry out a truck attack was viewed more than 360 times by Monday evening since it was posted Sunday.

The video suggested using a "double-wheeled, load-bearing truck" to attack "large outdoor festivals, conventions, celebrations and parades," among other targets. The video was unlisted, so viewers could only find it if given a link to it, suggesting it was shared among viewers.

Twitter said it is expanding

its use of technology to combat terrorist content. From July through December last year, Twitter said internal technology flagged 74% of the 376,890 accounts it suspended for promoting terrorism. Facebook has created a team dedicated to removing such material and has been promoting "counter speech," or posts that aim to discredit militant groups like Islamic State. Telegram's founder and chief executive, Pavel Durov, said in Telegram messages Monday that his service is constantly adding moderators "to deal with these threats." He

said every channel related to the terrorist group Islamic State is taken down within 24 hours of being reported.

Facebook said that program has grown over the past year and that it wants to be a "hostile environment for terrorists."

It isn't clear if the three London Bridge attackers were radicalized online or used encrypted apps to communicate. The BBC reported Monday that one of the men involved had followed a radical Islamic preacher on the internet, citing a former friend of the man.

The preacher, Ahmad Musa

DOMINIC LEWIS/PRESSE ASSOCIATION/ZUMA PRESS

Jibril, is described by counter-terrorism experts as a radical cheerleader who encourages people to take action without explicitly exhorting violent jihad. A 2014 study by the U.K.-based International Centre for the Study of Radicalisation said 60% of foreign fighters they tracked in Syria followed him on Twitter.

Mr. Jibril couldn't be reached for comment.

Mr. Jibril has accounts on YouTube, Twitter and Facebook, with a combined 306,000 followers—though they haven't posted since 2014—and his 130 YouTube videos have amassed more than 1.5 million views.

YouTube said its review of Mr. Jibril's videos found they don't violate its policies because the videos discuss general Islamic themes—such as fasting, interpretations of the Quran, and the use of Western medicine—and don't advocate violence.

To be sure, propaganda videos—regardless of platform—are usually just the tip of the iceberg. Experts say that extremely few radicals take action solely on the basis of social-media consumption. Instead, potential recruits generally move eventually into peer-to-peer communication with a handler either online or offline or both.

"Social media increases exposure so more people are exposed," said Peter Weinberger, a senior researcher at the National Consortium for the Study of Terrorism and Responses to Terrorism at the University of Maryland. "But it is very rarely the case that someone will just view content online and take action by themselves."

—Stu Woo

contributed to this article.

Three Assaults Force U.K. To Review Its Strategy

By JASON DOUGLAS
AND STEPHEN FIDLER

LONDON—British counterterrorism authorities are engaged in soul-searching. After 12 years in which the country avoided mass-casualty terrorism attacks, three have taken place since March.

In the weeks since the first attack—on London's Westminster Bridge on March 22—officials say five credible plots were also thwarted. That compares with 13 the authorities say were foiled between June 2013 and the Westminster attack.

British Prime Minister Theresa May has promised a review of counterterrorism strategy.

London's Metropolitan Police Commissioner Cressida Dick said on Monday that the terror threat's "center of gravity" has shifted to the domestic arena from foreign-directed plots.

One of the London Bridge attackers was identified Monday by police as Khuram Shazad Butt, a 27-year-old British citizen born in Pakistan, and second as Rachid Redouane, 30, who police say claimed to be Moroccan and

Libyan. Police said one of them had been known to security services but no prior intelligence suggested he was planning an attack.

The third attacker was named Tuesday as Youssef Zaghba, a 22-year-old Italian citizen born to a Moroccan father and an Italian mother.

Ms. Dick said a review was needed of the counterterrorism strategy, tactics and resources—and of the relationship between the security services and local Muslim communities.

Islamic State, which claimed Saturday's attack, has been exhorting its followers to strike with vehicles and whatever materials come to hand, a tactic harder for the authorities to detect. Mrs. May suggested on Sunday that a copycat factor was involved.

In each attack, at least some of the individuals responsible were born or grew up in the U.K. and were known to the authorities. But they weren't deemed a sufficient threat to trigger action. Those assessments will be examined, though officials say they can't

follow every one of the 20,000 extremists that have been in their sights over the years.

The attacks varied in tactics and sophistication. Khalid Masood mowed down pedestrians on Westminster Bridge and stabbed a policeman before being shot and killed. The three terrorists on Saturday also used a vehicle to target pedestrians but then went after revelers in the bars near London Bridge. Salman Abedi, 23 years old, blew himself up May 22 outside a pop concert in Manchester.

Tim Wilson, a terrorism expert at the University of St. Andrews in Scotland, said the attacks shared at least one common feature that underscores the challenge before the authorities: "All five of the attackers went out, apparently, with a firm death wish and absolutely no intention of coming back."

Counterterrorism experts say the renewed effort in the U.K. should focus on strengthening the security services' ability to pinpoint and monitor would-be assailants rather than reviving controversial



Police forensic officers approach a home in London as the probe continued into Saturday's attack.

policies—such as internment—Britain has tried in the past.

Responding to the terror threat has become a leading issue in a national election scheduled for Thursday. Mrs. May has outlined proposals including lengthier jail terms for extremist offenses and the creation of an advisory commission on countering extremism. She also pledged to crack down on online recruitment by jihadist groups and to lead an international effort to rid the inter-

net of extremist propaganda.

The main opposition Labour Party has said it would hire thousands of extra police officers and engage in "difficult conversations" with Middle East allies over the alleged funding of terror groups.

Analysts also say there is a need for effective programs to counter radicalization. "Terrorism is driven by violent ideology," said Otso Iho, senior analyst at Jane's Terrorism and Insurgency Centre. "We have to combat that ideology head on."

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LONDON

Continued from page A1

Rachid Redouane, who mowed down pedestrians in a van on London Bridge and then attacked revelers in the busy Borough Market pub-and-restaurant area nearby, killing seven.

Investigators are filling in a picture of the attackers, who lived near each other in a working-class area of east London.

Butt, who neighbors say had been featured in a documentary called "The Jihadis Next Door," was on the radar of security services, but police say there had been no intelligence to suggest an attack was being planned.

Detectives would like to hear from anyone who has any information about these men that may assist them with the investigation," police said. "They are particularly keen to hear about places they may have frequented and their movements in the days and hours before the attacks."

The attack marked the third by Islamists in the U.K. this year, and the third to involve someone who had previously come to the attention of security officials. Zaghba's brief detention highlights a weak spot for Europe's security services,

as Islamic State operatives and sympathizers have exploited the region's open borders.

The Schengen Information System is the main database European security services use to share terror threats across borders. An incident like the one at Bologna airport should have resulted in Mr. Zaghba's name being placed in the database as a potential terror threat, an EU official said.

Though the U.K. isn't in the Schengen Area—the region covering most of Europe where border checks have largely been abolished—British police have access to the database under an agreement with the Schengen nations.

Since the latest attack, authorities have increased security measures around the city, including putting up protective barriers along several bridges. Much of Borough Market and the surrounding area remained cordoned off on Tuesday.

Police searched a property in the east London neighborhood of Ilford on Tuesday and said they arrested a 27-year-old man. Twelve other people have been arrested and released since the attack.

Islamic State said a "covert unit" had carried out the attack, but there was no independent confirmation and the extent of its possible involve-

A Long Wait to Identify Victims

LONDON—Ignacio Echeverría's family thought their worst fear had come true when British authorities asked them to provide his fingerprints—that he was among the seven dead in the London Bridge attack.

By Jon Sindreu,
Sarah Kent and
Jeannette Neumann

But two days later, Mr. Echeverría's sister, Isabel, said she and her family in Spain were still awaiting confirmation about the fate of Ignacio, a 39-year-old HSBC employee hailed as a hero in the media amid accounts he used his skateboard to defend a woman being stabbed.

Ms. Echeverría said she had gone from one London hospital to another, asking for information but not getting answers. She said she had told British police she wanted to identify her brother's body—but that they had asked her to wait.

Her other brother, Joaquín Echeverría, has started a social media effort to try to discern what happened to Ignacio.

"We just need to know," Ms. Echeverría said. "My

mother is suffering."

It has been a tortuous three days for families waiting to learn the fate of loved ones who were near London Bridge on Saturday night when three attackers plowed into pedestrians in a white van and then stabbed dozens of people.

The London Metropolitan Police have identified one victim, a 30-year-old Canadian named Christine Archibald. Other names have come from family members, including the confirmation of the death of nurse Kirsty Boden, 28, and 32-year-old James McMullan of the U.K. A 27-year-old Frenchman identified only as Alexandre was confirmed dead by a French police official.

Three victims remain publicly unnamed and the lengthy identification process has caused some international friction, because the casualties hail from several countries.

In the U.K., the police are constrained by a formal process for identifying fatal victims of crimes that is meant to prevent errors.

"Accurately identifying victims is crucial and every care is taken to ensure this is done as quickly as possible, with

due consideration to the families," the Metropolitan Police said in a statement.

The Metropolitan Police said Tuesday that special officers were working with the families of people who were believed dead, including the relatives of one person who remained missing.

"Identifying large numbers of casualties in a major incident is a complex and challenging process," the police said. That process can be more difficult and slower in cases such as the London Bridge attack, where several victims are from different countries, making their relatives harder to locate and bring in to identify the bodies.

Julie Wallace, of Brisbane, Australia, said she was flying to London because her 21-year-old daughter, Sara Zelenak, has been missing since the attack. She said authorities told her to wait 24 hours, but she can't face doing so.

"I have to go over and do something, I have to go over there," Ms. Wallace told Australia's 97.3FM radio station on Monday.

—Lara O'Reilly
contributed to this article.

WORLD NEWS

Despite Job Dearth, Japan Pay Stagnates

By YOKO KUBOTA

TOKYO—Japanese companies are struggling to find employees in an era of 2.8% unemployment, the lowest in 23 years, suggesting that workers have more clout.

So how much of a real raise are they getting? Exactly zero.

Official data released on Tuesday show that the average Japanese worker made ¥275,321, or about \$2,500, in April. Adjusted for inflation, that is the same as they made a year earlier.

It is the latest evidence pointing to an odd phenomenon seen around the world. Common sense dictates that when workers' services are highly sought after, they could demand a better wage. But that no longer seems to apply.

In the U.S., the unemployment rate hit its lowest level in 16 years in May, falling to 4.3%. Even so, year-to-year wage increases barely budged after adjusting for inflation. In the U.K., regular wages fell slightly in the first quarter for the first time since 2014 after adjusting for inflation despite 4.6% unemployment, the lowest in more

than four decades.

In Japan, wage increases are particularly vital in Prime Minister Shinzo Abe's struggle to put the world's third-biggest economy on a sustained recovery track after two sluggish decades. If pay rises significantly, that bodes well for household spending, which accounts for three-fifths of the Japanese economy.

It is one of the great mysteries of the developed world.

Economists in Japan have a few clues. For one, the country's long battle to overcome deflation, or falling prices, and its sluggish growth make workers cautious about demanding raises. That is especially true when big companies are expanding abroad and can hire lower-paid workers in places like Southeast Asia and Mexico.

Recently, economists have been focusing on an additional factor in Japan—the changing composition of the workforce.

Especially since Mr. Abe took office in December 2012, new workers in Japan, such as the elderly, women and foreigners, have taken lower-paid, part-time or irregular jobs. Those leaving the workforce, by contrast, tend to be highly paid

full-time employees who have reached retirement age of 60 or 65 after decades of receiving annual raises for seniority. These people are unlikely to match their income even if they want to keep working.

Kazuo Noguchi, 68 years old, said he recently started to look for a job four years after he retired as an engineer from a Japanese watchmaker. He is looking to stay active and supplement his pension to keep up with the lifestyle he had before retiring, he said.

"I want to make just enough money. It would be like an allowance," he said. "Not working makes me feel like no one cares if I exist or not."

The exit of costlier workers helps keep a lid on the average wage, some economists say, even when the tight job market is nudging up wages at the lower end.

The government doesn't tally wage differences between workers exiting and entering the workforce. But economists Ryo Kambayashi and Yuko Ueno, based on 1993-2012 figures from Japan's wage census, estimate that the average hourly wage of those exiting the labor force was ¥2,010



A 7-Eleven employee speaks with a potential job candidate at a job fair for the elderly in Tokyo.

while those entering made ¥1,217 an hour. Workers continuously in the labor force had an annual wage increase of 4.2%. Economists believe these trends have continued.

"When people exit the labor force due to their old age, a big chunk of pay is gone. They are getting replaced by cheap workers," said Takashi Miwa, an economist at Nomura Securities.

While the average individual wage has stagnated, the total amount of wages paid to all employees in Japan actually rose 2.1% after adjustment for inflation in the year ended in March, government data show.

That is largely because the number of people working has been rising about 1% annually, despite a shrinking population.

Rather than workforce composition, some other economists focus on issues like slack productivity to explain the wage trends. Whatever the cause, it is clear that some of the most aggressive recruiting targets lower-paid jobs.

FamilyMart Uny Holdings Co., a convenience-store operator, has been holding job fairs for foreigners at Japanese-language schools.

At a job fair for the elderly this week in Tokyo hosted by

7-Eleven, around 100 people listened to tips from managers on becoming a clerk.

Officials of Tokyo-based Seven & I Holdings Co., which operates 7-Eleven convenience stores globally, said hiring the elderly as part-timers helps stores keep personnel costs under control.

"For seniors, it's not just about how much they get paid an hour," said Hironobu Hosono, who oversees such hiring efforts for 7-Eleven stores in western Tokyo. "They care more about whether they can contribute and do something worthwhile."



David Rank, center, in March, said he resigned over President Trump's decision to pull out of the Paris climate agreement.

U.S. Diplomat Quits Beijing Post

BELJING—The top-ranking U.S. diplomat in Beijing resigned over President Donald Trump's decision to withdraw from the Paris climate accord,

By Josh Chin,
Te-Ping Chen
and Brian Spegele

depleting already thinned-out State Department ranks and depriving Washington of one of its most experienced China hands.

David Rank, a 27-year veteran of the State Department, has been running the embassy in Beijing as chargé d'affaires since January. He had been expected to continue in that role until Mr. Trump's pick for ambassador, former Iowa Gov. Terry Branstad, arrives. Mr. Branstad has been confirmed for his post but is undergoing ambassador training.

Mr. Rank, who couldn't be reached for comment, announced his resignation at a town hall for embassy staff on Monday. He said his conscience prevented him from carrying out his duties after Mr. Trump's decision on the climate-change agreement, people who were at the meeting said.

U.S. Energy Secretary Rick Perry arrived in Beijing this week to attend an interna-

tional gathering on clean energy and meet with Chinese officials. It would have been Mr. Rank's job to accompany Mr. Perry to those meetings and help explain the Trump administration's decision to exit from the Paris agreement.

U.S. divisions over energy policy played out against the backdrop of Mr. Perry's visit as another visitor, California Gov. Jerry Brown, was received at the Great Hall of the People by President Xi Jinping. The Chinese Foreign Ministry described Mr. Xi as telling Mr. Brown he valued local-level cooperation with the U.S. "It was very clear that he welcomes an increased role on the part of California" to fight climate change, Mr. Brown told reporters.

Mr. Perry wasn't expected to meet with Mr. Xi this week.

Mr. Rank's resignation comes as the Trump administration relies less on experienced career diplomats in its dealings with Asia. A diminished role for the State Department and its embassies has left foreign policy for the region in the hands of a few of the president's advisers, including Jared Kushner, his son-in-law.

The U.S. Embassy in Tokyo has been without an ambassador since Caroline Kennedy de-

parted after the November election. Mr. Trump's nominee for U.S. ambassador to Japan, businessman William Hagerty, has yet to be confirmed by the Senate. Mr. Trump, meanwhile, has met with Japanese Prime Minister Shinzo Abe twice since his election and several top U.S. officials have visited Japan.

The U.S. also hasn't had an ambassador in South Korea following the U.S. election, complicating diplomatic efforts during a crisis over North Korea's nuclear program and as a new government settles into office in Seoul. A candidate for U.S. ambassador to South Korea hasn't been named.

Career foreign-service officers at the embassy in Beijing said they were largely kept out of the loop when U.S. Secretary of State Rex Tillerson visited China in March.

Permanent candidates for scores of senior positions at the State Department, including that of assistant secretary for East Asian and Pacific Affairs, remain vacant.

"Dave Rank is the best America has to offer," said Scott Mulhauser, a former embassy chief of staff in Beijing. "There is a reason he's received ever-tougher postings from presidents and secretaries on all

sides of the political spectrum."

The U.S.-China relationship deteriorated after Mr. Trump's surprise indication in January that he might recognize Taiwan diplomatically. Relations have improved since Mr. Trump agreed to abide by the decades-old "One China" policy and met Mr. Xi in Florida in April. But tensions still remain.

Washington is eager to get Beijing's help in dealing with North Korea's advancing nuclear-weapons program, while at the same time pushing back against China's vast territorial claims in the South China Sea.

The relationship also faces pressure from a "100-day plan" to significantly reduce the U.S. trade deficit with China that Messrs. Xi and Trump agreed to in Florida.

Cooperation on climate change was a rare bright spot in relations between China and the U.S. under the Obama administration, one that diplomats on both sides have said they worked for years to achieve.

At the clean-energy gathering in Beijing on Tuesday, Mr. Brown, who criticized Mr. Trump's move, agreed on separate climate goals between his state and China's Ministry of Science and Technology.

Yacqub Khayre was a 29-year-old Australian citizen, born in Somalia, who arrived in the country with his family as a child refugee. When he set in motion the series of events that ended with his violent death, he was on parole after being incarcerated for a home invasion.

At about 4 p.m. on Monday, he entered a serviced apartment building in suburban Brighton, shot and killed a 36-year-old clerk—who leaves behind a wife and child—and took a woman hostage.

After a two-hour standoff during which he fired at officers with a shotgun, he was killed by police.

In Australia and worldwide, security forces are struggling to monitor people with violent backgrounds, links to extremist groups and those who have traveled to train in Islamic State camps.

The Melbourne siege came less than two days after three knife-wielding attackers killed seven people in central London.

"What is clear here is that we face a growing threat from Islamist terrorism in Australia, in the region, and around the world," Australian Prime Minister Malcolm Turnbull said.

Australia's five-tier terrorism threat system has been set at "probable," the third-highest level, since September 2014.

Mr. Turnbull also said the attack in Melbourne calls into question the strength of Australia's parole system, given the gunman's violent history and past connections to extremism.

When Khayre went on trial in 2010 for conspiring to attack the army base, prosecutors alleged he had traveled to Somalia the year before to seek approval for the act from

a local sheikh. Khayre was acquitted by a jury, while three co-defendants were sentenced to 18 years in prison.

Less than two years later, in April 2012, Khayre broke into a house in suburban Melbourne. Armed with a switchblade, he stole items including an iPod, a laptop and jewelry, according to court documents. At about 2:40 a.m., a young woman who lived there returned home. He punched her in the face and stomach and then assaulted her father before being wrestled to the ground. He was sentenced to 5½ years in prison with no chance of parole before three years and had extra time added on for arson while incarcerated.

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Australia Holds the Line on Interest Rates

By JAMES GLYNN

SYDNEY—Australia's central bank left interest rates on hold, indicating that it remains satisfied with the progress of the economy despite imminent growth data that is widely expected to show renewed weakness in the first three months of 2017.

Philip Lowe, governor of the Reserve Bank of Australia, said

Tuesday's decision was consistent with sustainable economic growth and achieving the bank's inflation target over time.

The central bank has left interest rates at 1.5% since August, as it juggles fears about rising house prices and record household debt, with signs of weakness in the job market and a slowdown in consumer spending.

While Mr. Lowe said the labor market remains mixed, he noted that upward price pressure in the housing market had shown signs of easing.

RBA's decision came a day before Australia is scheduled to release gross domestic product data for the first quarter. Analysts polled by The Wall Street Journal said they expect growth to come in at 0.3% from the previous

quarter and 1.6% year-over-year, the slowest pace of expansion in six years. However, some analysts see weak export and domestic consumption data triggering Australia's second contraction in three quarters.

But the central bank has effectively characterized the likely soft data as another temporary blip in a gentle recovery trend.



Police searched Yacqub Khayre's Melbourne home on Tuesday.

U.S. NEWS

Seeking Private Money for Infrastructure

President's plan hinges on luring investors to fund projects in era of constrained budgeting

By TED MANN
AND RYAN DEZEMBER

WASHINGTON—President Donald Trump's proposed infusion of funding for infrastructure turns on a critical question: how the administration will get private investors to put up most of the money.

Mr. Trump on Monday launched what he said would be a week focused on U.S. infrastructure with an embrace of a long-debated proposal to privatize the nation's air-traffic-control system.

His advisers said the proposal is a model of how they want to approach an overhaul of national infrastructure maintenance, turning to user fees and private-sector management to fund and operate what has been a federal-government service.

But there has so far been little detail on Mr. Trump's lofty infrastructure promise. The GOP president has proposed spending \$200 billion over 10 years on programs to incentivize greater use of financing from private investors. The administration said that funding will leverage a total expenditure of \$1 trillion to fix and build roads, bridges, dams and broadband lines.

The effort to shift to private funding reflects the difficulty of coming up with taxpayer dollars in an era of constrained budgeting. The last big transportation-policy bill to pass Congress, in late 2015, was cobbled together with funding from a Federal Reserve surplus account and other sources that some lawmakers said were unorthodox.

Under the new approach, Mr. Trump's advisers said they can get private investors to flock to put up the capital for such projects by curtailing permitting requirements and regulations, and by offering incentives to states and cities to turn to the private sector for financing.

"I think you'll see a huge increase in infrastructure fund balances once we put into place the two things we're doing."



President Donald Trump outlined on Monday his administration's plans to privatize the nation's air-traffic-control system.

happens in the energy sector.

Fundraising has remained strong this year, with another \$29 billion flowing into such funds during the first quarter, Prequin said. Blackstone Group LP disclosed last month that Saudi Arabia has agreed to invest \$20 billion in an infrastructure fund that the New York firm hopes will reach \$40 billion and have spending power of as much as \$100 billion once debt is added.

Officials at several major transportation agencies expressed concern about the administration's infrastructure approach in recent days. One government official, referring to the administration's desire to shift responsibility for providing direct funding from the federal to state and local governments, said Mr. Trump's administration was trying to "starve the beast" and force states and cities to find ways to finance privately.

Others noted with alarm that while the administration said it would devote \$200 billion more to infrastructure over the coming 10 years, the government is also cutting funding to existing programs that support major projects.

The administration's infrastructure initiative will be "over and above" the amount of funding provided by Congress through conventional grant programs, said Reed Cornish, a White House adviser.

Ms. Crebo-Rediker praised the administration's embrace of programs that provide loans, loan guarantees and lines of credit for projects with national significance, allowing states and cities that qualify to add leverage to building projects. The administration also called for expanding a similar loan program for water infrastructure and it said it would lift the cap on a program that allows the Transportation Department to allow the issuance of tax-exempt bonds for private entities.

But she said it wasn't clear how Mr. Trump's plan will prepare cities and states to strike private-financing arrangements to take care of some of their most critical needs.

"The devil's in the details, and there have been no details," she said.

Plan Set to Privatize Air-Traffic Control

WASHINGTON—Promising fewer delays on the tarmac and cheaper fares for airline passengers, President Donald Trump endorsed a plan to transfer control of the nation's air-traffic control system to a private nonprofit.

The idea is a longstanding goal of some Republican lawmakers and one that the White House hopes will spark a broader plan for \$1 trillion in new infrastructure spending.

"Our plan will get you where you need to go more quickly, more reliably, more affordably and yes, for the first time in a long time, on time," the GOP president said Monday.

The plan, which requires

congressional approval, would include the privatization of some 30,000 workers now overseen by the Federal Aviation Administration. The FAA would maintain its role in aviation safety, while the new nonprofit would manage route efficiency, Mr. Trump said.

The proposal would end the need for some federal taxes that would likely be replaced by user fees to pay for the new system, which would include updated GPS technology. Supporters, including many GOP lawmakers, said more than 50 countries have implemented similar systems, which may mean more efficient landing patterns and routes for planes and could allow controllers to move more planes an hour through busy air corridors.

Some lawmakers and avia-

tion officials are wary of privatization, including those from rural states who worry that a private system would neglect less-populated areas. Others are concerned a new system would give too much influence to big airlines.

Senate Committee on Commerce, Science and Transportation Chairman John Thune, (R, S.D.) said the FAA's effort to modernize the air-traffic control system "has been hindered by bureaucratic obstacles and poor planning."

Sen. Bill Nelson of Florida, the top Democrat on the same panel, said that the safety of the flying public shouldn't be for sale. "Handing air-traffic control over to a private entity partly governed by the airlines is both a risk and a liability we can't afford to take," he said.

—Michael C. Bender

vate investment in public infrastructure."

The municipal-bond market remains a more attractive source of funding to many state and local officials needing funding for major projects, Ms. Crebo-Rediker said, and many local governments lack expertise in how to structure public-

private partnership deals.

Private-equity executives and bankers who specialize in infrastructure investing said that finding money for projects isn't the problem. It is the dearth of attractive investments, they said.

Last year, investors worldwide committed a record of

about \$59 billion to private infrastructure funds, pushing to more than \$140 billion the amount of ready-to-invest cash in such funds, according to Prequin, a provider of investment-fund data. Much of that money is likely to be spent outside the U.S., where most private infrastructure investing

Trump Won't Seek to Block Comey

By BYRON TAU
AND ERICA ORDEN

WASHINGTON—President Donald Trump won't seek to invoke executive privilege to block former FBI director James Comey from testifying before Congress later this week.

The announcement, by White House deputy press secretary Sarah Huckabee Sanders on Monday, paves the way for Mr. Comey to face questions from lawmakers that are expected to focus on whether he felt the president tried to influence the FBI's investigation into alleged Russian meddling in the election.

Ms. Sanders said Mr. Trump has the ability to assert executive privilege, but "to facilitate a swift and thorough examination of the facts," the president wouldn't do so.

Some experts said Mr. Trump likely didn't have legal standing for such an action since Mr. Comey no longer works for the administration and the president has publicly commented on some of their private conversations.

Mr. Comey is scheduled to appear Thursday before the



James Comey is scheduled to appear Thursday before the Senate Intelligence Committee, his first public appearance since his dismissal.

Senate Intelligence Committee, his first public appearance since the GOP president dismissed him on May 9. Before his firing, Mr. Comey was helping oversee a counterintelligence probe by the Federal Bureau of Investigation examining whether Mr. Trump's associates colluded with Moscow. Russia has denied meddling in the election, and Mr. Trump has called the investigation a "witch hunt."

In a private dinner in January, Mr. Trump allegedly asked Mr. Comey for a loyalty pledge. He has said he fired Mr. Comey because he was doing a

bad job.

Republicans on the Senate committee are planning to contrast the description of Mr. Comey's interactions with Mr. Trump with testimony by acting FBI Director Andrew McCabe, who told the same committee, just after Mr. Comey was dismissed, that "there has been no effort to impede our investigation to date."

"The acting director of the FBI also said that there has not been an attempt to influence the investigation. And yet we hear about these memos to the file, all of these dinners and meetings between President Trump and the FBI, the former FBI director," said Sen. Susan Collins, a Maine Republican and committee member, on CBS on Sunday. "So, we need hear directly from Mr. Comey on these important issues."

Democrats, too, will use the hearing to ask questions about whether Mr. Comey felt pressure. "We have known since Watergate that rules of the road were a president shouldn't intervene in an ongoing investigation," Sen. Mark Warner of Virginia, the top Democrat on the committee, told CBS News.

Pick for Economic Post Details Views to Senate

By JOSH ZUMBRUN

WASHINGTON—Kevin Hassett, the man who would be one of President Donald Trump's top economic advisers, defended the role of gathering data and transparent economic analysis in brief prepared remarks to the Senate Banking Committee.

Mr. Hassett, the nominee to be the chairman of the Council of Economic Advisers for Mr. Trump, appeared before the committee Tuesday as part of the confirmation process.

His remarks offer a window into the priorities that Mr. Hassett would have as an adviser to a president who removed the Council of Economic Advisers from his cabinet and who, especially as a candidate, had expressed skepticism of economic data.

"I believe it is essential to gather evidence, and not just rely on theories," Mr. Hassett said in the remarks. "The real world has many complications that are not included in models, and the data often surprise economists, especially those who have too much confidence in pure theory."

Mr. Hassett would join an administration with some sharp internal divisions in approach to economic policy, particularly between economic nationalists on one side and Wall Street moderates and establishment Republicans on the other. Mr. Hassett would likely be more in the latter camp. He has written work supportive of free trade and increased immigration, and worked as a consultant to Citigroup Inc.

He didn't mention trade or immigration in his prepared remarks, sticking to broader themes such as the need for gathering data and highlighting "that economic analysis



Kevin Hassett

should be transparent and replicable."

Mr. Hassett is director of research for domestic policy at the American Enterprise Institute, the conservative Washington think tank where he has worked the last two decades. He has focused on tax policy with work arguing that lower taxes and less uncertainty for businesses can provide a significant boost to the economy.

Mr. Hassett has served as an adviser for the previous three Republican presidential candidates: Mitt Romney, John McCain and George W. Bush. Despite his close ties to the Republican Party, however, his nomination has won broad support from both liberal and conservative economists.

On Monday, a group of leading academic economists wrote a letter to the Senate Banking Committee in support of Mr. Hassett's nomination. Signatories to the letter included all four of the people who headed the Council of Economic Advisers for former President Barack Obama, a Democrat.

They wrote in their letter that Mr. Hassett has "a record of serious scholarship on a wide range of topics, including tax policy, business investment and energy."

Contractor Is Charged Over Leak

By DEL QUENTIN WILBER
AND LUKAS I. ALPERT

A 25-year-old government contractor was arrested over the weekend and charged with leaking to a news organization a secret report that described some of Russia's election-related hacking activities, according to court papers and U.S. officials briefed on the case.

Reality Leigh Winner of Augusta, Ga., was charged with removing classified information from her secure workplace and mailing it to the

news organization.

The Justice Department didn't identify the news organization in court papers, but a U.S. official confirmed it was the Intercept, which on Monday posted online a document that it said was produced by the National Security Agency and which concluded Russian spies hacked computers of a U.S. company "to obtain information on elections-related software and hardware solutions."

Ms. Winner is being held in federal custody until a detention hearing later this week, said her

attorney, Titus Nichols. "She has no criminal history," Mr. Nichols said. "We are working to resolve this and put it behind her."

Ms. Winner is a contractor with Pluribus International Corp. and is assigned to a government facility in Georgia, the Justice Department said. Calls to Pluribus weren't answered.

The U.S. government learned about the alleged leak on May 30 when a news organization provided it with a copy of the secret document in an apparent effort to verify its authenticity, according to an affidavit filed by the

Federal Bureau of Investigation.

In the court papers, the FBI said government experts examined the copy of the report and concluded it had been folded or creased, suggesting it "had been printed and hand-carried out of a secured space."

The government determined that six people, including Ms. Winner, had printed copies of it. An audit of her desk computer revealed she had "e-mail contact with" the news organization, the affidavit says.

Her lawyer declined to comment on the allegations.

U.S. NEWS

Cities Share Real-Estate Tax Plight

By JOSEPH DE AVILA

Hartford, Connecticut's capital city and hub of the state's insurance industry, is edging closer to joining a small club of American municipalities: those that have sought bankruptcy protection.

The city's \$49.6 million budget hole and the impending departure of one of its biggest employers, Aetna Inc., have shined a light on its unusual predicament: Half of the city's properties are excluded from paying tax because they are government entities, hospitals and universities.

It has less taxable property than the neighboring suburban community of West Hartford, which has less than half of the population than its urban neighbor. And Hartford's total

"My goal and my hope is that legislators from around the state of Connecticut will recognize that Hartford cannot responsibly solve a crisis of this magnitude at the local level alone," he said.

Around the U.S. the main source of funding generated by municipalities is property-tax revenue, contributing 47% of the money raised by local governments, according to the Lincoln Institute of Land Policy.

For capital cities such as Hartford, much of the real estate is held by nontax paying government departments. Hartford, with a population of about 125,000, is home to the University of Connecticut School of Law, Trinity College, Hartford Seminary, and the state Supreme Court.

Other cities in similar situations include Boston where just over half of the property in the city is tax exempt. In Baltimore, about 32% of the property there is tax exempt, and in Philadelphia it's 27%.

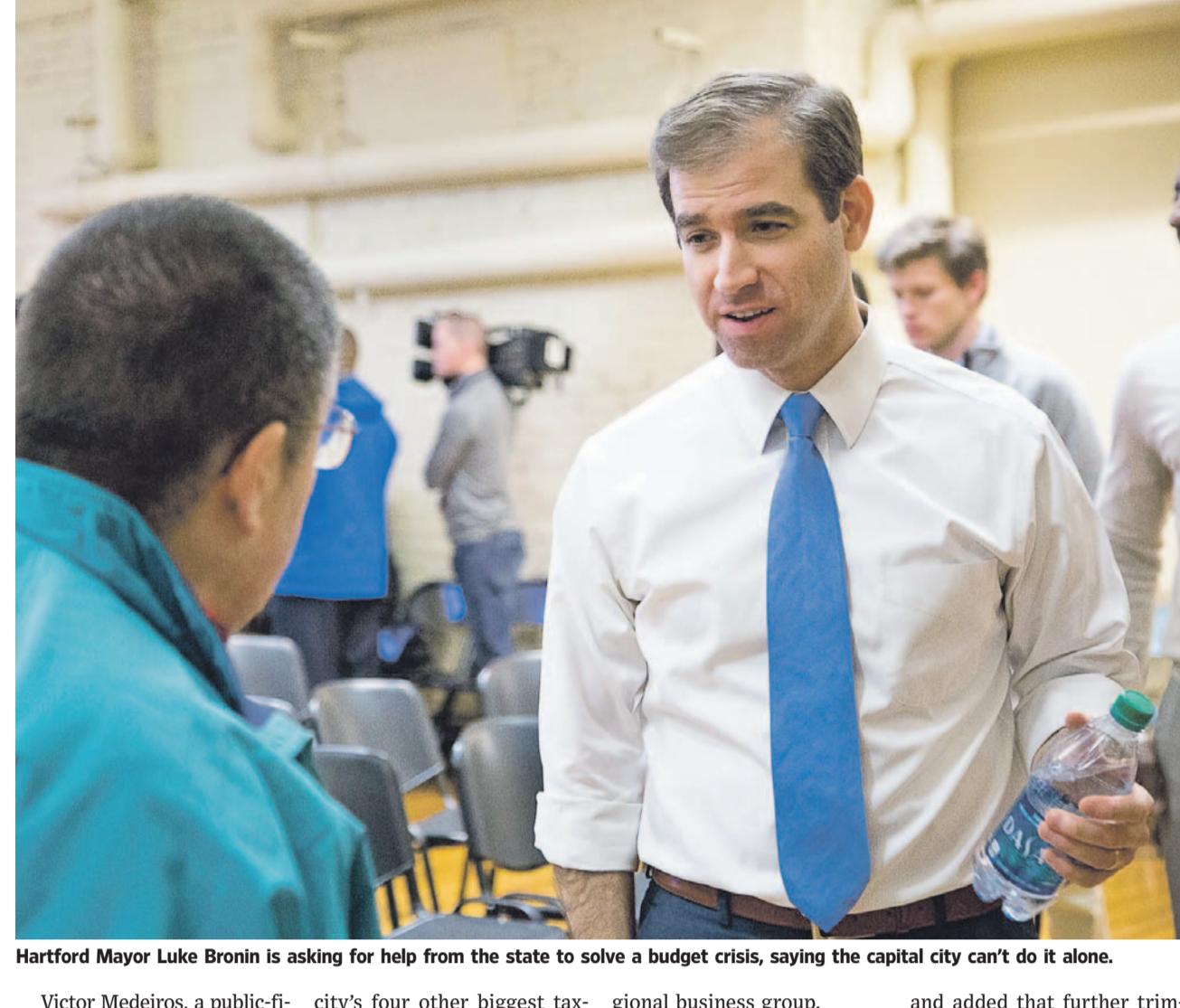
While most U.S. cities are reporting healthy budget reserves that have returned to prerecession levels, Hartford is among a small but growing group of municipalities that are confronting rising levels of fiscal stress, according to Moody's Investors Service.

Other areas grappling with long-term financial problems driven by poor revenue growth and rising fixed costs include Jackson, Miss., and Wayne County, Mich.

Only 64 bankruptcies have been filed by cities, counties, towns and villages since 1954, according to James Spiotto, an attorney who tracks municipalities' bankruptcies.

In 2013, Detroit became the largest-ever U.S. municipal bankruptcy case.

The company and the of the



Hartford Mayor Luke Bronin is asking for help from the state to solve a budget crisis, saying the capital city can't do it alone.

The main source of funding generated by municipalities is property-tax revenue.

property-tax receipts are about 25% below that of tony community of Greenwich.

"The root of the problem is you have a city built on a tax base of a suburb," said Mayor Luke Bronin.

The mayor said the small tax base along with growing fixed costs produced structural budget deficits that prior administrations sought to deal with through asset sales, short-term debt restructuring and property-tax increases.

Mr. Bronin is now asking for financial help from the state to help close Hartford's budget hole.

Victor Medeiros, a public-finance ratings analyst with S&P Global Ratings which downgraded Hartford last month, said the city could face additional downgrades of several notches.

The credit-ratings firm will be watching whether Connecticut can reach a timely budget agreement and what level of financial assistance the state will be able to offer the city, he said.

Hartford officials say they believe Aetna will keep many of its 6,000 employees in Connecticut even after it announced last week that it was negotiating with several states to move its corporate headquarters out of the city where it has been based since 1853.

Aetna has said it remains committed to its Connecticut employees and its Hartford campus.

The company and the of the

city's four other biggest taxpayers contribute nearly one-fifth of the city's \$280 million of property-tax revenue. Property-tax receipts make up nearly half of the city's general-fund revenues.

Aetna, Hartford Financial Services Group Inc. and Travelers Cos. Inc., also Hartford's biggest employers, have said they would collectively give the city a voluntary payout of \$10 million annually over the next five years to help avoid bankruptcy.

But the companies have said they want to see comprehensive changes in how Hartford is run.

The bigger concerns "are getting the city turned around where we can attract private-sector investment here to ultimately begin to drive" property taxes down, said Oz Griebel, chief executive of MetroHartford Alliance, a re-

gional business group.

Since 2000, Hartford has increased its property-tax, or millage, rate seven times. The rate is now more than 50% higher than it was in 1998.

At the current level, a Hartford resident who owns a home with an assessed value of \$300,000 currently pays an annual tax bill of \$22,287, at a rate of 7.43%. A West Hartford homeowner with a similar house pays \$11,853 at a rate of 3.95%.

The city must pay nearly \$180 million on debt service, health care, pensions and other fixed costs in the coming fiscal year beginning July 1. That is more than half of the city's budget, excluding education.

Mr. Bronin said one-time budget fixes and tax increases won't cut it anymore. He said he won't reduce the number of police officers or firefighters

and added that further trimming back city services would be irresponsible.

Democratic Gov. Dannel Malloy on Wednesday said that Hartford and the state Legislature would have to accept more oversight of the city's finances in exchange for state assistance.

"I do not support additional moneys going to our challenged urban environments without a review process," Mr. Malloy said.

Connecticut House Majority Leader Matt Ritter, a Hartford Democrat, said everyone in the capital understands that it is in the state's best interest to make sure the city has a sustainable future.

Bankruptcy "doesn't just affect Hartford," Mr. Ritter said. "It would affect neighboring communities, it would affect the state, it would probably affect our credit ratings."

Trump Hotel Profited From Saudi Lobbying

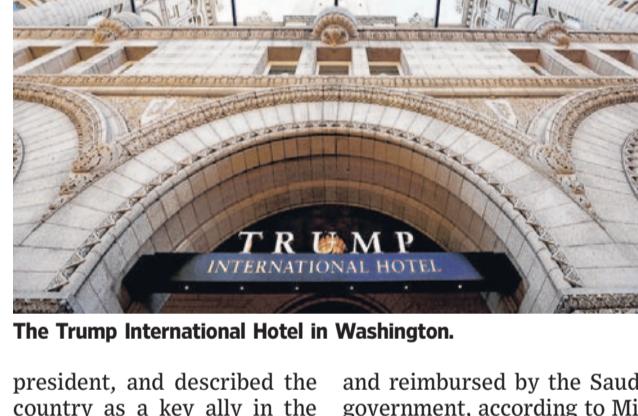
By BYRON TAU
AND REBECCA BALLHAUS

WASHINGTON—President Donald Trump's Washington hotel received roughly \$270,000 in payments linked to Saudi Arabia as part of a lobbying campaign by the Gulf kingdom against controversial terrorism legislation last year.

The payments were disclosed by the public-relations firm MSLGroup last week in paperwork filed with the Justice Department documenting foreign lobbying work on behalf of Saudi Arabia and other clients.

As part of a lobbying effort against the bipartisan Justice Against Sponsors of Terrorism Act, or JASTA, Saudi Arabia's lobbyists and consultants spent about \$190,000 on lodging, \$78,000 on catering, and \$1,600 on parking at the Trump International Hotel. The Daily Caller website first reported on the payments.

Mr. Trump last month made Saudi Arabia the first stop of his first international trip as



The Trump International Hotel in Washington.

president, and described the country as a key ally in the war on terror.

Saudi Arabia has been lobbying against JASTA, a law passed by Congress over former President Barack Obama's veto. It allows Americans to sue foreign governments over terrorists attacks.

The payments to the Trump Hotel were made by one of MSLGroup's subcontractors

and reimbursed by the Saudi government, according to Michael Petruzzello, an MSLGroup executive.

All the hotel spending took place between November 2016 and February, according to Mr. Petruzzello. Most of the payments to the hotel were made before Mr. Trump was officially sworn in, but some were made after he became president.

In an unsigned opinion, however, the justices directed the special three-judge federal district court that heard the case to reconsider its order requiring special elections in newly redrawn districts later this year.

The justices previously had put on hold that election, which in effect would cut legislators' terms in half to only one year. Monday's order said the lower court hadn't adequately weighed whether the harm voters suf-

fered from "unconstitutional racial gerrymanders" justified burdening the state with the costs of an off-year election.

—Jess Bravin

COLLEGE ADMISSION TEST

Some ACT Scores Missing in Los Angeles

About 125 students who took the ACT college-admission test at a Los Angeles school are in limbo after their answer sheets were lost in transit, leaving them and their parents upset as testing officials scramble to locate the missing material. ACT spokesman Ed Colby said a package of answer sheets from an April 8 testing at University High School didn't arrive at the company's headquarters in Iowa. ACT is working with the test center supervisor and FedEx to locate the package, he said. ACT said it would pay for a retake for the students.

—Tawnell D. Hobbs

Overseas Openings

The Trump administration has only nominated six people for political U.S. ambassadorships to other countries, leaving many openings.



Terry Branstad

Confirmed to be the ambassador to China



Scott Brown

Nominated to be the ambassador to New Zealand and Samoa



David Friedman

Confirmed to be the ambassador to Israel



Callista Gingrich

Nominated to be the ambassador to Vatican City



William F. Hagerty

Nominated to be the ambassador to Japan

Doug Manchester

Nominated to be the ambassador to The Bahamas

SELECT COUNTRIES WITHOUT AMBASSADORS

Afghanistan

France

Saudi Arabia

Argentina

Germany

South Africa

Australia

India

South Korea

Canada

Italy

United Kingdom

Source: American Foreign Service Association; Photos from Associated Press (Branstad, Gingrich); Getty Images (Friedman); Reuters (Hagerty); Zuma Press (Manchester)

THE WALL STREET JOURNAL.

Slow Progress Seen on Envoys

By FELICIA SCHWARTZ

WASHINGTON—President Donald Trump lashed out at Senate Democrats, saying they have slowed the approvals of his ambassadors. But for most of the vacant posts, the White House hasn't formally put forward a name, leaving the Senate with nothing on which to act.

"Dems are taking forever to approve my people, including Ambassadors. They are nothing but OBSTRUCTIONISTS! Want approvals," he said on Twitter. The tweet came among a string of messages Monday morning related to the terrorist attack in London this weekend. Mr. Trump indicated in January that he would name New York Jets owner Woody Johnson to be ambassador to the U.K. but hasn't formally nominated him.

White House spokeswoman Sarah Huckabee Sanders, asked if there was a reason

that Mr. Trump hadn't yet officially nominated an ambassador to the U.K., said, "I'm not aware of that."

Only a handful of ambassadors have been confirmed in the new administration. A review of those picks shows Democrats forced procedural votes on some nominees, but most of the empty posts are because of the lack of nominations being sent to the Senate.

Typically, about 30% of ambassadorships go to political nominees and 70% go to career foreign-service officers, who have to be nominated and confirmed but aren't seen as political picks. Non-political appointees typically stay over from the prior administration.

To date, Mr. Trump has only formally nominated six people to overseas ambassadorships that are held by political appointees: the Bahamas, the Vatican, Japan, New Zealand, Israel and China.

ECONOMY

Job Openings Hit New High in April

The number of U.S. job openings hit a new high in April while hiring slowed, a sign that employers are struggling to find workers.

The number of job openings rose by 259,000 to 6.04 million, the Labor Department said Tuesday, the highest level recorded since the government started tracking the figure at the end of 2000. The number of hires, meanwhile, fell by 253,000 to 5.05 million in April.

"The sharp rise in openings while hirings fell provides some indication that labor markets have tightened so much as to suggest we may be facing a shortage of qualified workers," said Raymond Stone, an economist at Stone & McCarthy Research Associates, in a note to clients.

The latest figures came in

the Labor Department's Job Openings and Labor Turnover Survey, known as Jolts. The survey, more detailed but dated than the main monthly jobs report, tracks the pace at which people start jobs, quit jobs, or are laid off, and the number of job openings.

Tuesday's report showed the number of layoffs inched down by 71,000 to 1.59 million, and the number of people quitting a job slipped 111,000 to 3.03 million.

—Jeffrey Sparshott

NORTH CAROLINA State Loses Redistricting Appeal

The Supreme Court upheld findings that North Carolina lawmakers drew state legislative districts that discriminate against black voters.

The decision marked another defeat for a Republican-con-

trolled General Assembly whose election laws repeatedly have been invalidated for reducing minority political power.

The justices without comment let stand a lower court decision saying lawmakers created 28 majority-black districts without adequate justification. By packing African-Americans into a relative handful of 170 state Senate and House districts, the legislature diminished those voters' ability to influence outcomes for other seats.

In an unsigned opinion, however, the justices directed the special three-judge federal district court that heard the case to reconsider its order requiring special elections in newly redrawn districts later this year.

The justices previously had put on hold that election, which in effect would cut legislators' terms in half to only one year.

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—Tawnell D. Hobbs

IN DEPTH

THINK

Continued from Page One
results of the standardized test, called the College Learning Assessment Plus, or CLA+, are seldom disclosed to the public. This is true, too, of similar tests.

Some academic experts, education researchers and employers say the Journal's findings are a sign of the failure of America's higher-education system to arm graduates with analytical reasoning and problem-solving skills needed to thrive in a fast-changing, increasingly global job market. In addition, rising tuition, student debt and loan defaults are putting colleges and universities under pressure to prove their value.

A survey by PayScale Inc., an online pay and benefits researcher, showed 50% of employers complain that college graduates they hire aren't ready for the workplace. Their No. 1 complaint? Poor critical-reasoning skills.

"At most schools in this country, students basically spend four years in college, and they don't necessarily become better thinkers and problem solvers," said Josipa Roksa, a University of Virginia sociology professor who co-wrote a book in 2011 about the CLA+ test. "Employers are going to hire the best they can get, and if we don't have that, then what is at stake in the long run is our ability to compete."

International rankings show U.S. college graduates are in the middle of the pack when it comes to numeracy and literacy and near the bottom when it comes to problem solving.

The CLA+ test raises questions about the purpose of a college degree and taps into a longstanding debate about the role of colleges: Are they designed to raise students' intellectual abilities or to sort high-school graduates so they can find the niche for which they are best suited?

The role of a diploma as signal of ability has been in the ascendancy recently, given how having a degree is closely related to graduates' lifetime earnings. The test data, by contrast, show that many students earn their degrees without improving their ability to think critically or solve problems.

Tests such as the CLA+ can be used to fulfill a mandate by accreditors for schools to show that they are trying to assess and improve the education they provide.

The CLA+ measures critical thinking, analytical reasoning, problem solving and writing because it demands students manipulate information and data in real-world circumstances that require different abilities. It has been lauded by a federal commission that studied higher education.

The test has detractors. It is hard to completely untangle cause and effect in something as complicated as improving critical-thinking skills and as broad as a college education. And students don't always try their hardest when they take the exam, since there is little at stake for them.

Smart already

Colleges where students



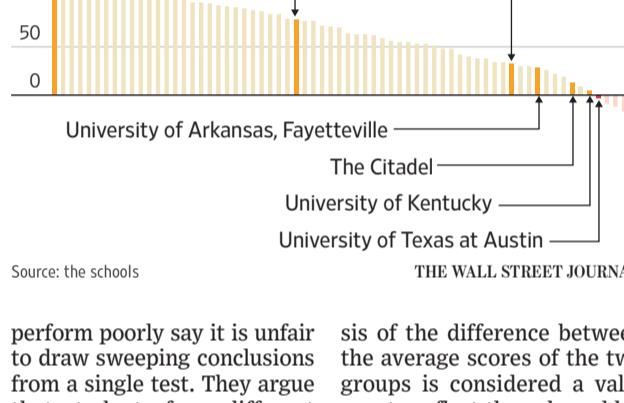
Students at New Hampshire's Plymouth State University get better at critical thinking over four years, a test called the CLA+ shows. Above, sophomore Kate Frederick.

Independent Study

The results of the CLA+ test of critical-thinking skills at dozens of colleges show a wide range of improvement over four years.

Average point difference in CLA+ score for freshmen and seniors:

Plymouth State University



Source: the schools

THE WALL STREET JOURNAL.

perform poorly say it is unfair to draw sweeping conclusions from a single test. They argue that students from different colleges shouldn't be compared because freshmen have widely varying abilities. Some prestigious schools say their schools don't show much improvement between the first and fourth years because their students are so accomplished when they arrive that they have little room to improve.

Colleges where students perform well on the test say it is an accurate gauge of their academic programs.

The CLA+ requires students to use spreadsheets, newspaper articles, research papers and other documents to answer questions, make a point or critique an argument. Colleges pay about \$35 a student to the test's creator and administrator, the Council for Aid to Education, a nonprofit group in New York.

At each college, the roughly 90-minute test is given to one group of freshmen in the fall of their freshman year and to a separate group of seniors in the spring of the same academic year. A statistical analy-

sis of the difference between the average scores of the two groups is considered a valid way to reflect the value added during four years of college.

The Journal filed public-records requests with more than 100 public institutions where students took the CLA+ between 2013 and 2016. Sixty-eight of those colleges had at least 75 freshmen and seniors take the test in the same academic year, making the results for those schools statistically valid, according to the Council for Aid to Education.

The biggest point gain came at Plymouth State University, a college in New Hampshire with about 3,600 undergraduate students. Plymouth State seniors in 2014 had an average CLA+ score of 1,185 points, which was 178 points higher than the average freshman score at Plymouth of 1,007. The school's total count, or "value-added score"—which includes factors such as graduation rates—put Plymouth near the top in the 95th percentile of schools that took the test in 2014.

Maria Sanders, an assistant philosophy professor at Plym-

outh State, says she isn't surprised by its strong CLA+ results because her classes emphasize critical reasoning. In her philosophy of law class, students hold a mock trial of Lizzie Borden, the Sunday-school teacher accused in 1892 of hacking her stepmother and wealthy father to death.

"It's not until the final exam until they realize how much they've learned," said Ms. Sanders. "We don't hand the students anything. I ask them to really think and discover what principle they will live their lives by."

Adam Civinskas, a Plymouth State graduate heading to law school, said he and his classmates in a technical-writing class were assigned to devise a new class that would help them learn to write resumes and cover letters. He said they received almost no instructions on how to tackle this task.

It's hard to find out how good a college is at teaching the skill of critical thinking.

His group interviewed other students and department heads, then built the class proposal from the research. "They gave us just enough information to make us ask ourselves the right questions," said Mr. Civinskas. "That's kind of the way everything works here."

Overall, a majority of students at colleges that took the CLA+ made measurable progress in critical thinking, the Journal found. Colleges that added the most value aren't necessarily highly ranked in areas that more often build a college's reputation, such as faculty research, graduate programs, on-campus amenities, sports programs and the selec-

tivity of the freshmen class.

Clueless on quality

"When it comes to how students select a college, we are clueless about quality," said Tony Carnevale, director of the Georgetown University Center on Education and the Workforce. "The proxy we use is reputation."

Flagship institutions such as the University of Kentucky and the University of Texas at Austin attract some of the brightest students in the country. Their students showed little improvement in CLA+ performance. Their value-added score put their ranking in the bottom third of schools that gave the test in the same year.

Kentucky and UT Austin officials criticized the test and said they no longer use it.

At the University of Louisiana at Lafayette, three-quarters of seniors had "basic" or "below basic" levels of mastery, the two lowest ratings out of five used in the CLA+.

"I wasn't as focused as I should have been, but in a lot of classes, we just watched videos and documentaries, and then we would talk about them. It wasn't all that challenging," said Jeremy Daigle, who graduated in 2011 and now works in a coffee shop in Lafayette.

The college said the test results don't "reflect the rigor of our academic programs." UL Lafayette said it no longer uses the CLA+.

Seniors who scored basic or below basic might not be able to "distinguish the validity of evidence and its purpose" or "determine the truth and validity of an argument," according to the Council for Aid to Education. At least half of the seniors at a quarter of the schools reviewed by the Journal fell into those categories.

By contrast, more than 90% of seniors at California Poly-

technic State University, San Luis Obispo; Miami University of Ohio; Ohio State University and the University of Georgia graduated with critical-thinking abilities rated as "proficient" or better. The two highest levels are "accomplished" and "advanced."

Roger Benjamin, president of the Council for Aid to Education, said the test provides a sound assessment of the intellectual capital and capacity for innovation needed to succeed in the modern world. "That's why measuring performance and working toward improvement are so critical," he said.

At the Citadel in Charleston, S.C., 65% of seniors who took the test in 2016 were rated basic or below. The value added was in the low 2nd percentile among all the schools where students took the exam in 2016.

Beowulf ballot

The Citadel, like many schools, enshrines the importance of critical thinking in its mission statement, pledging to make sure graduates "are capable of both critical and creative thinking...and possess the methodological skills needed to gather and analyze information."

As officials grapple with the lackluster test results, Citadel English professor Jenna Adair has begun incorporating lessons on critical reasoning into her classes.

She asks sophomores to read "Beowulf" and pretend they are journalists covering a presidential race between three characters in the millennium-old epic poem. The students must generate criteria to evaluate the candidates, which pushes them to dissect the concept of leadership. Many struggle.

"A lot of students beg me to give them the answer," she said.

instead of clothing.

"If the whole reason you adopted a uniform policy is that you believe in clothing not being distracting, then why are you undermining your own ideas you set forth for having uniforms anyway?" said Ashlyn Aiko Nelson, associate professor at Indiana University, who has researched fundraisers.

Joe Craig was a big fan of the jeans day when he was a principal in the Lafayette Parish School System in Louisiana.

"My school had about 1,600 kids; on Fridays you'd bring in \$800 to \$1,000," said Mr. Craig, who is now the district's chief administrative officer.

The school district changed course and required "free" jeans days, in a move that Mr. Craig said "hurt" but was one he nonetheless understood.

"The logic is, you were selling the dress code, and that wasn't appropriate—pay \$1, you can break the rule," he said.

Not to be outshined, schools with no uniform requirement have found a lesser-known way to raise money—Pajama Day Fridays.



BRANDON THIBODEAUX FOR THE WALL STREET JOURNAL

"Most people can afford a dollar, or some kids will go through the piggy bank," said Winget Principal Jason Bissinger. "It's neat, and a fun and easy way to raise money."

Winget has used jeans-day money to pay for school field trips, beautification projects, restocking the teacher's lounge and donating to charities. Staff members can also pay to participate.

"Jeans for Jesus" is the popular fundraiser at Mt. Calvary Lutheran School in Diamond Bar, Calif. Students pay \$1 a week to wear jeans on Fridays—or \$5 for a "free dress" day of wearing other kinds of clothing as long as it is deemed appropriate.

The money goes to help pay tuition for families in a financial bind, said Ann

Lovell, an office worker at the school. That goes some way to mitigate the complaint that the burden is heavier on poorer families than more affluent ones.

"We budget very tightly—and we don't have much extra, so this money goes to that," Ms. Lovell said. "It's the easiest fundraiser."

On a recent day at Harry Stone Montessori Academy in

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LIFE & ARTS

BONDS: ON RELATIONSHIPS | By Elizabeth Bernstein

A Guide to Little White Lies



I BET YOU'VE LIED RECENTLY.

"I loved your presentation."

"That tofu lasagna was delicious."

"I can't believe she dumped you."

"No, your butt does not look big in those jeans."

Researchers call lies such as these, meant to benefit others, "prosocial deception." Studies show we tell these lies several times a day, often to those closest to us—our partners, friends and children. White lies, which are thought to be of little consequence, are an example.

They are social grease. These lies smooth our interactions with others. When we tell one, we're usually trying to reassure someone or not hurt his or her feelings. If we were brutally honest all the time, our relationships would implode.

But sometimes we tell white lies for selfish reasons—to avoid an argument or the discomfort of hurting or embarrassing someone. Or even to manipulate. This can damage our relationships, especially if the recipient knows we are lying. And even a lie thought to be inconsequential can cause serious harm. Consider the wife who as-

sures her husband he still looks great as he continues to pack on pounds and eventually develops diabetes.

New research, published last month in the "Journal of Experimental Psychology: General," shows that compassionate people lie more than others. In a series of three studies, researchers at the University of California, San Diego, and the Queen Mary University of London primed participants to feel compassionate. Then they examined whether that influenced them to tell two types of prosocial lies: ones that aim to prevent emotional harm and ones that promote positive outcomes for others.

In the first study, researchers told participants they would be paired with another person and would need to evaluate an essay that person wrote. (In reality, everyone received the same essay, written by the researchers.) After the participants evaluated the essay, they were told personal information about the writer. Half were told the supposed essay writer had a family member who recently died and was going through an emotional time. The other half were told about a re-

cent shopping experience the writer had. Researchers then asked participants to evaluate the essay again and that their remarks would be shared with the writer.

In the second study, participants took a test to measure their innate level of compassion. Then they evaluated the essay, first privately and then again believing their response would be shared with the essay writer. In the third study, researchers showed half of the participants photos of homeless people and a film on child malnutrition and half photos of chairs and utensils, plus a clip of two men talking in court. All were then shown a series of dots on a screen and quizzed afterward on how they were arranged. Researchers told participants they would be given money to donate to charity. They would be paid more if they reported that the dots were arranged on the right, thus giving them a reason to distort their answer.

The results of all three studies were the same: "People who feel compassionate are lying more," says Matthew Lupoli, a doctoral candidate in management at the University of California, San Diego.

When researchers asked the participants who inflated their ratings on the essays why they did so, they said were trying to not to hurt the writer's feelings.

Here's why compassionate lies can sometimes harm people: "If I tell you that I enjoyed your presentation, I may give you false confidence," says Maurice Schweitzer, a professor of operations and information management at the University of Pennsylvania's Wharton School of Business, who studies prosocial lying. "If you subsequently volunteer to give that presentation again or advocate for key ideas in the presentation guided by my lie, you may be much worse off."

How do we know when a little white lie is appropriate and when it is not? Here are some guidelines:

Err on the side of kindness. Selfish honesty—"When I told John his report was terrible I was just being honest"—can do far more harm than a little white lie, says Dr. Schweitzer. He says to go for the well-intended lie when there are no long-term consequences.

Consider the timing. Dr. Schweitzer also suggests avoid-

ing the harsh truth when there is little the target can do to change in the moment.

Lie if the person wants reassurance.

Often when people ask questions such as, "Do I look bad in this dress?" they aren't looking for honest answers. They're looking for help in not feeling worse.

Ask the person if he or she generally prefers the truth.

Some people do. But ask this question well in advance of an actually lying situation. Learn a person's general preference, possibly over a conversation that includes wine. ("Honey, when you ask me if those pants make you look big...")

Question whether you are being manipulative.

"Be aware of what role your selfish motivation plays," says Sean Horan, associate professor of communication at Texas State University in San Marcos, Texas. Do you really want the person to feel better? Or are do you want them to give you something, like affection or a gift?

Don't lie if the person is likely to find out the truth.

Especially if it is from someone else. "There's nothing worse than you saying 'Oh, yeah, I love your proposal,' then four others on the team at work give constructive criticism with authentic feedback that takes the document up a notch," says Shawne Duperon, a communications consultant in Detroit.

Be truthful if you want someone to change.

"It's better not to tell a white lie if you're paying too high a price for it in the relationship or you believe the target will pay too high a price," says Joshua Coleman, a psychologist and senior fellow at the Council on Contemporary Families, a nonprofit organization based at the University of Texas at Austin that distributes research about American families. If a person truly needs help—maybe his or her excess at a party was due to substance abuse—it may better to directly address that rather than to try to avoid his or her embarrassment or an argument, Dr. Coleman says.

Remember the Golden Rule.

Ask yourself if you'd like to be told the same lie, says William Doherty, a marriage and family therapist in St. Paul, Minn., and a professor of family social science at the University of Minnesota. "A lie is a form of power over someone—it is deceiving the other person in some way—and it can be useful to ask oneself if you would want someone else to deceive you in the same situation," he says.

Write to Elizabeth Bernstein at elizabeth.bernstein@wsj.com or follow her on Facebook, Twitter or Instagram at EBernsteinWSJ.

MY RIDE | By A.J. Baime

TO ALASKA AND BEYOND FOR A FAMILY TRUCK

Three generations of the Norwood family from Midland, Texas, on their 1978 GMC Jimmy, as told to A.J. Baime.

Frank Norwood, 89, a retired insurance agent: "In 1978, I bought the Jimmy new for about \$7,500. I could not imagine that nearly 40 years later, our family would still own this vehicle, and I would have such a story to tell.

"The Jimmy started out as a work truck. I used it to build a log cabin in New Mexico. I made about 125 round trips over three years, over 500 miles each, hauling everything from logs to furniture, sometimes thousands of pounds on a trailer. That log cabin is still in our family. Eventually, my son John was driving the Jimmy to Midland High School. We drove the Jimmy on family trips to Alaska, through British Columbia, the Yukon and the Northwest Territories. We took it to Wyoming, and to Battle Creek, Mich.—myself, my wife, the grandchildren, and a dog.

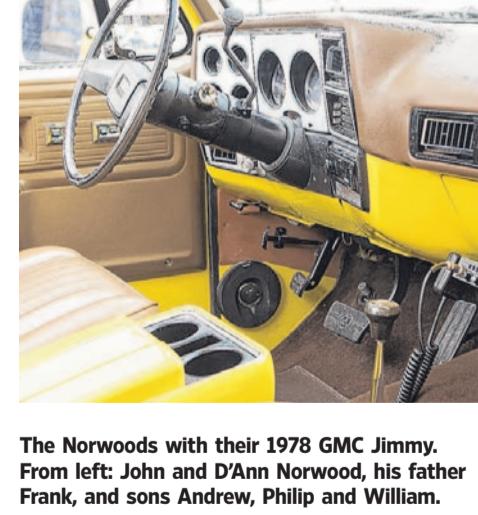
"In 2010, I decided to sell the Jimmy. I

asked my son John if he wanted it, and he said no."

John Norwood, 51, an oil and gas investor: "I was in the seventh grade when my dad bought that truck. After two years of it being gone from the family, I found the new owner and bought it back. The Jimmy underwent a yearlong restoration. The engine

is original and has about 250,000 miles on it. (The odometer broke for some time, so we can't be sure.) You can imagine how proud my wife D'Ann and I were when we gave it to our son, Andrew, so he could drive it to Midland High, just like I did."

Andrew Norwood, 20, a University of Oklahoma student: "The first time I drove the Jimmy to



The Norwoods with their 1978 GMC Jimmy. From left: John and D'Ann Norwood, his father Frank, and sons Andrew, Philip and William.

school, all my friends came around to see it. I had teachers saying, 'I had a truck like that when I was young. If you ever think of selling it...' For a while, the horn would go off every time I made a left turn. I figured out how to go places so I only had to make right turns. The gauges didn't always work, and once I ran out of gas.

"My younger brother Philip just got his driver's license, and in the fall, he will drive the Jimmy to high school. The Jimmy is like a brother. You get mad at it, you argue with it, but at the end of the day, you love it."

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

OPINION

REVIEW & OUTLOOK

The Buck Stops Everywhere Else

Some people with a propensity for self-destructive behavior can't seem to help themselves, President Trump apparently among them. Over the weekend and into Monday he indulged in another cycle of Twitter outbursts and pointless personal feuding that may damage his agenda and the powers of the Presidency.

Mr. Trump first expressed solidarity with the British people after the London terror attack, before managing to convert the mass murder into a referendum on his favorite subject, Donald J. Trump. He assailed London Mayor Sadiq Khan for supposedly minimizing the threat, though what Mr. Khan said was that there was no reason to be alarmed by an enlarged police presence after the rampage. "Pathetic excuse," Mr. Trump called it.

World leaders who stoop to attack municipal politicians in foreign cities look small, not that we can recall a precedent. If Theresa May has an opinion about New York City's Mayor Bill de Blasio, she's kept it to herself, though the Prime Minister was compelled to say Mr. Khan is "doing a good job. It's wrong to say anything else."

In a humiliating coup de grâce, the mayor's office put out a statement saying he "has more important things to do than respond" to Mr. Trump's social-media insults. The U.S. Commander in Chief also has better uses of his time than making himself look foolish.

Mr. Trump's more consequential eruption was against Mr. Trump's Justice Department. He was evidently responding to a segment on MSNBC's "Morning Joe" about his executive order temporarily suspending immigration entry from six countries with a history of terrorism.

"People, the lawyers and the courts can call it whatever they want," Mr. Trump wrote. "I am calling it what we need and what it is, a TRAVEL BAN!" Mr. Trump added that "The Justice Dept. should have stayed with the original Travel Ban, not the watered down, politically correct version they submitted to S.C."

These comments are reckless on multiple levels. The original blunderbuss order was rolled out on the Friday night of Mr. Trump's first week as President with zero public explanation and little internal vetting. White House staffers from the Steve Bannon wing preferred the stun-grenade approach, but Mr. Trump's legal team convinced him to sign a legally bulletproof revision in March because they preferred to win in court.

The new order wasn't "watered down" on sub-

stance but did make pragmatic exceptions for, say, permanent residents with green cards and military translators. Had the White House done such legal due diligence in the first place, the travel ban might not have become a political bonfire—not least because the President enjoys wide constitutional and statutory discretion over immigration and national security.

If Mr. Trump's action is legal on the merits, he seems to be angry that his lawyers are trying to vindicate the rule of law. Attorney General Jeff Sessions would be justified if he resigned, and this is merely the latest incident in which Mr. Trump popping off undermined his own lawyers. The White House spent days explaining that the President fired James Comey on the counsel of Deputy AG Rod Rosenstein, only for Mr. Trump to tell an interviewer that he planned to dismiss the FBI director in any case. Homeland Security Secretary John Kelly has also suggested that the temporary visa shutdown isn't an "immigration ban."

If this pattern continues, Mr. Trump may find himself running an Administration with no one but his family and the Breitbart staff. People of talent and integrity won't work for a boss who undermines them in public without thinking about the consequences. And whatever happened to the buck stops here?

Mr. Trump is also sabotaging the legitimate legal basis for the travel ban, and the stakes are bigger than the ban itself, which we think is counterproductive and unnecessary. He is exercising core presidential powers over foreign affairs that the courts may restrict if Mr. Trump keeps daring them to do so.

Two appellate courts have ignored the order's text and cited legally irrelevant campaign statements to rule that the ban is really intended to discriminate against Muslims. And now President Trump has given liberal judges Twitter evidence to conclude that his motives may be suspect. At the very least he is making it harder to corral a Supreme Court majority.

In other words, in 140-character increments, Mr. Trump diminished his own standing by causing a minor international incident, demonstrated that the loyalty he demands of the people who work for him isn't reciprocal, set back his policy goals and wasted time that he could have devoted to health care, tax reform or "infrastructure week." Mark it all down as further evidence that the most effective opponent of the Trump Presidency is Donald J. Trump.

Supreme Court Disgorges the SEC

Critics of the U.S. Supreme Court often forget how many of its rulings are unanimous, notably on abuses of government power. A fine example arrived Monday when the Justices ruled 9-0 to limit the Securities and Exchange Commission's tactics against the agency's enforcement targets.

In *Kokesh v. SEC*, the commission required investment adviser Charles Kokesh to disgorge some \$34.9 million in ill-gotten gains even though his actions were outside the five-year statute of limitations. Government lawyers argued that disgorgement shouldn't be restricted because requiring a defendant to pay back illegal profits wasn't really a "penalty."

Nice try, Justice Sonia Sotomayor wrote for the Court. "A 'penalty' is a 'punishment,' whether cor-

poral or pecuniary, imposed and enforced by the State, for a crime or offense against its laws," she wrote. Disgorgement "bears all the hallmarks of a penalty: It is imposed as a consequence of violating a public law and is intended to deter, not to compensate."

That's a welcome rebuke to the SEC, which has used disgorgement aggressively to extract settle-

ments, including some \$2.8 billion in 2016.

Justice Sotomayor's opinion also raised legal eyebrows for a footnote in which she said the ruling shouldn't be interpreted as "an opinion on whether courts possess authority to order disgorgement in SEC enforcement proceedings or on whether courts have properly applied disgorgement principles in this context." That almost sounds like an invitation for a future suit to pose the question. Please do.

FAA so routinely fails to deliver new technology: "overambitious plans, unreliable cost and schedule estimates, unstable requirements,

software development problems, poorly defined benefits, and ineffective contract and program management." Is that all?

FAA regulates itself, so a separation would end this conflict-of-interest and allow the agency to focus on safety and certification. This reform is endorsed by the International Civil Aviation Organization, and only the most cynical on the left could claim a spinoff threatens passenger safety. Democrats will say Mr. Trump is auctioning off air traffic to big business, but the principles are explicit that the entity must be a nonprofit. The outline gives airlines only two seats on the 13-member board.

Some on the right may also torpedo the plan. Among the complaints: The nonprofit would be given the air-traffic control assets at no cost, though no company would buy the equipment in this scrapyard. Another is the suspicion that anything supported by the air-traffic-controllers union must be unacceptable. Both the Shuster plan and the Trump principles say that current union contracts would be honored, which is hardly a major victory for labor.

Still, the more remarkable feat is how many in the industry agree on the basics: The airline trade group supports a spinoff, and last year so did the air-traffic-controllers union, which said it will evaluate the specifics of any bill. Former FAA chief officers and Transportation Secretaries also signed on. That's a testament to how inefficient the current system is. And perhaps the traveling public can relate to Mr. Trump's venting on Monday about having "to circle for hours and hours" over an airport.

In May the Transportation Department Inspector General offered some reasons why the

The agency takes a unanimous beating for an enforcement abuse.

Trump's air-traffic spinoff would be a great flight forward.

Has France Found Its Ronald Reagan?

By Walter Russell Mead

Paris

Surging though France this month is an unfamiliar feeling: hope. François Hollande, a president with the charisma of boiled cabbage, is gone. After years of stagnation at home and frustration abroad, the French now place their hopes in Mr. Hollande's young and energetic successor, Emmanuel Macron.

The new leader is more centrist than conservative, but he is approaching the job like a French Ronald Reagan. In 1980 Americans were weary of President Carter's deliberately uncharismatic style. Sensing this, Reagan presented himself as a heroic and transformational leader. This is what Mr. Macron has been doing.

The French presidency as it exists today was invented by Charles de Gaulle, who believed a powerful executive could bring glamour and glory to politics. France's Constitution gives the office sweeping powers, and French presidents like de Gaulle, Valéry Giscard d'Estaing and François Mitterrand cultivated a certain mystique.

As Mr. Macron's people tell it, the past two French presidents never quite lived up to the role. Nicolas Sarkozy was too hotheaded and frantic. The cold Mr. Hollande never projected the requisite grandeur. Mr. Macron, in contrast, wants to be strong and decisive, to wrap himself in a dignity and prestige that evokes France's heroic past.

What the French want most in a president is someone who will cut a powerful figure in the world. Since his inauguration last month, Mr. Macron's performance on the international stage has electrified the electorate.

First he refused to let go during a white-knuckle handshake with Donald Trump. Then he used a joint appearance with Vladimir Putin to denounce Russian propaganda and disinformation. Trolling Messrs. Trump and Putin won't turn France into a superpower, but Mr. Macron is already making his compatriots feel great again.

The strategy seems to be working. As France heads toward legislative elections later this month, Mr. Macron's newly created party, La République en Marche, founded last year, is favored to win 400 or more of the 577 National Assembly seats—an outcome that seemed impossible only a month ago. If so, the president will have the chance to put his ideas to the test, and he alone will be held responsible for the results.

Aside from the usual scandals already swirling around the new administration, two issues will make or break Mr. Macron: fixing France's economy and relaunching the European Union. To get the economy moving he must take on powerful inter-

ests—unions, students, greens, lawyers and more—that have blocked change for decades. To lift Europe he must deal with the euro's problems, which means taking on Germany.

There is little point in pressing Berlin until after Germany's September elections. In campaign mode, Angela Merkel's Christian Democrats will proclaim their undying opposition to clever French schemes that force German taxpayers to bail out lesser economies. If Mr. Macron instead uses the summer to pass legislation reforming domestic labor markets and taxes, he can show Germany his seriousness.

The rub is that he'll need to do it without setting off the street protests and strikes that doomed past efforts. This will be a risky operation, but assuming Mr. Macron navigates the difficulty, it will be Germany's turn to act in the fall.

Emmanuel Macron will have to take on a reform-resistant French economy.

With elections in the rearview mirror, the German chancellor—almost certainly Mrs. Merkel—will sit down with Mr. Macron for the most important negotiations in Europe since the end of the Cold War. They will need to simplify the ungovernable EU's institutions and procedures and find ways to bridge internal divisions before external enemies can exploit them further.

This comes at a difficult time for the Germans. Mr. Putin is hostile, and Mr. Trump is bizarre. Britain is leaving Europe, while Turkey is abandoning the West. The European Union is weaker and more divided than ever. Germany's best, perhaps only, option to stabilize the situation is to relaunch its partnership with France.

Berlin's problems create a unique opportunity for Mr. Macron. Germany may be richer than France, and it may have more power in the EU, but it badly needs French support if Europe is to recover. For the first time since German unification after the Cold War, France can bargain with Germany over Europe's future on something like a level playing field.

An opportunity like this may not come again. If Mr. Macron can push through real reforms in France and forge an agreement with Germany on a set of realistic policies for the euro and the EU, he could well be remembered as the greatest French president since de Gaulle.

Mr. Mead is a fellow at the Hudson Institute, a professor of foreign affairs at Bard College, and editor at large of the American Interest.

LETTERS TO THE EDITOR

So Europe Is Now on Its Own? It's About Time

German Chancellor "Angela Merkel's Lament" (Review & Outlook, May 31) that "we Europeans must really take our destiny into our own hands" raises the question as to why Europe delegated the determination of its destiny to someone else in the first place. If President Trump's reluctance to follow in his predecessor's footsteps and bless the Paris climate accord infuriated Europeans and prompted a renewed sense of responsibility for their fate, is that so bad?

Germany can step up now and start covering more of the cost of defending Europe or it can cuddle up to Vladimir Putin, supposedly Mr. Trump's BFF, and hope that a nonaggression pact works out better than the one in 1939.

Mr. Trump's disorderly behavior led to Ms. Merkel's epiphany regarding Europe's responsibility for Europe's fate. It's about time. World War II ended seven decades ago, and the Cold War ended nearly three decades ago.

THOMAS BELL

Atlanta

A MacArthur-Like Viceroy Won't Work in Afghanistan

While Erik D. Prince's suggestion that the U.S. create a viceroy to oversee American operations in Afghanistan has merit, today's political system would never give that much power to any entity ("The MacArthur Model for Afghanistan," op-ed, June 2).

America's fractious society cannot agree on the time of day, much less on creating an independent executive to direct all U.S. activities in a drawn-out war half a world away.

I have served in Saigon, Cairo and Moscow and note that Gen. Douglas MacArthur had overwhelming military and civil power and ruled a completely defeated Japan that was at peace. None of this applies to Afghanistan.

BRIAN FLANAGAN

Diplomatic Security Service (Ret.)

St. James, N.C.

The real lament, not just the German chancellor's, but all leaders of European NATO countries, isn't the fact of being asked to contribute more money to their joint national defense, but that President Trump failed to personally endorse Article 5 (mutual assistance if individually attacked) in his Brussels speech. Our NATO allies have reasons now to doubt our seriousness to their common defense. Ms. Merkel clearly said: "We Europeans must really take our destiny into our own hands."

We cannot expect our allies to prod Russia by arming Ukraine as you continually urge, if they doubt we might not back them if push comes to shove. It is all a matter of trust.

FELIPE PROPPER DE CALLEJON

New York

Chancellor Merkel's comment that "we Europeans must take really take our destiny in our own hands" doesn't have to mean a breakdown of relations between Europeans and the U.S. On the contrary, when you consider she made them to a crowd in a beer tent in Bavaria during her reelection campaign, it seems more likely she has listened to President Trump and is starting to motivate the German people to contribute more to their defense.

CARL BECHGAARD

Eastham, Mass.

CORRECTION

Greenpeace, Conservation International and the WWF do not conduct major fundraising operations in mainland China. The May 30 article "How China Tamed the Green Watchdogs" misstated their work in that country.

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OPINION

How Theresa May Lost Britain

By Joseph C. Sternberg

Theresa May is gambling this week's election, her political career and Britain's future on a theory.

The prime minister and her advisers believe that if their Conservative Party moves far enough to the left, it can mop up the economically disaffected but risk-averse voters turned off by Labour's hard-left turn in recent years.

It's not working. Mrs. May's early 20-point lead has all but evaporated. This despite a Labour Party in disarray with a leader, Jeremy Corbyn,

Britain's Conservatives are forgetting at their peril that parties of the right must be parties of growth.

whose views on economics and foreign policy are out of step with most of his own party, let alone the country. Mrs. May will probably still be prime minister after Thursday's vote. But she'll preside over a party adrift and divided, opposite a newly emboldened radical fringe in Labour.

* * *

Mrs. May's strategy is nothing new. Many corners of the Conservative Party never made their peace with Margaret Thatcher's gutsy embrace of free markets. They complained Thatcher had emboldened right-wing ideologues. The economic rejuvenation that the Thatcherites engineered had won over voters for a time. But to the detractors, big losses in 1997 and 2001 revealed that Thatcherism was too socially divisive to be politically sustainable.

Mrs. May became party chairman in 2002 and established herself as a tribune for those trying to return the Conservatives to their supposed moderate glory. In her first speech

to a party conference as chairman, Mrs. May more or less admitted that the caricature of the Tories as the "nasty party" was accurate and that the party needed to broaden its appeal.

At first this meant playing down traditionalist views on social issues such as gay marriage, while promising better management of the welfare state, especially the National Health Service, instead of an overhaul. Under Prime Minister David Cameron the Tories became a party of green-energy mandates and middle-class subsidies such as childcare allowances.

Mrs. May now hopes to complete the party's transformation, with help from advisers who first joined her staff when she was home secretary in Mr. Cameron's government. Nick Timothy and Fiona Hill, now co-chiefs of staff at No. 10 Downing Street, both come from middle-class roots similar to the vicar's daughter Mrs. May. Both have helped engineer her latest twist on Tory modernization.

Mr. Timothy is eloquent on the need to turn the Conservatives into a working-class party. In an essay last year, he wrote of how he was attracted to the Tories in the early 1990s because their education policies would give a working-class boy from Birmingham like him the best opportunity to improve his life. The Tories, he says, should appeal to working-class voters who crave the competence and stability Conservative governance offers. Voters only need to be persuaded the party has their best interests at heart.

There's a disconnect here. Mr. Timothy wrote that by age 12 he had concluded that "Labour, in the pursuit of equality, only hold people back, but it is the Conservatives who



Theresa May as Conservative Party chairman in 2002.

help you to go as far as your potential allows." That ought to be an argument for getting government out of the way and reviving economic growth. Instead, translated into practical politics, it becomes a pandering to lower-income voters, offering Labour-style handouts instead of Thatcher-style opportunities.

Mrs. May started her tenure as prime minister last year with jermiads against greedy corporations, flirtations with putting workers on corporate boards and talk of a "modern industrial strategy." This philosophy reached full flower in the party manifesto last month. That document abandoned Mr. Cameron's pledge not to increase income-tax rates and promised to throw another £8 billion (\$10.31 billion) at an unreformed NHS. The manifesto was

light on economic growth and heavy on giveaways, such as a regulatory cap on household energy prices.

The trouble is that voters simply don't trust the Tory conversion. Mrs. May has steadily lost ground to Labour during the campaign, despite Mr. Corbyn's stumbles. Polls show voters credit Mrs. May's promise to deliver the "strong and stable" leadership the country needs, and they trust the Tories more on law and order, immigration and Brexit.

On a range of other concerns, however, from the NHS to education and housing, Labour has a significant edge in public confidence, suggesting it's poised for a comeback if the economy falters post-Brexit.

Perhaps this explains Mrs. May's biggest campaign fiasco: her botched proposal to reform old-age-care entitlements. The gist of the plan was to equalize subsidies for elderly people, in part by requiring wealthier beneficiaries to apply more of the value of their homes to the costs of care from nurses making house calls.

This should have been a winner for kinder, gentler Tories. It would have been a boon for poorer retirees in nursing homes, who would have received bigger subsidies. It would have come at the cost of wealthier elderly, who currently enjoy heavily subsidized home care and then get to pass their houses to their heirs.

It failed because no matter how much Tory modernizers say they're on the side of the little guy, a skeptical media—and a lot of Labour-inclined "little guys"—don't believe it. Labour, which promises an additional £30 billion for the NHS and free hospital parking, needed only to brand the social-care reform as a "dementia tax" and it was doomed.

That raises a question: Can out-Labouring Labour ever be a viable strategy for the Tories—especially when Labour is re-embracing outright socialism? If the party of the right offers only less of the same—money for entitlements, but not as much; strong rhetoric about income inequality, but less action; and so on—voters might as well go with the party they're certain believes in those things. The Tories make a compelling case that they can run the entitlement state more competently. But they'll never beat Labour if they try to convince voters they believe more sincerely in government.

* * *

Mr. Corbyn's perverse political genius is in failing to convert these political trends into a Labour victory. If Bernie Sanders were British, he'd stand a good chance of winning.

No matter. America's "reformicon" conservatives will be eager to treat a May victory, even a surprisingly narrow one, as vindication of their own attempt to pull the Republican Party to the left. But Mrs. May will win because the opposition is feeble and despite voters' doubts about her economic policies.

Mrs. May and her aides are correct that parties of the right need to do a better job of communicating with voters. But don't mistake that for pandering. Conservatives need to be honest about how freedom—of people, minds and markets—is the solution to our vexing social and economic problems, not the cause.

The main political insight of Thatcher and Reagan was that parties of the center-right must be parties of economic growth. Having wavered since, those parties now risk losing their way entirely.

Some centrists will argue, quirks of this campaign notwithstanding, that Mrs. May shows how to win an election. The important question for conservatives to ask is: To what end?

Mr. Sternberg is editorial page editor of *The Wall Street Journal Europe*.

Index Funds Still Beat 'Active' Portfolio Management

By Burton G. Malkiel

A recent report from Standard & Poor's adds impressive support to the large body of evidence suggesting the superiority of simple index investment strategies over traditional stock picking. At the start of every year, "active" portfolio managers declare that the current year will be the "year of the stock picker." But the results consistently fail to support that view.

For years S&P has served as the de facto scorekeeper demonstrating the dismal record of "active" portfolio managers. During 2016, two-thirds of active managers of large-capitalization U.S. stocks underperformed the S&P 500 large-capital index. Nor were managers any better in the supposedly less efficient small-capitalization universe. More than 85% of small-cap managers underperformed the S&P Small-Cap Index.

When S&P measured performance over a longer period, the results got worse. More than 90% of active managers underperformed their benchmark indexes over a 15-year period. Equity mutual funds did beat the market sometimes, but seldom can they do it consistently, year over year.

The same findings have been documented in international markets. Since 2001, 89% of actively managed international funds had inferior performance. Even in less efficient emerging markets, index funds outperformed 90% of active funds. Indexing has proved its merit in various bond markets as well.

The logic behind the empirical results is irrefutable. In any national market, all the securities are held by someone. Thus if some investors are holding securities that do better than average, it must follow that other investors do worse than average. Investing has to be a zero-sum game. For every winner there will be a loser.

But in the presence of costs, the game becomes negative-sum. The index investor will achieve the market return with close to zero cost. Actively managed funds charge management fees of about 1% a year. Thus, as

There is no better way for individuals to invest in the stock market and save for retirement.

a group, actively managed funds must underperform index funds by their difference in costs. And empirical evidence suggests that active funds underperform index funds by approximately the difference in their costs. Moreover, actively managed funds tend to realize taxable capital gains each year. Passive index funds are more tax-efficient, making the after-tax gap even larger.

In 2016 investors pulled \$340 billion out of actively managed funds and invested more than \$500 billion in index funds. The same trends continued in 2017, and index funds now account for about 35% of total equity fund investments.

Now a new critique has emerged: Index funds pose a grave danger both to the stock market and to the general economy.

In 2016 an AB Bernstein research team led by analyst Inigo Fraser-Jenkins published a report with the provocative title "The Silent Road to Serfdom: Why Passive Investment Is Worse than Marxism." The report argued that a market system in which investors invest passively in index funds is even worse than an economy in which government directs all capital investment. The report alleges that indexing causes money to pour into a set of investments without regard to considerations such as profitability and growth opportunities. De-

tractors also accuse index funds of producing a concentration of ownership not seen since the days of the Rockefeller Trust.

What would happen if everyone began investing in index funds? The possibility exists that they could grow to such a size that they would distort the prices of individual stocks. The paradox of index investing is that the stock market needs some active traders to make markets efficient and liquid.

But the substantial management fees that active managers charge give them an incentive to perform this function. They will continue to market their services with the claim that they have above-average insights that enable them to beat the market, even

though they cannot all achieve above-average market returns. And even if the proportion of active managers shrinks to a tiny percentage of the total, there will still be more than enough of them to make prices reflect information.

Americans have far too much active management today, not too little. The S&P report reveals that ever-increasing percentages of active managers have been outperformed by the index. If anything, the stock market is becoming more efficient—not less so—despite the growth of indexing.

It's true that there will be a growing concentration of ownership among the index providers, and they will have increased influence in proxy voting. The possibility of excessive self-conscious saluting the flag." Who knew?

Most of these writers allow that there is at least some fraction of Trump voters who are *not* deplorable. What they don't appreciate is how condescending they can be while advising their fellow Democrats to be less condescending.

Exhibit A: Mr. Drum's recommendation that Democrats can "broaden [their] appeal" because these are "persuadable, low information folks."

The liberal contempt for Middle America is baked into the idea of identity politics.

Still, Mr. Drum comes across as Gandhi when set against the writer at *Slate* who interviews Ms. Williams. The following question conveys the tone: "What attitude should we be taking toward people who voted for a racist buffoon who is scamming them?"

Ms. Williams, a University of California law professor who has written a new book on the white working class, generously avoids telling her interviewer he is a perfect instance of the problem. But the larger progressive dilemma here is that contempt is baked into the identity politics that defines today's Democratic Party.

When Mrs. Clinton labeled Trump voters deplorable ("racist, sexist, homophobic, xenophobic, Islamophobic, you name it") she was simply following identity politics to its logical conclusion. Because identity politics transforms those on the other side of the argument—i.e., Americans who are pro-life, who respect the military, who may work in the coal industry—from political opponents into oppressors.

market power needs to be monitored by antitrust authorities, but index funds don't have an incentive to use their votes to encourage anticompetitive behavior.

Index funds have been of enormous benefit for individual investors. Competition has driven the cost of broad-based index funds nearly to zero. Individuals can now save for retirement far more efficiently than before by assembling a diversified portfolio of index funds. There is no better way to preserve and grow one's savings.

Mr. Malkiel, chief investment officer of *Wealthfront*, is the author of *"A Random Walk Down Wall Street"* (W.W. Norton), now in its 11th edition.

Why America's Elites Hate

 Nine years after Barack Obama accused small-towners of clinging to guns or religion, nearly three years after Jonathan Gruber was shown to have attributed ObamaCare's passage to the stupidity of the American voter, and eight months after Hillary Clinton pronounced half of Donald Trump's voters "irredeemable," Democrats are now getting some sophisticated advice: You don't win votes by showing contempt for voters.

In the past week or so a flurry of articles have appeared arguing for toning down the looking-down. In the *New Republic* Michael Tomasky writes under the heading "Elitism Is Liberalism's Biggest Problem." Over at the *New York Times*, Joan C. Williams weighs in with "The Dumb Politics of Elite Condescension." *Slate* goes with a Q&A on "advice on how to talk to the white working class without insulting them." Stanley Greenberg at the *American Prospect* writes on "The Democrats' Working-Class Problem," and Kevin Drum at *Mother Jones* asks for "Less Liberal Contempt, Please."

None of these pieces are directed at Trump Nation. To the contrary, they are pitched to progressives still having a hard time coming to grips with The Donald's victory in November. Much of what these authors write is sensible. But it can also be hilarious, particularly when the effort to explain ordinary Americans to progressive elites reads like a Margaret Mead entry on the exotic habits of the Samoans.

Mr. Tomasky, for example, informs progressives that middle Americans—wait for it—"go to church." They have friends ("and sometimes even spouses") "who are Republicans." "They don't feel

which is precisely how they are treated: as bigots whose retrograde views mean they have no rights. So when the Supreme Court unilaterally imposes gay marriage on the entire nation, a baker who doesn't want to cater a gay reception must be financially ruined. Ditto for two Portland women who ran a burrito stand that they shut down after accusations of cultural appropriation regarding their recipes.

No small part of the attraction of identity politics is its usefulness in silencing those who don't hew to progressive orthodoxy. It has led Democrats to regard themselves as the "resistance" rather than the loyal opposition.

The great irony here is that this has left Democrats increasingly choosing undemocratic means to get what they want. From President Obama's boast that he would use his pen and phone to bypass Congress to the progressive use of the Supreme Court as its preferred legislature to the Iran and climate deals that made end runs around the Constitution, it all underscores one thing: The modern American progressive has no faith in the democratic process because he has no trust in the American people.

Here it helps to remember the tail end of Mr. Obama's snipe about guns and religion: it was a crack about voters clinging to "antipathy toward people who aren't like them." Sounds like a pretty accurate indictment of contemporary American liberalism, judging by all these articles begging progressives to be a little more broad-minded.

So good luck with the idea that the Democratic Party can restore its relationship with Middle America without addressing the identity politics that fuels it. Especially when it starts from the premise that the Americans they are condescending to will remain too stupid to figure it out.

Write to mcgurn@wsj.com.

THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

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THE WALL STREET JOURNAL.

Wednesday, June 7, 2017 | B1

Yen vs. Dollar 109.3560 ▼ 1.00%

Hang Seng 25997.14 ▲ 0.52%

Gold 1293.20 ▲ 1.09%

WTI crude 47.63 ▲ 0.49%

10-Year JGB yield 0.045%

10-Year Treasury yield 2.139%

U.K. Vote Is Markets' New Worry

By CHRISTOPHER WHITTALL

Investors are scrambling to protect themselves against big moves in the British pound ahead of this week's election, the outcome of which many had taken for granted.

One gauge of how much it costs investors to protect themselves against a slide in sterling hit levels on Monday not seen since the U.K.'s surprise vote to leave the European Union last June. That jump in so-called one-week risk reversals in currency-derivatives markets came after weeks of calm in which it appeared the ruling Conservative Party was heading for a landslide victory in Thursday's election.

As the opposition Labour Party catches up in the polls, investors are trying to work out what a range of possible voting outcomes could mean

for British markets and the country's divorce from the EU.

Pushing the rush for protection: Many are really unsure what some of those possible outcomes would mean for markets.

"All of a sudden, this has become an event for markets to worry about," said Hamish Pepper, a foreign-exchange strategist at Barclays PLC in London.

Most analysts believe that a big Conservative win would be the best option for markets, sending the pound higher. A large Tory majority would bring certainty but also give Prime Minister Theresa May a stronger hand when dealing with lawmakers in her own party who are demanding a quick and sharp break from Brussels, something many investors don't want.

The Conservative Party se-

curing a large majority "would be taken relatively well by U.K. asset markets," said Mike Amey, head of sterling portfolio management at Pacific Investment Management Co., given it would give Mrs. May "more credibility" in Brexit negotiations.

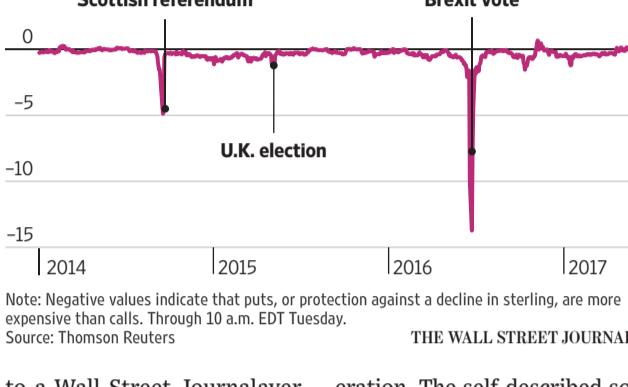
A small margin of victory likely would push sterling lower, said Mr. Amey, as Mrs. May would remain under pressure from within her party to make a clean break from the EU, Britain's biggest trading partner.

The pound gained by more than 2% in April when Mrs. May called a vote. Polls then suggested she would win convincingly.

But Labour has crept up. In mid-April, some polls gave the Conservatives a lead of more than 20 points over the Labour Party. That has narrowed to 8 points, according

Hedging Against Sterling Weakness

One-week sterling-dollar risk reversals, a gauge of how much investors will pay to protect against a sharp move.



Note: Negative values indicate that puts, or protection against a decline in sterling, are more expensive than calls. Through 10 a.m. EDT Tuesday.

Source: Thomson Reuters

to a Wall Street Journal average of opinion polls.

Many investors don't relish the idea of a Labour victory. Labour's leader, Jeremy Corbyn, is considered the party's most left-wing leader in a genera-

tion. The self-described socialist has promised to nationalize rail and water companies, raise the minimum wage and increase taxes on corporations and the top 5% of

Please see POUND page B2

VW Stirs Ire Over Charging Stations

By MIKE SPECTOR

Several state officials and auto makers are pillorying Volkswagen AG's plan to sell battery juice to Americans driving electric cars, contending the project more resembles an unfair government-backed windfall than penance for cheating on emissions tests.

The German auto giant will build an extensive network of charging stations in the U.S. in coming years, part of a \$2 billion, decadelong promotion of environmentally friendly transportation in a market where electric cars are unpopular. The commitment is part of a broader settlement with government officials and consumers after Volkswagen admitted to installing illegal software on nearly 600,000 diesel-powered vehicles in the U.S. that duped emissions tests.

Seven Republican and Democratic state attorneys general have appealed to the Environmental Protection Agency, arguing Volkswagen's plan could give it an unfair leg up on other car companies. Volkswagen says its chargers will only meet a fraction of the projected need for drivers of electric vehicles, and that it isn't blocking other companies from pursuing competing plans.

Its investment into the charging stations is separate from other significant financial penalties the auto maker agreed to in the emissions case. Volkswagen views the plan as consistent with its effort to transform the company to one investing in electric vehicles instead of diesel technology.

With an initial \$300 million investment outside California, Volkswagen plans to create more than 450 charging stations in 39 states, both along highways and at workplaces, retail centers and other sites. The company aims to sell one million electric vehicles globally by 2025. Other auto makers are also making ambitious investments in electric cars.

The attorneys general wrote to the EPA's chief in April, after the agency approved Volkswagen's initial plans. Other auto makers sent letters to California environmental regulators expressing similar concerns.

The EPA had no immediate comment. The California Air Resources Board in late May wrote to Volkswagen asking it to address competition concerns, plans to install charging stations in poorer communities and the potential for fuel depots servicing hydrogen fuel-cell vehicles. Some auto makers seized on Volkswagen's lack of plans for that technology.

A Ford executive, referring to Volkswagen's plan to install 50 ultrafast charging stations in highway corridors, raised concerns that the German auto

Please see VW page B4

STREETWISE By James Mackintosh

Investors Focus on Politics, Not Terror



Today is one of those times a sensible assessment of risk looks more coldhearted than clear-eyed. Thousands of City traders and bankers walk across London Bridge every day, and Borough Market hosts restaurants popular with fund managers and financial journalists, myself included.

Yet, investors were unflustered by Saturday night's brutal attack. The pound initially fell against both the dollar and euro, but by the time London opened, sterling was above where it stood Friday, if rather more volatile.

There was no sign traders thought the attack would affect Thursday's election result, with shares in most companies the opposition Labour Party has promised to nationalize rising, notably National Grid PLC and Royal Mail PLC. Investors continue to think the governing Conservatives will romp home.

On one level, this looks sensible, as London has weathered many attacks from religious and nationalist extremists over the years, including Guy Fawkes's 1605 effort to blow up Parliament in the name of Catholicism, the 1947 bombing wave by Jewish terror group Irgun, and hundreds of bombings by the Provisional IRA during the two decades of the Troubles in Northern Ireland. Even when the IRA blew up the Baltic Exchange and its trading floor for shipping derivatives in 1992, stocks and the pound were unscathed.

Britain's wartime motto of "Keep Calm And Carry On" has turned into a global cliché, yet the rapid return to normality in London and recently bombed Manchester shows its truth.

On another level, investor confidence in the election outcome looks overdone. The betting markets are a decent proxy for investor certainty and give Theresa May a better-than-80% chance of staying as prime minister. It is unthinkable for many in finance that bearded socialist Jeremy Corbyn and his divided Labour Party could win, even as Mrs. May's poll lead narrows.

The confidence is particularly odd when investors are acting on far less information than usual. Polling methods have been revised after their failure in the lat-



PATRICK T. FALLON FOR THE WALL STREET JOURNAL

Amazon has been looking at underserved audiences for expansion of its retailing services. An Amazon facility in Los Angeles.

Amazon Steps On Wal-Mart's Turf

Online retail giant takes aim at rival, cutting Prime membership fee for low-income U.S. shoppers

By LAURA STEVENS
AND SARAH NASSAUER

Amazon.com Inc. is lowering its membership fee for low-income shoppers, going after a Wal-Mart Stores Inc. stronghold.

The online retailer giant said Tuesday that it will offer a nearly 20% segment of the U.S. population—people who obtain government assistance with

receive government assistance for a large percentage of sales. Wal-Mart generated about \$13 billion in sales last year from shoppers using the Supplemental Nutrition Assistance Program, or SNAP, accounting for around 18% of the money spent through the program nationwide. Those customers also spend additional income while in Wal-Mart stores.

Amazon will require cards typically used for food stamps as an initial measure to determine participant eligibility, although they can't yet be widely used for shopping online. The retailer plans to add additional ways to qualify.

Low-income shoppers are "a big opportunity" and are already buying online, said Laura Kennedy, director, retail insights, at consultancy Kantar

Retail. But some lower-income consumers still face hurdles because they more often lack typical bank resources like accounts or credit cards.

An Amazon spokeswoman said the company was looking at underserved audiences when it came up with the concept, adding that \$99 might be a barrier to entry for some consumers in a temporary state of need. Amazon will require eligible participants to requalify every year for up to four years.

Wal-Mart has been working to keep those customers even as more shop online. It acquired low-cost Jet.com for \$3.3 billion last year and has been revamping its online strategy, scrapping a \$50 charge for a two-day, no-cost shipping membership program in favor of offering free ship-

ping on orders over \$35. (Amazon's free-shipping threshold for non-Prime customers is currently for orders over \$25.)

Wal-Mart executives hoped it would draw in more value-oriented and non-Prime customers by removing membership fees.

At the same time, Amazon is expanding its Prime membership program, adding perks and expanding it to more than a dozen countries. Analysts estimate its more than 60 million members spend significantly more than other shoppers. Still, 47% of U.S. primary household shoppers say they never or rarely shop on Amazon, according to data from Kantar Retail. About 30% of the approximately 44 million SNAP recipients have access to Prime via a subscription, free trial or family member, according to Kantar.

INSIDE



EDGAR SU/REUTERS

AIRASIA HOPES TO SHAKE UP CHINA'S AVIATION SECTOR

BUSINESS NEWS, B3

U.S. Accounting Firms Promote Easier Entry for Foreign Recruits

By MICHAEL RAPORT

Accounting is both art and science—but in a bid to help more foreign accountants work in the U.S., it is the science part that the accounting industry wants to emphasize.

Major accounting firms and the industry's trade group are trying to convince Congress to include accounting as part of the "STEM" career fields—science, technology, engineering and mathematics. Those areas get special consideration when the U.S. government determines which foreigners get visas to work in the U.S.

Specifically, the industry wants to expand the STEM definition of "mathematics" to

include accounting. The efforts by firms and the American Institute of Certified Public Accountants are cited in recent lobbying disclosure reports filed with Congress.

The effort centers on adding the profession to those fields favored for H-1B visas.

The accounting-industry push underscores the degree to which the immigration debate isn't just about illegal immigrants and the low-skilled

jobs they take—it is also about highly skilled, technical jobs and how many foreigners the U.S. should allow to fill them.

President Donald Trump has called for scaling back the H-1B visa program for high-skilled "guest workers," who are largely in STEM disciplines. Many companies, particularly in the tech industry, argue that the program is vital to their accessing a wider pool of workers with specialized skills. But critics say H-1B has fostered outsourcing, helping companies replace or forgo U.S. workers in favor of lower-paid foreign workers.

Accounting firms say they aren't seeking lower-paid

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POUND

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earners. These plans likely would hit U.K. share prices if he were elected, analysts say. Labour's plans for increased fiscal spending could also send the yields on U.K. government bonds higher if, as expected, it led to greater government borrowing.

Most analysts expect a Labour victory or an inconclusive result would weigh on the pound initially. "The knee-jerk reaction would be for sterling to be the buffer for international investors," said Mr. Pepper of Barclays.

But some investors also argue that a Labour-led government could boost sterling over the medium term. While the party has said it would respect the Brexit vote, it likely would push harder to stay in the EU's single market.

Between the scenarios of Labour and Tory administrations are a range of minority governments and coalitions. Some investors hope that a minority government would need backing from parties that are against Brexit—the Scottish National Party or the Liberal Democrat Party—and that could soften the divorce.

"A second Brexit referendum would suddenly become a real possibility for the first time, making investors reassess their assumptions about Britain and the EU," said Matthew Jennings, investment director for U.K. equities at Fi-

delity International.

Still, David Vickers, a portfolio manager at Russell Investments, isn't so sure, underscoring how split opinion is even as the election nears.

"I think a hung Parliament would probably be the worst [outcome] because you'd have a lack of leadership in the negotiations. If you're trying to rule by committee, it's going to be difficult," he said.

So some currency traders aren't taking any chances. One-week risk reversals on the sterling-dollar exchange rate sank to minus-3.9 points on Monday, according to Thomson Reuters, their lowest level since just after the Brexit vote. It traded at minus-3.6 points late in the European afternoon on Tuesday.

The measure compares the cost of currency derivatives betting on a rise or decline in the pound with a deeply negative figure, indicating traders are willing to pay more to shield themselves against a drop in the currency.

Still, current levels are still some way off the minus-13.7 points reached immediately before the Brexit vote.

"This week, we will expect volatility in sterling," said Nandini Ramakrishnan, a market analyst at J.P. Morgan Asset Management, who said her team is taking a more neutral stance on U.K. equities ahead of the election.

"There are so many layers within each result that can affect how the market will think about it," Ms. Ramakrishnan said.

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INTERNATIONAL NOTICES

Record No. 2017 No 192 COS

THE HIGH COURT COMMERCIAL

IN THE MATTER OF NEXVEL BIOPHARMA PUBLIC LIMITED COMPANY

AND IN THE MATTER OF SECTIONS 450(3) AND 450(5) OF THE COMPANIES ACT 2014

AND IN THE MATTER OF THE COMPANIES ACT 2014

AND IN THE MATTER OF THE IRISH TAKEOVER PANEL ACT 1997

NOTICE is hereby given that by an Order dated June 1, 2017 (and perfected on June 1, 2017) made in the above proceedings, the High Court has directed the summoning of a meeting of the holders of Nexvel Shares (as defined in a proposed Scheme of Arrangement between Nexvel Biopharma Public Limited Company (the "Company") and the Scheme Shareholders (the "Scheme")) for the purpose of their considering, and voting on, a resolution proposing that the Scheme in its original form or with or subject to any modification(s), addition(s) or condition(s) approved or imposed by the High Court be agreed to (the "Scheme Meeting").

The High Court has directed that the Scheme Meeting be summoned for July 10, 2017 at 10:00 a.m. (Irish time) at the offices of Matheson, 70 Sir John Rogerson's Quay, Dublin 2, Ireland.

The entitlement to attend and vote at the Scheme Meeting or at any adjournment thereof shall be determined by reference to the register of members of the Company as at 5:00 p.m. (ET/New York time) on May 30, 2017.

In addition to the approval to be sought at the Scheme Meeting, the Scheme will require the passing of resolutions at a separate Extraordinary General Meeting of the Company (the "EGM") to be convened at the same location on July 10, 2017 at 10:30 a.m. (Irish time) (or, if later, as soon thereafter the Scheme Meeting shall have been concluded or adjourned).

The High Court has directed that, subject to the approval of the resolution proposed at the Scheme Meeting and the resolutions to be proposed at the EGM, the Company may apply to the High Court on July 11, 2017 for directions in respect of the hearing of the application to sanction the Scheme and related capital reduction, which shall be returnable for hearing on July 28, 2017.

A copy of the Scheme (incorporated as Part 4 of the definitive proxy statement) has been despatched to the Nexvel Shareholders. The holders of Nexvel Shares may obtain free copies of the definitive proxy statement (including the Scheme) and other documents filed by the Company with the U.S. Securities Exchange Commission at www.sec.gov. In addition, investors, shareholders and creditors of the Company may obtain free copies of the definitive proxy statement (including the Scheme) as well as other documents filed by the Company at www.nexvel.com.

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70 Sir John Rogerson's Quay,
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June 7, 2017

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BUSINESS & FINANCE

Mueller Drops Takata Task

Ex-FBI director was appointed special counsel in Russia probe last month

By MIKE SPECTOR

The special counsel investigating Russia's alleged interference in the 2016 presidential election relinquished an assignment steering compensation to victims of rupture-prone Takata Corp. air bags, potentially delaying nearly \$1 billion in payouts to auto makers and consumers.

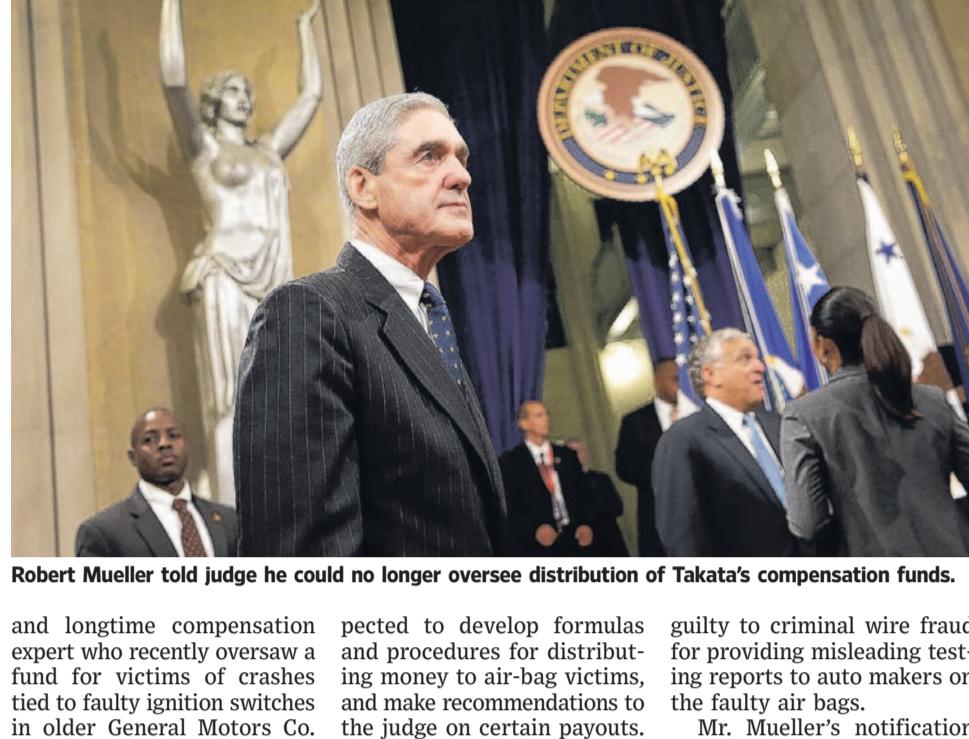
Former FBI Director Robert Mueller stepped back from the position overseeing two Takata compensation funds in May after Deputy U.S. Attorney General Rod Rosenstein appointed him as special counsel, said Peter Carr, a spokesman for Mr. Mueller.

Mr. Mueller contacted U.S. District Judge George Steeh soon after to inform him he could no longer handle the Takata assignment, the judge said in an interview. Judge Steeh had tapped Mr. Mueller for the job under terms of a plea deal Takata agreed to as part of a criminal case against the Japanese automotive supplier.

Takata air bags are now linked to numerous deaths and injuries and at the center of an unprecedented automotive safety recall.

"After his appointment as Special Counsel, Mr. Mueller informed the court that he would no longer be able to serve as special master overseeing the Takata restitution funds," said Mr. Carr, the spokesman for Mr. Mueller, in a statement.

The special master overseeing the Takata funds is ex-



Robert Mueller told judge he could no longer oversee distribution of Takata's compensation funds.

and longtime compensation expert who recently oversaw a fund for victims of crashes tied to faulty ignition switches in older General Motors Co. vehicles, is now under consideration to replace Mr. Mueller, Judge Steeh said. The judge said he might also weigh other candidates.

"I expect to be communicating more with the parties before a decision on the appointment is made," Judge Steeh said, adding he hoped to make a choice soon.

A spokesman for the U.S. District Court in Detroit confirmed the developments in a news advisory Monday evening after The Wall Street Journal reported them. The judge plans to confer with lawyers from the Justice Department and Takata to find a replacement for Mr. Mueller, the advisory said.

The pending appointment was part of Takata's agreement earlier this year to plead

guilty to criminal wire fraud for providing misleading testing reports to auto makers on the faulty air bags.

Mr. Mueller's notification that he could no longer oversee the Takata funds was expected among those close to the case given his new duties leading a federal investigation into Russian meddling in the 2016 election and possible coordination between Moscow's efforts and the Trump campaign.

President Donald Trump has rejected suggestions he or his associates colluded with Russia, and the Kremlin has denied interfering in the U.S. election.

Judge Steeh, who presides over cases in a federal-district court in Detroit, said the time-consuming demands of the special-counsel investigation were among the reasons Mr. Mueller gave for relinquishing the Takata assignment.

Tarnished Sterling

As the U.K.'s Labour Party narrowed the polling gap with the ruling Conservatives, the pound took a beating. Sterling shrugged off the London terror attack and rose on Monday.

Party support, 14-day moving average (→) and each poll (●)



*Monday's data from Thomson Reuters as of 4:25 p.m. BST

Sources: WSJ average of opinion polls from BMG, ComRes, GfK, ICM, Ipsos Mori, Kantar TNS, ORB, Opinium, Panelbase, Survation and YouGov (polls);

Bank of England, Thomson Reuters (sterling)

THE WALL STREET JOURNAL.

STEM

Continued from the prior page
workers, rather they want the best employees for their needs, wherever they are from. The AICPA said in a statement that the industry has "encouraged Congress to consider the future demand for certified public accountants, or CPAs, as it considers immigration reform."

Accounting firms need "global mobility" for their personnel to work with multinational companies with operations both in the U.S. and abroad, the group said. Beyond immigration, having the prestige and attention of STEM could help attract more people into accounting, the AICPA said.

Some observers are skeptical. "I think it is a stretch to include accounting as one of the STEM disciplines," said Ronil Hira, an associate professor of political science at Howard University who studies high-skilled immigration and outsourcing.

Mr. Hira says the accounting firms are in fact using the H-1B program to bring lower-paid accountants from abroad into the U.S. The big accounting firms' approved applications for H-1B visas show they are predominantly for jobs in the lowest wage category, essentially entry-level wages, according to a compilation by Mr. Hira of U.S. Labor Department data for 2015 applications that he furnished to The Wall Street Journal.

"The companies see this as highly profitable. The fact that it undercuts U.S. accountants isn't part of their calculations for decision-making," Mr. Hira said.

A spokeswoman for PriceWaterhouseCoopers LLP said most of the firm's H-1B hires received entry-level pay not because the firm was trying to save money, but because they were hired right out of school. The other Big Four accounting firms—Deloitte & Touche LLP, KPMG LLP and Ernst & Young LLP—declined to comment on the industry's STEM lobbying, deferring to

the AICPA's statement. It wouldn't appear that accountants are in short supply in the U.S., as U.S. colleges are turning out more accounting graduates than accounting firms are hiring.

According to AICPA figures, 81,782 people received U.S. bachelor's or master's degrees in accounting in the

BUSINESS NEWS

Budget Carrier AirAsia Targets Chinese Market

By TREFOR MOSS

SHANGHAI—China's growing ranks of middle-class consumers love to fly, putting the nation on track to surpass the U.S. as the world's biggest airline market within the next decade.

But they won't find many bargains. Budget airlines carry just 7% of domestic fliers in China, according to CAPA Centre for Aviation, an aviation-intelligence company, compared with two-thirds in neighboring India and Thailand.

Budget airline **AirAsia** Bhd aims to change that, hoping to shake up China's aviation sector by exporting its no-frills model to the region's biggest air-travel market.

In a regulatory filing last month, it said it plans to open a unit in Zhengzhou, the capital of Henan province.

But the Malaysia-based carrier could experience a bumpy landing in China, as the country's big state-run airlines—**Air China**, **China Eastern Airlines** and **China Southern Airlines**—enjoy a stranglehold that limits the opportunities of low-cost competitors.

The incumbents command all the best landing slots and lobby against the awarding of operating licenses and slots to low-cost rivals, said Will Horton, a senior analyst at CAPA.

The government also tightly regulates aircraft purchases, limiting the expansion of potential rivals, he said, and airlines are barred from hiring pilots away from competitors to help them grow.

"It will take AirAsia a long time to build up and achieve its goals" in China, Mr. Horton said.

China's aviation authority didn't respond to questions.

Elsewhere in Asia, budget airlines are thriving. Low-cost carriers such as Indonesia's



Malaysia-based AirAsia will face a stiff challenge from China's big state-run airlines.

Lion Air, India's IndiGo and AirAsia have zoomed past full-service incumbents when it comes to securing domestic and regional market share.

Low-cost carriers typically drive down prices by stripping out services provided by full-service airlines, such as inflight meals and entertainment, check-in baggage and airport lounges.

For example, Chinese budget carrier **Spring Airlines** is offering a \$186 round-trip fare from Shanghai to Hong Kong in July, whereas full-service rival **China Eastern Airlines** charges \$258 for the same route on the same dates.

But while Spring Airlines and several other Chinese low-cost carriers have emerged, regulations restricting both fleet expansion and the acquisition of good landing slots are holding them back. No foreign airline, low-cost or otherwise, has ever managed to establish a Chinese base.

In its regulatory filing, AirAsia said it had signed a mem-

orandum of understanding with local partners China Everbright Group, a state-run financial-services company, and the Henan government. The parties have a year to strike a deal.

The Malaysian carrier already flies to 15 destinations in mainland China, but setting up a local base would help spur a boom in budget air travel, it said in the filing, and enable AirAsia to capitalize on surging Chinese demand. It didn't respond to requests for comment.

Demand for air travel in China is growing strongly: Chinese people will take 1.3 billion flights in 2035, up from 483 million in 2015, the International Air Transport Association predicts, and China will eclipse the U.S. as the world's biggest aviation market by around 2024.

Budget airlines are slowly gaining traction in China, said Andrew Cowan, chief executive of U-Fly Alliance, a grouping of low-cost carriers in

China, Hong Kong and South Korea, following 2014 changes designed to encourage budget air travel.

Those changes removed minimum-pricing rules, enabling low-cost carriers to undercut full-service competitors, Mr. Cowan said. The new rules also cut airport fees in provincial cities like Zhengzhou where budget airlines typically operate, and raised fleet-size caps.

Although the budget carriers could dent the business of the state-owned airlines, Mr. Cowan said Beijing has at least one good reason to support budget airlines' expansion. The government is investing heavily in dozens of new regional airports across China, he said; unless it wants them to sit empty, it will need low-cost airlines to move in and start using them.

—Yantoulra Ngui in Kuala Lumpur, Junya Qian in Shanghai and Gaurav Raghuvanshi in Singapore contributed to this article.

GM Shareholders Back Leadership Against Activist

By MIKE COLIAS

General Motors Co. shareholders on Tuesday delivered a vote of confidence for Chief Executive Mary Barra, shooting down hedge-fund manager David Einhorn's proposal to split the company's stock into two classes.

Preliminary voting results indicated overwhelming rejection of the plan first floated in March by Mr. Einhorn's **Greenlight Capital** Inc., which included a class of stock that pays dividends and a second that paid all additional earnings to growth investors. Shareholders also voted down Mr. Einhorn's slate of three proposed directors, returning 11 incumbent directors that the U.S. auto giant proposed.

Ms. Barra, who is chairman in addition to CEO, led a boardroom fight against the dual-class idea, claiming it amounted to financial engineering that would have hampered GM's ability to manage cyclical downturns and invest in future technologies.

Detroit auto makers are under pressure to counter a growing threat from tech companies that are developing electric cars and self-driving vehicles.

In a statement, Mr. Einhorn expressed disappointment that shareholders "elected to maintain the status quo" over what he called a "creative idea" to unlock value in GM's stock.

The shareholder vote came just weeks after Ford Motor Co. ousted its chief executive, Mark Fields. Like Ms. Barra, Mr. Fields took over in 2014 after a career climbing the ranks in various management positions. However, with Ford shares in a deep slump, he was

replaced by Jim Hackett, an industry outsider who had served on Ford's board.

GM could remain susceptible to future activist moves if Ms. Barra can't lift the company's share price. GM shares are stuck around their \$33 initial public offering price in 2010 and the stock is among the cheapest in the S&P 500 on a price-to-earnings-ratio basis.

Shares of GM were off slightly at \$34.27 in midday trading Tuesday. GM's market valuation of \$51.8 billion trails electric-car maker Tesla Inc.'s \$576 billion valuation, an indication that Wall Street prizes future growth opportunities over near-term profit.

GM has delivered several years of strong profits under Ms. Barra. But auto sales are slowing in the U.S. and China, the company's two primary markets.

Ms. Barra told reporters ahead of Tuesday's meeting that she believes GM shares are undervalued and she continues to explore ways to "unlock that value." But she also defended GM's record, which includes share buybacks and dividends, and big bets on future growth areas where Tesla and other Silicon Valley companies are seen as having a potential edge.

"We do believe that GM's stock is undervalued and we are taking decisive action to address this," she said.

Tesla was facing its own proxy battle Tuesday, with certain shareholders pushing to have directors elected yearly rather than on three-year terms. The proposal is seen as a way to increase accountability.



Mary Barra

THE HUMAN ELEMENT 势在人为

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TECHNOLOGY

WSJ.com/Tech

Apple Aims for Home Advantage

Company enters
HomePod speaker
into battle among
tabletop devices

BY TRIPP MICKLE

Apple Inc. revealed a voice-activated speaker on Monday, thrusting itself into the rapidly escalating fight between the biggest names in technology to control the home through a tabletop device.

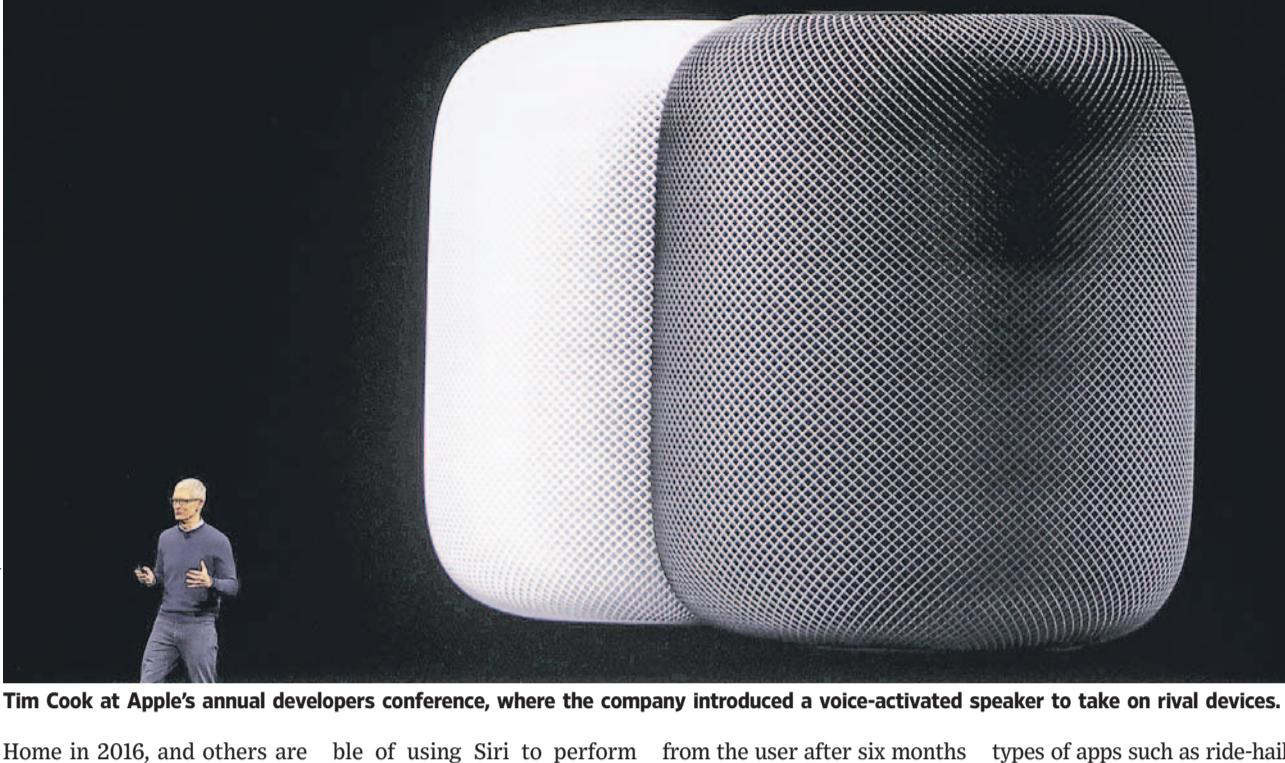
The growing sophistication of virtual assistants such as Apple's Siri, Amazon.com Inc.'s Alexa and Alphabet Inc.'s Google Assistant has made it possible to embed artificial intelligence in everyday home devices, letting people unlock doors and dim lights using only their voices. Apple launched Siri in 2011 but has since fallen behind, tech developers and analysts say, as Amazon and Google released digital butlers custom-built around users' data.

Apple's HomePod speaker, which was introduced at its annual Worldwide Developers Conference, will cost \$349, nearly double the cost of Amazon's \$180 Echo speaker. The 7-inch cylindrical speaker will be available in December.

Amazon is estimated to have sold about \$1 billion in speakers in about two years in the U.S., and the category is still growing, according to Michael R. Levin, co-founder of Consumer Intelligence Research Partners. "There's a reason Apple's diving into it. Apple's trying to sell more hardware because its iPhone sales at least in the U.S. have started to plateau," he said.

Amazon's Echo, introduced in late 2014, helped turn stand-alone speakers into gadgets that could double as a command station for the home. Alphabet followed with Google

JUSTIN SULLIVAN/GETTY IMAGES



Tim Cook at Apple's annual developers conference, where the company introduced a voice-activated speaker to take on rival devices.

Home in 2016, and others are crowding into the space, including Microsoft Corp.'s Cortana assistant, which will be used in a forthcoming speaker from Harman International Industries Inc. About 36 million Americans will use a voice-enabled speaker at least once a month this year—more than twice as many as a year ago—according to eMarketer, a market-research firm.

The virtual assistants that power those speakers are increasingly being linked to everything from refrigerators to thermostats—devices that aren't part of Apple's ecosystem. More than 4 billion consumer devices by the end of 2017 will make use of some kind of digital assistant, according to IHS Markit.

As the category grew, Apple continued to emphasize its iPhone, noting that unlike a speaker gadget, its smartphone travels with users and is capa-

ble of using Siri to perform many of the same tasks. Still, the category posed a risk to Apple, giving people who may not want to be tethered to their phone at all times a reason to potentially shift to a rival's speaker.

With the HomePod, Apple is taking a different approach than its peers, emphasizing its sound quality and ability to play music over its ability to perform tasks.

The HomePod's introduction Monday capped a two-hour-plus keynote event headlined by Chief Executive Tim Cook. Apple also used the gathering in San Jose, Calif., to show a new screen design for its iPad Pro and a series of upgrades to its line of Mac computers.

As it has in past product announcements, Apple stressed privacy as a hallmark of the device. It said communication with the HomePod and Siri will be encrypted and disassociated

from the user after six months to protect privacy—an aspect it hopes differentiates HomePod from Amazon's Echo and Alexa, which keep voice interactions until asked to discard them.

Siri will serve as the operating system for the HomePod, playing requested songs and controlling home products like lamps programmed to work with Apple devices.

Siri is both an asset and a liability for Apple. The assistant is available in 21 languages and 36 countries, making it possible for Apple to quickly expand HomePod beyond its initial markets—the U.S., the U.K. and Australia—and into countries like South Korea, the Netherlands and Russia. Google Assistant is available in seven languages, and Amazon's Alexa currently speaks English and German.

However, Apple has been slow to open Siri to outside developers. Last year, it made Siri available to about a half-dozen

types of apps such as ride-hailing and payment services—a contrast to Alexa, which has more than 12,000 voice-activated apps that allow users to play trivia games like "Jeopardy" on command or order pizza from restaurants that partner with Amazon.

Apple is "at risk of losing the lead by underestimating the value of third-party apps," said Gary Morgenthaler, a venture capitalist and Apple shareholder who invested in Siri before Apple acquired it in 2010. "That's surprising because Apple invented the App Store."

The HomePod is the third major piece of hardware that Apple has launched since Mr. Cook became CEO in 2011. The Apple Watch, which launched in 2015, has failed to drive widespread consumer demand, and AirPods, the wireless headphones introduced in September, have been challenged by production issues.

Fox Buys Mobile Game Maker

BY BEN FRITZ

21st Century Fox is getting into the mobile videogame business, acquiring a company that is currently working on an adaptation of the movie "Avatar."

Fox is purchasing the game studio *Aftershock*, which has about 80 employees at offices in Los Angeles and San Francisco, the companies said. The deal is valued in the tens of millions of dollars, according to a person with knowledge of the purchase.

Aftershock was spun out of mobile-gaming company *Kabam* Inc. earlier this year after its other assets were bought by Korean company NetMarble.

Aftershock is becoming part of a new unit created by Fox in January called FoxNext that focuses on videogames, virtual and augmented reality and location-based entertainment. Like other Hollywood studios, Fox had struggled to determine which of its divisions should oversee efforts in these emerging businesses. FoxNext reports to both the head of television, Peter Rice, and the head of film, Stacey Snider.

"We think the mobile space is interesting because you've seen businesses grow to supersize very quickly and there are not many segments of entertainment in which you can do that," Mr. Rice said in an interview.

Hollywood studios over the past two decades have vacillated between producing videogames themselves in order to maintain quality and reap the profits and licensing them to other companies that have more expertise.

Fox itself has built and exited two game businesses since 2000. Walt Disney Co. last year killed its console videogame publishing business after spending hundreds of millions on it. Comcast Corp.'s Universal Pictures recently hired new executives to spearhead a move into mobile game publishing.

Aftershock, which started working on an "Avatar" mobile game last year, will look to adapt other film and TV properties from the studio, as well as to create original properties. "We want fans to experience our intellectual property 12 months of the year, and *Aftershock* is a way to jump-start that process," said Ms. Snider.

Fox is currently working on four film sequels to "Avatar," the first of which is scheduled for release in 2020, 11 years after the original, which earned a record \$2.7 billion worldwide. FoxNext will look to build out *Aftershock* while also making other investments in digital businesses, said Mr. Rice and Ms. Snider.

Fox and News Corp., parent of The Wall Street Journal, share common ownership.

Lyft Forges Ahead With Driverless Plans

BY GREG BENSINGER

with media.

The NuTonomy deal comes three weeks after Lyft announced a deal with Waymo, the self-driving car unit of Google parent Alphabet Inc., to collaborate on autonomous vehicles. Lyft has been spreading its bets as it eyes a future where it manages a network of vehicles made by other manufacturers.

In January 2016, Lyft said it received a roughly \$500 million investment from GM, making it one of the San Francisco company's biggest shareholders ahead of the auto maker's \$1 billion purchase of self-driving technology startup Cruise Automation later that year. The two companies then announced in May 2016 they would begin testing a fleet of cars within a year.

Mr. Green declined to discuss Lyft's work with GM or Waymo. A spokeswoman noted the company's partnerships are "non-exclusive."

GM said there would be no



The ride-hailing firm has struck a deal with startup NuTonomy.

impact on its relationship with Lyft. "Our plan remains steadfast—we are on track to launch our self-driving technology first in a ride-sharing application."

A Waymo spokeswoman declined to specifically address Lyft's NuTonomy partnership.

The deals highlight the eagerness in Silicon Valley, Detroit and beyond to deploy self-driving technology that many believe will reduce

deaths and lower the cost of transportation. A range of companies, including auto maker Ford Motor Co., online retailer Amazon.com Inc. and electric-car maker Tesla Inc., are jockeying for an edge in autonomous vehicles that they hope could reap them billions in profits in the coming years.

Waymo, for its part, has been collaborating with Fiat Chrysler Automobiles NV since

last year on integrating autonomous technology into its vehicles. NuTonomy, based in Cambridge, Mass., plans to put Peugeot sport-utility vehicles on Singapore roads for testing by September.

Mr. Green said Lyft would be working with Boston officials to ensure it has regulatory authority to put self-driving cars on city streets. He didn't disclose how many vehicles would be deployed, pricing or other details.

NuTonomy was first to put regular passengers in a self-driving vehicle, beating Uber Technologies Inc. by a matter of weeks last year with its test in Singapore. Uber has since begun testing its own autonomous vehicles in Pittsburgh, Tempe, Ariz., and around the state of California. Uber ran into trouble in its hometown of San Francisco last year when it allowed customers to hail a handful of self-driving cars without a permit from California's Department of Motor Vehicles.

Volkswagen plans to reap revenue from drivers and other auto makers. Motorists are expected to be able to swipe credit cards at charging stations to refuel, or purchase time-limited subscriptions to Electrify America's network. Some auto makers could also pay Electrify America a fixed rate for each vehicle it sells and then offer its customers free charging on the burgeoning network. The exact prices aren't yet clear, but will be based on the type of charger, kilowatt rates and market conditions, a company spokeswoman said.

The company's push comes on the heels of its diesel-emissions cheating crisis. Volkswagen pleaded guilty to criminal charges and agreed to legal settlements and penalties that could exceed \$25 billion, depending on how many vehicles the company repurchases.

"We continue to be concerned that Volkswagen will be allowed to benefit from a settlement intended to penalize for defrauding consumers," said a spokeswoman for Arizona Attorney General Mark Brnovich, a Republican, adding the office expects the EPA to "diligently monitor" Volkswagen's program.

A spokeswoman for Rhode Island Attorney General Peter Kilmartin, a Democrat, said that "concerns remain that [Volkswagen] will gain an advantage in the industry despite the company's past malfeasance."

Messrs. Brnovich and Kilmartin were the lead signatories on the letter to the EPA, which also included attorneys general from Connecticut, Iowa, Nevada, Texas and Wisconsin.

BUSINESS WATCH

CLAYTON DUBLIER & RICE

Firm Plans to Buy HD Supply Division

Private-equity firm Clayton Dubilier & Rice struck a \$2.5 billion deal to buy a large underground water distributor in the latest bet on future infrastructure spending.

Lyft said Tuesday it is collaborating with startup NuTonomy Inc. in Boston, where the two have hatched a plan to dispatch Renault Zoe cars for customer use in the coming months. Lyft said these cars, not those from GM, will be the first on its network.

"We're planning for future stages of our collaboration that could lead to thousands of NuTonomy cars on the Lyft platform," said Logan Green, Lyft chief executive, in a call

CEO starting next month. Mr. Drexler, who has been CEO since 2003, will continue to serve as board chairman. The change comes as Mr. Drexler is scrambling to keep the company from ending up in bankruptcy.

—Khadeeja Safdar

JBS

Company to Sell Some Beef Units

Brazilian meatpacker JBS SA said Tuesday it agreed to sell its beef operations in Argentina, Paraguay and Uruguay for \$300 million, subject to some adjustment.

The buyers are all controlled by rival Minerva SA.

The sale of JBS's beef operations in the three countries is subject to the usual regulatory approvals, including antitrust authorities, JBS said.

The units, according to Minerva, are certified to export to foreign markets, including the U.S., Japan and China.

—Luciana Magalhaes

J. CREW

Drexler Hands Off Chief Executive Role

J. Crew Group Inc. said its longtime leader Mickey Drexler will step aside as chief executive, as the seller of preppy clothes struggles with a prolonged sales slump and hefty debt load.

The company on Monday named James Brett, president of furniture retailer West Elm, as

VW

Continued from page B1
maker could design them without regard to other car companies' needs while also having access to competitors' customer data.

"Given the importance of this portion of the infrastructure to [battery-electric vehicle] adoption, Ford has reservations about having a key electrification driver dependent on and ultimately controlled by one automotive competitor," wrote John Viera, the Dearborn, Mich., auto maker's global director of sustainability and vehicle environmental matters, in a letter to California regulators.

Rather than a punishment or government-endorsed competitive foothold, Volkswagen views the investment as a good-faith showing after agreeing to pay billions of dollars to owners, dealers and regulators.

"There is a lot of investment that needs to happen. We're just part of it," Mark McNabb, chief executive of Electrify America LLC, the German auto maker's subsidiary undertaking the investment plan, said in an interview.

Volkswagen's stations ultimately will address less than

10% of charging needs, Mr. McNabb said. "I don't think we're a dominant part of the equation."

Tesla Inc. currently has an extensive charging network, featuring 861 stations with 5,655 speedy chargers for drivers of its expensive electric vehicles. Tesla has chargers around the world and in most U.S. states. Volkswagen's success with its chargers isn't guaranteed in an era of cheap gasoline that lowers demand for electric cars, though forecasters expect their popularity to rise.

In the U.S., electric vehicles are expected to eventually make up 6% of overall car sales



A charging station outside a VW factory in Dresden, Germany.

over the next two decades or so, up from less than 1% currently, according to the Energy Information Administration. By 2025, sales of battery-powered electric vehicles, plug-in hybrids and hydrogen fuel-cell cars together will reach 1.5 million, or about 9% of U.S. sales, the agency projects.

Volkswagen plans to reap revenue from drivers and other auto makers. Motorists are expected to be able to swipe credit cards at charging stations to refuel, or purchase time-limited subscriptions to Electrify America's network. Some auto makers could also pay Electrify America a fixed

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MANAGEMENT

Push for Paid Parental Leave Widens

White House proposal reflects shift in states, cities toward providing relief for workers who now take unpaid time off

BY RACHEL FEINTZEIG

In recent years, corporations such as Microsoft Corp., **Blackstone Group** LP and Credit Suisse Group AG have added generous paid-leave policies to give employees time to bond with their newborns.

But for most American workers, having a child often means taking unpaid time off, a situation that can stress finances and wreak havoc with family schedules.

Many of those workers would stand to get relief under a proposal in President Donald Trump's budget to provide six weeks of paid time off for new mothers and fathers.

The proposal, estimated to cost \$19 billion over a decade, likely will be rewritten as Congress crafts its own budget resolutions over the next few months, though that process traditionally takes into account White House priorities. Political support for paid leave is building in some cities and states, and Ivanka Trump, daughter of Mr. Trump and an adviser to him, has adopted family leave as a signature issue.

The U.S. is the only nation among 41 that doesn't mandate paid parental leave, according to data compiled by the Organization for Economic Cooperation and Development.

Under the 1993 Family and Medical Leave Act, workers are entitled to 12 weeks of unpaid leave. Many new parents also take time off by using their employers' short-term disability benefits, though those policies often only cover a portion of their wages for some of their leave.

In the U.S., 13% of private-industry workers had access to any kind of paid family leave, according to March 2016 statistics from the Bureau of Labor Statistics, the most recent available. Restaurant and retail chains like **Yum Brands** Inc. have introduced new paid-leave benefits for corporate employees, but the workers who stock shelves and ring up customers rarely



Kristen Picciolo, a barista at Starbucks, was one of a group of employees who petitioned company leaders about parental-leave benefits.

have paid parental leave.

Tiffani Hylton fell behind on rent, water and electric payments while taking a six-week, partially paid leave from Wal-Mart in 2016 following the birth of her daughter, Annabelle. Back at work baking doughnuts and bread in a Troy, Ohio, store, she felt sore, exhausted and longed to be with her daughter. After cutting back her hours, she left Wal-Mart last summer.

"Six weeks fully paid, that would have saved me months of stress," she said. "It would have kept us from being stuck in extra debt for months on end, worrying about how we were going to pay for food and diapers."

Salaried employees of Wal-Mart Stores Inc. are entitled to 10 weeks of fully paid maternity leave after the arrival of a child; hourly workers can file for some pay using a short-term disability benefit if they qualify.

This fall, Starbucks Corp.

will give mothers working in its stores six weeks of fully paid parental paid leave. Some baristas have criticized the coffee chain for giving mothers in its corporate headquarters up to 18 weeks at full pay.

At a shareholders meeting earlier this year, Kristen Picciolo, a barista at a Medina, Ohio, store, asked company leaders to give all Starbucks workers equal leave. "I know as a parent how important it is to spend those first few months with your new baby," she said during the meeting.

A Starbucks spokesman said that the company is constantly evaluating its benefits based on employee feedback.

"You will not find another company that has pioneered more innovative benefits for full- and part-time employees," he said in a statement.

A March report from Pew Research Center found that mothers with household incomes under \$30,000 took a

median maternity leave of six weeks; those whose households bring in at least \$75,000 took 12 weeks. Some 14% of restaurant employers provide paid maternity leave for hourly workers, according to a 2016 survey from research firm TDn2K.

In the U.S., months of time off to care for a newborn "is a very elite benefit," said Britanna Cayo Cotter, chief of staff for Paid Leave for the U.S., a nonprofit advocacy group.

Joe Kefauver, managing partner of Align Public Strategies LLC, which advises retailers—and restaurant companies like Wendy's Co.—on public-policy issues, said that companies in industries like technology absorb such benefits more easily than low-margin businesses like fast-food chains.

"It's not an insensitivity to the employee," he said. "It's a sensitivity to the business model."

Whatever the prospects are

for Mr. Trump's parental-leave proposal, advocates say momentum for the ideas is building at the state and local levels.

Last year, Democratic Gov. Andrew Cuomo signed a law that phases in a paid family leave program starting in 2018; by 2021, it is set to provide 12 weeks of paid leave. The Washington, D.C., city council also last year approved a paid family leave program that includes eight weeks of leave for new parents.

When her son was born, Ms. Picciolo, the Starbucks barista, moved in with her mother, went on a payment plan with her electric company and turned to food pantries for wipes and diapers.

Her boyfriend, Seth Gibson, picked up extra waiting and bartending shifts at Ruby Tuesday, returning to work the day after the birth of the couple's child. Money was a constant worry. Paid leave for either parent would have eased some of the pressure, he said.

Leave Policies Are A Confusing Maze For New Parents

Federal, state, local and corporate rules affect benefits

For many new parents in the U.S., navigating the array of policies and rules for taking parental leave is easily as tough as 3 a.m. wake-up cries.

"It's a patchwork," said Ellen Galinsky, a senior research adviser at the Society for Human Resource Management, a group for human-resource professionals. How much leave and how much pay workers may receive after the birth of a child is governed by a maze of federal, state, local and corporate rules.

Although more companies are starting to offer at least some pay for maternity leave, the proportion of organizations offering workers fully paid parental leave has decreased over the years, according to a survey of employers by the Society for Human Resource Management.

The survey found that of the 58% of firms that provide at least some pay for new mothers, 78% fund those payments through temporary disability insurance plans.

The federal Family and Medical Leave Act provides 12 weeks of unpaid leave for employees who meet certain requirements, such as working for their employer for at least a year and logging at least 1,250 hours in that year. Their organizations also must have at least 50 employees within a 75-mile radius.

Some new mothers can tap disability benefits if their company provides them, but such benefits often only cover half or two-thirds of the mother's pay.

A few states have their own temporary disability-insurance programs; others, including Rhode Island and New Jersey, have paid parental leave programs. New York and Washington, D.C., are scheduled to phase in family-leave programs in the coming years.

—Rachel Feintzeig

Old-Time Jobs Are Hot Again as Reaction to Digital Age

BY LAUREN WEBER

Gentrification isn't just taking place in working-class neighborhoods. It's happening to jobs, too.

Walk around parts of Brooklyn, Portland or Pittsburgh, and you'll find stylish cocktail bars, barbers and the occasional butcher shop staffed by young, college-educated employees. For an affluent segment of today's urban economy, these jobs have been revalued from low-status semi-manual labor to glamorous occupations, says sociologist Richard Ocejo.

In his new book "Masters of Craft: Old Jobs in the New Urban Economy," Mr. Ocejo examines the forces driving a resurgence of occupations such as butcher and bartender among young middle-class urbanites.

A similar dynamic is at work with a handful of other jobs, including craft brewer, bookbinder, furniture maker and fishmonger.

The Labor Department projects that between 2014 and 2024 the number of bartenders and barbers in the U.S. will grow 10%, while butchers will see a 5% increase, compared with a 7% job growth for all occupations over the same period. Median pay for these jobs was less than \$30,000 a year in 2016.

Millennials are drawn to these occupations, in part, as a reaction to "the ephemerality of the digital age," says Mr. Ocejo, a sociology professor at John Jay College of Criminal Justice and the City University of New York Graduate Center.

Distinct from many of today's most vaunted jobs in fields like information technology and fi-



A bartender at Green Russell bar located in downtown Denver.

nancial services, these trades "are based in using your hands, with actual tools and materials, to provide a tangible concrete product," he says.

To attract young people with college degrees and other options in the labor market, jobs usually have an element of performance to them, Mr.

Ocejo says. In most of the careers he studied for "Masters of Craft," workers interact closely with customers, often in a public setting where their skill and knowledge can be admired. That's why some manual positions like electrician and plumber are unlikely to experience the same "revalorization," he says.

Unlike real-estate gentrification, where the arrival of more affluent people displaces lower-income residents in a neighborhood, hipsters generally aren't displacing workers at more conventional businesses in the same industry, Mr. Ocejo says.

A trendy whole-animal butcher isn't pushing out the local butcher shop, he says, since it likely "closed a long time ago when the Italians moved out." And it isn't hurting the halal

butchers in the neighborhood either, since those shops serve a different clientele.

"They've created a niche that didn't exist before, and they're operating along parallel but very, very separate paths" with pre-existing businesses, Mr. Ocejo says.

But with aesthetics playing such a key role in the craft-business ideal—from bartenders with suspenders and handlebar mustaches to tattooed butchers carving an unusual cut of meat—Mr. Ocejo says the jobs tend to attract people from similar cultural backgrounds, creating a barrier for others.

"It's very difficult if you are from a working-class background or a minority to get one of these jobs, which would give you higher wages, networking opportunities and more interesting work," he says.

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FINANCE & MARKETS

Ailing European Lenders Look for Fixes

Despite progress in southern countries, some banks' repair efforts hit hurdles

BY JEANNETTE NEUMANN
AND GIOVANNI LEGORANO

Problems at several long-suffering lenders in southern Europe are coming to a head, a reminder of weak links remaining in the region's banking system despite progress made by many larger lenders to repair their balance sheets.

Concerns about the future of Spain's **Banco Popular Español** SA have driven down the bank's share price by more than 50% since May 26. Investors worry the lender could need around €5 billion (\$5.6 billion) of capital to cover potential provisions on €37 billion in soured loans, foreclosures and other nonperforming assets left over from the country's property boom-gone-bust.

Meanwhile, as the Italian government prepares to take control of **Banca Monte dei Paschi di Siena** SpA, a state bailout looms over two other troubled lenders in Italy.

Spain's Banco Popular has been working for weeks to accelerate asset sales, negotiate a takeover by a competitor or raise capital. But each alternative faces major hurdles, leaving the bank looking like a forced seller to some investors. Its market value has



Shares of Spain's Banco Popular, whose chairman is Emilio Saracho, above, have plunged in recent days on concerns about capital.

plunged to less than €1.4 billion as investors flee on concerns that a potential resolution could involve losses on shareholders and some bondholders.

"We see risks building further at Popular, which alongside appearing a distressed seller, has increasingly limited options available to resolve a crisis in confidence and capital," Barclays analysts said in

a report Monday.

A Banco Popular spokesman declined to comment. Banco Popular Chairman Emilio Saracho assured employees on Friday in an email, reviewed by The Wall Street Journal, that the lender "continues to be solvent."

Banco Popular's troubles are a black spot in a sector that has otherwise recovered well from Spain's economic

crisis earlier this decade. Indeed, its recent problems have had little impact on other Spanish banks. The lack of contagion is a testament to the relative financial health of other lenders, which boosted provisions and shed billions in bad loans accumulated when Spain's building binge went bust starting in 2008.

On Thursday, for instance, investor demand for €1 billion

in contingent convertible—or CoCo—bonds issued by **CaixaBank** SA, a major Spanish bank, pushed the coupon to 6.75% from the initial offering of 7%. Still, some analysts noted that CaixaBank could have offered an even lower rate had investors not been skittish about Banco Popular.

In other parts of southern Europe, weak banks remain a major concern. Banks in Italy,

Greece and Portugal carry hundreds of billions of euros of bad loans, squeezing lending and badly crimping any economic recovery in those countries.

In Italy, Rome is poised this summer to take control of Monte dei Paschi di Siena, a perennial trouble spot in Europe's banking system. Last week, the European Commission cleared the way for an €8.8 billion government rescue of the lender. The fresh funds come with a painful new restructuring plan aimed at finally steadyng the bank for the long term.

Rome in the coming months will also have to bail out two other struggling Italian lenders, **Banca Popolare di Vicenza** SpA and **Veneto Banca** SpA. However, drawn-out talks about a new business plan for the banks after the bailouts are straining their finances, likely deepening a capital hole already estimated at €6.4 billion.

And while Vicenza and Veneto are small, their failure could erode confidence in the fragile recovery of Italy's banks.

"The time it's taking to find a solution to the crisis is becoming unsustainable. What was sustainable a month ago risks becoming unsustainable in a month's time," **Banca Popolare di Vicenza**'s chief executive, Fabrizio Viola, said in Friday's edition of Italian daily Corriere della Sera.

Trump Set to Nominate Ex-Banker Otting for Comptroller

BY RYAN TRACY

WASHINGTON—President Donald Trump will nominate **Joseph Otting** as comptroller of the currency, a post overseeing federally chartered banks, the White House said late Monday.

The move, if approved by the Senate, would place a former banker in a key role as

the Trump team reviews financial regulatory policies.

The confirmation process could take months. Mr. Otting had previously been reported as a candidate for the job and would replace Keith Noreika, the acting comptroller. The Trump administration installed Mr. Noreika about a month ago to replace former President Barack Obama's

comptroller.

Not much is known about Mr. Otting's regulatory views. But he is expected to adopt a similar tone to other Trump administration officials, who have called for a review of banking rules they say went too far under Mr. Obama and are curbing legitimate lending.

The comptroller oversees

most of the largest federally chartered U.S. banks, including **Citigroup** Inc., **Bank of America** Corp. and **J.P. Morgan Chase** & Co. The position marshals a force of hundreds of examiners stationed inside big banks, giving the comptroller significant sway over the regulatory tone that supervisors take with financial firms.

Mr. Otting has worked in

banking for decades. At Union Bank NA in the 1990s, he was in charge of lending to medium-size companies. He later moved to U.S. Bancorp., where he helped build a middle-market business. In 2010, he was hired as chief executive of OneWest, now owned by **CIT Group**. He was a lieutenant of Treasury Secretary Steven Mnuchin, who was chairman

of OneWest.

During the Obama administration, the comptroller's office took an aggressive tone with bankers at times, criticizing them for loans that officials viewed as excessively risky. While the OCC's examiners are unlikely to change their posture overnight, a new comptroller could, over time, give them different marching orders.

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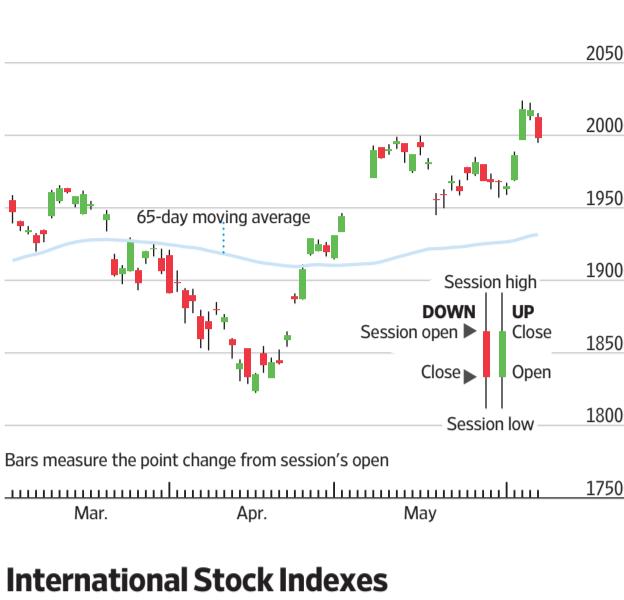
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MARKETS DIGEST

Nikkei 225 Index

19979.90 ▼190.92, or 0.95%

High, low, open and close for each trading day of the past three months.



Bars measure the point change from session's open

Mar. Apr. May

STOXX 600 Index

389.40 ▼2.64, or 0.67%

High, low, open and close for each trading day of the past three months.



Mar. Apr. May

S&P 500 Index

2433.31 ▼2.79, or 0.11%

High, low, open and close for each trading day of the past three months.



Mar. Apr. May

Data as of 12 p.m. New York time

Last Year ago

Trailing P/E ratio 24.08 24.22

P/E estimate * 19.01 17.81

Dividend yield 1.95 2.18

All-time high: 2439.07, 06/02/17

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.

International Stock Indexes

Data as of 12 p.m. New York time

Region/Country	Index	Close	Net Chg	% chg	52-Week Range	Low	Close	High	YTD % chg
World	The Global Dow	2778.34	-5.57	-0.20	2193.75	2791.48	9.9		
	MSCI EAFE	1904.84	-6.57	-0.34	1471.88	1956.39	11.0		
	MSCI EM USD	1015.26	-2.33	-0.23	691.21	1044.05	27.8		
Americas	DJ Americas	583.61	-0.62	-0.106	480.90	585.50	8.0		
Brazil	Sao Paulo Bovespa	62590.84	140.39	0.22	48066.67	69487.58	3.9		
Canada	S&P/TSX Comp	15420.32	10.54	0.07	13609.58	15943.09	0.9		
Mexico	IPC All-Share	49440.27	-152.22	-0.31	43902.25	50154.33	8.3		
Chile	Santiago IPSA	3731.07	8.68	0.23	2998.64	3786.05	15.8		
U.S.	DJIA	21169.97	-14.07	-0.07	17063.08	21225.04	7.1		
	Nasdaq Composite	6293.75	-1.94	-0.03	4574.25	6310.62	16.9		
	S&P 500	2433.31	-2.79	-0.11	1991.68	2440.23	8.7		
	CBOE Volatility	10.42	0.35	3.48	9.56	10.42	10.6	26.72 - 25.8	
EMEA	Stoxx Europe 600	389.40	-2.64	-0.67	308.75	396.45	7.7		
	Stoxx Europe 50	3211.47	-22.45	-0.69	2626.52	3279.71	6.7		
France	CAC 40	5269.22	-38.67	-0.73	3955.98	5442.10	8.4		
Germany	DAX	12690.12	-132.82	-1.04	9214.10	12878.59	10.5		
Israel	Tel Aviv	1423.90	-3.59	-0.25	1372.23	1490.23	-3.2		
Italy	FTSE MIB	20760.01	38.97	0.19	15017.42	21828.77	7.9		
Netherlands	AEX	521.71	-2.73	-0.52	409.23	537.84	8.0		
Russia	RTS Index	1041.23	-3.11	-0.30	884.83	1196.99	-9.6		
Spain	IBEX 35	10879.70	-5.00	-0.05	7579.80	11184.40	16.3		
Switzerland	Swiss Market	8908.27	-135.69	-1.50	7475.54	9136.95	8.4		
South Africa	Johannesburg All Share	52251.87	-618.25	-1.17	48935.90	54716.53	3.2		
Turkey	BIST 100	98331.54	139.57	0.14	70426.16	99278.08	25.8		
U.K.	FTSE 100	7524.95	-0.81	-0.01	5788.74	7598.99	5.3		
Asia-Pacific	DJ Asia-Pacific TSM	1634.20	-0.54	-0.03	1308.52	1635.46	14.9		
Australia	S&P/ASX 200	5667.50	-87.40	-0.152	5103.30	5956.50	0.0		
China	Shanghai Composite	3102.13	10.47	0.34	2833.07	3288.97	-0.0		
Hong Kong	Hang Seng	25997.14	134.15	0.52	20038.42	25997.14	18.2		
India	S&P BSE Sensex	31190.56	-118.93	-0.38	25765.14	31309.49	17.1		
Indonesia	Jakarta Composite	5707.83	-40.40	-0.70	4807.23	5791.88	7.8		
Japan	Nikkei Stock Avg	19979.90	-190.92	-0.95	14952.02	20177.28	4.5		
Malaysia	Kuala Lumpur Composite	1791.01	3.06	0.17	1614.90	1791.01	9.1		
New Zealand	S&P/NZX 50	7494.97	-5.00	-0.07	6664.21	7571.11	8.9		
Pakistan	KSE 100	50144.63	23.70	0.05	36940.88	52876.46	4.9		
Philippines	PSEI	7953.12	-48.26	-0.60	6563.67	8102.30	16.3		
Singapore	Straits Times	3235.75	-2.56	-0.08	2729.85	3271.11	12.3		
South Korea	Kospi	2368.62	...	Closed	1925.24	2371.72	16.9		
Taiwan	Weighted	10206.18	-20.66	-0.20	8458.87	10226.84	10.3		
Thailand	SET	1568.95	2.10	0.13	1406.18	1591.00	1.7		

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	Close	Tue	YTD chg	Country/currency	Close	Tue	YTD chg
Americas				Europe			
Argentina peso-a	0.0625	15.9952	0.8	Bulgaria leva	0.5758	1.7366	-6.6
Brazil real	0.3047	3.2820	0.8	Croatia kuna	0.1521	6.573	-8.4
Canada dollar	0.7433	1.3454	0.1	Euro zone euro	1.1270	0.8874	-6.7
Chile peso	0.001495	668.80	-0.1	Czech Rep. koruna-b	0.0428	23.369	-9.0
Colombia peso	0.003458	2892.00	-3.7	Denmark krone	0.1515	6.0105	-6.6
Ecuador US dollar-f	1	1	unch	Hungary forint	0.003658	273.34	-7.1
Mexico peso-a	0.0547	18.2005	-11.8	Iceland krona	0.010210	97.94	-13.3
Peru so	0.3061	3.2671	-2.6	Norway krone	0.1181	8.4644	-2.1
Uruguay peso-e	0.0353	28.340	-3.4	Poland zloty	0.2668	3.7209	-11.1
Venezuela bolivar	0.100150	9.9	-0.1	Russia ruble-d	0.01769	56.520	-7.7
Australia dollar	0.7513	1.3310	-4.1	Sweden krona	0.1153	8.6723	-4.8
Chinese yuan	0.1472	6.7954	-2.2	Switzerland franc	1.0389	0.9626	-5.5

London close on June 6

US\$ vs. in US\$ per US\$ (%)

Country/currency	Close	Tue	YTD chg	Country/currency	Close	Tue	YTD chg
Americas				Europe			
Argentina peso-a	0.0625	15.9952	0.8	Bulgaria leva	0.5758	1.7366	-6.6
Brazil real	0.3047	3.2820					

INTERNATIONAL PROPERTY: RUSSIA

Commercial-property activity gradually revives as economy recovers from crisis

BY THERESA AGOVINO
AND PETER GRANT

Development and investment activity is slowly picking up in Russia's commercial real-estate market as the country emerges from a crippling economic downturn and some investors shrug off concerns about ties between Russia and the new Trump administration.

Domestic players and foreign investors that hunkered down during the Russian economic crisis that hit in 2014 are leading the way. They are beginning to get out their checkbooks partly because prices for office buildings, stores, warehouses and other property in Russia are much lower than in other emerging markets like Eastern Europe and China.

Houston-based Hines, for example, which has been investing in Russia for more than two decades, is close to new deals in Moscow to develop a residential complex and buy an office building, according to people familiar



01 Properties converted a former 19th century sweets factory into this mixed-use project in Moscow.

with the matter. The firm owns about \$2 billion worth of real estate in that city and St. Petersburg.

Meanwhile, Guernsey-based investment firm **Raven Russia** Ltd., which began investing in the country in 2005, emerged from roughly a four-year hiatus this year to buy a warehouse and two small office buildings in St. Petersburg for

a total of \$83 million.

Raven Russia, which raised £100 million (\$129 million) last month, also signed a memorandum of understanding with a Russian partner to build a network of distribution centers. "We had been waiting for the market to stabilize," said Glyn Hirsch, chief executive officer of Raven Russia. "Of course, there is still risk,

but at current prices we think it is worth the risk." Mr. Hirsch said the St. Petersburg portfolio's yield is about 16%, meaning its annual income comes to about 16% of the purchase price. "Where else in the world are you going to get a return like that?" he asked.

To be sure, most foreign investors continue to steer clear of the market, given that

Western sanctions put in place in 2014 are still in effect against Russia stemming from its annexation of the Crimea region. Political and economic uncertainty remain high.

The volume of commercial property sales in Russia totaled only \$4 billion in 2016, 70% below the 2013 level, according to Real Capital Analytics, a real-estate data firm.

But in recent months sales have rebounded. In the first quarter of 2017, Russian sales volume totaled \$861 million, more than double the same period in 2016, Real Capital said.

Much of the new investment is coming from Russian pension funds and other domestic institutions, according to S. Lee Timmins, head of Hines's Eurasia region. In 2012, about 70% of the investment was foreign and 30% domestic. "Now the ratio has flipped," Mr. Timmins said.

A number of sovereign wealth funds are in the market looking for deals and joint-venture partners, according to Dmitry Mints, CEO of 01 Properties, one of the country's largest office-building landlords. "Russia is one of the best markets right now in terms of value for money," he said.

The Moscow office vacancy rate fell to 15.1% in the first

quarter of this year, its lowest level since the second quarter of 2014, according to the real-estate services firm JLL.

Rents of top-quality Moscow buildings rose to \$434 a square meter a year in the first quarter of 2017, up 17% from a five-year low in the first quarter of last year. However, they are still about half of the five-year high of \$855 in the third quarter of 2012, according to Colliers International.

Retail sales are beginning to stabilize. In April, retail sales were flat with the year-earlier period, according to Moody's Analytics. "That may not sound like much, but it was the first time they didn't fall since 2014," said Jeremy Cohn, an economist at Moody's Analytics.

Development activity also has shown signs of picking up. For example, 01 Properties recently completed the conversion of a former 19th century sweets factory, renamed the Bolshevik building by Russian leader Vladimir Lenin, into a mixed-use project with residential and retail space.

Analysts say the U.S. government investigations into potential ties between President Donald Trump's campaign and Russian officials haven't hurt investment.

sis, when they hit \$1.2 billion.

Hines, based in Houston, which has developed warehouses in the Moscow and St. Petersburg regions, has leased space to startup e-commerce companies. "They show signs of good growth trajectories," said S. Lee Timmins, head of Hines's Eurasia region.

Analysts don't expect warehouses to take off as fast as they did in the U.S. or Europe. Part of the problem is that developers jumped the gun a few years ago, and were burned by the country's economic crisis, among other things.

Internet Sales Lift Warehouse Demand, With Twists

BY ART PATNAUDE

Online retail is expanding in Russia, just like everywhere else in the world, but its growth path is taking unexpected twists and turns that are creating special challenges for property companies there.

The most pressing problem is theft. If you have an item delivered, "it will be stolen if you're not home," said Brian Kean, spokesman for **Ulmart**, one of the country's largest online retailers.

Also, while Russians increasingly use the internet to

learn about products and prices, they don't want to pay with credit cards as do shoppers in Western Europe and the U.S. They primarily shop at brick-and-mortar stores, according to a January report by consumer-market research firm Euromonitor.

The answer from some real-estate developers has been to customize the distribution network for Russian customers.

Demand for warehouses is expected to increase as the Russian economy recovers and online shopping picks up. Internet retailing grew 21% last year in

value terms to reach around \$14.2 billion, according to Euromonitor, expanding at a faster clip than other parts of the country's economy still reeling from the lingering effects of economic sanctions, low oil prices and a weak currency.

Warehouses-needed for online retailers to make same-day deliveries-took a particularly large knock as retail companies pulled back when consumer spending dropped. Vacancy rates on warehouses in Moscow rose to more than 11.3% in the second quarter of 2016 from 2.1% in the first

quarter of 2014, according to property broker Colliers International Ltd. Now it appears a corner has been turned. Moscow vacancy rates have fallen to 10.4% in the first quarter of this year, Colliers data show.

The market for warehouses "is looking much brighter even compared with a year ago," said Rustam Aliev, partner at law firm Goltsblat BLP in Moscow.

Ulmart, which chalked up more than 49.3 billion rubles (\$870 million) in online sales last year, has developed scores of "fulfillment centers," where online shoppers can pick up

their new shirts, electronics, household goods and other purchases. They range in size from 15-square-meter (161-square-foot) sites for pedestrian traffic to 323,000-square-foot centers in suburban areas with drive-through windows.

Ulmart has plans to develop a 646,000-square-foot warehouse near Moscow. "Instead of getting your coffee, you pick up your new iPhone," Mr. Kean said.

Ulmart's sales are recovering, but they are still below 2013, the year before the cri-

sis, when they hit \$1.2 billion.

Hines, based in Houston, which has developed warehouses in the Moscow and St. Petersburg regions, has leased space to startup e-commerce companies. "They show signs of good growth trajectories," said S. Lee Timmins, head of Hines's Eurasia region.

Analysts don't expect warehouses to take off as fast as they did in the U.S. or Europe. Part of the problem is that developers jumped the gun a few years ago, and were burned by the country's economic crisis, among other things.



Moscow aims to demolish five-story buildings from the Khrushchev era and put up high-rises.

Destroying to Build Anew

BY NATHAN HODGE

MOSCOW-Vitaly Slavin loves his home in northwest Moscow. Built in 1968, the brick apartment building was one of thousands of prefabricated five-story structures thrown up during the Soviet housing boom of the 1950s and 1960s.

"It's in solid shape, it's a 10-minute walk to the subway, and there's a park nearby," he said.

But Mr. Slavin's building is one of thousands targeted for demolition by Moscow city authorities in what is shaping up as the city's biggest face-lift in a generation. This spring, the city published a list of 4,500 apartment buildings that will be torn down, the first phase of a renovation plan that will eventually see 8,000 aging buildings demolished and replaced with high-rise apartments.

For the Russian real-estate industry and foreign property investors, the plan is the first bright spot in years in a business that has been hammered along with the rest of the country's economy by the ailing energy sector and Western sanctions put in place after Russia's annexation of Crimea in 2014.

Moscow Mayor Sergei Sobyanin has estimated the first installment of the plan would

cost around 300 billion rubles (\$5.3 billion) over three years, according to the news agency RIA-Novosti. Officials project the longer-term cost of relocating and rehousing tens of thousands of people over 20 years would be at least \$53 billion.

The demolition program is moving forward at a time when Russia's currency has firmed against the dollar and property prices in Moscow have stabilized.

Moscow published a list of 4,500 apartment buildings to be torn down.

The average price of a square meter of residential space is more than \$2,900, up from \$2,600 a year ago, according to IRN.ru, a Russian real-estate index.

But the program touches a potential third rail for some apartment owners who worry they may face eviction-by-edict by government authorities.

The city government says owners will be offered new apartments in the same area, but some protesters have feared they will be moved to

high rises in the outer suburbs.

Concern about the demolition program has been magnified because details haven't been revealed. Early in May, local media outlet Republic.ru reported developers were beginning to prepare to make bids. But it is still too early to say how this will work.

Opponents of the plan say the final word over the demolition is in the hands of President Vladimir Putin, seen as the arbiter of any politically charged issue in Russia.

Mayor Sobyanin has been the most visible proponent of the plan. In a recent radio interview, he said the renovation plan would be carried out in a democratic manner: If two-thirds of the residents of an apartment block don't want to be relocated in new housing, they won't be included in the renovation program.

"There is no desire to drag anyone into this program by force," he said. "Everything is voluntary. If the residents want it, we include their building. If they do not want it, we don't include it."

The five-story buildings, built largely during the Khrushchev era, are cramped and utilitarian in design, with thin walls and low ceilings. But some residents have a strong sentimental attachment to them.

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FINANCE & MARKETS

Caracas Peddles Cheap Debt

Facing cash squeeze,
Venezuela tries to sell
\$5 billion of deeply
discounted bonds

Venezuela is attempting to resell at a deep discount \$5 billion of bonds it originally issued in December through a Chinese brokerage as it struggles to cope with a tightening cash crunch, according to investors who were offered the bonds.

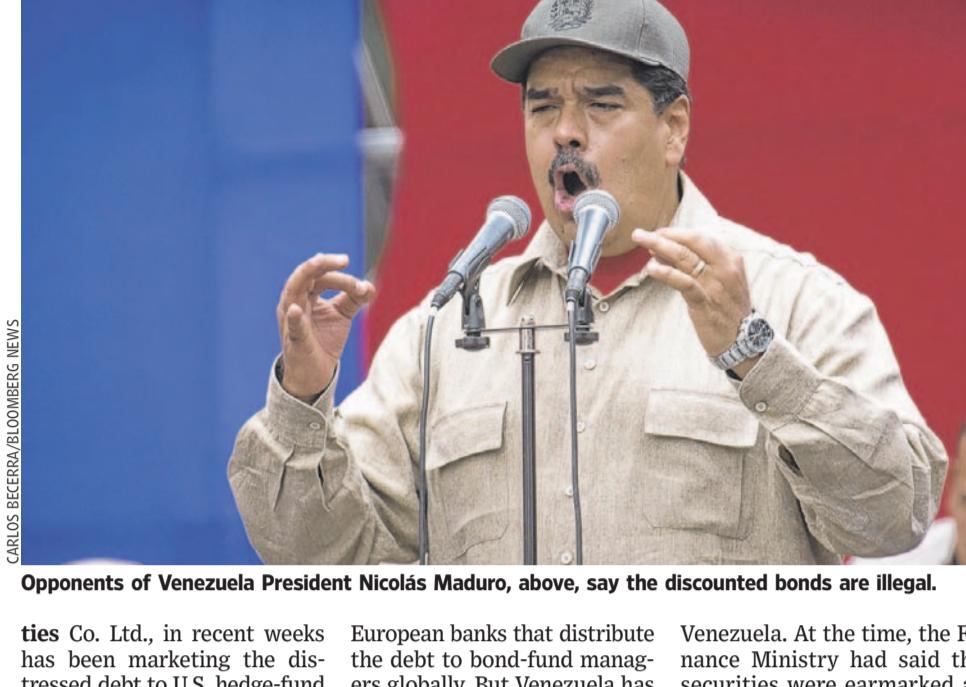
By Matt Wirz, Kajal Vyas and Carolyn Cui

The move is the country's latest extraordinary step to raise funds after being shut out of the international debt market in recent years as its oil-rich socialist economy crumbles. But even bond funds that specialize in distressed debt are hesitating to buy in because of concerns about the irregularities surrounding the deal and questions from opposition lawmakers about its legality.

While much of Wall Street sees default as a matter of time, the offer could appeal to investors willing to take on the risk in exchange for potentially significant returns. **Goldman Sachs Group Inc.** recently paid \$865 million for \$2.8 billion in Venezuelan bonds in a transaction that drew widespread condemnation from rivals of embattled President Nicolás Maduro, who accused the New York bank of helping finance his increasingly authoritarian and isolated administration.

"It's like they're having a going-out-of-business sale," said Russ Dallen, partner at the brokerage Caracas Capital Markets. "And that's what buyers should be worried about. Either they're really desperate or they're just filling up their credit card with no plans of paying back."

Haitong Securities USA, a unit of China's **Haitong Securi-**



Opponents of Venezuela President Nicolás Maduro, above, say the discounted bonds are illegal.

ties Co. Ltd., in recent weeks has been marketing the distressed debt to U.S. hedge-fund managers who specialize in buying emerging-market bonds, the investors who were offered the bonds said. Haitong had the title of underwriter when Venezuela issued the bonds to a state-owned bank in December.

Unlike the bonds Goldman bought, the debt securities being shopped by Haitong aren't registered with the international organizations that settle such transactions, meaning they can't be traded electronically, a risk that investors said was keeping them from buying them.

Spokesmen at Venezuela's finance and information ministries as well as Haitong Securities didn't respond to calls seeking comment.

Reeling from nearly two decades of economic mismanagement, Venezuela has had to resort to unorthodox financing methods through small and often little-known institutions as large international banks veer away from Mr. Maduro's government.

Governments in the developing world typically plug funding gaps by issuing bonds through Wall Street firms and

European banks that distribute the debt to bond-fund managers globally. But Venezuela has lost access to that market in recent years. The economy has shrunk by an estimated 27% since 2013. The International Monetary Fund says inflation this year will hit 720%. Venezuela's central bank has stopped publishing basic economic indicators like balance of payments and gross domestic product since September 2015, making the country's capacity to pay a big guessing game for investors and credit-rating firms.

Unable to tap debt markets, the government has turned to a strategy of issuing bonds directly to state-controlled entities that then try to resell the debt to foreign buyers for hard currency at bargain-basement prices.

The bonds picked up by Goldman Sachs in May were sold for 31 cents on the dollar, via U.K. broker **Dinosaur Group**. Haitong is offering the additional bonds, which fall due in 2036, at an even deeper discount, the fund managers said.

The 2036 bonds were issued in December by Venezuela's government in a private placement to state-run Banco de

Venezuela. At the time, the Finance Ministry had said the securities were earmarked as IOUs to be distributed to food and medicine importers that have ceased activity because Venezuela owes them billions of dollars in arrears.

But Mr. Maduro's political rivals also cried foul, calling the bonds illegal because they were never approved by the opposition-controlled congress, also known as the National Assembly.

"They are liquidating the nation's assets, indebting future generations," said opposition lawmaker Angel Alvarado.

Potential buyers fear that if Venezuela defaults, owners of the 2036 bonds wouldn't have the same claim as other bondholders because their bonds were issued at discount prices via an intermediary, Banco de Venezuela. They are also hesitant to buy the bonds because they haven't been registered with Euroclear or Depository Trust & Clearing Corp., the international securities settlement organizations that institutional investors use to trade electronically, one of the fund managers said.

One Market Gauge Signals Rate Rise

By MIN ZENG

A measure that tracks stress in U.S. money markets tumbled to near its lowest level in seven years, a sign of loose financial conditions that could help prompt the Federal Reserve to raise interest rates next week.

The three-month dollar Libor-OIS spread—the difference between the rate at which banks lend to each other and the market's expectations of central bank rates—fell below 0.1 percentage point on Monday. It was 0.0998 percentage point, the lowest since August 2015, according to Steven Zeng, interest-rate strategist at Deutsche Bank AG. The spread's lowest level in recent years was in March 2010, when it hit 0.06 percentage point.

As markets fret over whether the Fed will raise short-term borrowing rates too quickly, potentially constraining growth in the economy, the narrowing Libor-OIS spread is one indication that the U.S. central bank has the latitude to stay on its course of raising interest rates. The Fed lifted rates in December and March and is expected to act again at its June 13-14 meeting.

Tracking the spread helps investors and policy makers monitor the health of money markets. A higher reading signals increasing stress, while a lower one indicates easy funding conditions.

To some analysts, the narrowing spread reflects the easy monetary policies that still dominate financial markets and could breed complacency in investors. The Fed has been raising rates only gradually, and the European Central Bank and the Bank of Japan have continued bond-buying programs to stimulate their economies. Prices of as-

sets from stocks to leveraged loans to bitcoin to gold have risen in the meantime.

"The problem for the Fed is that despite its rate increases, market signals remain unresponsive, potentially generating financial asset bubbles," said Mark Cabana, head of U.S. short-rates strategy at Bank of America Merrill Lynch.

Ample liquidity also offers an explanation of why Treasurys have strengthened this year alongside a roaring stock market, a shift from late last year when bonds sold off as shares rallied.

The yield on the 10-year Treasury note settled at 2.182% Monday, down from 2.446% at the end of 2016.

The narrowing Libor-OIS spread is one indication the Fed can stay the course.

Yields fall when bond prices rise.

But to many others, the narrowing Libor-OIS difference is more a byproduct of postcrisis banking regulations and the money-market overhaul that kicked in during October. Continued thirst among investors for income in a low-yield world has also contributed to the spread's narrowing.

The banking system is more resilient because of the regulations since 2008, as firms shifted away from short-term borrowings without collateral, which have interest rates tied to the London interbank offered rate, or Libor. Instead, banks are issuing longer-term debt as a way to reduce rolling-over risk, that is, the threat from having to replace maturing debt.

Yen's Strength Hits Tokyo Stocks

BY KENAN MACHADO
AND CHRISTOPHER WHITTALL

Stocks fell in Tokyo as the yen gained ground, creating a headwind for Japanese exporters, due to a move by investors into haven assets amid mounting political uncertainty.

The Nikkei Stock Average ended the day down 1% at 19979.90.

Shares of heavy-equipment makers—which had benefited from expectations of greater infrastructure spending in the

U.S.—were down. Komatsu fell by 1.9%.

"The market sentiment remains very fragile," said Masashi Murata, a senior currency strategist at Brown Brothers Harriman. "We can't expect the U.S. to grow at over 3% this year, at least under the Trump administration, in the middle of political scandals."

James Comey, the former director of the U.S. Federal Bureau of Investigation, is due to testify publicly on Thursday about the agency's investigation of alleged Russian interference in the 2016 election. A general election in the U.K.,

whose result is seen as increasingly uncertain, also takes place Thursday.

Gold prices were up 0.9% at \$1,294 an ounce in U.S. trading, extending gains for the year. The yield on the 10-year U.S. Treasury note declined to 2.136%, according to Tradeweb, from 2.182% on Monday. Yields fall as bond prices rise.

The dollar was at ¥109.43, compared with ¥110.46 in U.S. trading on Monday.

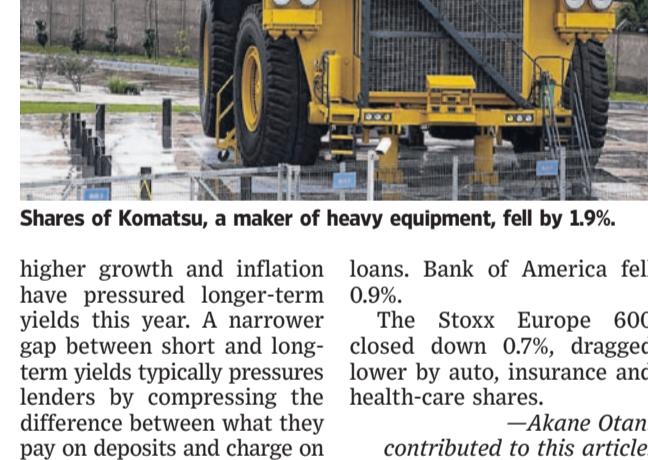
Elsewhere in Asia. Australia's S&P/ASX 200 extended early declines to trade down 1.5%. Brokerages there cut

their estimates of first-quarter economic growth to the lowest since the third quarter of 2009. That came as Australia posted a current-account deficit for the quarter, the first since 1975.

Hong Kong's Hang Seng Index was the region's best-performing equities market, ending the day up 0.5%, thanks to heavy buying of Chinese property developers.

In the U.S., the Dow Jones Industrial Average fell 9.8 points, or 0.1%, to 21174 on Tuesday. The S&P 500 fell 0.1%, and the Nasdaq Composite edged down less than 0.1%.

Shares of banks traded lower, with the KBW Nasdaq Bank Index of large U.S. commercial lenders down 0.7%. Scaled-back expectations for



Shares of Komatsu, a maker of heavy equipment, fell by 1.9%.

higher growth and inflation have pressured longer-term yields this year. A narrower gap between short and long-term yields typically pressures lenders by compressing the difference between what they pay on deposits and charge on

loans. Bank of America fell 0.9%.

The Stoxx Europe 600 closed down 0.7%, dragged lower by auto, insurance and health-care shares.

—Akane Otani contributed to this article.

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MARKETS

This Rally Has Legs, and Broad Reach, Too

Gains in the S&P 500 show advances across the board, not just in large tech companies

By BEN EISEN

Technology giants may grab all the headlines, but the market rally of 2017 has been spread across a wide range of stocks.

Gauges of how broad-based the rally has been, known in technical lingo as breadth, show that U.S. stocks are gaining across the board this year. More than 70% of the shares in the S&P 500 were trading above their respective 200-day moving averages at Monday's close. Surpassing such a measure is typically a sign of increasing momentum.

Nearly half of the index's 505 stocks were beating the benchmark's 8.8% gain this year, according to WSJ Market Data Group.

Investors had been becoming concerned about the dominance of a few highflying names. Facebook Inc., Amazon.com Inc., Netflix Inc., and Apple Inc. are all up by more than 30% this year, leading to questions about whether a reversal in their shares would drag the market down.

Meanwhile, the Class A shares of Alphabet Inc. on Monday closed above \$1,000 for the first time since the company split its shares in 2014, at \$1,003.88. Amazon ended at \$1,011.34 on Monday.

The S&P 500 is weighted by market capitalization, which means the biggest companies exert the most pull, with firms like Apple and Amazon contributing disproportionately to the rise. But in a sign that the rally hasn't left smaller companies behind, an equally weighted version of the index is up nearly as much.

Healthy measures of breadth are reassuring some

investors, who view the participation of a wide range of companies as a sign stocks can continue to rally. It suggests that even if investors sour on the star performers, that is less likely to drag the broad benchmark down with it.

"We think that breadth of market performance has been sufficiently diffuse to allay investor fears of narrow performance," said equity strategists at Morgan Stanley, led by Michael Wilson, in a note to clients on Monday.

Deteriorating breadth can indicate trouble is brewing. The advance-decline line, a measure of the cumulative number of New York Stock Exchange companies whose shares are rising relative to those that are falling, turned sharply lower ahead of the last two big market crashes.

This year, it has continued to hit fresh records, according to WSJ Market Data Group numbers going back to 1998. New highs in that measure tend to extend "the life expectancy of the bull market," said Doug Ramsey, chief investment officer of Leuthold Group in Minneapolis.

Different corners of the market are all up this year, including the Russell 2000 index of small-cap stocks utilities sector of the S&P 500. It is unlikely the eight-year-old bull market will end when a diverse array of sectors are hitting new highs, Mr. Ramsey said.

Still, the biggest firms do make up an ever larger share of the total value of major indexes. The 10 biggest stocks in the S&P 500 account for nearly one-fifth of the index, according to Goldman Sachs Group Inc.

But Goldman's research analysts find that breadth is still in line with its average from recent years.

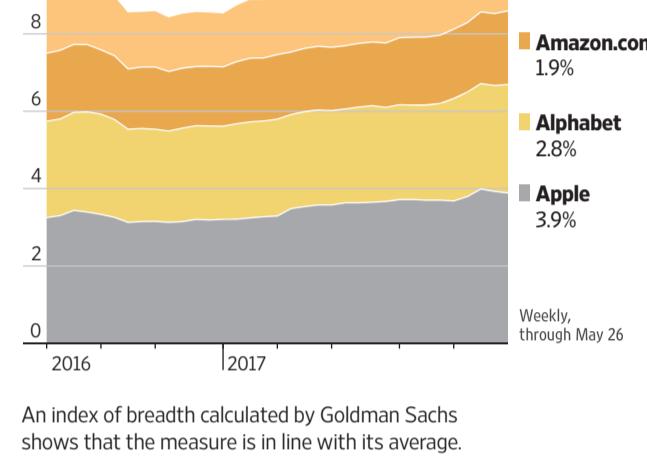
—Ken Jimenez and Tom DeStefano contributed to this article.

Signs of Strength

A surge in tech stocks has spurred some analysts to question the staying power of a record run by U.S. major indexes. But numerous broad measures of underlying sentiment and investor enthusiasm are rising, likely pointing to further gains for the Dow, S&P 500 and Nasdaq.

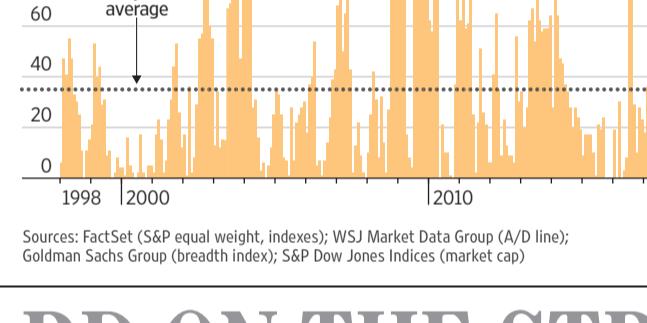
Tech stalwarts have recently become more heavily weighted in the S&P 500 index.

Share of total S&P 500 market capitalization



An index of breadth calculated by Goldman Sachs shows that the measure is in line with its average.

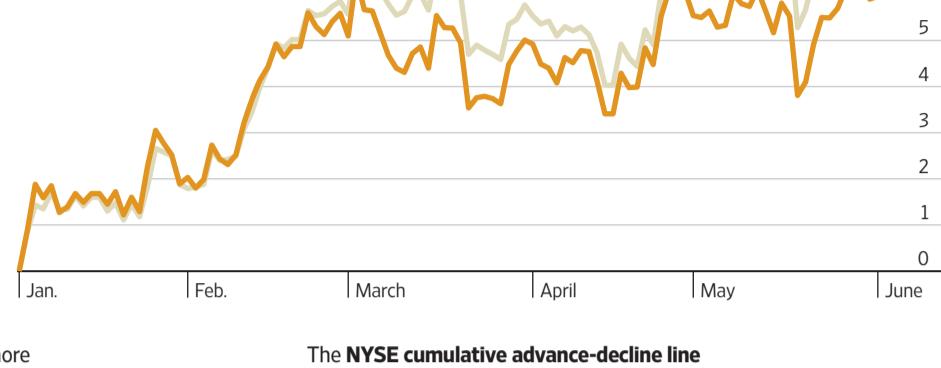
Goldman Sachs Breadth Index



Sources: FactSet (S&P equal weight, indexes); WSJ Market Data Group (A/D line); Goldman Sachs Group (breadth index); S&P Dow Jones Indices (market cap)

An equal-weighted measure of the S&P 500 has gained nearly as much as the market-cap-weighted version this year.

S&P 500
S&P 500 Equal Weighted



The NYSE cumulative advance-decline line is still climbing to new heights.

400,000

300,000

200,000

100,000

0

-100,000

January 2000 AOL and Time Warner announce merger

September 2008 Lehman Brothers files bankruptcy

February 2016 Stocks hit lowest of the year

Monthly tally

Small-caps, transportation stocks and utility shares are all up this year, one sign of broad-based market gains.

10%

8

6

4

2

0

100

80

60

40

20

0

1998 2000 2010

30-year average

Monthly tally

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Chip Rally Knocks Down Leaders

The rally in semiconductor stocks has been surprising for two reasons: It has been bigger and longer than anticipated, and it has changed the pecking order among the biggest chip makers.

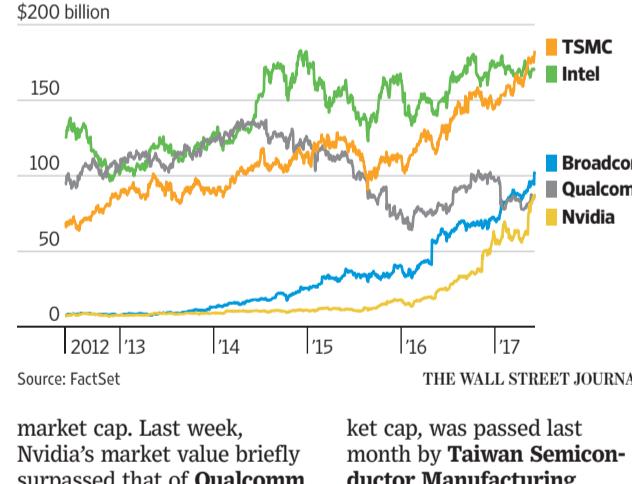
This may have investors understandably nervous about when the turn may come. But the companies driving the most recent surge have strong prospects ahead that don't look to diminish soon.

As of Tuesday morning, the PHLX Semiconductor Index was up nearly 23% for the year, against the Nasdaq's 17% uptick. This comes after the chip index surged 37% last year, making it the best performer in tech. And this has continued even as big M&A activity cools. The semiconductor sector has seen just under \$9 billion worth of deals so far this year, following a splash that totaled \$134 billion worth last year, according to Dealogic.

One big change is that Nvidia and Broadcom are now among the five largest companies on the PHLX Semiconductor Index, ranked by

Restack

Market value



market cap. Last week, Nvidia's market value briefly surpassed that of Qualcomm, which was once the second-most-valuable chip company next to Intel Corp.

Qualcomm's market value has bucked the trend, falling by nearly a quarter over the past two years as the company's licensing business faced an array of problems that now includes a legal war with Apple.

Another is that Intel, long the No. 1 chip maker by mar-

tage cap, was passed last month by Taiwan Semiconductor Manufacturing.

TSMC, as it is also known, is Intel's biggest rival in chip production and has benefited from the boom in mobile devices and from growing demand for other types of chips such as graphics processors.

Investors should expect further gains ahead. Broadcom in particular is in a good position, even though its market value more than doubled since

its merger with Avago early last year. The company reported an 18% jump in revenue for its fiscal second quarter on Thursday. It projected a similar gain for the current period, getting a boost from the buildup of the next iPhone models, which use the company's wireless filter chips. At 15 times forward earnings, Broadcom is still at a slight discount to the PHLX average.

Nvidia could see further gains as well. The company's graphics processing chips have a prime opportunity ahead as companies like Amazon, Google and Microsoft build artificial intelligence into their vast global networks.

Nvidia is also benefiting from strong demand for the Nintendo Switch game console.

Nvidia's multiple of around 48 times forward earnings makes the stock a bit more precarious. But the PHLX Index in general is averaging only 16 times, less than 10% above its five-year average and about 30% below the Nasdaq's average, so chip investors needn't rush to cash out just yet.

—Dan Gallagher

OVERHEARD

As the summer movie season starts moving into high gear, accounting standards are getting a moment in the sun.

"The Importance of GAAP," a new video produced by the Financial Accounting Foundation extols the virtues of Generally Accepted Accounting Principles.

"Imagine a world of streets without signs," the video's narrator implores the audience. "Or scales without numbers. Or ballets without choreography. The result would be confusion, chaos or worse. Rules help the world run more smoothly. The same is true for financial information."

Just imagine a world without GAAP.

It is possible the two-minute, 45-second video, currently available on YouTube, will be the summer's surprise hit.

If so, it might be a late bloomer—the online video clip has attracted about 200 views in a little more than two weeks.

Apple's New Device Isn't An Easy Sell

Apple Inc. has arguably perfected the art of the up-sell. That is good, as its new home-speaker offering will test that ability.

Called the HomePod, Apple's entry into the burgeoning market for voice-activated home speakers was announced at its Worldwide Developers Conference on Monday. The device uses the company's Siri personal digital assistant that is found on its other devices and incorporates its Apple Music service and home-automation tool called HomeKit. It is set to go on sale in December at a price tag of \$349.

That is nearly twice the price of Amazon.com's Echo, which also will have had a three-year head start on the HomePod by the time the latter hits the market. Neither handicap is necessarily fatal. Apple typically hasn't been the first to market with new classes of devices and the company has a long-established ability to command premium prices relative to its peers.

It also has an enormous base of customers. More than 500 million combined units of the iPhone, iPad and Mac computers have sold in the past two years alone. By contrast, analysts estimate that Amazon has sold about 11 million units of its Echo lineup to date. About four million of those Echo owners also own an iPhone, according to Consumer Intelligence Research Partners.

That means Apple has plenty of opportunity in a burgeoning market. But that opportunity will be limited by both the size of its Apple Music base, which now numbers about 27 million subscribers, and the high price tag those users will need to meet in order to plug in.

—Dan Gallagher

Alibaba and S.F. Express Duke It Out Over Delivery Data

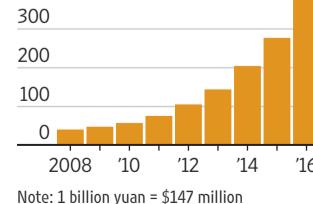
Data is the new oil, as a rare public fight between two of China's leading billionaires shows.

The recent spat between e-commerce juggernaut Alibaba, controlled by China's wealthiest man, Jack Ma, and S.F. Express, the express-delivery giant run by the country's fifth-richest man, Wang Wei, may be a touch obscure. Alibaba, the \$307 billion company that runs China's equivalent of eBay, relies on companies such as S.F. Express to deliver parcels around the country, as it doesn't have a logistics operation of its own.

But the relationship between the two broke down when S.F. Express started

Keep on Trucking

China's express-delivery market



Note: 1 billion yuan = \$147 million

Source: CEIC

THE WALL STREET JOURNAL.



Alibaba relies on delivery firms.

want to know where their parcels are and when they might arrive. Who started the spat is unclear, but both have accused the other of trying to grab more data than allowed under their

contracts.

The dispute is more than a minor local difficulty for Alibaba. While it is usually compared with Amazon, Alibaba makes most of its money by charging sellers on its popular Taobao site for advertising, maintaining high margins partly because it hasn't had to build an expensive delivery network. For the most part, that works well because the firms Alibaba works with are small and rely heavily on it for business.

But S.F. Express is different. While it delivers one million parcels for Alibaba's sellers a day, it gets much of its income by operating as a courier for larger com-

mercial customers and has garnered a reputation for offering premium service.

In other words, S.F. Express can afford to keep its data from Alibaba. Alibaba's vast database of customers and merchants has already made it almost a monopoly in China's e-commerce world. Through its Ant Financial affiliate, it also dominates payments in China. Its appetite for yet more information about customers' habits and preferences is insatiable.

But it relies on others playing ball. If others like S.F. Express stick to their guns, that could prove harder than Alibaba hoped.

—Jacky Wong

—Dan Gallagher