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What's News

Business & Finance

Private-equity chiefs are eyeing Saudi Arabia's PIF, which is set to become the world's largest sovereign-wealth fund if Aramco goes public as planned. **A1**

◆ **Investment-grade firms** are on track to issue the largest amount of sterling-denominated debt since 2012 in a market rebound. **B1**

◆ **Apple announced** a voice-activated speaker called HomePod as it looks to bolster its product line amid rising competition. **B1**

◆ **A new study** of a Roche drug is stirring debate about whether the benefits of some cancer drugs are worth their high cost. **B1**

◆ **Chinese dairy Huishan** said that it is missing most of its cash and has fallen more deeply in debt. **B2**

◆ **CSX's chief** told shareholders that he is able to lead the railroad despite an undisclosed medical condition. **B3**

◆ **The NFL will allow** its TV partners to accept commercials for hard liquor in a change of its ad policy. **B4**

◆ **The Supreme Court ruled** the SEC is subject to time limits when requiring firms or individuals to forfeit ill-gotten gains from fraud. **B5**

◆ **Pimco and other** bondholders in Novo Banco could potentially derail a sale of the Portuguese lender, saying they would rather buy it. **B5**

◆ **India-based** outsourcing firms are reducing their use of the U.S.'s H-1B visas, which are reserved for highly skilled foreign workers. **B3**

World-Wide

◆ **U.K. police revealed** the names of two of the three London Bridge attackers, as May vowed a tough new crackdown on extremists. **A1**

◆ **May sought** to fend off Labour criticism of her decision as home secretary to cut police numbers. **A4**

◆ **Trump criticized** his Justice Department for accepting a revised version of his travel ban on several Muslim-majority countries. **A1**

◆ **The president's string** of tweets about his travel ban could complicate his defense of the executive order, legal experts said. **A6**

◆ **Qatar's Mideast rivals** cut ties with the emirate, accusing the country of backing terrorism and meddling in their internal affairs. **A1**

◆ **Airlines from** Qatar's neighbors suspended flights, dealing a blow to the emirate's flag carrier. **A3**

◆ **Turkey threatened** to strip citizenship from a U.S.-based cleric and 129 others if they don't return to face coup-related probes. **A5**

◆ **Trump won't attempt** to block ex-FBI Director Comey from testifying before Congress this week, the White House said. **A6**

◆ **The president launched** a campaign aimed at fulfilling his pledge for \$1 trillion of infrastructure investment. **A6**

◆ **Trump endorsed** a plan to transfer control of the U.S. air-traffic control system to a private nonprofit. **A6**

◆ **Tillerson called** on China to stop militarizing islands in the South China Sea. **A5**

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U.K. Names Two London Attackers

Pakistan-born British citizen and another man identified as London Bridge terrorists

By JENNY GROSS
AND PAUL HANNON

LONDON—Police revealed the identities of two of the three London Bridge attackers, saying one of them had been known to security services but no prior intelligence suggested he was planning an attack.

Khuram Shazad Butt, a 27-year-old British citizen born in

Pakistan, carried out Saturday's attack with 30-year-old Rachid Redouane, who claimed to be Moroccan and Libyan, police said. Butt was known to authorities, who said they were still trying to identify the third attacker.

Police said they were seeking to establish more details about the men, their connections and whether they were supported by others, but declined to say more. "I would urge anyone with information about these men, their movements in the days and hours before the attack and the places they frequented to

come forward," said Mark Rowley, Britain's top counter-terror police officer.

The three attackers carried out a deadly rampage Saturday night in central London, killing seven and injuring dozens more.

Prime Minister Theresa May on Monday vowed a tough new crackdown on extremists, saying Islamist extremism poses one of the gravest threats facing the U.K.

"We are leading international efforts to take on and defeat the ideology of Islamist extremism around the world," Mrs. May said at a

campaign event in central London just days before a general election that appears to be tightening. "But as the threat evolves, our response must do so too. We cannot go on as we are."

Mrs. May said the U.K. needed to do more to take on and defeat Islamist extremism, including considering whether prison sentences for terrorism-related offenses should be

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U.S. Ought To Pursue Original Travel Ban, Trump Says

By REBECCA BALLHAUS
AND BRENT KENDALL

President Donald Trump expressed frustration on Monday for having revised his executive order that temporarily banned travelers from several majority-Muslim countries from entering the U.S., seeking to cast blame for the new order—which he signed—to his own Justice Department.

Mr. Trump has said his original and revised travel orders were intended to help stop terrorists from entering the U.S., but critics said they discriminate based on religion, and they have been blocked in federal court. His latest comments on the orders came in the wake of a terrorist attack in London that killed seven people.

In a series of early-morning tweets, Mr. Trump criticized his Justice Department for recommending a revised version of his executive order after the initial one was rejected by the courts. The administration hoped the revised plan issued in March would pass muster by omitting some of the more aggressive elements of the original order, such as potentially applying it to aliens with legal U.S. residency. But it, too, was quickly blocked by federal courts, with

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An officer watches pedestrians cross London Bridge. Raids continued in neighborhoods in East London as police detained more people.

MANY COLLEGES FAIL TO TEACH THINKING

Test shows students get degrees but lack critical job skills

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

Please see THINK page A8

Qatar Isolated by Middle East Rivals

Qatar's Middle Eastern rivals sought to isolate the tiny Persian Gulf emirate by severing diplomatic and some com-

*By Asa Fitch
and Nicolas Parasie
in Dubai
and Margherita
Stancati in Beirut*

mercial ties on Monday, exposing deep divisions among U.S. allies who provide crucial aid to Washington's campaign against Islamic State.

Saudi Arabia blamed Qatar

for "financing, adopting and sheltering extremists," singling out its alleged links to groups ranging from the Muslim Brotherhood and Islamic State to the Iran-backed Houthi rebels Saudi Arabia is fighting in Yemen.

Tensions rose late last month when Qatar's official news agency posted com-

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Buyout Firms Eye Saudi Cash Gusher

By MAUREEN FARRELL

With less than two weeks' notice last month, more than a dozen of the top global money managers accepted a dinner invitation halfway around the world. The host: Yasir al-Rumayyan, head of Saudi Arabia's Public Investment Fund, which is set to become the world's largest sovereign-wealth fund in coming years—and potentially their biggest benefactor, if the kingdom's

state-owned oil company goes public as planned.

The guests, which included Blackstone Group LP Chief Executive Stephen Schwarzman, Carlyle Group LP's David Rubenstein, SoftBank Group Corp.'s Masayoshi Son and Robert Smith of Vista Equity Partners, mingled over nonalcoholic drinks in a large indoor courtyard lined with palm trees at Mr. al-Rumayyan's Riyadh home. At dinner

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OMAR HAJ KADOUR/WSJ

NEW ASSAULT
DISPLACES
SYRIANS

WORLD NEWS, A2



AGENCE FRANCE-PRESSE/GETTY IMAGES

TRUMP WON'T
BAR COMEY
TESTIMONY

U.S. NEWS, A6



VIRTUAL
REALITY MEETS
REAL WORLD

BUSINESS & FINANCE, B1

Rule No. 1 When Making Baby Rhinos: Try Not to Get Squashed

* * *

Zookeepers aim to save an endangered species of the horned beasts by planting embryos in surrogate mothers

By JIM CARLTON

ESCONDIDO, Calif.—Amani has deep-set eyes and shiny skin. Her name is Swahili for "peace," and she has a youthful vigor that makes her an ideal candidate for motherhood.

She also weighs 4,400 pounds, has a dagger-shaped horn and sports a tail that lashes like a whip. She can charge at 30 miles an hour.

It's Barbara Durrant's job to

get the rhinoceros pregnant.

How do you turn a two-ton rhino into a mom? Start with a treat of her favorite grass, perhaps a little cooing and maybe a tummy scratch.

Dr. Durrant, reproductive-sciences director at San Diego Zoo Global, which runs San Diego Zoo and the safari park here, is in a race to prevent extinction of the northern white rhinoceros. For help, she's turning to Amani and



Helene

five other southern white rhinoceroses to serve as surrogate mothers.

The last three known north-

ern whites, in Kenya, can't breed because of age and other factors. That leaves vials of frozen sperm and eggs collected from other northern whites before they died. "It kind of gives me chills," Dr. Durrant said, holding a vial of rhino sperm, "to even hold this vial in my hand."

The zoo wants to create northern white rhino embryos and plant them in wombs of southern whites, which are

more numerous.

The first trick is getting a creature weighing as much as a Ford F-150 pickup to step into a holding chute.

A trainer assisting Dr. Durrant lured one of the rhinos on a recent day with an irresistible bouquet of goodies including orchardgrass, a tall-growing plant sometimes used in pastures for farm animals and a rhino favorite.

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WORLD NEWS

On World Stage, Trump Is Disruptor-in-Chief


CAPITAL JOURNAL
By Gerald F. Seib

Richard Haass, a senior national-security official in the past two Republican administrations, uses an interesting word to summarize President Donald Trump's foreign policy: disruption. "He tends to see the world as costing us more than benefiting us," says Mr. Haass, now president of the Council on Foreign Relations. "And he tends to see every issue in isolation." As a result, "increasingly he will disrupt longstanding arrangements."

Disruptor-in-chief is a title Mr. Trump likely would accept, with pride. Disrupting the status quo is what he does. He set out to disrupt the Republican Party, then the presidential-election process, and, ultimately, Washington. He has done it all.

Less expected, though, are emerging signs that Mr. Trump's disruptive force may turn out to be greater

on international affairs than on domestic policy. Like every president, he is constrained at home by Congress, the courts, the opposition party and public opinion. Like every president, he is finding his latitude greater abroad.

But what he wants to do with that latitude remains a mystery and a concern to a world community trying to figure out whether there is a Trump Doctrine.

After four months, this much seems clear: Trump foreign policy is defined by making U.S. economic concerns a higher priority than anything else; by a view that shared interests top shared values in international relations; by a refusal to accept continuity for its own sake; and by a belief he can cut a better deal than his predecessors did.

Together, those tendencies produce what Mr. Haass calls "a bias toward disruption." The latest evidence came in Mr. Trump's decision last week to ditch the Paris accords on climate change, followed by his weekend tweet that, within hours of the latest terrorist attack in London, scolded that city's mayor for not taking the terror threat seriously enough.

The European reaction to the climate-change decision may have been best captured by a strikingly harsh weekend account in the German magazine *Der Spiegel*. It said



President Trump in Riyadh, Saudi Arabia, in May. He seeks Saudi Arabia's help in deterring Islamic State.

Mr. Trump announced his decision in a White House speech "of the most imbecilic variety" that "provided only the most recent proof that discord between the U.S. and Europe is deeper now than at any time since the end of World War II."

That may be hyperbole; strains were pretty deep in the early 1980s, at least with the European public, when hundreds of thousands protested in cities across Western Europe over the deployment of American intermediate-range missiles there.

Still, as Mr. Trump traveled in the Middle East and Europe two weeks ago, his White House didn't play down the extent to which he was seeking to shake things up. One White House trip summary, for example, referred to a "titanic shift" in policy.

In one speech, Mr. Trump referred to his approach as "principled realism." That seems to mean, among other things, placing shared interests above shared values in dealing with other nations.

"At every stop in our jour-

ney, we delivered a clear message to our friends and partners: Where our interests align, we are open to working together to solve problems and explore opportunities," national security adviser H.R. McMaster and national economic council director Gary Cohn wrote in an op-ed article for *The Wall Street Journal* at the conclusion of that trip.

Thus, Mr. Trump has built a strong bond with the leaders of Saudi Arabia because of a shared interest in confronting Islamic State and

Iran, and despite concerns about the Saudi record on human rights and women's rights. And he has, unexpectedly, developed a good relationship with Chinese President Xi Jinping because he can help address the American interest in curbing North Korea's nuclear weapons.

Meantime, shared democratic values with European nations aren't enough to offset concerns that existing agreements on trade and the climate accords cut against U.S. economic interests.

In fact, Nicholas Burns, a retired career diplomat who served as undersecretary of state in the George W. Bush administration, says Mr. Trump's policies are colored by economic concerns above all else. "He sees the world as a place of unbridled economic competitors," he says.

Aaron David Miller, a longtime Middle East negotiator, sees another factor at work: Mr. Trump's personality. While he has stuck hard by some campaign promises, Mr. Miller notes, the president has backed away from a pledge to move the U.S. Embassy in Israel to Jerusalem from Tel Aviv.

Why? Because the Arab backlash would have interfered with the desire of Mr. Trump, a deal-maker, to make "the ultimate deal" by brokering peace between Israel and the Palestinians.

India Takes Step Toward Manned Space Flight



MISSION ACCOMPLISHED: India successfully launched its heaviest rocket Monday, from the island of Sriharikota. India hopes to eventually use the rockets carry astronauts into space, joining the U.S., Russia and China as the only nations to achieve that feat.

FUND

Continued from Page One

ner, the private-equity potentates sat at small round tables with Saudi financiers, executives and government officials.

The meeting, which came a day ahead of President Donald Trump's visit to Saudi Arabia in late May, shows the potential of the Public Investment Fund, or PIF, to reshape the private-equity industry and create the next round of winners and losers in its continuous quest for assets. PIF could be the single biggest source of cash for buyout firms in coming years, private-equity officials say.

"This was a coming-out party for the PIF," said Bill Ford, CEO of private-equity firm General Atlantic, who attended the dinner and a subsequent round table. "Every global investor should have a relationship with Mr. al-Rumayyan," who was previously best known for being CEO of a Saudi affiliate of French bank *Crédit Agricole* and a champion of the kingdom's golf scene.

Saudi Arabia has said it would transfer the assets of state-owned colossus Saudi Aramco into its sovereign-wealth fund when it takes the oil company public, part of a plan to overhaul the Saudi economy and reduce its dependence on oil.

The oil market was briefly jolted Monday, after Saudi

Arabia, along with the United Arab Emirates, Bahrain and Egypt, severed relations with Doha and said they would close off routes to the country after accusing Qatar of backing terrorism.

Estimates of Aramco's value range from \$1 trillion to \$2 trillion or more, and the kingdom has said it would seek to sell 5% of the company to the public, possibly next year. That could balloon PIF's assets, which already stand at

won't come free.

PIF is eager to secure more of a say in how funds it backs operate than a traditional limited partner would have, people familiar with its plans said. It could have input in what types of investments these buyout funds make or have veto power over new investments. The sovereign-wealth fund will also likely pay significantly lower fees than other investors do, according to industry experts, because of its size

counting for 19% of their institutional capital as of January, according to research firm Preqin. That is up from 9% in 2013. At a conference last year, Carlyle's Mr. Rubenstein predicted that within five years, sovereign-wealth funds could overtake public pension funds as the most significant source of capital for private-equity firms, which according to Preqin had \$842 billion available for investment as of March.

"Any time a sovereign-wealth fund decides to increase its allocation by even 1%, it's significant," said Andrea Auerbach, head of global private investment research at Cambridge Associates, which advises institutions that invest in private equity.

Blackstone and Japan's SoftBank are the first big winners in the race to secure the mountain of Saudi assets that is up for grabs. Shortly after the dinner, PIF announced it will commit \$20 billion to Blackstone's new \$40 billion infrastructure fund, which is to be the biggest ever raised. It has pledged \$45 billion to SoftBank's Vision Fund, the world's largest technology-investment pool.

Mr. Schwarzman and other Blackstone executives spent more than a year meeting with Mr. al-Rumayyan and senior Saudi officials courting the commitment, according to people familiar with the discussions.

—Matt Jarzemsky and Nicolas Parasie contributed to this article.

Syria Launches New Offensive on Rebels

By RAJA ABDULRAHIM

Busloads of forcibly displaced Syrians arrive almost weekly to an increasingly crowded corner of northwest Syria, doubling the local population of Idlib province as the regime systematically empties the opposition from its former strongholds elsewhere.

Syrian warplanes pressed forward with airstrikes and bombardments despite an April 7 attack the U.S. launched on regime targets in retaliation for its use of sarin gas in Idlib, targeting hospitals, markets and rescue centers and killing hundreds more civilians, according to opposition activists and human rights groups. The regime's offensive slowed somewhat after an internationally brokered deal to create de-escalation zones in early May, but strikes have persisted, even in the wake of a second U.S. attack on regime forces later that month.

Syrian President Bashar al-Assad appears emboldened rather than chastened in his efforts to eliminate his opponents. His main international backers, Russia and Iran, haven't wavered in their support despite U.S. and Western allegations of ongoing atrocities.

"Idlib has become like the Gaza Strip. Turkey has closed its borders and it has become an open-air prison," said Muhammad Jaffa, a volunteer who helps displaced people in the province. "People are living in a constant state of fear."

Leaders of the opposition fighting the Assad regime initially hoped the U.S. attacks showed greater willingness in Washington to confront it.

But U.S. defense officials said President Donald Trump only meant for an April strike on a Syrian airfield to deter Mr. Assad from using chemical weapons again, not to signal the beginning of a campaign against the Syrian military.

"And, thus far, I think we've been successful in deterring him from using chemical weapons again," one U.S. de-

fense official said.

Since the April gas attack on the Idlib town of Khan Sheikhoun, airstrikes by the regime and its Russian allies have killed nearly 400 civilians in Idlib province alone, according to the pro-opposition Syrian Network for Human Rights—though the attacks have eased somewhat since Russia and Iran agreed with Turkey to set up four de-escalation zones.

In April, the regime attacked 29 medical facilities in opposition-held territory—14 of them in Idlib—according to the World Health Organization.



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The regime has also continued to besiege many areas held by the opposition—sieges that have often ended in deals to transfer rebels and residents to Idlib.

Among the displaced people, there are persistent fears the regime is concentrating its enemies in one place to wipe them out more efficiently. "Everyone is asking: 'Why are they putting us all in this corner?'" said Yakzan Shishakly, director of Maram Foundation, which runs three transit centers for newly displaced people in Idlib.

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CORRECTIONS & AMPLIFICATIONS

In the second half of 2016, Twitter Inc. suspended 376,890 accounts for promoting terrorism. A *World News* article on Monday about British leaders' criticism of Silicon Valley after the weekend's terror attack in London incorrectly said it was in the second half of 2017.

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

WORLD NEWS

Flying Bind: Gulf Rift Threatens Airline

Suspended service by Qatar's neighbors imperils flag carrier and domestic economy

By **NICOLAS PARASIE**
AND **ROBERT WALL**

DUBAI—Qatar's rift with its Arab neighbors threatens to hit one of the tiny Gulf state's economic arteries: air transport. Airlines from the United Arab Emirates—including heavyweights **Emirates Airline** and **Etihad Airways**—Saudi Arabia, Bahrain and Egypt suspended flights to Doha on Monday, hours after their countries announced they were cutting diplomatic, air and maritime links to Qatar. The step marks an escalation in a dispute over Qatar's alleged support for Islamist groups in the region.

Qatar has said its neighbors' moves are founded on "baseless and unfounded allegations" and has vowed to ensure they won't harm the economy.

However, the flight suspensions are a major blow for state-owned, flag carrier **Qatar Airways**, which relies on shuttling passengers from larger nearby countries like Saudi Arabia across its network of more than 150 destinations. The airline carries millions of passengers every year, many of whom stop over



Qatar Airways relies on shuttling passengers from nearby countries like Saudi Arabia across its network of more than 150 destinations.

in Doha, helping boost tourism and business, which are vital to Qatar's plan to reshape its energy-dependent economy.

Qatar Airways responded by immediately suspending flights to Saudi Arabia. Later in the day, it canceled flights to the U.A.E., Bahrain and Egypt from Tuesday "until further notice." Passengers would be rebooked or provided refunds for unused portions of flights, the airline said.

"As a hub carrier with a small domestic market, feed traffic is their bread and butter," airline consultant John Strickland said.

The loss of that traffic, particularly from Saudi Arabia and Egypt, as well as on lucrative Dubai routes, will hurt, Mr. Strickland added. Qatar Airways declined to comment.

Air traffic between Doha, Dubai and Abu Dhabi—three of the world's busiest interna-

tional travel hubs—has sharply increased in recent years, as the Gulf carriers expand routes world-wide using newly built airports as bases.

Dubai's Emirates and Abu Dhabi's Etihad operate 11 daily flights in total to Doha. Other airlines, including budget carriers, such as **Flydubai** and **Air Arabia**, also fly regularly to Doha.

The suspension comes as Middle Eastern carriers experi-

ence one of the most difficult chapters in their relatively short history. A prolonged slump in oil prices has dented earnings and subdued business travel and a U.S. ban on carrying some electronics in plane cabins and the threat of a wider travel ban has added to woes.

Qatar Airways has vowed to continue growing despite these headwinds, but being cut off from nearby markets could pose a bigger challenge.

Many Qatar Airways flights to Southeast Asia fly over the U.A.E. and rerouting these would add time and cost as planes burn more fuel, Mr. Strickland said. Saudi Arabia has said it would bar overflights, although the U.A.E.'s position remained unclear on Monday. If Qatar Airways's operations are impact for a protracted period, it could drive away customers.

Routes to Europe and the U.S. should be largely unaffected, although passengers looking to fly via Doha to other Middle Eastern destinations may be forced to make alternative arrangements.

Plus, the ban dents Qatar Airways' ability to steal traffic from the likes of Emirates and Etihad by luring passengers from the U.A.E. with cheap fares to fly to Europe and the U.S. via Doha.

Qatari residents told The Wall Street Journal they were concerned about how the flights suspensions would impact their travel plans. Many overseas residents plan to travel home in June for the end of Ramadan and may consider flying with other regional airlines such as **Turkish Airlines**.

Meanwhile, Qatar may face economic headwinds as it becomes politically and economically isolated from its neighbors. Reflecting these concerns, Doha's stock-market index ended 7.3% lower on Monday.

QATAR

Continued from Page One
ments, purportedly by its emir, that praised Iran, which led Saudi Arabia and others in the region to block websites of Qatari news outlets. Qatar said the news agency had been hacked and denied the emir had made the comments.

Monday's sudden diplomatic rupture led to a rush on supermarkets in the Qatari capital, Doha, as residents worried about the closing of the country's only land border, with Saudi Arabia, from which Qatar imports large amounts of food. In addition to Saudi Arabia, Egypt, the United Arab Emirates and Bahrain broke ties, as did Yemen's Saudi-backed government.

The spat among U.S. allies in the Middle East carries high stakes for the Trump administration, coming two weeks after President Donald Trump tried during a visit to Riyadh to rally Arab allies around fighting terrorism and countering Iran's influence in the Middle East.

The command center overseeing the U.S.-led air war against the extremist group Islamic State is located at a U.S. military base in Qatar, Amer-



Qatar's Sheikh Tamim bin Hamad al-Thani in Manama last year.

ica's largest military facility in the Middle East. On Saudi Arabia's side of the dispute is Bahrain, which hosts the Fifth Fleet, one of the U.S.'s largest naval fleets.

Like many of its Gulf Arab neighbors, Qatar has spent tens of billions of dollars on American and European arms in recent years, and it has been part of a U.S.-led coalition carrying out strikes against Islamic State since 2014.

A Pentagon spokesman indicated that U.S. warplanes continued to conduct missions from Qatar to Iraq, Syria and Afghanistan despite the break in ties.

"We have no plans to change our posture in Qatar," said the spokesman, Maj. Adrian Ran-

kine-Galloway. "We encourage all our partners in the region to reduce tensions and work towards common solutions that enable regional security."

At a news conference Monday in Sydney, Australia, U.S. Secretary of State Rex Tillerson played down the rift, saying he hoped it would be resolved diplomatically and offering to mediate. Defense Secretary Jim Mattis, who appeared with Mr. Tillerson, said he doubted the diplomatic rift would have an impact on the fight against terrorism.

It wasn't clear whether Qatar's change in relations with Saudi Arabia, the U.A.E. and Bahrain—also members of the coalition—would affect Qatar's participation in the anti-Islamic State campaign.

Islamic State campaign.

The Trump administration has tried to build a regional consensus around containing Iran and a shared disdain for the landmark nuclear deal the Obama administration negotiated with Iran. The 2015 deal offered Iran relief from sanctions in exchange for curbs on its nuclear program.

Some observers saw a link between Monday's diplomatic break and Mr. Trump's visit to Riyadh, during which he announced arms sales worth almost \$110 billion and pledged close cooperation with Saudi Arabia on counterterrorism.

"The Saudis and Emiratis feel emboldened by the alignment of their regional interests—toward Iran and Islamism—with the Trump administration," said Kristian Ulrichsen, a fellow at Rice University's Baker Institute for Public Policy.

The official Saudi Press Agency said on Monday that Doha had been expelled from the Saudi-led, anti-Houthi coalition fighting in Yemen.

Saudi Arabia also shut the Riyadh offices of Al Jazeera, which is based in Qatar.

In addition to breaking relations, Qatar's Gulf Arab neighbors said they would close off their air, sea and land

A Timeline of the Rift in Relations

Events that led four Arab nations to cut ties with Qatar:

◆ **2011:** Arab Spring unrest erupts across the region, with Qatar supporting—and Saudi Arabia and its allies opposing—movements pressing for sweeping political change

◆ **Nov. 23, 2013:** The Gulf Cooperation Council signs a mutual security pact stipulating that no member shall interfere in the internal affairs of another

◆ **March 5, 2014:** Saudi Arabia, the U.A.E. and Bahrain withdraw their ambassadors from Qatar, saying it violated their security agreement by supporting the Muslim Brotherhood.

◆ **Nov. 17, 2014:** The three countries say they will return their ambassadors to Qatar, having put their differences behind them.

◆ **May 24, 2017:** Comments attributed to Qatar's emir that praise Iran and describe Hamas as the legitimate representative of the Palestinians are posted online by Qatar's state news agency. Doha says that the agency was hacked. Saudi Arabia and other GCC countries react with outrage, and block access to Al Jazeera and other Qatari news sites.

◆ **June 5, 2017:** Saudi Arabia, the U.A.E., Bahrain and Egypt sever diplomatic and some commercial ties with Qatar, accusing it of supporting terrorism and interfering in their internal affairs.

routes to Qatar and bar its aircraft and vessels from using their airspace and territorial waters, though they didn't indicate they would in any way restrict Qatar's shipping or air links to other countries. Qatar is the world's largest exporter of liquefied natural gas. Qatar called the measures

unjustified and said they were based on false allegations. It denied interfering in the domestic affairs of other members of the six-member Gulf Cooperation Council.

—*Dahlia Kholaiif, Maria Abi-Habib, Rory Jones, Gordon Lubold and Jenny W. Hsu contributed to this article.*

A detailed image of a Breitling Avenger Hurricane chronograph watch. The watch has a black dial with large white Arabic numerals, three sub-dials, and a rotating bezel with a scale. It features a black leather strap with yellow stitching. The Breitling logo is visible on the dial.

The Breitling logo, featuring a stylized 'B' with wings and the word 'BREITLING' below it, with '1884' underneath.

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WORLD NEWS

U.K. Election Focus Falls On Security

By JENNY GROSS

LONDON—Prime Minister Theresa May sought on Monday to fend off accusations that a decision years ago to cut police numbers showed bad judgment, after the deadly rampage at London Bridge put security at the center of Thursday’s general election.

The initially restrained political response to Saturday’s attack—Britain’s third in as many months—has quickly given way after a temporary suspension of campaigning to wrangling between the two main parties about their records on public safety.

The main opposition Labour Party criticized Mrs. May for presiding over a decision to cut the number of police officers when she was home secretary, a decision it said put Britain at risk.

The recent attacks in Britain have shifted dynamics ahead of the election. Pollsters and analysts still expect Mrs. May to win, but her party’s 20-percentage-point lead in mid-April had shrunk to single digits before the latest attack on Saturday.

Jeremy Corbyn, leader of the Labour Party, called on Mrs. May to resign for her de-

cision to cut police numbers in the six years that she was in charge of the Home Office, from 2010 until last year.

A lot of “very responsible people” were very worried “that she was at the Home Office for all this time, presided over these cuts in police numbers and is now saying that we have a problem,” he said. “Yes, we do have a problem. We should never have cut police numbers.”

Mr. Corbyn said the government was warned repeatedly about police cuts, adding the Labour Party if it wins would recruit 10,000 more policemen.

At a campaign event in central London, Mrs. May said she could provide the leadership that would keep the U.K. safe and framed the election as a choice about which leader the British people trust to make big decisions that matter to the U.K.

“The question of leadership has always been at the heart of this campaign—and it is absolutely crucial we get the answer right,” she said, citing “the ability to say the courageous thing and do the difficult thing.”

Tony Travers, politics professor at the London School of Economics, said it was notable



Officers in Dagenham after a raid on Monday. Mrs. May has been criticized for a cut in the police force when she was home secretary.

that both Mrs. May and Mr. Corbyn have so quickly used the attack to score political points.

“It has been turned into a matter of political dispute, immediately. That is unusual and slightly against the rules of the game,” Mr. Travers said.

Mrs. May defended herself against criticism about police cuts, saying the budget for counterterrorism policing and the resources available to the security and intelligence agencies had increased under her watch. She also said Mr. Corbyn had opposed efforts to give more powers to the security

forces to deal with terrorism.

Home Office figures show the number of police officers fell in each of the seven years to 2016. In the year to September 2016, the total police workforce declined by 3%, with a 2.2% reduction in police-officer numbers, according to the Home Office.

The sharpest decline was in community-support officers, who are often the first to detect and monitor signs of possible radicalization.

Polls suggest that Mrs. May’s center-right Conservatives will increase its majority in Thursday’s election, but

also that the win will likely be much narrower than earlier predicted. Recent polls have signaled she may only be able to increase her lead by a handful of seats.

The three terror attacks—one near Parliament in March, one outside a concert in Manchester last month, and Saturday’s rampage—may not give either party a big advantage, said Tim Bale, politics professor at Queen Mary University of London. “I’m not sure there will be an obvious flight to the incumbent government because there are legitimate criticisms, but I do think peo-

ple worry about Jeremy Corbyn’s ability to cope with a crisis situation,” he said, referring to the Labour leader’s record of voting against anti-terror legislation.

Mr. Travers, the professor at the London School of Economics, said terror attacks don’t typically have significant effects on British elections. “The electorate sees these as issues that are outside the norm of politics and doesn’t relate them to judgments about the election,” he said.

—Joanna Sugden and Stephen Fidler contributed to this article.

Low-Tech Attacks Prove Harder for Britain to Thwart

By JENNY GROSS AND STEPHEN FIDLER

LONDON—As British intelligence officers piece together how three attackers carried out Saturday’s deadly rampage at London Bridge, counterterrorism chiefs will be trying to establish what went wrong with their strategy.

After avoiding mass-casualty attacks for 12 years, the U.K. has suffered three in quick succession, suggesting the authorities aren’t able to stop low-tech improvised assaults carried out by individuals or small groups.

Prime Minister Theresa May said the U.K. would review its strategy in light of the changing threat.

The recent attacks in London, as well as in Stockholm and Nice, where perpetrators used vehicles to mow people down, illustrate the challenge of preventing relatively unsophisticated attacks, even when security services succeed in thwarting higher-level ones.

Raffaello Pantucci, director of International Security Studies at the Royal United Services Institute, said it is too early to say what exact signs

police and officials missed.

In both the Manchester and the Westminster attacks, the perpetrators were known to intelligence agencies but deemed not a serious enough threat to warrant high-level monitoring, underscoring the difficulty for agencies in determining whom to monitor amid a growing pool of extremists, he said.

“The number of people who are featuring on the fringes is only going to be bigger,” Mr. Pantucci said. “Clearly, resources are getting stretched.” He said policy makers must rethink what they do with extremists. Should those convicted of lesser terrorism-related offenses be kept in jail for longer? What quantity of resources should be dedicated to focusing on them?

Britain’s domestic intelligence agency, MI5, has monitored 20,000 extremists in the past, a security official said after the Manchester attack last month.

Keeping tabs on this many people is a struggle even for the U.K., which has one of the most sophisticated intelligence agencies in the world. Intelli-



Westminster Bridge, where a man in a car mowed down pedestrians and stabbed a policeman in March.

gence agents and police have disrupted five credible plots since the Westminster attack in March, Mrs. May said.

There is some evidence that terrorists have regarded the U.K. as a harder target than continental European countries.

Unlike most other members

of the European Union, which don’t usually check people moving from one country to another, the U.K. also maintains border checks. Together with strict gun controls, that makes it harder for terrorists to buy undetected the kind of weaponry used in the Novem-

ber 2015 Paris attacks.

But these advantages are less relevant to thwart self-starting individuals or small groups carrying out less sophisticated operations with everyday materials such as vehicles and knives.

Such people don’t need to

communicate with coordinators in the Middle East and are harder for the security services to flag, even if they are aware of their existence.

Among the questions counterterrorism chiefs will be asking therefore will be how to widen their surveillance net—and how to reduce the numbers of people at risk of carrying out attacks.

Mrs. May said the solution requires more than strengthening the capabilities of intelligence agencies. She said a review would examine whether police and intelligence agencies had sufficient powers to deal with the threat and whether prison sentences should be extended for apparently less serious terrorism offenses.

The U.K. must also become better at identifying and stamping out extremist Islamist ideology across society, she said.

“That will require some difficult and often embarrassing conversations, but the whole of our country needs to come together to take on this extremism—and we need to live our lives not in a series of separated, segregated communities but as one truly United Kingdom,” she said.

ATTACK

Continued from page A1

lengthened. She said Britain’s terror-threat level would remain at “severe,” the second-highest level, adding that supplemental security measures have been put in place around central London.

As Thursday’s general election approaches, Mrs. May is coming under pressure from the opposition over security issues. Labour leader Jeremy Corbyn sought to focus on cuts in police forces from 2010 to 2016 when Mrs. May headed the Home Office, which is responsible for policing. He said in a television interview that she should resign.

The Saturday night attack was the third in as many months in Britain and made clear the challenge police and intelligence agencies face in combating a type of assault that needs little planning and uses relatively primitive means.

The three men mowed down pedestrians on the bridge with a rented van before they got out wielding knives and began randomly stabbing people at the buzzing Borough Market bar-and-restaurant area. Police killed the attackers in a hail of bullets eight minutes after the attack started.

The market and surrounding

blocks remained cordoned off on Monday. London’s transport authority did reopen the London Bridge subway station, though they limited passengers to only one of its many entrances and warned commuters to avoid the station during the morning rush hour if possible.

The nearby rail station, a major entry point to London’s financial district for commuters from towns southeast of the capital, was also reopened.

Islamic State on Sunday said on its official Amaq news agency that a “covert unit” had carried out the attack, but the group’s responsibility couldn’t be independently confirmed, leaving the extent of its involvement in the attack unclear.

Some of Butt’s neighbors in Barking, a district of East London, said he sometimes sought out children in a local park for his proselytizing, making them uneasy.

“He said he was a soldier,” said one neighbor, who asked that his name not be used. “My partner reported him for his extremism. They never came back to us. Nothing ever happened.”

Another person who lived nearby, Regina Khan, said, “He mostly hung around with the teenage boys round here.”

“We didn’t find it comfortable, we found it scary,” she added. “I used to tell my daughter there’s something wrong with this guy, his aggression.”

Authorities said officers de-

tained a number of people in Newham and Barking in East London at addresses different from those where they arrested seven women and five men in Barking on Sunday.

Near dawn on Monday, police stormed an address in nearby East Ham.

Kuldip Kaur, a 56-year-old shopkeeper who lives nearby, said a loud noise awakened her around 4:30 a.m.

“There was a massive bang and a few small bangs after,” she said. “I looked from the window and there were blue lights and police everywhere.”

The address where the raid was carried out is less than half a mile away from an apartment above a betting shop that was raided on Sunday, ending in a rooftop chase.

Thusyanthan Thuraingam, who lives a few doors down, said he saw three men and three women being taken out of the property after Monday’s dawn raid. Some were in handcuffs, he said, describing two of the men as young and one older, wearing a robe.

One woman was wearing a head covering, he said, and police with rifles were swarming the street.

“I was shocked that could happen right on my street,” he said.

—Stephen Fidler, Jason Douglas, Benoit Faucon, Georgi Kantchev and Riva Gold contributed to this article.

Victims Were a Wide Mix of Nationalities

Christine Archibald moved to the Netherlands recently to live with the man she was to marry.

On Saturday night, the 30-year-old Canadian social worker was with her fiancé Tyler Ferguson on a visit to London when

By Sarah Kent, Saabira Chaudhuri and Sam Schechner

she was struck down by a van that tore through a crowd of pedestrians on London Bridge, according to Mr. Ferguson’s family. “They tried everything but weren’t able to save her,” Mark Ferguson, Mr. Ferguson’s brother, said in a Facebook post.

Ms. Archibald was among seven killed on Saturday when three men drove into pedestrians and then went on a stabbing spree through a trendy district in Central London called Borough Market. Other fatal victims include a 27-year-old Frenchman named Alexandre, a French police official said, and 32-year-old James McMullan, who lived in east London and whose sister said his body would be formally identified on Tuesday.

The three attackers were shot and killed by police. Islamic State claimed responsibility.

At least 48 victims were hospitalized, many of whom re-

mained in critical care with injuries that could take weeks to recover from, officials said. Concern also is spreading about the people who have gone missing since the attack.

Some were run down with little warning on London Bridge. Dozens were stabbed while they ate, drank or worked at restaurants and bars. Some fought back against their attackers.

“They had often got defensive wounds on their arms where they were obviously trying to protect themselves,” said Malcolm Tunnick, a physician at King’s College Hospital, where 14 people were treated.

Dr. Tunnick described an intense but “really calm and professional” scene at the hospital. Many of the injured were bleeding from stab wounds while others had suffered “blunt force trauma,” likely from getting run over by the van, he said. Eight patients remained in intensive care at King’s College.

The dead, injured and missing are a hodgepodge of nationalities in a city that receives 19 million foreign visitors a year and where one-third of the population is foreign born.

—David George-Cosh, Paul Vieira, Neanda Salvaterra and Jon Sindreu contributed to this article.

WORLD NEWS

Turkey Presses Citizens to Return

By NED LEVIN

ISTANBUL—The Turkish government threatened to strip citizenship from U.S.-based cleric Fethullah Gulen and 129 other individuals if they don't return to Turkey within three months to face criminal investigations or prosecutions related to last year's failed military coup.

The development is the latest escalation in what Turkish officials have characterized as a counterterrorism campaign to repatriate hundreds of so-called Gulenists who, in many cases, fled the country after last July amid what they say is a witch hunt against their organization and other political opponents of President Recep Tayyip Erdogan.

Turkish officials accuse Mr. Gulen, a onetime ally of the Turkish leader, of masterminding the coup attempt last July, in which roughly 270 people were killed. Mr. Gulen, who has lived in the U.S. since 1999, has denied any role in the coup, saying he rejects violence.

A spokesman for Mr. Gulen didn't immediately respond to requests for comment about the latest move.

Turkish officials, who have requested that U.S. authorities extradite Mr. Gulen to face charges including terrorism and treason, have been increasingly frustrated with the lengthy and complex nature of that process. U.S. officials say privately that the evidence provided by Turkey doesn't meet American standards.

Since this spring, Turkey has moved more aggressively against suspected Gulenists by canceling passports of dozens of citizens abroad, an effort officials say is meant to force foreign governments to deport them.

At least 16 Turkish teachers and businessmen were detained for having invalid documents and deported in May

from Malaysia, Saudi Arabia and Myanmar.

NBA star Enes Kanter, one of the most high-profile Gulenists outside of Turkey, escaped such deportation two weeks ago, after Turkey canceled his passport while he was traveling on a global charity tour. Mr. Kanter is currently back in the U.S., where he is a legal permanent resident.

Rights campaigners have criticized the Turkish moves, calling them part of Mr. Erdogan's effort to eliminate all political opponents. In the wake of the failed coup, Turkey has arrested roughly 50,000 people and purged around 140,000 others from the civil service, accusing most of links to Mr. Gulen.

On Monday, Turkey published the names of 130 people in its official government gazette, including their ID numbers, dates of birth, parents' names and birthplaces.

The announcement cited Turkey's citizenship law, which was amended in January under the country's ongoing state of emergency enacted after the coup attempt. The amendment states individuals being investigated or prosecuted for crimes including armed rebellion against the government and membership in an armed terror organization can be stripped of citizenship if they don't return within three months following a public summons from Turkey's Ministry of Justice.

In addition to Mr. Gulen, other notable people listed are two parliamentarians from the pro-Kurdish opposition Peoples' Democratic Party, or HDP, who face terror-related charges. Thirteen HDP lawmakers are already in jail in Turkey on terror charges.

The list didn't include information about which suspects were wanted for questioning and which had already been charged.

Trapped in the Battle for a Philippine City



DIGGING IN: Islamist militants who seized the Philippine town of Marawi two weeks ago have stockpiled weapons and food in mosques, tunnels and basements to prepare for a long siege, officials said. Among the hundreds of militants tied to Islamic State are fighters from Indonesia, Malaysia, India, Saudi Arabia, Chechnya and Morocco. Hundreds of civilians, like the ones above, are trapped in the town, and as many as 200 fighters from the Maute militant group and others have prepared for a long standoff, senior military officials said.

LINUS G. ESCANDOR II/EUROPEAN PRESSPHOTO AGENCY

WORLD WATCH

GERMANY

Troops Face Pullout Amid Turkish Rift

A German diplomatic mission to Turkey aimed at forcing an end to an almost yearlong standoff between the two allies ended with Germany on the brink of pulling troops out of the country.

Germany's Foreign Minister Sigmar Gabriel suggested withdrawing soldiers stationed at Incirlik Air Base in southern Turkey after the host country continued to forbid German lawmakers from visiting.

Mr. Gabriel arrived in Ankara on a mission to address tensions around the base, where about 250 German troops are stationed to fly reconnaissance missions as part of a coalition fighting Islamic State.

Turkey's Foreign Minister Mevlut Cavusoglu stood firm on barring German lawmakers from

visiting the base after speaking with Mr. Gabriel on Monday.

Domestically the issue of pulling troops from Incirlik has opened a fault line between Chancellor Angela Merkel's Christian conservative alliance and her coalition partner, Mr. Gabriel's Social Democrats. Ms. Merkel and her bloc have searched for a way to compromise with Turkish President Recep Tayyip Erdogan's government and weighed the downside of leaving the air base.

—Zeke Turner

MEXICO

Ruling Party Keeps Power in Key State

The ruling party retained power in a widely watched gubernatorial vote in the country's most populous state, results showed, a boost for President Enrique Peña Nieto and a setback

for leftist nationalist Andres Manuel Lopez Obrador ahead of next year's presidential election.

With close to 98% of the votes counted, Alfredo del Mazo, from the Institutional Revolutionary Party (PRI), had 33.7% compared with 30.8% for Delfina Gómez of the National Regeneration Movement (Morena), the party Mr. López Obrador founded.

Mr. López Obrador, in a message on Facebook, said his party would challenge the results, citing heavy pre-election spending by the federal government and what he called an irregular vote count. But he fell short of calling for widespread protests, as he did in 2006 when he lost his first bid for Mexico's presidency.

The vote was seen as a crucial test of power for the PRI, which has governed the state since 1929, but has faced growing opposition amid corruption scandals and rising violence across the country.

—Juan Montes

CHINA

Tillerson Presses on Islands, Pyongyang

Secretary of State Rex Tillerson forcefully called on China to stop militarizing islands in the South China Sea, to pressure North Korea and broadly to assume a more responsible role in Asia-Pacific stability.

Mr. Tillerson, speaking in Australia amid annual talks between Australia and the U.S., echoed remarks made by Defense Secretary Jim Mattis last week as the U.S. leans heavily on Beijing to persuade North Korea to stop its ballistic-missile and nuclear programs.

But the U.S.-China relationship is also strained by a host of diplomatic and economic issues.

Mr. Tillerson's latest comments were some of the most forceful to date at a time when the U.S. also wants China's help on North Korea.

—Gordon Lubold

Fostering Progress in a Rapidly Changing World

Information is the most valuable currency in a hyper-connected world. This makes access to information priceless. If data ecosystems around the world could convene seamlessly, it would usher in a new era of growth. For this reason, China Telecom Global has invested heavily in innovation. Its ultimate goal is to drive business growth for carrier partners, MNCs and SMEs, fostering a global community built on connection, rather than competition.

U.S. NEWS

Trump Turns to Infrastructure Revamp

President could find bipartisan support for his effort; questions remain over financing

By TED MANN
AND MICHAEL C. BENDER

President Donald Trump launched a new campaign aimed at fulfilling his pledge for \$1 trillion of infrastructure investment, hoping to capitalize on lawmakers' support for rebuilding the nation's transportation systems.

Mr. Trump began with a White House event Monday announcing a push to privatize air-traffic control across the U.S., in what backers say could be a catalyst for improving speed and fuel efficiency across the aviation industry.

From there, the president will campaign for reviving infrastructure along the Ohio River, then meet with mayors and governors in the White House, followed by a speech at the Transportation Department on Friday.

The White House still hasn't said how it plans to pay for the federal government's share of the projects, and officials said a more detailed proposal will come at an unspecified later date. But Mr. Trump's top economic adviser said the administration aims to encourage states and cities to bear much of the burden.

"We want to talk to them and make sure we're partnering with them to make sure that they can use their tax dollars as efficiently," White House National Economic Council Director Gary Cohn told reporters on Friday. "We can be a good partner with them in helping them to enhance their infrastructure projects."

Shifting the discussion to infrastructure could mean the best chance for Mr. Trump to find common ground with members of Congress who object to other elements of his agenda, given the broad agreement that the nation's roads, bridges, rails and water facilities



JOHN LOCHER/ASSOCIATED PRESS

President Donald Trump's infrastructure plan relies on money from the private sector, cities and states.

ties are in disrepair. It would, however, mean finding a way to live up to campaign pledges that many believe are irreconcilable—investing \$1 trillion in infrastructure, but doing so with funds raised almost entirely from the private sector.

The infrastructure push is "encouraging," said Scott Rechler, a real-estate developer and former official at the Port Authority of New York and New Jersey who consulted with Mr. Trump's transition team. "They should have started with this, since it's one area with a level of bipartisan support."

But Mr. Rechler, a Democrat whose real-estate company has financed infrastructure in public-private partnerships with local government, said the administration's plans should recognize that private financing won't be able to replace federal funding in fixing some critical areas—from

Plan Set to Privatize Air-Traffic Control

WASHINGTON—Promising fewer delays on the tarmac and cheaper fares for airline passengers, President Donald Trump on Monday 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," Mr. Trump said.

The plan, which requires congressional approval, would include the privatization of a federal workforce of some 30,000 people currently overseen by the Federal Aviation Administration. The FAA would maintain its role in aviation safety, while the new nonprofit would manage route efficiency, he 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 Republican

lawmakers, say more than 50 countries have implemented similar systems, which may mean more efficient landing patterns and routes for planes.

Other lawmakers and aviation 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.

The changes would accelerate implementation of Next Generation technology, which is a GPS-based system that White House officials said would reduce aircraft delays.

—Michael C. Bender

commuter railroads to crumbling dams—where investors can't turn a profit.

"It's not free," Mr. Rechler said. "At some point or another

someone's going to have to pay for this."

In remarks to reporters last week, presidential advisers made clear they will be at-

tempting to pair the president's pledge to renew critical infrastructure with a shift of responsibility for some of the costs from federally funded

Tweets May Hurt Travel-Ban Case

By JOE PALAZZOLO

President Donald Trump's string of Monday tweets decrying forces that he suggested were undermining his "travel ban" could complicate his legal defense of the executive order, legal experts said.

In the first tweet, Mr. Trump insisted that his executive order suspending travel to the U.S. from six predominantly Muslim countries was, in fact, "a TRAVEL BAN," contradicting previous statements by his press secretary and other administration officials.

Mr. Trump went on to call his own administration's revisions to the travel ban—made after a federal appeals court in California in February blocked a broader version of the executive order—"watered down" and "politically correct."

The administration has defended the executive order as a temporary measure, lasting 90 days, that is needed to plug any gaps in visa screening.

The tweet storm came as the U.S. Supreme Court is considering the administration's petition to revive the travel

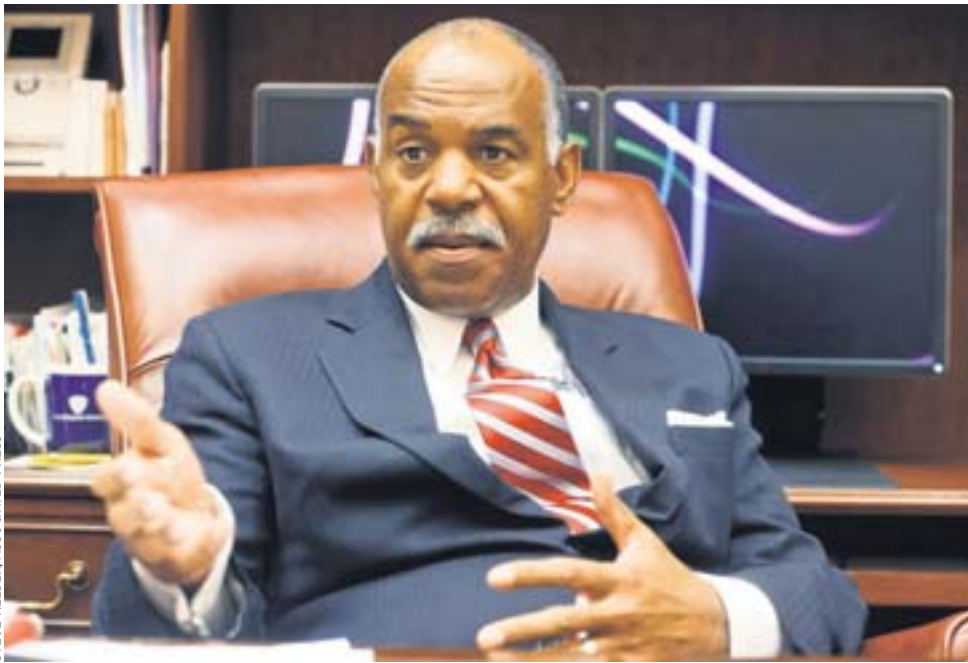
ban, which was blocked by a federal appeals court in Virginia.

George Conway, a partner at Wachtell, Lipton, Rosen & Katz LLP who recently withdrew himself from consideration for a high-ranking position in the Justice Department, said the president's tweets may have pleased his base, but they could make it harder for him to get the votes needed from the justices to take a case.

"These tweets may make some ppl feel better, but they certainly won't help [Office of the Solicitor General] get 5 votes in SCOTUS, which is what actually matters. Sad," Mr. Conway, the husband of presidential adviser Kellyanne Conway, wrote on Twitter.

Mr. Conway said in a later series of tweets that Mr. Trump's supporters, including himself, must stress to the president that "tweets on legal matters...seriously undermine the Admin agenda" and damage Mr. Trump.

Courts considering whether the travel ban discriminates on the basis of religion, as chal-



STEVE HELBER/ASSOCIATED PRESS

Fourth Circuit Chief Judge Roger Gregory cited comments by Donald Trump in a travel-ban ruling.

lengers have alleged, have delved into the GOP president's past statements in TV interviews and other appearances in support of a "Muslim ban" and critical of Islam. They have also considered his comments comparing the revised travel ban to the original.

The Fourth U.S. Circuit Court of Appeals in Richmond, Va., in blocking the travel ban, pointed out that Mr. Trump, at a rally in Nashville, Tenn., had described the new executive

order as "a watered-down version of the first" and that an adviser had said in an interview that the changes were minor and technical.

Chief Judge Roger Gregory wrote that those statements showed the revised order, like the first one, was intended "to effectuate the promised Muslim ban" while surviving judicial scrutiny.

Jonathan Turley, a law professor at George Washington University, wrote on his blog

that the president's tweets played into the hands of those challenging the order.

"It must be incredibly frustrating for his counsel who have insisted that his references to a 'Muslim ban' during the campaign are immaterial to the executive order," wrote Mr. Turley, who has argued that the executive order is indeed legal.

—Rebecca Ballhaus, Jacob Gershman and Brent Kendall contributed to this article.

President Won't Bar Comey

By REBECCA BALLHAUS

WASHINGTON—President Donald Trump won't invoke executive privilege to attempt to block former FBI Director James Comey from testifying before Congress later this week, a White House spokeswoman said.

White House principal deputy press secretary Sarah Huckabee Sanders on Monday said Mr. Trump has the ability to assert executive privilege but said, "In order to facilitate a swift and thorough examination of the facts," the president wouldn't do so.

The administration said last week Mr. Trump was weighing his legal options, including invoking executive privilege, an administration's right to shield internal deliberations from the public in the interest of promoting candid advice to the president. But experts said the president had little recourse to block the testimony of a former employee who wanted to testify.

Mr. Comey is now a private citizen, which means the White House has fewer options to limit his actions and cannot order him to reject congressional requests.

In a widely anticipated event, Mr. Comey is scheduled to appear Thursday before the Senate Intelligence Committee, which is probing Russia's alleged interference in the 2016 election—his first public appearance since Mr. Trump abruptly dismissed him on May 9.

Before his firing, Mr. Comey was helping oversee the Federal Bureau of Investigation's Russia probe, including examining whether any of Mr. Trump's associates colluded with Moscow.

The Russian government has denied meddling in the election, and Mr. Trump has called the investigations a "witch hunt."

BAN

Continued from page A1
judges citing concerns about religious discrimination.

"The Justice Dept. should have stayed with the original Travel Ban, not the watered down, politically correct version they submitted to [the Supreme Court]," Mr. Trump wrote Monday on Twitter. "The Justice Dept. should ask for an expedited hearing of the watered down Travel Ban before the Supreme Court - & seek much tougher version!"

When Mr. Trump signed the revised executive order, he revoked his original order. If the president wants a broader executive order, the decision

rests with him, not the Justice Department.

Mr. Trump also once again singled out the courts for criticism, calling them "slow and political!" Meanwhile, he wrote, "we are EXTREME VETTING people coming into the U.S. in order to help keep our country safe."

He also wrote: "People, the lawyers and the courts can call it whatever they want, but I am calling it what we need and what it is, a TRAVEL BAN!"

When the original executive order was rolled out, the administration said repeatedly that the measure didn't amount to a travel ban. "It's not a travel ban," press secretary Sean Spicer said in a January briefing.

Mr. Trump's administration

asked the Supreme Court last week to revive the second version of its executive order, which would put a 90-day halt on the entry of individuals from Iran, Libya, Somalia, Sudan, Syria and Yemen, saying it was needed as a means to "prevent infiltration by foreign terrorists." The order also sought to suspend the U.S. program for admitting refugees.

While the executive order is written in relatively dry legal terms, lower courts have ruled it must be examined in the context of the statements Mr. Trump made during his presidential campaign regarding Muslims, whose entry to the U.S. he once pledged would face a "total and complete shutdown."

The GOP president's tweets

come at a delicate time of litigation and could undercut parts of the Justice Department's legal defense of the current version of the travel restrictions.

The department has tried to distance the current executive order from the original one Mr. Trump signed in January, saying the latter one was the product of more collaborative dialogue among national security officials. The department also has sought to characterize the restrictions as more of a temporary pause on travel, rather than a ban. And the department has argued that the current executive order addressed legal concerns courts raised about the more sweeping original version that Mr. Trump touted on Monday.

On Monday, Mr. Trump also

lashed out at Senate Democrats, writing that 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 nothing to act on.

"Dems are taking forever to approve my people, including Ambassadors. They are nothing but OBSTRUCTIONISTS! Want approvals," he wrote on Twitter.

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

—Felicia Schwartz contributed to this article.

U.S. NEWS

Aging Pipes, Roofs Plague Campuses

By MELISSA KORN

Lurking inside the ivy-covered gothic towers and brutalist concrete blocks on college campuses are moldy ceilings, failing plumbing and antique boilers whose replacement parts are available only on eBay.

Still reeling from state funding cuts and battered endowments in the wake of the financial crisis, U.S. universities have been putting precious money toward financial aid, academic programs and gleaming buildings that might attract new students—neglecting aging electrical systems and leaky roofs. As a result, schools are staring down a deferred maintenance backlog that has topped \$40 billion, by some estimates, more than the federal government spends on Pell Grants for needy college students each year.

Despite adding student fees for facilities and even demolishing buildings that are beyond repair, the campus To Do lists continue to grow as buildings push 60 years old. For schools already under financial pressure, a burst pipe could spell disaster.

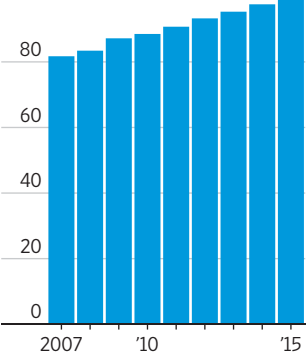
The tab for deferred maintenance at the California State University System's 44 million square feet of academic buildings is \$2.6 billion, while the City University of New York has earmarked upward of \$3 billion in “critical” maintenance needs over the next five years.

Small private schools like New England College in New Hampshire peg their repair backlogs at about the same

Putting Off Repairs

Deferred maintenance backlog at U.S. private and public colleges and universities continues to grow

\$100 per gross square foot



Source: Sightlines State of Facilities, 2016

THE WALL STREET JOURNAL.

size as their endowments.

A recent report by Sightlines, a facilities advisory firm, found that the deferred-maintenance backlog at colleges nationwide topped \$100 per gross square foot of space in 2015, up from \$81.72 in 2007.

When ticking off the issues that keep them awake at night, school presidents regularly include upkeep of aging facilities alongside concerns about regulatory compliance and program affordability. For David Anderson at St. Olaf College in Minnesota, it is about fulfilling a fiduciary responsibility because the campus's physical assets are worth nearly a quarter-billion dollars. Les Wong at San Francisco State University has buildings averaging 50 years old, in an earthquake-vulnerable region.



Cracked concrete, rusty pipes and crusty valves are seen in tunnels at the University of Arizona.

“It’s like Whac-A-Mole,” said Gregg Goldman, chief financial officer at the University of Arizona, using the arcade mallet game to illustrate how new emergencies pop up right as others are fixed.

That school has about \$350 million in deferred-maintenance needs, including old roofing and heating, ventilation and air-conditioning systems that work overtime in the Tucson desert. Mr. Goldman called the backlog a “ticking time bomb” at a November Board of Regents meeting.

Last summer, a transformer in a 50-year-old research building failed; another caught fire as maintenance staff looked into the problem, forcing employees there and patients at an attached hospital to evacuate. The school found a replacement fuse on eBay.

The University of Illinois at Urbana-Champaign has re-

sorted to using bricks to weigh down rubber and plastic membranes that wick water from the roof, said Doris Reeser, assistant director of capital programs. While building tops aren’t “flapping in the wind” that way, Ms. Reeser said, rain may still get on some research, like at the National Soybean Research Laboratory, where parts of the 99,000-square-foot building also have no ventilation or chilled water.

Private schools also struggle with the issue, in part because donors are more likely to open their wallets for a new building than for upgraded plumbing.

A basement office for about a dozen Ph.D. students at New York University has fresh carpets and cheery yellow-green walls. It also has a tarp protecting an electrical closet from incessant leaks and ceil-

ing tiles that have turned brown from water damage.

A school spokesman said that NYU doesn’t own all the buildings it occupies and has to work with landlords for some repairs. He said that much of the school’s building stock is old, but noted that the school has trimmed its deferred-maintenance backlog by \$200 million between 2013 and 2016. He declined to say where it stands now.

Hamilton College in Clinton, N.Y., will break ground this summer on a health-services and counseling facility. Three years ago, it completed a \$47 million theater and studio arts center with space for wood-working and a recording studio.

But the school’s deferred-maintenance backlog is about \$85 million, and while it is replacing a half-dozen roofs and renovating three small dorms in coming months, Hamilton

still puts \$6 million a year into plant renewal—half of what an outside consultant recommends.

The median capital spending ratio at private colleges and universities nationwide was 1.29 in fiscal 2015, meaning that schools invested enough money to cover depreciation on existing facilities plus about 30% more. That is the lowest in at least a decade, according to Moody’s Investors Service, and schools with weak credit ratings put in only 83 cents for every dollar of depreciation.

Meanwhile, the University of Arizona may have defused its time bomb—for now. Gov. Doug Ducey, a Republican, approved a budget last month that lets the university issue \$200 million in debt for repairs and almost as much for the construction of new research facilities.

When Low Jobless Rates End Badly

By JOSH ZUMBRUN

There have been only three fleeting periods in the past half-century when the U.S. unemployment rate was as low as it is today. This would be cause for celebration but for one disturbing fact: Each was associated with boiling excesses that led to economic trouble.

Low unemployment of the late 1960s preceded an inflation spiral in the 1970s. The late 1990s bred the dot-com bubble and bust. The mid-2000s saw the buildup and collapse of U.S. housing.

While there is reason to believe today’s economy isn’t boiling over as in the past, those episodes call for caution.

“It’s not a matter of superstition, it’s a matter of being mindful of the history of what such a low unemployment rate usually is followed by,” said Michael Feroli, chief U.S. economist of J.P. Morgan Chase & Co.

While initially a welcome development, low unemployment in the 1960s laid the groundwork for a buildup of wage and price pressures, spurred on by low interest rates and aggressive government spending programs.

The unemployment rate dropped to 4.3% in September 1965 and then below 4%. Today’s unemployment rate, also at 4.3%, could drop below 4% in the next year if it maintains its present trajectory.

Unemployment fell again to

4.3% in January 1999. This time the inflation rate remained below 2% and it seemed that, unlike the late 1960s, the economy wasn’t overheating.

But asset prices—the stock market in particular—soared after what had already been a long climb. The Dow Jones Industrial Average shot above 10,000 for the first time in March 1998. Highflying tech companies commanded billion-dollar valuations with no profits. In hindsight, an internet bubble grew out of control.

The last two times unemployment neared 4%: before the dot-com, housing busts.

Economic theory draws clear linkages between low unemployment and inflation. As companies compete for scarce workers, they bid up wages and raise prices on goods and services to protect profit margins. The textbooks don’t spell out such a connection between low unemployment and financial bubbles. The tech boom of the late 1990s might have been dismissible as a one-off event had it not been for what happened next.

Unemployment fell back to 4.4% by October 2006. It coincided with a home-price boom

that happened even though broader inflation measures remained stable. When housing prices fell, a financial sector deeply exposed to mortgage credit collapsed and the economy entered the longest and deepest recession since the Great Depression.

Each of those episodes was different, making it hard to map out a systematic connection with low unemployment.

“I don’t think we can compare the rate of unemployment now and the rate of unemployment 10 or 20 years ago,” said Eugenio Aleman, a senior economist with Wells Fargo. “The rate is similar, yes, and it’s calculated the same way, but they don’t represent the same thing. The economy is very different than 20 years ago.”

Although prices for houses and stocks are rising again now, the get-rich-quick mania of the dot-com and housing bubbles isn’t so ubiquitous today. Importantly, Americans aren’t loading up on debt and, in fact, have spent much of the past 10 years reducing their debt burdens.

Wage dynamics also have changed. Hourly wages increased more than 6% a year in the late 1960s. They rose over 4% a year in the late ’90s and the waning days of the housing bubble. Today, wage growth has been stuck around 2.5%.

“Hitting a low point on the unemployment rate, compared to history, isn’t a sufficient

condition to say we’re near a recession,” said Gregory Daco, the head of U.S. Macroeconomics at Oxford Economics. “The wage-inflation dynamic has not picked up, and that’s clearly something different from the past.”

Other measures suggest the economy remains on a more even keel. The Congressional Budget Office estimates that after all these years of sluggish growth, today’s economy is still producing goods and services at a slower rate than it is capable of producing, given the supply of labor. By contrast, in the late 1990s and 2007, the CBO saw the economy running near its maximum.

Other measures support this conclusion. In the 1990s and from 2005 to 2007, U.S. industries operated at more than 80% of their capacity, according to Federal Reserve data. In the 1960s, they were churning out cars, appliances, steel and other goods at nearly 90% of factory capacity. By contrast, U.S. industrial capacity utilization maxed at just 79% in 2014 before an oil bust and industrial slowdown idled many factories and refineries.

There is no telling how long this low unemployment period will last. Previous episodes of low unemployment went from a few months to several years with no predictable regularity or end. Still, the broader historical lesson looms: Eventually, these low unemployment cycles end.

U.S. WATCH

SUPREME COURT

Justice to Hear Case On Phone-Site Data

The Supreme Court on Monday agreed to consider whether law-enforcement officials need search warrants to obtain data about the location of cellphone users, a major case that raises questions about privacy rights in the digital age.

The high court said it would hear an appeal by a defendant who was convicted in part based on evidence prosecutors obtained from wireless service providers about the whereabouts of his cellphone at particular times.

Timothy Carpenter was convicted of armed robberies in Michigan and Ohio, in part based on cell-site location information obtained from MetroPCS and Sprint that placed his phone in the vicinity of several robberies around the time the crimes took place.

The government didn’t obtain a search warrant for the cell data. Instead, it sought and obtained the data under the Stored Communications Act, which sets a lower standard that allows law enforcers to seek records when there are reasonable grounds for believing the information is relevant to a criminal investigation.

Mr. Carpenter sought to suppress the evidence, arguing it was obtained in violation of his Fourth Amendment right to be free from unreasonable government searches.

—Brent Kendall

FLORIDA

Ex-Employee Kills 5 In Workplace Shooting

A disgruntled former employee shot and killed five people at a business just outside Winter Park, Fla., near Orlando, according to Orange County Sheriff Jerry Demings.

The shooting took place Monday in an industrial area at the office of Flamma Inc., which makes accessories for recreational vehicles, the sheriff said.

Mr. Demings said the shooter, whom he identified as John Robert Neumann Jr., was a 45-year-old former employee at the company who was terminated in April. The shooter died from a self-inflicted gunshot, he said.

—Cameron McWhirter

CALIFORNIA

Two Arrested in Fire At Oakland Warehouse

Local authorities have arrested two people in connection with the Oakland, Calif., warehouse fire that killed 36 people in an inferno last year, a deputy district attorney at the Alameda County District Attorney’s office said. Derick Ion Almerna, the man who promoted a concert at the warehouse and had converted it into an artist enclave, was arrested Monday, according to Teresa Drenick, the deputy district attorney. Another person, Max Harris, was also arrested, she said.

—Alejandro Lazo

Veterans to Adopt Defense Records System

By BEN KESLING

The head of the Department of Veterans Affairs said Monday the agency will scrap its current electronic-records system and use the same system as the one now operating at the Defense Department.

Dr. David Shulkin, the VA secretary, said the department will transition away from its antiquated electronic-records system and use a system interoperable with that used by the Defense Department, a years-long goal for the two departments.

While the VA typically is required to go through established procurement processes,

Dr. Shulkin said Monday he would use his authority to bypass the process and award the contract directly to Kansas City, Mo.-based **Cerner Corp.**, which designed the Defense Department’s system and will allow the two systems to work together seamlessly.

The value of the contract wasn’t announced, and officials didn’t specify a timeline for implementation.

“We are honored and humbled to be selected to lead the VA’s important project,” said Cerner spokesman Dan Smith, adding that the proposed VA system will create a streamlined health record with the Defense Department system,

which is still being developed.

At a news conference Monday, Dr. Shulkin said he consulted with private industry experts before deciding to scrap the VA’s system, built in-house, and turn to an off-the-shelf product. He also said the decision to bypass the usual contract system was necessary to advance a project that had become stalled.

“It’s time to move forward, and as secretary, I was not willing to put this decision off any longer,” he told reporters, adding the Defense Department’s acquisition process for its system lasted 26 months. “We simply can’t afford to wait that long when it comes

to the health of our veterans.”

President Donald Trump praised the move during a separate event later at the White House.

“For decades, the federal government has struggled to accomplish something that should be very, very simple,” Mr. Trump said. “In recent years, it has taken not just days or weeks, but many months for the records to follow the veteran. ... No more.”

The VA, which manages the largest integrated health-care network in the U.S., uses software it began developing in the 1970s to manage patient records and appointment scheduling.



UNITED NATIONS: Secretary-General António Guterres takes part in the Fijian Traditional Welcome Kava Ceremony to open the Ocean Conference on Monday at the U.N. headquarters in New York.

IN DEPTH

THINK

Continued from Page One
impossible to figure out which schools help students learn critical thinking, because full 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 are 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 in the U.S.

The test has detractors. It is hard to completely untangle cause and effect in something as complicated as improving critical-reasoning skills and as



Students at Plymouth State University showed extensive progress in critical thinking over four years, as measured by the CLA+ test.

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.

Colleges where students 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.

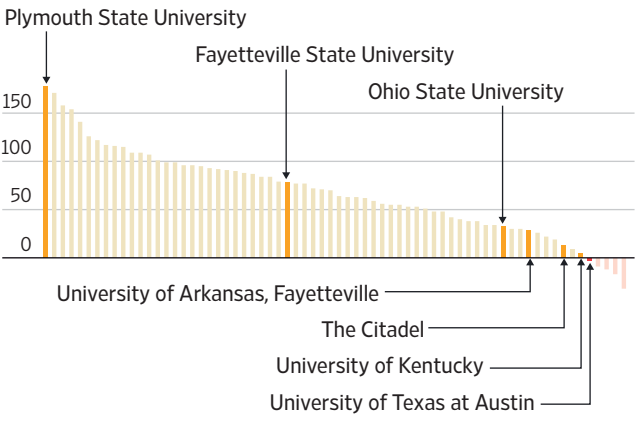
A statistical analysis of the difference between the average scores of the two groups is considered a valid way to reflect the value added during four years of college.

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 aca-

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:



ademic 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 Plymouth State, says she isn't sur-

prised 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.

Overall, a majority of stu-

U.S. college graduates rank near the bottom when it comes to problem solving.

dents 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 selectivity of the freshmen class.

"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 all 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 Polytechnic 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 that took the exam in 2016.

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.

RHINO

Continued from Page One

Dr. Durrant reached through a metal barrier, and recoiled. "Ouch! She pinched me a little," she said, after her arm got caught between the rhino and the bar of the enclosure.

These rhinos here don't mean ill, their handlers say, but they can injure someone accidentally if they make sudden movements. Trainers practice "protected contact," staying behind steel gates and reaching in to do their work.

That work sometimes is simply warming up Amani and the five other females—Helene, Livia, Nikita, Victoria and Wallis—that arrived at the San Diego Zoo Safari Park two years ago from private reserves in South Africa.

The rhinos' handlers pamper them with a temperature-controlled barn, an outdoor "maternity yard" and 3.5 acres of hills and lagoons. The animals spend their free time browsing, rolling in mud, playing with balls and generally just standing around.

Trainers offer them treats—bananas, celery, cucumbers—and give them caresses to put them in the mood. "Sometimes our training session is 'Go pet

rhinos,' " said zookeeper Jill Van Kempen.

Rhinos tend to bond with individual trainers. "We think they know who we are," said Ms. Van Kempen.

Rhinos are endangered because poachers hunt them for their horns, prized in Asia for supposed medicinal qualities biologists say don't exist. Rhino horn contains keratin, the protein in fingernails.

The northern white is one of 1,000 species whose cell material the safari park preserves at about minus 320 degrees Fahrenheit in a locked room called the Frozen Zoo.

Along with the rhino genetics are vials from animals such as the California condor, black-footed ferret, Przewalski horse, Somali wild ass and po'ouli, a bird that went extinct in Hawaii about a decade ago.

Dr. Durrant, who oversees the zoo's artificial-insemination program, over her career has helped impregnate everything from turtles and pheasants to giant pandas at home and abroad.

This will be her first rhino attempt. The zoo hopes to start inseminations this year with southern rhino sperm to test out procedures, Dr. Durrant said. After that, it plans to try in vitro fertiliza-



Barbara Durrant, at right, helps perform an ultrasound on Amani, a southern white rhinoceros.

tion of northern whites, transferring embryos into the rhinos' wombs.

On the recent day, Helene ambled into a holding pen for an ultrasound test to check whether she was ready to be a surrogate rhino. Trainer Marco Zeno piled orchardgrass on the ground and cooed "good girl." Two researchers patted her through the barrier as they approached her reproductive end.

Rhinos are misunderstood, their handlers say. While they sometimes do charge at vehicles in the wild, they do so only when they feel threatened, said Lee Kirchhevel, who leads caravan tours of rhino habitats at the safari park.

Helene grunted contentedly as assistant Parker Pennington nonchalantly reached up to her armpit into the rhino's rectum, holding an ultrasound

probe to examine the animal's ovaries to gauge the growth of follicles containing eggs.

The manual-insertion procedure, Dr. Durrant said, "puts our arms to sleep sometimes." Getting the rhino to this point took months. Handlers first prodded her with a ball-point pen as she ate, to get her used to the handling and poking from behind.

The 20-minute procedure went smoothly, as Helene re-

mained focused on the orchardgrass. "If they stop eating, you know something is wrong," said Dr. Pennington, a postdoctoral associate in reproductive sciences. "Fight or flight could start to kick in, and you don't want either."

The rhinos have different personalities. "Livia is the one more sensitive; Victoria is cautious around strangers," Dr. Durrant said.

Next up was Amani, the largest. She devoured the treats but started shifting in the chute and wagging her tail—prompting a call for help from Dr. Pennington, who was arm-deep in the rhino.

Tail-wagging can suggest restlessness, indicating the animal may want to move, shift weight or go do something else with its mass that would be wise for a human to avoid.

"She's getting a little prickly back here. Get her tail," Dr. Pennington said, as Dr. Durrant reached to hold the potentially hazardous appendage to one side.

Zookeeper Weston Popichak hurried to the rhino's side, patting and scratching her stomach through the barrier. That seemed to calm her down.

"These are big animals," he said, "and they may not realize how big they are."

JAKE NICOLI/THE WALL STREET JOURNAL

LIFE & ARTS

WEEKEND CONFIDENTIAL | Alexandra Wolfe

Ben Kingsley

The actor on Hamlet, home-cooked meals and his role in a new satire

FIVE YEARS AGO, former Afghan President Hamid Karzai told CNN anchor Wolf Blitzer that he would be honored to have actor Ben Kingsley play him in a film someday. Mr. Kingsley, who resembles Mr. Karzai, does just that in the new movie “War Machine,” but he wryly notes, “Be careful what you wish for.” The absurdist satire of the war in Afghanistan, which premiered on Netflix last week, doesn’t exactly make the former president out to be a hero.

The role is just one of the political and historical figures Mr. Kingsley, 73, has portrayed over the years, including the title character in “Gandhi” (1982), for which he won an Academy Award for best actor, and a Jewish accountant working for Oskar Schindler in “Schindler’s List” (1993).

“I have been involved in telling the story of some of our most enlightened moments,” he says, as well as stories of “the absolute absence of any humanity whatsoever, in the same century, at the same time.” He has also starred in more conventional films, such as “Sexy Beast” (2000) and “House of Sand and Fog” (2003).

His new film, starring Brad Pitt, is loosely adapted from “The Operators,” a nonfiction book by the late reporter Michael Hastings that tells the story of former Gen. Stanley McChrystal and America’s involvement in Afghanistan. (The book is based on an article that Mr. Hastings wrote for Rolling Stone, in which Gen. McChrystal and his staff disparaged President Barack Obama and his national-security team, ultimately leading to the general’s firing.) Many scenes border on farce. When the movie’s main character, the fictional Gen. Glenn McMahon, first meets Mr. Karzai, the Afghan president is on his knees trying to plug in his television.

To get into character, Mr. Kingsley watched videos of Mr. Karzai and read about him. Still, playing the character through the prism of satire, Mr. Kingsley says, was “very tough.”

Born as Krishna Bhanji, Mr. Kingsley grew up in Manchester, England. His mother was an ac-

tress and model, and his father, who was of Indian descent, was a doctor. When he was young, he says, he felt that his parents, who are now deceased, ignored him, dismissed his feelings and overlooked his accomplishments.

He found solace on stage, where he felt he could be seen and heard. He worked with an amateur theater group in his teens, he says, and “it gave me voice, it gave me space.” He adopted the name Ben Kingsley—derived in part from the nickname of his grandfather, a trader known as King Clove.

After college, he joined the Royal Shakespeare Company in 1967. Mr. Kingsley says that his 15 years with the troupe still influence his acting today. “My archetypes are therefore those that come from Shakespeare,” he says. “If I can find when I read a script [that] I recognize one of Shakespeare’s heroic villains or great lovers, I can then immediately let that channel through me and inform the work.” Sometimes he has trouble finding Shakespeare in a script. “If I’m able to, I pass,” he says. “If I’m not able to, my accountant says, ‘No, you can’t pass on this one, you’ve got to do it.’ ” But he’ll still try to find even a faint echo of the Bard.

Playing Hamlet in his 30s led to one of the most memorable moments of his career. The day after a performance, he was out walking, and a young woman headed straight for him. She told him, “I saw ‘Hamlet’ last night. How did you know about me?” She had strongly identified with the way he portrayed the character’s torment. “You take that with you for the rest of your career,” he says. “That story for me is very much why I do what I do.”

In 2001, Queen Elizabeth bestowed a knighthood on him. “When you look at the broader picture of my life, it was an extraordinary embrace from a silence and an isolation that I had experienced earlier,” he says. While he didn’t talk publicly about his upbringing for many years, he hopes that speaking out about it now “will somehow touch or heal or move”



Ben Kingsley plays former Afghan President Hamid Karzai in the new film ‘War Machine.’

others who have had the same experience, he says.

These days, when he’s not traveling for films, Mr. Kingsley likes to spend his time at home in Oxfordshire with his fourth wife, Daniela Lavender, with whom he has a production company. There, most of his days involve studying lines if he’s getting ready for a role, gar-

dening, swimming and cooking.

“I do not have a microwave,” he says, nor does he eat packaged or processed foods. He grows vegetables from his garden that he freezes for the winter. Some of his favorite dishes are slow-roasted guinea fowl and rack of lamb.

His upbringing has also affected how he has raised his own four

children. Two of his grown sons are actors, and he encourages them whenever he can. Once, when one of his sons was young and had just finished a stage performance, Mr. Kingsley hugged him so tightly that, he says, “I think I broke three of his ribs.” He likes telling his children, “Do you have any idea how wonderful you are?”

PARTY PLANNING

BEHOLD THE GOLDEN AGE OF BALLOON-MAKING

BY ERIN GEIGER SMITH

WHEN LACEY CARVER’S daughter Sally turned 2 last month, the Houston mom went all in on birthday balloons.

They were clear. They were filled with confetti in shades of pink and blue. Their strings were covered in matching tissue-paper tassels. They were as big as Sally.

The confetti’s shades were selected to match the train-themed invitation, but it was just luck the confetti was a spot-on match for the colors of Sally’s party dress. “The only decorations I do at a birthday party are balloons,” says Ms. Carver, an oil and gas attorney.

Long gone are the days of a simple, primary-colored balloon tied to the back of a chair. Whether or not the birthday party staple needed reinventing, we now live in a golden age of balloon innovation. Decorators are lining doorways with balloon garlands and filling ceilings with black, marbled balloons for black-tie weddings, all to meet customer demand for Pinterest-worthy parties and settings worthy of Instagram likes.

“Like cupcakes, they just got reinvented. Because they’re big and they’re showy and they’re wonderful and they hadn’t been touched in a while,” Meredith Stuart-Smith, the U.K.-based president of home goods and party supply company Meri Meri, says of the balloon craze. “A staggering percentage of our business is balloons.”

Meri Meri’s products are sold online and in boutiques world-wide.



Word balloons, including this one from Northstar Balloons in Minnesota, are in high demand. Newer offerings include single words in script writing.

One of their most popular items is a kit that includes a paper cone and gold fringe to turn teal and pink balloons into unicorns. The kit, which makes four and is available at Amazon and Land of Nod, works both as a party activity and party favor, Ms. Stuart-Smith says.

Nico Wyrobek and her sister Nina Kieves grew up in the balloon business—their father owned a large balloon company he sold in

1998—but wanted to attract a new customer base when they launched Minnesota-based Northstar Balloons. They entered the market in 2012, hoping their 34-inch letter balloons, painstakingly developed to be of uniform size, would differentiate themselves from similar products. “We went after that 20-something who was going to make a statement on their wall and leave it there,” Ms. Wyrobek says.

Lately, they’ve upped the ante on balloon communication, offering single-balloon words in cursive writing, like a rose gold “hello” and bright yellow “fun.” Many Northstar balloons are also notable in that users blow them up with their own breath and a straw. They can last for weeks. (The fact that the balloons don’t need helium is also a selling point, as concerns over rising helium prices

and fear of a helium shortage, overblown or not, is a buzzy topic in the balloon industry.)

That convenience factor led the founders of event planning company Little Miss Party to include them in several of their party-in-a-box offerings for anyone celebrating weddings, births or birthdays.

Los Angeles party store Bonjour Fête, also sells a wide variety of specialty balloons, from the ubiquitous metallic letters (\$2.50) to ones with rainbow marble prints (\$6.95 for 8) or sketches of guava tropical leaves (\$6). But what’s keeping owner Rachel Huntington busy lately is balloon garlands—balloons, often in solid colors, tied together in an overflowing cluster to line a fireplace, frame a doorway or cover an entire wall. People want something custom, she says, “a handmade, labor-of-love thing.”

She’ll often insert one balloon inside another to make them more opaque, or put a metallic balloon inside a standard one. “It elevates the traditional balloon and makes it look high-end,” Ms. Huntington says. Another frill she says is growing in popularity: intertwining real flowers or greenery with the balloons.

At the most extravagant end of balloon garlands are those created by artist Jihan Zencirli of Los Angeles-based Geronimo Balloons, whose massive installations have included an orange arrangement behind the San Francisco Giants’ home plate. For those who don’t need to cover an entire building, kits to make balloon garlands at home are available for around \$50.

OPINION

REVIEW & OUTLOOK

U.S. Markers in the South China Sea

The Trump Administration is starting to show some backbone on China's territorial power play against its Southeast Asian neighbors in the South China Sea. But if the Philippines, Vietnam and others are to stand up to Chinese bullying, the U.S. needs to do more to show it is committed to the region's stability.

Early last month the Pentagon endorsed the "Asia-Pacific Stability Initiative," \$7.5 billion in extra spending to beef up the U.S. regional military presence. Then on May 24 the destroyer USS Dewey conducted a "freedom of navigation operation," or Fonop, sailing within 12 miles of Mischief Reef, a collection of rocks China seized from the Philippines in 1995.

Beijing claims territorial waters around the reefs and shoals it controls in the South China Sea, but a United Nations tribunal ruled last year that Mischief Reef and other nearby land features submerged at high tide don't generate such rights under the Law of the Sea.

The U.S. conducted Fonops under the Obama Administration, but always under the rubric of "innocent passage," which could be construed as recognizing Chinese control of the waters. This time the Dewey lingered in the area and conducted a man-overboard drill, clearly signalling that the U.S. considers the area to be international waters.

Beijing condemned the U.S. action as provocative and vowed to increase its military capability to defend its sovereignty. But conducting Fonops isn't provocative; it is a symbolic action required under international law to protect freedom of navigation. If other nations don't challenge China's illegal claims in concrete ways, Beijing can argue in a future tribunal that they gave up their objections.

Fonops may become more perilous if China's military continues to arm its new artificial islands. In December satellite images showed China placing anti-aircraft batteries on the bases. A Chinese state-run newspaper reported last month the deployment of rocket launchers on the artificial island on Fiery Cross Reef. As recently as September 2015, President Xi Jinping promised during a visit to the White House that China wouldn't militarize islands in the South China Sea.

On May 17 two Chinese Su-30 fighters conducted what the Pentagon called an "unsafe intercept" of a U.S. Air Force WC-135 plane in international airspace over the East China Sea. A week later, on the same day the Dewey was near Mischief Reef, two Chinese J-10 fighters performed more stunts around a U.S. P-3 Orion surveillance plane in the South China Sea. Such unprofessional flying can cause an accident, as happened in April 2001 when a Chinese J-8 fighter collided with a U.S. EP-3 surveillance plane in international airspace.

U.S. Secretary of Defense Jim Mattis addressed China's creeping aggression over the weekend at a security conference in Singapore. "Artificial island construction and indisputable militarization of facilities on features in international waters undermines regional stability," he said. He also blasted China's "blatant disregard for international law" and "contempt for other nations' interests."

Naturally this provoked a furious response from Beijing. On Monday a Chinese Foreign Ministry spokesperson called Mr. Mattis's remarks "irresponsible," and complained that "certain countries outside the region, driven by ulterior motives, insist on making erroneous remarks and calling white black."

The Trump Administration refrained from conducting Fonops until last month, perhaps in the hope that China would pressure North Korea to give up its nuclear weapons and missile programs. Meanwhile, U.S. allies in Southeast Asia have wondered if Washington still views stability and freedom of navigation in the South China Sea as principles worth defending. Withdrawal from the Pacific trade deal also undermined U.S. credibility in the region.

Mr. Mattis must have known he was on the back foot Saturday when he paraphrased Winston Churchill: "Once we have exhausted all possible alternatives, the Americans will do the right thing. So we will still be there and we will be there with you." Some in the audience no doubt recalled that the U.S. stood by in 2012 while China broke an agreement and seized Scarborough Shoal from the Philippines. The question is what the U.S. will do now to deter further Chinese expansion.

A Mosque for New Jersey

Each year the U.S. State Department rates other countries on respect for religious liberty, but Americans also sometimes need reminders. So it was good to see the Justice Department last week announce a settlement that will allow a mosque to go up in a New Jersey town that had unfairly tried to stop it.

The settlement comes after five years, 39 public hearings and two suits—one by the Islamic Society of Basking Ridge and the other by the Justice Department. At the heart of the dispute was the town's bid to impose parking requirements on the mosque that it didn't require for Christian churches. In December a federal court ruled against the town.

It's telling that in bringing its suit the Islamic Society of Basking Ridge enjoyed the backing of an extraordinary range of religious

outfits, from the American Association of Jewish Lawyers and Jurists to the Becket Fund for Religious Liberty to the National Association of Evangelicals, the International Society for Krishna Consciousness and the Sikh Coalition. All recognize that a threat against one faith is a threat against all. In its amicus brief, the Becket Fund noted that Congress passed the Religious Land Use and Institutionalized Persons Act in 2000 precisely to address the kind of unequal treatment the mosque faced in New Jersey.

The good news is that free exercise has prevailed. At a time when the U.S. is pushing Middle Eastern nations to show more respect for the minority religions within their midst, it's also a welcome insistence that it practices at home what it preaches abroad.

How to Make Medicine More Expensive

Registering outrage over the high price of medicine is a national pastime, especially for politicians whose solution is always handing themselves more power. The latest examples come from Nevada and Maryland, where legislators are passing bills to punish drugmakers for no benefit to patients.

On Friday Nevada Republican Governor Brian Sandoval vetoed a bill on diabetes medication. The bill swept through the legislature and may make a comeback, so it's worth examining the details.

The state would have decided what counts as an "essential" diabetes medicine, including insulin and others. Manufacturers would be required to disclose the cost of production and marketing, as well as profits and more. That information is proprietary and hard to calculate, as the cost of medicines is influenced by research and development over many years.

Manufacturers would have to inform the state 90 days in advance of any price increase, which is nothing but a heads up to the folks running the public shaming campaign. Some purchasers would stockpile meds before the price ticks up, which could lead to shortages. The bill requires new disclosures for pharmaceutical representatives, an industry already regulated by the Food and Drug Administration.

In his veto message, Mr. Sandoval rightly said the bill "fails to account for market dynamics that are inextricably linked to health care delivery and access to prescription drugs."

If Nevada's Democrats really want to lower the price of medication, they should support more competition from generic alternatives. Take Glucophage, which helps regulate a diabetic's blood sugar. Glucophage costs about \$43 a month out of pocket for a Medicare D patient, according to data from the Association for Accessible Medicines. A prescription for the ge-

neric Metformin? \$2.31 a month.

One FDA analysis in 2005 revealed that patients pay 94% of the branded price when a medicine has one generic competitor. That falls to about 20% of the price when eight companies are angling for market share. (See the nearby chart.) Yet a drug like insulin is expensive to produce and profit margins are low, so companies invest in areas with higher returns. Proving similarity to a branded drug is another challenge for more complex treatments, particularly alternatives to things like the EpiPen allergy shot that also require deploying a device.

Yet instead of noticing such disincentives, state governments are now attacking the generic industry. In May, Maryland's Republican Governor Larry Hogan allowed a bill to become law without his signature that would unleash the state Attorney General to investigate any generic drugmaker responsible for an "unconscionable" price increase. Remember that the left defines as unconscionable paying money for any health-care product or service.

The assault is especially bizarre given that generic products fill nearly 90% of all prescriptions but account for only 27% of total drug costs. State and federal programs are among the largest purchasers of generic drugs, and in 2015 generics saved more than \$32 billion in Medicaid alone. Generic drugs saved Maryland \$3.7 billion in 2015.

More than a dozen states have a drug-pricing bill in the hopper. The good news is that FDA Commissioner Scott Gottlieb is preparing a plan to drive more generic innovation and competition, which may include streamlining a duplicative approval process, among other improvements. That would make medicine more available and affordable for patients, unlike the political ploys rolling out of state capitals.

Tech's Radial Tire Lesson

By Andy Kessler

Want to know what scares tech executives? It's not competition from China, WannaCry ransomware attacks or being coded out of existence by Mark Zuckerberg clones. It's radial tires.

Until around 1970, almost all cars and trucks rolled on bias-ply tires. Under the rubber treads, nylon belts ran diagonally, at 30 or 45 degrees, forming a crosshatch. This allowed for stronger sidewalls and cheaper manufacturing. The problem was that bias-ply tires needed to be changed every 12,000 miles.

Then along came radial tires. Introduced in 1949 by Michelin, radials have steel belts inside that run across the tread at a 90-degree angle. They are wider, better at dissipating heat, and safer. Although radials cost a little more to manufacture, they last at least 40,000 miles.

The first American car that came with radials was the 1970 Lincoln Continental. Four years later, Goodyear was making only radial tires. Other companies missed out and paid dearly. By the end of the decade, radials effectively had 100% market share for cars.

Which brings us back to Silicon Valley. In the 1980s and '90s, technology was changing so fast that a new computer was almost disposable. You upgraded every few years. But as innovation slowed, they lasted longer, which meant fewer people buying computers.

Bill Gates was worried about this back in 1991. "When radial tires were invented," he said in an interview, "people didn't start driving their cars a lot more, and so that means the need for production capacity went way down, and things got all messed up. The tire industry is still messed up."

During the dot-com boom, Mr. Gates invoked the analogy again. "Every time I read about optic fibers or wireless, I say to myself, 'Wow, that sounds like radial tires,'" he said. "When they got radial tires did people drive four times as much just because the tires lasted longer? No, the industry shrank."

That fear has come true. When was the last time you upgraded your PC? Exactly. They run and run. Sales of personal computers peaked in 2011 at 365 million. Five years later, only 260 million shipped, down almost 30%. Tech companies continue to post relentless performance increases and cost improvements, except they show up elsewhere—in cloud computing, artificial intelligence and speech recognition.

It's true that tablet computers caused

some of the PC's decline, but they've peaked, too. Steve Jobs introduced the iPad in 2010. Sixty-eight million were sold in 2014. Last year Apple moved barely 45 million, down a third. The company is on pace to sell even fewer this year.

These tablets don't wear out, and the new ones don't have enough additional features or applications to entice users to upgrade. It's a radial tire.

Smartphones are the same story. The iPhone turned heads in 2007. Here was a piece of glass with a computer behind it that you could tap and flip and pinch. Think different indeed. Since then Apple has added bigger screens, better graphics, polycarbonate housing, fingerprint sensors, front-facing cameras, pressure-sensitive displays and Siri. By July, it had cumulatively sold a billion, often to the same customers who upgraded frequently.

Smartphones and computers last longer than ever. Can their makers adapt?

Yet sales essentially have flatlined since 2015. Are smartphones so good that they now last three or four years instead of two? What would it take to make you upgrade? You've probably heard about the 10th-anniversary refresh, the iPhone 8, to be announced this fall. By all accounts it will be incredible. Industry wags suggest it will include the cool features of today's Samsung Galaxy S8—such as edge-to-edge displays. But note the S8 sold only five million in its first month, against 10 million for the Galaxy S4 in 2014.

Maybe the iPhone 8 will have killer new features. The website MacRumors has floated wireless charging and a camera with three-dimensional infrared sensors to measure location and depth, allowing facial recognition, iris scanning and augmented reality. Will it be enough to meet sky-high expectations?

As with PCs, technology gains continue, but they show up elsewhere. At the pace voice platforms are improving—whether it's the Amazon Echo, Google Home, or Apple's new stand-alone Siri device due to market soon—maybe we don't even need smartphones. Maybe screens are dead—in which case that old Motorola flip phone will make a comeback. After all, flying cars don't need tires, radial or otherwise.

Mr. Kessler writes on technology and markets for the Journal.

Brazil's President Teeters



AMERICAS
By Mary Anastasia O'Grady

Brazil's Superior Electoral Court is expected to rule Tuesday on whether illegal campaign donations, made during Brazil's 2014 presidential race, invalidate the re-election victory of former President Dilma Rousseff and her vice president, Michel Temer.

Ms. Rousseff, of the hard-left Workers' Party, was impeached and removed from office by Congress in 2016 on charges of violating the constitution. Mr. Temer, of the more centrist Brazilian Democratic Movement Party (PMDB), is now president. He had his own finance committee for his vice-presidential campaign so he could be judged independently of Ms. Rousseff. But if the court were to rule against the ticket, he would have to step down.

In that case, the constitution stipulates, the speaker of the Chamber of Deputies, the legislature's lower house, becomes president for a 30-day period. During that time Congress would elect a successor to finish the term, which runs through 2018.

But forces on the left have mounted a public campaign in favor of holding a general election. The threat to the constitution is so serious that the Brazilian daily O Estadão de São Paulo editorialized on the issue on May 31: "It would be a fraud to the democratic state of law if a particular political group or social stratum could, under certain circumstances, change the rules of the game simply because they are now unappetizing." All true. Brazilians are right to resist.

The world's 9th-largest economy grew 0.5% in 2014; in 2015 it contracted 3.8% and last year lost another 3.6%. Despite his close association with the leftist Ms. Rousseff, Mr. Temer is now trying to put Brazil back on the market-oriented trajectory launched under Fernando Henrique Cardoso, who was president from 1995 through 2002.

Yet Mr. Temer's tenure is tenuous. Even if the electoral court validates his 2014 re-election as Ms. Rousseff's vice president, it is far from certain that he can survive as president for the remaining 19 months of the term.

That challenge was made more difficult on May 19 when Brazil's Supreme Federal Court released plea-bargain testimony from executives of the giant meatpacking company JBS, alleging that they had bribed Ms. Rousseff, Mr. Temer, former president Lula da Silva and more than 1,800 other politicians.

Shortly thereafter an audio tape of Mr. Temer talking to JBS chairman Joesley Batista was leaked to the press. Mr. Temer's opponents said that the tape, secretly recorded by Mr. Batista, proved the politician's complicity in a bribery and influence-peddling scandal. Corruption charges had already sent lower-house speaker Eduardo Cunha, also of the PMDB, to jail in March.

But the opposition celebrated too early. The 76-year-old Mr. Temer didn't resign as rumors said he would. Instead he asserted his innocence and vowed to fight the allegations.

There are credible claims that the Batista tape was tampered with. Even if it wasn't, some of the president's responses to Mr. Batista's statements on the recording are subject to interpretation, at least in a court of law.

The more immediate question, providing he gets a favorable ruling from the electoral court, is whether Mr. Temer can survive politically. To do that, he has to prevail in the court of public opinion, where the anemic economy and a barrage of corruption scandals have worn down patience with the political class.

Mr. Temer is betting that he can revive growth. But he has to shrink the state and rein in a far-too-generous public-sector pension system. Government-employee unions are among the country's most powerful special interests. Plenty of other corporatists, including some business interests, also have their hands out. Rent-seekers are not about to let Mr. Temer take away the gravy train without a fight.

Still, getting rid of Mr. Temer may be easier than derailing reform. His coalition in Congress seems to have held together, and it will be under pressure to rally around a market-friendly successor. The left knows this too, which is why it wants to ignore the constitutional mandate and hold a direct election for a new president.

If that were to happen, Mr. da Silva, who remains a popular figure with his base, would likely be a candidate. He has been indicted for his alleged role in a corruption scheme involving the state-owned oil company Petrobras. If he is found guilty, he will be barred from holding public office. But if he were to win a snap election to replace Mr. Temer, any prosecution against him as president could be carried out only by the Supreme Federal Court and would probably drag on.

That would be a double gut-punch for a country that needs to show that it has graduated from using the rule of *bananalandia* to using the rule of law. It has made great strides. But this is a crucial test.

OPINION

Terror and the Teddy Bear Society

By Theodore Dalrymple

The only man I ever met whose ambition was to be a suicide bomber was an inmate at the British prison where I worked as a doctor in the 1990s and 2000s. He was a career criminal of very nasty propensities whose father was Arab and mother English. He had reached his 30s, the age at which criminals usually turn away from crime in favor of something better—in his case the killing of as many infidels as possible, along with himself.

Even the arrests after each attack give comfort to the enemy, which can act with impunity even if known.

Coming to religion is one reason, or pretext, for abandoning crime. In the prison there was much more Islamic evangelism than Christian. I would find Qurans and Islamic pamphlets in drawers, insinuated there by I knew not whom, but never Bibles or Christian pamphlets.

I interpreted religion as the means prisoners used to rationalize giving up common crime while at the same time not feeling defeated by, or having surrendered to, the society around them—for they knew conversion to Islam gave that society the shudders.

The problem for the security services, however, is that there is no invariable profile, social or psychological,

of the Muslim terrorist. Nor is there a kind of economic lever that can be pulled so that, with better material prospects, young Muslims will be less attracted to terrorism.

There have, it is true, been no-hoppers among the terrorists, but there have also been medical students and doctors. There was nothing (except himself) impeding the recent Manchester bomber from having a normal or even a highly successful career.

As Prime Minister Theresa May rightly said after the most recent atrocities in London, what the terrorists have in common is an ideology. She rightly called it evil, but it is also stupid: It makes the Baader-Meinhof Gang look like Aristotle.

An ideology, however stupid, is not easy to destroy; believing six impossible things before breakfast is almost par for the human course. One obvious thing to do would be to strangle the foreign funding of so much Islamist activity in Britain. That is no doubt complicated in many ways, but no British government, solicitous of trade relations, has dared even try. The British economy is precarious, and it is difficult to be strong when your economy is weak.

Instead, we have gone in for what a Dutch friend of mine calls “creative appeasement.” Authorities make concessions even before, one suspects, there have been any demands for them. Thus, a public library in Birmingham, one of the largest known to me, has installed women-only tables, a euphemism for Muslim women only.

Whether there was ever a request or demand for sex-segregated seat-



At the site of the London Bridge attacks on Monday.

ing from Muslims is probably undiscoverable; truth seldom emerges from a public authority. But the justification would almost certainly be that without such tables, Muslim women wouldn't be able to use the library at all.

The Birmingham airport has set aside a room for *wudu*, the Muslim ablutions before prayer. No other religion is catered for in this fashion (nor should they be, in my opinion), so the impression is inevitably given that Islam is in some way favored or privileged. Again, it would be difficult to find out whether they received requests or demands for such a room or merely anticipated them; in either case, weakness is advertised.

This is not a local problem alone. Many European airports now set aside a room for “meditation.” The icon used to indicate it almost always

carries more of an Islamic connotation than any other. A friend told me that when she went into one such room, she was told by a Muslim to remove her shoes, ecumenism being, of course, a one-way street.

My female Muslim patients who had grown up in Britain told me that the school inspectors had never intervened when their parents prevented them from attending school, often for years. On the other hand, white working-class parents were bullied by those inspectors when their refractory 15-year-old daughters refused to go.

A few years ago it came to light that police in Rotherham had for decades systematically turned a blind eye to the mass sexual abuse of children—at least 1,400 victims—by Muslim men. This type of willful neglect by the authorities came as no surprise

to me. On the contrary, it is precisely what I would have expected.

From all this the terrorists surely draw a great deal of comfort. It gives them the impression of living in a weak society that will be easy to destroy, so that their acts are not in the least nihilistic or pointless, as is often claimed. They perceive ours as a candle-and-teddy-bear society (albeit mysteriously endowed with technological prowess): We kill, you light candles.

The other day I passed a teddy bear shop, that is to say a shop that sold nothing but teddy bears. I am sure that terrorism is good for business, but the teddy bears are more reassuring for the terrorists than for those who buy them to place on the site of the latest outrage.

Another source of comfort for terrorists is that after every new atrocity, the police are able to arrest multiple suspected accomplices. That suggests the police knew the attackers' identities in advance but did nothing—in other words, that most of the time terrorists can act with impunity even if known.

Here, then, is further evidence of a society that will not defend itself seriously. This isn't just a British problem. The April murder of a policeman on the Champs Elysées in Paris was committed by a man who had already tried to kill three policemen, who was known to have become fanaticized, and who was found with vicious weapons in his home. The authorities waited patiently until he struck.

Theodore Dalrymple is the pen name of Anthony Daniels, a British physician.

Europe Must Take Its Defense Into Its Own Hands

By Jean-Claude Juncker
And Bohuslav Sobotka

The attack on London Bridge Saturday once again reminds us that, whether in Britain, Belgium or France, there are those who would threaten our cherished way of life. The European Union is home to some of the world's freest, most open and most tolerant societies. We enjoy more opportunities and freedoms here than any generation that went before us. Europe, so often the scene of war and violence, has become a bastion of peace and stability in an unstable world. We cannot and must not take any of that for granted.

More than 60 million people today are displaced because of war. Tensions continue to rise on our eastern border. Terrorists try to wreak havoc as power struggles rage in parts of the Mediterranean and sub-Saharan Africa. Climate change, resource scarcity and population growth will exacerbate that turbulence in the years to come.

Thanks to its world-leading diplomacy, development policy and trade links, the EU helps make the world a more stable place. Its “soft power” promotes peace, inclusive growth, human rights and the rule of law around the world. But if there's an injustice

that can't be stopped by means of law, we shouldn't hesitate to use peace-making measures instead.

Europeans recognize this. In almost every member country, including the Czech Republic, security is one of the top concerns. Our citizens expect their governments to come together to protect them. Their message is clear: Take advantage of the tools the EU has to offer and deliver on security.

The good news is that EU member states have unified on the need to do more together in the area of defense, a policy that had been a no-go for so many decades.

It's time for Europe to take its defense and security into its own hands. Nobody else will do this for us. This week marks another step in that direction, when EU leaders meet in Prague at the Defense and Security Conference to set a course of action.

Our partnership with NATO remains essential to our future. Twenty-two EU member states are also members of NATO. The Czech Republic has a proud record of commitment to NATO missions, notably in Afghanistan, Iraq and Kosovo. An unprecedented climate of cooperation exists between the EU and NATO in areas such as countering hybrid

threats, developing defense capabilities and research, enhancing cybersecurity, and bolstering capacity-building efforts.

In parallel to this, we are doing more ourselves. The EU must not only complement NATO but also react independently and appropriately to external threats. To that end, we are now implementing the EU

For too long we've relied on the might of others. We need a new plan to boost cooperation and spending.

Global Strategy, which sets out our vision for common action to address challenges both within and beyond our borders. Prague will be an opportunity to further define how the EU's treaties can allow for greater cooperation.

For too long, Europe has been guilty of relying on the military might of others. That isn't sustainable. The scale and complexity of Europe's security challenges is such that no one country can successfully address them on its own.

The EU excluding Britain spent only 1.32% of its overall budget in 2016 on defense. This is but half of what the U.S. invests, and yet we aren't even half as efficient. Let's not forget that Russia invested more than 5% of its gross domestic product on defense last year, while China more than doubled its defense budget in the past decade.

When it comes to defense, the EU has taken a scattershot approach. This affects the interoperability of our forces. There are 178 different weapon systems in the EU, compared to 30 in the U.S. We have 17 different types of main battle tanks, while the U.S. has only one. And there are more helicopter producers in Europe than governments able to buy them.

Not only does this limit our capacity to act together, but it's also costly for taxpayers. For every €10 spent on defense research and technology, €9 are spent nationally without any coordination. By joining forces and organizing procurement together, we could save between €25 billion (\$28.21 billion) and €100 billion—money that could be invested elsewhere.

Addressing these issues is central to the European Commission's proposals for a European Defense Fund. The EU budget cannot replace member

states on defense. The idea is to support EU countries in working together, with the aim to develop and acquire important defense equipment and ensure value for money. Cooperation must be the rule, not the exception. This will also provide a timely boost to our industry, research and small- and medium-size enterprises.

Member states will decide the priorities, whether it be drones, cybersecurity, air-to-air refuelling capacity or satellite communication. The European Commission and the European Defense Agency are there to provide added value by bringing all European efforts together in a more coordinated, systematic and efficient way.

A European Defense Union will help protect the EU, which is exactly what its citizens expect. The European Commission on Wednesday will release a reflection paper on the future of European defense, setting out different ideas on how that might be developed by 2025. We would like everyone to engage in this debate. Prague this week will be the first step in this important journey we are embarking on together.

Mr. Juncker is the president of the European Commission. Mr. Sobotka is the prime minister of the Czech Republic.

Syria's Chemical Weapons Might Start a New Six Day War

By Asher Orkaby

When Syrian forces launched a chemical attack on the town of Khan Sheikhoun two months ago, no one was watching more closely than Israel's military elite. Of all the existential threats their country fears, chemical weapons rank high on the list.

In 1967 Israeli fear of a chemical attack helped spark the Six Day War, the most transformative conflict in the modern history of the Middle East. Continued use of chemical weapons in Syria poses a similar threat to Israeli security—and may foreshadow another regional war.

The first country to use chemical weapons in the Middle East was Egypt. During the 1960s, President Gamal Abdel Nasser deployed poison-gas bombs during the North Yemen Civil War. Unknown to the Egyptians,

Israel had obtained a front-row seat to study their military capabilities.

The conflict involved the Yemen Arab Republic, founded in 1962 after a coup d'état deposed the country's religious monarch, Imam Muhammad al-Badr. Egypt took the republican side, sending mechanized and heavily armed battalions to aid the revolutionaries.

The monarchist northern tribal militias, aided by a cadre of British and French mercenaries, took shelter in the country's mountainous highlands. The problem was finding a way to resupply their position. After concluding that an air resupply was vital, the mercenaries began searching for an ally willing to orchestrate airlifts into hostile and unfamiliar territory. In the end they turned to Israel, the only country with something substantial to gain from an extended guerrilla war against Egypt.

Between 1964 and 1966, the Israeli Air Force flew 14 missions to Yemen, airlifting vital weapons and supplies to beleaguered tribal outposts. Although the identity of the supplier was a closely guarded secret, these airlifts constituted an important physical and psychological lift for the tribal militias.

In exchange, Israel received well-informed intelligence from its own pilots and British mercenaries on the ground. The Israelis' main contact was Neil McLean, a former Special Air Service soldier and member of the British Parliament. McLean passed to Israel details of Egypt's military activity, even samples of its chemical weapons.

The Egyptian Air Force had been dropping the poison-gas bombs, targeting militias hiding in a network of caves, with increasing frequency and precision. This news alarmed Israelis, many of whom had lost family and friends to Hitler's poison-gas chambers only two decades earlier. They were haunted by the prospect of a similar fate befalling them in a gas attack on Tel Aviv or another Israeli city.

A sense of looming existential threat pervaded Israeli society, down to the local school district. In one emergency meeting in May 1967, teachers debated security protocols. In the event of an

In 1967, fear of a gas attack convinced Israel it had to destroy Egypt's air force pre-emptively.

air-raid siren, should students be ushered into the basement bunkers? Or would climbing to the rooftops be better for escaping poison gas?

The fear of a chemical attack undoubtedly factored into Israel's decision to attack Egypt's air force pre-emptively on June 5, 1967. Over five hours Israel destroyed 300 Egyptian planes and disabled 18 airfields, eliminating the short-term threat of chemical warfare. But the long-term danger has remained.

There is a clear parallel to the current conflict in Syria. What made

the 1960s crisis in Yemen so dangerous was that the international community didn't respond to Egypt's use of chemical weapons. The Yemeni civil war was waved off as merely an intra-Arab conflict. Without visible international assurances that chemical warfare wouldn't be tolerated, Israel in 1967 felt compelled to eliminate the threat before it arrived.

In the barrage of Tomahawk missiles President Trump launched against Syria in April, the U.S. provided some response to the latest chemical attack. Failure to follow up this show of force with collective international action—making clear to Israel that further chemical warfare is off the table—may push the Middle East toward another destructive regional war.

Mr. Orkaby, a research fellow at Harvard's Near Eastern Languages and Civilizations Department, is the author of “Beyond the Arab Cold War: The International History of the Yemen Civil War, 1962-68,” out next month from Oxford University Press.

THE WALL STREET JOURNAL.

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Notable & Quotable: The \$600 Billion Man

From James Freeman's *Best of the Web, WSJ.com, May 31:*

As if taxes haven't been high enough, the U.S. Government also forced Americans to spend an eye-watering \$1.9 trillion in 2016 just to comply with federal regulations. That's according to the latest annual "10,000 Commandments" report released today by Wayne Crews of the Competitive Enterprise Institute. . . .

According to the Crews annual scorecards, the yearly cost of federal regulation soared by more than \$700

billion in nominal dollars from 2008, the last full year of the Bush Administration, through Mr. Obama's final full year of 2016. Adjusting for inflation, you can call Mr. Obama the \$600 Billion Man. . . .

Some readers will argue that the \$600 billion figure wildly understates the costs inflicted on the U.S. economy by Mr. Obama given increases in on-the-books federal spending and the creation of future federal spending commitments. But on that score he must share the blame. It's not easy to precisely assign responsibility be-

tween the executive branch and the Congress for each dollar of the historic increase in federal outlays that occurred early in the Obama presidency or the relative moderation that occurred after Republicans took control of the House in 2010.

In contrast, the executive branch is largely responsible for the costs of regulation. Yes, a Democratic Congress had to . . . enact laws like Dodd-Frank and ObamaCare . . . , but the regulatory agencies have enjoyed broad discretion in deciding just how heavy those burdens will be.

LIFE & ARTS

ART

A Portrait Speaks Volumes

BY BRENDA CRONIN

JOHN SINGER SARGENT had sworn off society portraits when hundreds of Henry James admirers asked the artist to paint the great novelist for his 70th birthday in 1913. Sargent, in his late 50s himself, had tired of having his paintings rejected by the wealthy and had turned to watercolors and charcoal, but James was a friend whom he had drawn before. In the end, Sargent couldn't refuse the new commission.

James, whose many novels include "Washington Square" and "The Bostonians," adored the result. The picture, which went to the National Portrait Gallery in London after James's death in 1916, is the centerpiece of "Henry James and American Painting," an exhibition opening June 9 at the Morgan Library and Museum in New York.

The show includes other portraits of James, rare memorabilia from his literary life and works by the American painter James McNeill Whistler. The exhibition also provides details on how James wove the visual arts into his writing.

Henry James spent most of his early life in America, but by his 20s, he had settled in Europe. There he became friends with expatriate Americans such as Sargent and Whistler. In 1862, while James was studying law, the American painter John La Farge depicted James, then in his late teens, as a young man on the brink of his aesthetic education in Europe. La Farge became a mentor, introducing the young writer to contemporary ideas of literature and art, according to co-curator Colm Tóibín.

Mr. Tóibín, an Irish writer who has studied and taught James for

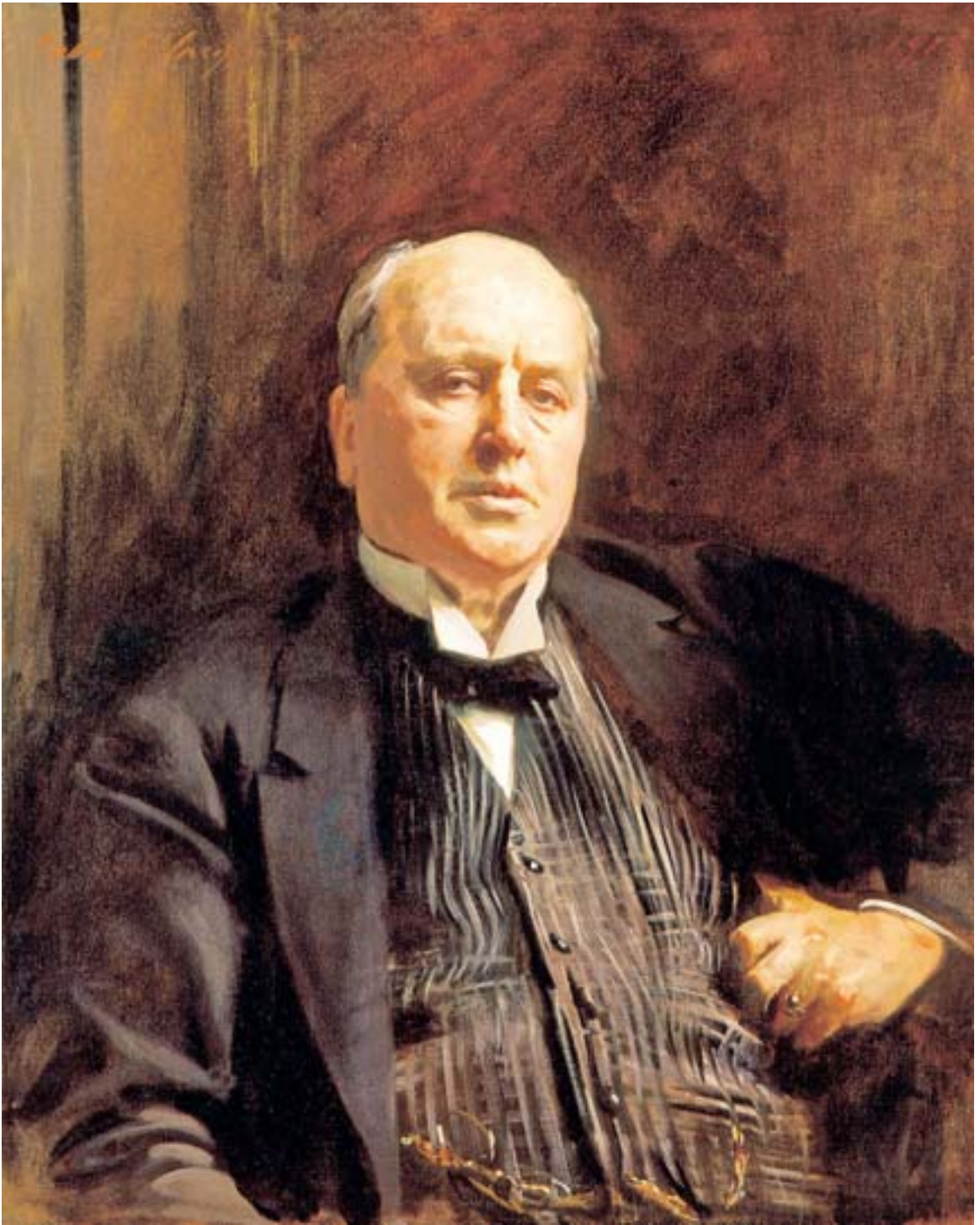
decades, is the author of "The Master." In that 2004 novel, based on true events, a humiliated James perseveres after a play he wrote flops in London and goes on to write some of his most celebrated novels.

As James honed his craft, he and the painters he knew were soaking up European culture in Venice, Florence, Paris, London and elsewhere. He "was building up a rich store of experiences which he would use later in his criticism, in his fiction," said Declan Kiely, the head of the Department of Literary and Historical Manuscripts at the Morgan, who co-curated the exhibition.

To illustrate the way James saw his characters "with the eye of an artist," Mr. Kiely quoted from James's 1881 novel "The Portrait of a Lady"—"Isabel saw all this as distinctly as if it had been a picture on the wall." Painting's influence on James's work is evident in "the way he builds character or he builds a scene, stroke by stroke," Mr. Tóibín said. "The visual arts really did nourish him in all sorts of ways."

The Morgan exhibit includes stately portraits of Francis Boott, a prosperous American composer, and his daughter, Elizabeth, by Frank Duveneck, an American painter who was Elizabeth's art teacher and then her husband. The Bootts were basking in the European art scene when they befriended James and informed some of his fiction, such as the young woman and widowed, art-collecting father of "The Golden Bowl" (1904).

The 1913 Sargent portrait of James capped the author's long relationship with the visual arts. "James and Sargent are almost mirror images of each other," Mr. Tóibín said. They were "bachelors,



JOHN SINGER SARGENT delighted Henry James with this 1913 portrait painted for the author's 70th birthday.

living a sort of ambiguous life between the studio or study and the salon, so they could move easily socially." Both men also were relentless workers, mining their social lives for material.

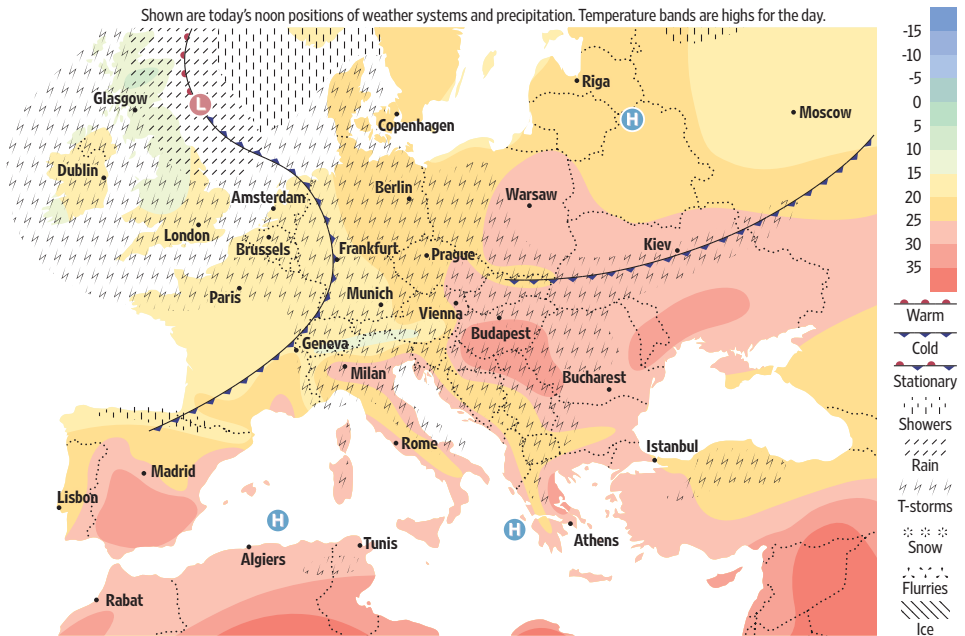
The two got together for more than a half-dozen sittings. James

rhapsodized about the work as "Sargent at his very best and poor H.J. not at his worst; in short a living breathing likeness and a masterpiece of painting."

Still, James had his errors of judgment. He dismissed the artists in an 1876 impressionist exhibi-

tion, including Edgar Degas and Claude Monet, writing that none of them showed "signs of possessing first-rate talent." James thought impressionism would never really "catch on," Mr. Tóibín said, a view that "is seriously embarrassing now."

Weather



Global Forecasts

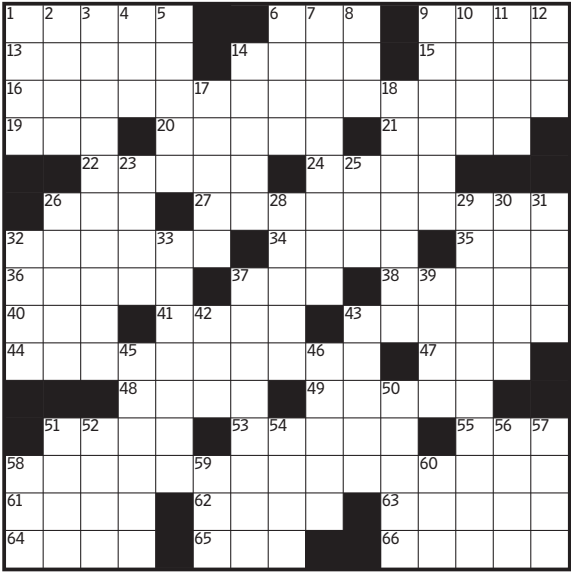
s...sunny; pc...partly cloudy; c...cloudy; sh...showers; t...tstorms; r...rain; sf...snow flurries; sn...snow; i...ice

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Amsterdam	16	12	t	17	13	t
Anchorage	16	10	c	16	11	sh
Athens	29	19	s	29	20	s
Atlanta	25	17	t	27	15	pc
Baghdad	45	27	s	45	26	s
Baltimore	24	16	c	20	12	c
Bangkok	31	25	t	30	25	sh
Beijing	20	13	r	32	17	s
Berlin	23	10	t	18	11	t
Bogota	20	10	pc	20	10	sh
Boise	31	17	s	36	19	s
Boston	11	10	r	15	10	c
Brussels	16	10	t	19	12	t
Buenos Aires	15	3	s	16	5	pc
Cairo	39	27	s	40	25	s
Calgary	22	10	pc	25	11	pc
Caracas	32	27	pc	32	27	pc
Charlotte	27	16	sh	27	16	pc
Chicago	23	12	s	23	11	s
Dallas	32	20	pc	31	20	pc
Denver	24	12	t	25	12	t
Detroit	20	11	pc	20	11	pc
Dubai	43	30	s	43	30	s
Dublin	16	8	t	16	12	r
Edinburgh	14	8	r	15	8	pc
Frankfurt	19	10	t	19	11	t

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Geneva	19	9	t	20	8	pc
Hanoi	35	27	t	32	27	t
Havana	32	24	pc	30	23	t
Hong Kong	32	28	sh	32	27	t
Honolulu	30	22	pc	30	23	pc
Houston	32	22	t	33	18	s
Istanbul	25	19	pc	28	20	s
Jakarta	32	25	pc	32	24	s
Johannesburg	18	5	s	19	5	s
Kansas City	27	13	s	27	15	s
Las Vegas	41	25	s	40	25	pc
Lima	22	17	s	23	17	pc
London	16	11	t	19	13	pc
Los Angeles	25	16	pc	24	15	pc
Madrid	29	14	s	33	17	s
Manila	34	26	pc	34	26	t
Melbourne	12	7	c	14	5	pc
Mexico City	28	14	pc	27	14	pc
Miami	32	25	t	30	26	t
Milan	24	13	t	27	16	s
Minneapolis	27	16	s	29	17	s
Montreal	36	20	s	35	19	pc
Montreal	15	9	r	23	11	s
Moscow	16	10	c	21	11	pc
Mumbai	33	28	sh	32	28	t
Nashville	28	14	s	25	13	pc
New Delhi	42	30	t	38	26	t
New Orleans	28	22	t	30	20	pc
New York City	15	12	t	17	12	c
Omaha	30	16	s	29	17	pc
Orlando	28	22	t	28	21	t

City	Today			Tomorrow		
	Hi	Lo	W	Hi	Lo	W
Ottawa	13	7	r	23	10	pc
Paris	18	11	t	19	12	pc
Philadelphia	20	13	t	18	12	sh
Phoenix	42	27	s	42	26	pc
Pittsburgh	19	11	t	18	12	sh
Port-au-Prince	36	22	pc	36	23	s
Portland, Ore.	29	14	pc	25	15	pc
Rio de Janeiro	30	22	pc	29	22	s
Riyadh	41	23	pc	42	25	s
Rome	26	17	pc	26	16	s
Salt Lake City	33	20	s	36	21	s
San Diego	21	17	pc	21	16	pc
San Francisco	20	12	s	20	13	s
San Juan	32	26	s	32	26	pc
Santiago	16	0	s	15	3	pc
Santo Domingo	33	24	s	33	24	s
Sao Paulo	26	19	pc	26	18	pc
Seattle	27	13	pc	24	14	pc
Seoul	23	18	r	22	16	r
Shanghai	28	22	r	30	23	pc
Singapore	32	26	t	31	26	pc
Stockholm	21	9	pc	16	8	r
Sydney	16	11	s	16	14	r
Taipei	33	27	t	33	26	t
Tehran	33	22	s	35	22	s
Tel Aviv	31	21	s	32	20	s
Tokyo	24	19	pc	23	20	c
Toronto	16	10	r	17	10	c
Vancouver	22	12	pc	20	12	pc
Washington, D.C.	27	15	pc	20	13	pc
Zurich	18	8	t	19	7	pc

The WSJ Daily Crossword | Edited by Mike Shenk



IN PAIRS | By Zhouqin Burnikel

Across	24 Predatory mammal	48 Heist haul
1 Site of the Luxor and the Bellagio	26 MLB team honchos	49 Promotion result
6 "The Muppet Show" eagle	27 Nude-colored acrobatic wear?	51 Decision-making aid, at times
9 Fix, in a way	32 Pop's pop	53 Buzzing cloud
13 Squirrel's treat	34 Enchilada filler	55 Arthur of "The Golden Girls"
14 Pandora offering	35 Illusionist Geller	58 Tennis garb worn in four Grand Slam tournaments?
15 Strauss's "___ Nacht in Venedig"	36 Narcotics unit	61 Image on Utah license plates
16 "Get your pants off the floor!"?	37 Auntie, to Mom	62 Tip jar bills
19 What a toady strokes	38 Bugs bugs him	63 Fit to be tied
20 Witch craft	40 Acted as a guide	64 Root veggie
21 "That can't be good"	41 Cracker with seven holes	65 Portal with a butterfly logo
22 Pandora offering	43 "Survivor" groups	66 Yank
	44 Gym wear that sells poorly?	
	47 Two-time British Open champion	

Down	29 Claim that your biggest weakness is being a perfectionist, e.g.
1 Puff on a 2-Down	30 Arboretum sights
2 Puff piece?	31 McCartney and McKellen, for two
3 A way to be underdressed	32 Links activity
4 Vessel for twosomes	33 Individuals
5 Nomination day slights	37 Cowboy hats
6 Neighborhood of Lower Manhattan	39 Alternative facts
7 Flowers akin to buttercups	42 "Letters From ___ Jima"
8 British sports cars	43 Pre-October Revolution rulers
9 Enemy of Popeye	45 Sorry state
10 ___ de gallo (Mexican salsa)	46 Cafeteria stack
11 Cross seen in hieroglyphics	50 Battlefield yell
12 "Agreed!"	51 Hard pineapple part
14 Soup base	52 Just a single time
17 Excessively proper sort	54 Birdhouse occupant
18 Evil figure	56 Blues great James
23 "Full Metal Jacket" grp.	57 Play ___ (perform with the band)
25 Numbered hwy.	58 Trial venue?
26 Workhouse porridge	59 Cat in an alley
28 Mediterranean island known for its party scene	60 Tulsa sch. founded by an evangelist

Previous Puzzle's Solution

DISCO	ADD	SPAS
ASIAN	ORA	COUNT
BARPATRON	HASTA	
	PHOTOGRAPHER	
TIFFS	OPAL	SPY
TITIPU	EVE	ESB
SLAM	POOL	PLAYER
ALIAS	IRS	SHEER
GUNSLINGER	ELSA	
OPS	INK	HOMER
	ETC	FLOP
HEALTHCLINIC	TNT	
EXILE	HAVE	SHOT
FADED	LIKE	TIARA
TMAIN	PER	ESSEX

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THE WALL STREET JOURNAL.

Tuesday, June 6, 2017 | B1

Euro vs. Dollar 1.1251 ▼ 0.27%

FTSE 100 7525.76 ▼ 0.29%

Gold 1279.30 ▲ 0.20%

WTI crude 47.40 ▼ 0.55%

German Bund yield 0.290%

10-Year Treasury yield 2.182%

Sterling Bond Market Revives

By Christopher Whittall

Investment-grade companies are on track this year to issue the largest amount of sterling-denominated debt since 2012, as the sterling corporate-bond market makes a comeback following years of steady declines.

Many investors and bankers have credited the Bank of England's £10 billion (\$12.9 billion) of purchases of high-grade corporate bonds with reinvigorating the market. That buying, which formed part of a larger stimulus package that the BOE announced last August following the U.K.'s Brexit vote, helped lower sterling borrowing costs and lure borrowers back to the market, they say.

Companies had sold £14.2 billion of sterling investment-grade debt through June 1 this year, according to Dealogic, up

from £5.4 billion over the same period in 2016.

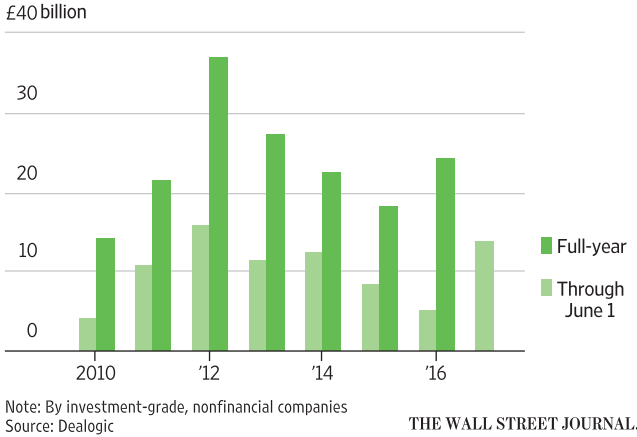
The question now is whether this year's boost will prove to be a brief stimulus-driven reprieve or if it marks a real, longer-lasting turnaround for the market.

Several large, international companies have tapped sterling credit markets in recent months. Beer maker **Anheuser-Busch InBev SA** sold £2.25 billion of debt in mid-May, following deals from the U.S. consumer-goods conglomerate **Procter & Gamble Co.** and the financing arm of the German car maker **Volkswagen AG** in April.

"The sterling market at one stage looked like it was shrinking to the point of it being a problem. That risk has been diminished," said Mike Amey, head of sterling portfolio management for Pacific Investment Management Co.,

Bouncing Back

Sales of sterling-denominated corporate bonds



which oversees \$1.5 trillion in assets. "The Bank of England will be relatively pleased with the way the sterling corporate market has performed."

The BOE surprised some in-

vestors when it announced it would buy as much as £10 billion of sterling corporate bonds last August. Officials said at the time that corporate-bond purchases could

provide more stimulus than those of government bonds, which it also said it would buy.

But beyond economic stimulus, policy makers also seemed to acknowledge that the BOE's presence could boost the market, noting that "purchases could stimulate issuance in sterling corporate bond[s]" in a statement that accompanied the announcement.

BOE officials had been aware of the shrinking sterling credit market and the challenges that posed for U.K. companies. In an April 2016 post on the BOE's Bank Underground blog, officials said that smaller, U.K.-focused firms—or those with a lower credit rating—could face higher borrowing costs as a result of the market's decline.

Sterling borrowing costs immediately fell after the BOE announced the program. The

Please see BONDS page B2

Apple Steps Up Speaker Effort

By Tripp Mickle

Apple Inc. on Monday presented a premium voice-activated speaker called HomePod and upgrades to its Mac computers and iPads, as it looks to bolster its product lines amid rising competition from the likes of **Amazon.com Inc.** and **Microsoft Corp.**

The hardware announcements mark the first that Apple has made at its annual Worldwide Developers Conference since 2014. Collectively, they signal that Apple remains intent on being more than just an iPhone company despite the fact that the device accounts for two-thirds of global sales. Meanwhile, investors' anticipation of a 10th anniversary iPhone later this year has sent the company's stock to record levels.

The HomePod speaker garnered much of the attention of the 5,300 developers attending Monday's event in San Jose, Calif. Apple also introduced a series of software updates, including payment-to-payment capabilities for Apple Pay and a platform for developers to design augmented-reality apps.

The speaker, which will cost \$349 and be available in December, is the third new product category Apple has entered since Chief Executive Tim Cook assumed leadership of the company in 2011. The Apple Watch, which launched in 2015, has failed to drive the type of widespread consumer demand of the iPhone; and AirPods, the wireless headphones introduced in September, have been challenged by production issues.

Apple is a late entrant to the rapidly growing speaker category. Amazon pioneered the category with its Echo device in 2014 and has sold an estimated 11 million speakers. Alphabet Inc. followed with Google Home, a speaker introduced last year. Microsoft's Cortana assistant will be featured in a 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 added to everything from refrigerators to thermostats and will be available across more than 4 billion consumer devices by the end of 2017, according to IHS Markit.

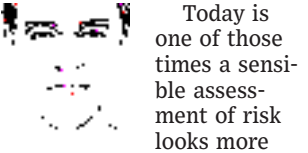
Siri, Apple's virtual assistant, will serve as the operating system for Apple's speaker, playing requested songs and controlling home products

Please see APPLE page B4

STREETWISE

By James Mackintosh

Investors Put 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. London has suffered 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 last election and the Brexit vote,

Please see STREET page B2

Virtual Reality Meets Real World



Jeanette Baggese gets a virtual look at her brain as Gary Steinberg, head of neurosurgery at Stanford, explains her recent operation.

VR is used for training in medicine, sports and construction; consumer uses lag

By Betsy Morris

Gary Steinberg, Stanford University's head of neurosurgery, has been operating on brains for more than three decades. Only in the past year has he been able to do something that he says gives him a significant advantage: preview the surgery and practice it.

Donning a virtual-reality headset, the 64-year-old works through thickets of digital

blood vessels in a precise computer simulation of a patient's gray matter before he cuts into the real thing.

"I can figure out how best to approach a tumor and practice it so that when I get into the operation, it's as if I've been there before," Dr. Steinberg says. "It makes surgeries safer. Outcomes are better."

Virtual Reality, or VR, has been slow to catch on with consumers, despite the high-profile launches last year of headsets from Facebook Inc.'s Oculus unit and Taiwan's **HTC Corp.**

But businesses are taking to it for training in industries from construction to medicine to sports. Executives say cus-

tomized software that works like 360-degree videogames can help teach employees more effectively, less expensively, and often more safely than traditional methods. Wal-Mart Stores Inc., for example, last week said it would expand VR training to all of its 200 employee training centers this year, after testing it in 31 centers. It plans to make the technology an integral part of training for 140,000 employees annually, says Tom Ward, a Wal-Mart vice president.

And while they are pricey for many consumers, VR headsets have become affordable for most businesses: the up-market HTC Vive VR system

sells for about \$800.

Research firm International Data Corp. estimates total shipments of headsets for VR and augmented reality—a related technology that superimposes digital content onto a user's view of the real world—will grow at a compounded annual rate of 58% over the next five years. Business demand will be the main driver, with shipments of headsets for commercial uses growing 80% a year, versus 50% for headsets for consumers, says IDC.

VR training is so new that there has been limited ability to measure its effectiveness as a business tool, and it has

Please see VR page B4

Costly Multidrug Treatments Stir Debate

By Peter Loftus

CHICAGO—A new study is stirring debate about whether the benefits of cancer drugs are worth their cost, particularly as drugmakers develop treatments that combine multiple pricey drugs.

The study of about 4,800 women with an aggressive type of breast cancer found that adding **Roche Holding AG's** drug Perjeta to the company's older treatment Herceptin conferred a slight benefit versus Herceptin alone, after the women had undergone surgery to remove tumors. Some 94.1% of women receiving the combination in the study stayed free of invasive breast cancer three years after the start of treatment, versus 93.2% of those who received Herceptin alone—a difference of less than a percentage point.

That modest benefit comes at a high price: more than doubling the one-year treatment cost to \$158,000 a patient from \$74,500. The combination also had higher rates of certain side effects than

Herceptin alone, including severe diarrhea.

"The marginal improvement of adding Perjeta is tiny for the average person, but the incremental cost is going to be substantial," said Richard Schilsky, chief medical officer of the American Society of Clinical Oncology, which is hosting a conference where the study results were released Monday. He wasn't involved in the study.

Dr. Kathy D. Miller, an oncologist at Indiana University Melvin and Bren Simon Cancer Center in Indianapolis, wrote a critical editorial in the New

England Journal of Medicine, published online along with the study results Monday. "The toxic effects (and cost) are too great for too many to benefit too few," she wrote.

Roche said the benefit of Perjeta and Herceptin in the new study could mean the difference between relapse and staying disease-free for many women. "We see this as a very meaningful benefit," Daniel O'Day, CEO of Roche's pharmaceutical unit, said in an interview. The company plans to file for regulatory approval to market the combination for patients after breast-cancer

surgery, also known as adjuvant treatment.

The finding comes as many drug companies including Roche, Merck & Co. and **AstraZeneca PLC** race to test whether new combinations of cancer drugs can improve outcomes versus single-drug therapy or older treatments.

Last month, the **Food and Drug Administration** approved adding Merck's Keytruda, which costs \$13,000 a month, to an older combination of lung-cancer treatments that includes Eli Lilly & Co.'s Alimta, which costs more than \$5,700 for a 21-day treatment cycle.

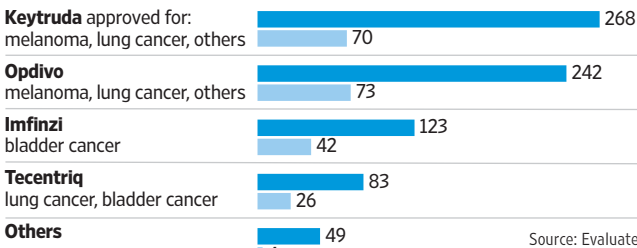
In 2015, the FDA approved the use of a combination of Bristol-Myers Squibb Co.'s Yervoy and Opdivo to treat the deadly skin cancer melanoma, based on a study showing it slowed cancer progression better than either drug alone. The two drugs together cost more than \$250,000 for the first full year of treatment.

For one class of cancer drugs, which harness the body's immune system to at-

Please see COSTS page B2

Immune Boost

Number of clinical trials involving new cancer immunotherapies tested in combination with other drugs



THE WALL STREET JOURNAL.

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CSX HOLDERS LOOK PAST CEO'S HEALTH

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BONDS

Continued from the prior page
average gap in yield between sterling corporate bonds and ultrasafe government debt is now 1.3 percentage points, compared with 1.6 percentage points before the program was announced, according to Bloomberg Barclays bond indexes.

The BOE said in a report last year that participants in financial markets attributed the fall in funding costs to the bank's stimulus measures. They also noted strong inflows to sterling corporate-bond

funds following the announcement and a sharp rise in bond issuance.

Even with the recent increase, sterling remains very much a niche funding currency. By way of comparison, there has been \$411.6 billion of investment-grade corporate debt sold in dollars through June 1 and €146.9 billion (\$165.7 billion) sold in euros.

It also remains to be seen whether the BOE has halted the decline in the market or merely provided a temporary reprieve. The BOE reached its £10 billion buying target in May, several months ahead of schedule.

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BUSINESS & FINANCE

Chinese Dairy Producer Says Most of Cash Missing

By WAYNE MA

BEIJING—One of China's largest dairies says it is missing most of its cash and has fallen more deeply in debt, further clouding its future following the disappearance of its treasurer and the departure of nine of its 10 board members.

China Huishan Dairy Holdings Co., which says it operates the largest number of dairy farms in China, said Monday in a regulatory filing to the Hong Kong stock exchange that it should have had about 2.9 billion yuan (\$426 million) in cash and cash equivalents as of March 31.

Instead, the company said that as of May 31 it could locate only about 467 million yuan, most of which is tied up in restricted bank deposits.

"This significant discrepancy is subject to further clarification," Huishan said, adding that it has "encountered tremendous difficulties" in preparing its financial statements due to the "resignations of key personnel in the group's treasury department."

Huishan said it would hire a forensic accountant to investigate the matter.

Huishan also said it was 26.73 billion yuan in debt at the end of March, up from about 16.04 billion yuan just six months prior. It added that as of last week it was subject to 16 new legal proceedings initiated by creditors claiming a total of about 422 million yuan.

Efforts to contact Huishan's investor-relations offices in Shenyang and Hong Kong on Monday were unsuccessful. The company said in Monday's filing that it "would continue to work with its advisers, creditors and other stakeholders toward formulating and negotiating a possible debt-restructuring plan."

Robin Yuen, a consumer analyst at RHB Securities, said the latest filing indicates the



A co-owner of Huishan, one of China's largest dairies, disappeared earlier this year.

company's financial problems are even more significant than previously understood.

The filing is the latest in a series of disclosures that followed a sharp drop in the company's stock, leading to trading of its shares being halted on the Hong Kong stock exchange.

Ge Kun, an executive director and co-owner of the company, disappeared after sending a letter dated March 21 to

resources and government affairs, she oversaw its treasury operations and banking relationships.

Huishan later filed a missing-person report for Ms. Ge in Hong Kong, where she was last known to be, "out of concern for her whereabouts," it said in a filing.

Ms. Ge and Mr. Yang together own a private company that controls 70% of Huishan's shares, filings show. Her stake

Nine of the heavily indebted company's 10 board members have departed.

Huishan Chairman Yang Kai, saying she was taking a leave of absence due to "recent work stress" and didn't want to be contacted, previous filings show.

The company disclosed after her disappearance that in addition to being responsible for sales and branding, human

in the private company is just 10%, according to filings. The two of them also earn 7.5 million yuan a year from leasing nine dairy farms they jointly own to the company.

A few days after Ms. Ge sent the letter, Huishan's stock price collapsed, falling 85% in less than an hour—wiping out

COSTS

Continued from the prior page
tack tumors, the number of clinical trials testing them in combination with other drugs more than tripled to 765 from 215 in late 2015, according to a new report from industry research firm Evaluate Ltd. Roche alone is running 45 clinical trials that test combinations of cancer immunotherapies, said Sandra Horning, chief medical officer of Roche's Genentech unit.

The trend concerns health insurers. UnitedHealth Group Inc. sometimes has to pay much more for the use of cancer combination therapies that contain pricey new brand-

name drugs than it does for cheaper combinations of generic drugs that may be just as good, Lee Newcomer, senior vice president of oncology and genetics, said at a panel discussion about cost at the ASCO conference.

In the study, the Perjeta-Herceptin combination had a more pronounced benefit in a subset of women considered at higher risk of relapse, including those with cancer that had spread to lymph nodes, Gunter von Minckwitz, lead researcher for the study and head of the German Breast Group, an academic alliance that runs clinical trials, said in an interview. He said he expects health insurers and government health programs to be

more open to paying for the combination's use in higher-risk patients.

Some doctors said they would probably avoid using the Perjeta-Herceptin combination in patients at lower risk of relapse. "Would I have preferred to see a higher benefit? Certainly yes," Eleni Andreopoulou, a breast-cancer specialist at Weill Cornell Medicine and NewYork-Presbyterian hospital, said in an interview. Dr. Andreopoulou, who enrolled patients in the study but wasn't a lead researcher, called it a positive result but said she would like to see more tests developed to predict which patients are more likely to benefit from the combination based on biological traits of tumors, and

which aren't.

Herceptin, introduced in 1998, improved treatment of breast tumors with high levels of the protein HER2, particularly after surgery. Roche introduced Perjeta in 2012 to be used in combination with Herceptin to try for an even greater benefit.

Regulators previously approved the Herceptin-Perjeta combination to treat HER2-positive breast cancer at earlier and later stages of development than the one in the new study: cancers that have spread to other parts of the body, and cancers before women undergo surgery.

Roche reported about \$7 billion in global Herceptin sales last year, and about \$1.9 billion in Perjeta sales.

STREET

Continued from the prior page
but the new techniques are untested. On Friday, a poll under the old methodology gave the Conservatives a mere one-point lead, while last week's polls with bigger tweaks to assumptions about low turnout by young voters gave them a much bigger lead.

Sometimes we just have to accept risk when the cost of cutting it is too high.

Like the markets, I find it hard to believe voters will really cast a ballot for the student politics of Mr. Corbyn. Yet, Mrs. May's U-turns have undermined a campaign based on her supposed strength, and the thumping win she originally hoped for now seems unlikely.

On top of the polling uncertainty is the big unknown of how, if at all, voters will react to the political debate about terror. As usual, politicians were quick to push their already-favored policies, and as usual they focused on only one part of the risk assessment: that of

how to reduce the risk.

Mrs. May repeated her demand for a clampdown on the internet, without suggesting there was a direct link to the attack. Mr. Corbyn repeated his call for an end to cuts to police numbers overseen by Mrs. May for the past few years, even though there was clearly no shortage of police Saturday and armed police killed the attackers in eight minutes. U.S. President Donald Trump was perhaps the most cynical, using the attacks to push for his travel ban on six Muslim-majority countries, even though it would have no effect on travelers from the U.K.

Risk appraisal isn't always about reducing risk, though, and that is where it can seem coldhearted: Sometimes we just have to accept the risk, as the costs of reducing it—in freedom, foreign policy or simply money—are too high.

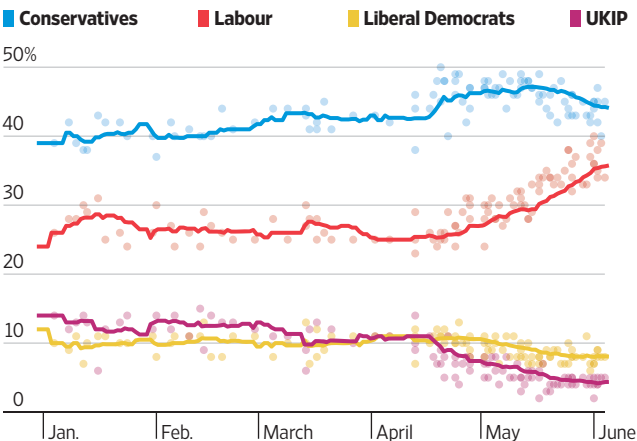
In the aftermath of an attack, politicians assume voters care only about reducing terror risk, not about the costs, and they are probably right. Investors assume that none of this matters to the election.

But if they turn out to be wrong, the costs, in the form of falling utility shares and the pound, would hurt—but the losses would be measured merely in money, not in blood.

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 (•)



Sterling, trade-weighted index*



*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)

BUSINESS NEWS

Firms Slow Use of U.S. Work Visas

By Laura Meckler
And Newley Purnell

WASHINGTON—President Donald Trump has suggested he might find a way to cut the number of coveted H-1B visas awarded to outsourcing firms. But the companies appear to be heading in that direction on their own, amid technological changes.

Outsourcers' use of H-1B visas, which are reserved for highly skilled foreign workers, fell last year, before Mr. Trump won the Republican presidential nomination, new data show. The slide occurred alongside increasing criticism of the firms' business model.

Mr. Trump has criticized the lottery that is now used, in which companies all have equal chances at the scarce U.S. visas, and signed an executive order directing a review of the program. The order called for changes that would ensure visas are awarded to "the most skilled and the highest paid" applicants to avoid crowding out American workers.

Six of the seven prominent India-based outsourcing companies that do work in the U.S. received fewer H-1B visas in 2016 than they did in 2015, and as a group their numbers dropped 37%, according to a new analysis by the National Foundation for American Policy, a think tank that backs increasing the total number of H-1B visas available. Most out-sourcers based in the U.S. and elsewhere also saw declines.

For instance, H-1B visas awarded to India's biggest out-sourcer by revenue, **Tata Consultancy Services Ltd.**, plummeted by 56% to 2,040 last year from 4,674 in 2015. For **Wipro Ltd.**, another major Indian firm, the number also dropped by more than half to 1,474 from 3,079 in 2015.

Other research from previous years shows that the use of H-1Bs by individual out-sourcing companies peaked in 2012 and 2013, sliding ever since. Many expect that the number of visas given to out-sourcers will decline again for



Wipro and other Indian outsourcers were using fewer so-called H-1B visas even before recent criticism.

2017, but those numbers aren't yet available.

Meanwhile, the number of visas awarded to some large U.S. technology firms, which have a different business model and compete with out-sourcers for visas, increased last year. **Amazon.com Inc.**, **Microsoft Corp.**, **Alphabet Inc.**'s Google and **Apple Inc.** all received more visas than they did in 2015, the new data show. Such companies typically use the visas to recruit employees with rare skills that command higher wages compared with staff employed by out-sourcers. Such use has come under less criticism.

Each year, 85,000 H-1B visas are available, and for the past several years they have been awarded by a lottery conducted in April.

Following this year's lottery, Mr. Trump criticized the process and suggested more visas should go to highly paid jobs as opposed to a lottery in which each application has equal chance. Because many out-sourcing jobs are paid the minimum required to comply with certain rules—around \$60,000 a year—many interpreted Mr. Trump's comments

as a warning to the out-sourcers and a possible boon to big tech companies that pay high salaries.

Outsourcing firms have drawn scrutiny for importing foreign workers to do work once performed by Americans. The companies say they are adhering to the program's rules and only hire foreigners because they can't find Americans for the jobs.

President Donald Trump has criticized the lottery used for the H-1B program.

Some Indian firms also say they are boosting their hiring of people in the U.S. **Infosys Ltd.** last month said it plans to hire some 10,000 American workers locally over the next two years.

Stuart Anderson, who runs the foundation that released the new report, said that the falling numbers undercut critics' arguments that the number of visas shouldn't be in-

creased because out-sourcers are abusing the program.

"If their numbers are going to these low levels, then that excuse is no longer valid, if it ever was," he said.

But Ron Hira, an associate professor of public policy at Howard University who has been critical of the out-sourcing firms, said that the thousands of visas granted to these firms are still substantial.

"How many careers were wrecked by those hires? Remember the business model is often used to replace U.S. workers," he said. He added that some of these firms may now be bringing similar workers to the U.S. using other visa programs.

But the falling numbers reflect, at least in part, changes in the industry, as IT firms grapple with a rapidly shifting technological landscape. In past years, these firms thrived by offering inexpensive solutions for relatively simple work, deploying armies of tech workers to undertake tasks like maintaining servers and updating software for clients. But demand for such work from many clients has been falling for some time.

Qatar Airways Feels Sting of Gulf Spat

By Robert Wall
And Nicolas Parasie

Qatar may be hard to find on a map, but its state-owned airline has grown into one of the world's most recognizable carriers, thanks to big sports-endorsement deals, sparkling new planes and a tough-talking chief executive.

Along with Dubai, home to **Emirates Airline**, and Abu Dhabi, **Etihad Airways'** hub, Qatar is a crucial crossroads for global jet-setters flying to and from the U.S. and Europe and Asia.

On Monday, Egypt, Saudi Arabia, the United Arab Emirates—a confederation of emirates that includes Dubai and Abu Dhabi—and a few other countries cut ties to Qatar, including air links for **Qatar Airways**. They allege the government of Qatar has meddled in their internal affairs and supports Islamic extremists in the region. Qatar denies that.

What does it mean for travelers? Qatar Airways flights to and from U.S. locations such as New York, Atlanta, and Los Angeles, or European destinations including London, Paris or Geneva, should be largely unaffected. But passengers using the airline's shiny Doha hub to reach other points in the Middle East, such as Cairo, Riyadh or Dubai, will have to alter travel arrangements.

Some eastbound flights from Doha to Asia could also take more time if Qatar Airways has to fly around airspace its neighbors no longer will allow it to traverse. Only Saudi Arabia has so far said publicly it would block such flights.

Qatar Airways has already stopped flying to Saudi Arabia. It said it would suspend flights to the U.A.E., Bahrain and Egypt starting Tuesday and "until further notice." Affected passengers will be granted alternative options and full refunds for unused portions of their flight.

For the airline itself, the bans are a big headache. Chief Executive Akbar Al Baker has tried to steal traffic from rivals Emirates and Etihad, offering cheap tickets to lure passengers to fly between the U.A.E. and the U.S. and Europe, via the three-year-old Hamad International Airport, built to handle 30 million passengers per year.

Qatar Airways, founded 20 years ago, still trails Emirates Airline, the world's largest carrier by international traffic. Still, it flies more than 150 routes, with a fleet of more than 170 Boeing Co. and Airbus SE jetliners, making it one of the world's biggest purchasers of big jets. Mr. Al Baker is well known in aviation circles for his cajoling and frank criticism of both plane makers, chiding them publicly for delivery delays and quality problems.

Mr. Al Baker has raised the airline's profile with a number of big sponsorship deals, including with soccer club FC Barcelona and the 2018 and 2022 soccer World Cup. Qatar Airways prides itself for lavishing amenities on passengers and for its position in the elite club of 5-star-rated airlines, the top level in the Skytrax ranking system.



Akbar Al Baker is chief executive of the state-owned airline.

CSX Holders Look Past Health of Railroad's CEO

By Paul Zioebro

RICHMOND, Va.—**CSX Corp.** Chief Executive Hunter Harrison addressed the railroad's shareholders on Monday and reassured them that he is able to lead a turnaround despite an undisclosed medical condition that requires supplemental oxygen.

Mr. Harrison walked through the lobby of the historic Jefferson Hotel here using an oxygen machine and was connected to the device on stage at the annual shareholder meeting. He told the audience that the board is "fully apprised with my medical condition" and that his doctor has cleared him to work.

The 72-year-old hasn't disclosed details of his condition, but shareholders overwhelmingly voted to approve an \$84 million payment tied to his decision to join CSX earlier this year. CSX said more than 93% of the votes cast were in favor of the reimbursement.

All of the company's directors were also approved at the meeting.

Chairman Edward Kelly, the only director to sit on stage with Mr. Harrison, said: "The board is satisfied there is no health issue with respect to Hunter's performance."

In an interview following the meeting, Mr. Harrison said that his condition doesn't allow him to travel as much as he would like but isn't impeding his plans to transform CSX. "Hopefully, I continue to improve," he said.

The payout is tied to compensation that Mr. Harrison gave up as part of his exit from Canadian Pacific Railway Ltd. in January, freeing him to join activist investor **Mantle Ridge LP** in a bid to revamp CSX.

Mantle Ridge agreed to cover \$84 million in lost compensation as part of a consulting agreement with Mr. Harrison and then asked CSX to reimburse the expense.

Mr. Harrison, who became CEO in early March, had said he would resign from CSX if the reimbursement wasn't paid. CSX shares have surged more than 50% this year, boosted by the recruitment of

Mr. Harrison.

Shares were off less than 1% at \$54.16 on Monday afternoon.

Proxy advisory firms Glass, Lewis & Co. and Institutional Shareholder Services Inc. had recommended that shareholders vote for the reimbursement, despite some reservations.

One issue has been Mr. Harrison's health. The executive took a medical leave in 2015 after leg surgery and a bout of pneumonia. He also frequently works from home instead of the railroad's Jacksonville, Fla., headquarters.

In a few months at the helm, Mr. Harrison has already made big changes at CSX, one of two major railroads in the Eastern U.S. In recent weeks, CSX has changed the way it sorts long trains at about half of its yards, and changed the routes and schedules for many of its trains.

As a result, trains are spending less time idling at yards and have a better on-time performance. Still, there are pockets of the railway that are resisting changes to their way of doing business, Mr. Harrison said. "There are going to be some people that don't like change," he said in the interview. "That's human nature."

Mr. Harrison is making changes using a so-called precision railroading strategy that at its core involves better utilization of assets and running trains on a tighter schedule. He has run the plan at past stops leading Canadian Pacific and, before that, Canadian National Railway Co.

While analysts and advocates for Mr. Harrison insist his presence is necessary to turn CSX around, some people have questioned his appointment.

"He wrote the book on precision railroading but I'm not sure you need to hire the author to execute the plan," said Renny Ponvert, CEO of Management CV Inc., which analyzes top hires for money managers.



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Technology Columnists

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Hunter Harrison at the CSX shareholders meeting on Monday.

TECHNOLOGY

WSJ.com/Tech



Apple presented new hardware and software upgrades at its annual developers conference in San Jose, Calif., on Monday.

APPLE

Continued from page B1
such as thermostats and lamps programmed to work with Apple devices. The company said communication with the HomePod and Siri will be encrypted to protect users' privacy.
Apple said it is updating its iPad Pro with a 10.5-inch Retina display and a refresh rate the company said is twice as fast, making videos smoother and crisper. Smaller exterior borders around the screen make the display 20% larger than its predecessor.
Sales of iPads have fallen

for three straight years. The tablet category overall has slowed as consumers embrace detachable products like the Microsoft Surface, a tablet that comes with a keyboard. The iPad Pro has countered with a smart keyboard sold separately but has been unable to return Apple's tablet to sales growth.
New software for the iPad will feature a dock at the bottom of the device so that users can move in and out of apps more simply. It also has drag-and-drop capabilities so that users can transfer information from a website into an email with ease. The result is a system that has more of the functionality of a computer.

Apple Pay is being updated with a new payment-to-payment system, allowing users to send money to friends and family within the iPhone messages system.
The company also said it is injecting more artificial intelligence into its Apple Watch, updating software to automatically surface information for users and revising its music feature to show playlists and album art.
Apple is adding Siri intelligence to the Watch. The service, which has been available on the iPhone for more than a year, will use machine learning to adapt automatically to a user's routines, serving up prompts for running apps for

those who regularly run in the morning or afternoon.
Apple also said Monday that Amazon's Prime Video will be added to its Apple TV devices later this year. The lack of Amazon's streaming service was seen as a hole in the Apple TV's lineup.
Additionally, Apple played up virtual reality with both its Mac hardware and software, announcing it is updating its line of iMac desktop computers with new chips from Intel Corp. that increase processing speeds and improve graphics.
Apple also said it has updated Siri, making its voice sound more natural and giving it translation abilities across about five languages.



Wal-Mart plans to make virtual reality an integral part of training for 140,000 employees annually.

VR

Continued from page B1
shortcomings. Some people feel awkward putting on the headsets, and some experience motion sickness. VR doesn't lend itself to training for jobs that require manual dexterity, for example—in the virtual world, you're rarely able to see your hands.
Still, United Rentals Inc. is a believer. The company, which rents generators, backhoes and thousands of other types of equipment, has been testing VR training since December for new sales staff. Instead of giving lectures and showing pictures of construction sites, "we bring the job site into the classroom," says Patrick Barrett, director of training and development.
In its VR training, employees stand on the edge of a virtual construction site, with two minutes to observe and determine what equipment is missing before an avatar of a construction boss approaches and they have to begin their pitch.
"Do they see that excavation—a hole in the ground, filled with water; do they see that opportunity to rent that customer a pump?" asks Mr. Barrett. He predicts it will shorten his weeklong training program by half, and is planning to expand the VR training beyond the new hires.
At Wal-Mart, trainees scan VR produce and deli sections to spot problems like a missing price on the broccoli or a worker who forgets to ask how thick a customer wants the turkey sliced. They also get a virtual preview of a Wal-Mart on one of its busiest holiday shopping days when crowds flood the stores looking for deals. For trainees, "one minute it's 85 degrees outside; the next, you are in the middle of a Wal-Mart Supercenter during peak period," says Mr. Ward. "If you're new to Wal-Mart, it would be difficult to prepare you for that" without VR.
JLG Industries, a unit of Oshkosh Corp., says VR is a

safer and more efficient way to train operators of its boom lifts, who must learn to operate the vehicles from platforms extended up to 185 feet off the ground on giant arms. JLG's training-system simulator, built by San Francisco-based ForgeFx Simulations, is networked so that multiple

trainees across the globe can operate virtual machines in the same 3-D construction site—all without leaving the ground. "Hands down, it's much safer than a real machine," says Rick Smith, senior director of JLG's global product training.
JLG says it plans to begin marketing the training programs as soon as July to as

The NFL took a stake in Strivr Labs and will use its software to train players.

many as 50 customers who have asked for it.
The National Football League has found VR training so versatile it has taken a stake in Silicon Valley-based startup Strivr Labs, which designed the programs for Wal-Mart and United Rentals. At the NFL, its software will be used to train players and officials. Strivr also has developed a virtual-reality interview simulator for general managers to practice interviews with prospective players. The practice is designed to hone questions to find the right candidates and also to eliminate some of the implicit bias that's stirred anger in the past. By studying virtual interviews as if they were field plays, general managers can learn to steer clear of off-limit topics like one's race or sexual orientation.
The use of VR is spreading especially quickly through medicine. VR 3-D modeling of the brain developed by Surgical Theater LLC is already being used for planning and practicing neurosurgeries in hospitals at New York University, University Hospitals in Cleveland and Mount Sinai, among others. A clinical study published last year in the Journal of Neurosurgery found that preoperative practice with Surgical Theater's rehearsal platform reduced the time it took to repair aneurysms, which suggests it also made the surgeries safer.
At Johns Hopkins University, orthopedic surgeons are developing a way to use augmented reality to superimpose patients' X-rays onto the inside of goggle lenses. This would allow the surgeons to refer to the X-rays as they repair complicated pelvic fractures.
Stanford's Dr. Steinberg calls the emerging new technologies "transformative." "This is potentially going to be the future in how we engage patients, operate and train the next generation of neurosurgeons."

Accounting Change Tests Tech Teams

By VIPAL MONGA

A major accounting rule change is stressing finance staff and creating headaches for technology departments at some of the world's largest businesses.
Public companies like Verizon Communications Inc., Hortonworks Inc. and Workday Inc. are facing higher costs as they spend months seeking to comply with a new rule that will change how they book revenues.
For large corporations, the task is arduous and complicated: Accountants are scouring thousands of bills and contracts to determine if they must change how they book the sales for fiscal years beginning after Dec. 15.
Meanwhile, tech departments are writing new code, upgrading their systems and investing in expensive new software as they work to ensure their increasingly automated finance operations can keep up.
It isn't clear all of them can.

Almost a third of 300 finance and technology executives surveyed in March by Ernst & Young LLP said they are at risk of lagging behind in their rush to comply with the new revenue recognition rules. More than a fifth were concerned their finance and tech upgrades wouldn't be complete by the end of the year, leaving only a partially functioning system in place, requiring manual workarounds.
"Companies are finding it is very difficult to translate accounting rules from the new standard into usable business requirements," said John McGaw, a partner with Ernst & Young.
The U.S. Financial Accounting Standards Board, known as FASB, imposed the new rule because it wanted financial statements to more accurately depict the timing, uncertainty and volatility of doing business. The rule will align a company's booking of revenue with the sales of products and services that generate it. In theory, the new standard will allow investors to more easily compare revenue bookings between companies.
Corporations have been wrestling with the implications; many are still assessing how to apply the rules.
Telecommunications giant Verizon sells wireless service and handsets to more than 100 million customers, among its many businesses. The company has long relied on software that automatically logs the information for each contract on its financial statements.
After the accounting change, Verizon will credit

more of its revenue to equipment sales and recognize it earlier. In effect, the company will account for revenue from many contracts differently from the way it bills customers, forcing it to reprogram its accounting software.
"It starts as an accounting exercise and ends up as an IT project," said Tony Skiadas, controller for the New York-based company. "It uses up a lot of resources and puts pressure on the team."
Verizon began the work three years ago, he said. He wouldn't reveal how much the effort has cost, but employees have already spent thousands of work hours on the project. As the finance staff determined how the accounting needed to change, Verizon's software programmers wrote new code to transcribe information from the contracts to the financials.
The revenue rule was initially supposed to go into effect last year, but companies successfully lobbied FASB for a one-year delay. Even with that grace period, many are still struggling to meet the new deadline, said Tony Sondhi, an accounting consultant and a member of FASB's Emerging Issues Task Force.
Hortonworks uses a cloud-based system by Oracle to manage its finances. The Santa Clara, Calif., data-analytics business will be able to make changes to its system without tearing down and rebuilding a legacy back-office system, said a spokeswoman.
Yet, the company's administrative costs will rise, said Scott Davidson, the company's chief financial officer, during a February earnings call. He wouldn't say by how much.
"It impacts every aspect of how you go to market and run the business, requiring changes in systems, processes and reporting both internally and externally to investors both public and private," said Mr. Davidson in a statement emailed to The Wall Street Journal. "It's a very heavy lift for us."
Finance and human-resources software developer Workday employed a team of five full-time accountants to review more than 6,000 contracts as it prepared for the new rule. The Pleasanton, Calif., company adopted the new standard early and changed its accounting on Feb. 1.
"The biggest surprise was how much work it was," said Robynne Sisco, the finance chief. The staff had to manually reallocate revenue between subscription sales and consulting fees. The work took six months to complete, she said.
—Tatyana Shumsky contributed to this article.



Verizon is among the companies seeking to comply with the new rule.

BUSINESS NEWS

NFL Adds Hard Liquor to Menu of TV Advertisers

By JOE FLINT AND SUZANNE VRANICA

The National Football League is ready for a good stiff drink.
In a change of its advertising policy, the NFL will allow its television partners to accept commercials for distilled spirits in the 2017 season, according to a memo reviewed by The Wall Street Journal.
The NFL said it would accept no more than four 30-second hard-liquor spots per

game with a limit of two such spots in any quarter or during halftime. In addition, the networks airing the matchups—ESPN, Fox, CBS and NBC—can run two spots in pregame and postgame programs.
The ads have to include a "prominent social responsibility message" and can't have a football theme or target underage drinkers.
The NFL confirmed the policy change. While described as a one-season test, the policy is expected to become permanent, an NFL executive said.
Over the past 10 years, sports leagues have expanded aggressively into wooing new advertisers and league sponsors to bring in more revenue from companies beyond the traditional beer brands, car makers and financial-services firms.
But the ban on spirits had held firm amid concerns of associating hard liquor with famous football players in front of young fans. Broadcasters and other professional sports

leagues started easing into accepting ads from spirits brands several years ago.
Hard-liquor companies spent roughly \$411 million on U.S. ads last year, estimates Kantar Media.
There are still several categories of advertising the NFL wants to continue to keep clear of football.
Most prominent on its list of "prohibited advertising categories" are condoms and other forms of birth control.
Earlier this year, a brouhaha

erupted after Fox rejected a Super Bowl commercial for GNC, just days before the big game.
The Pittsburgh-based vitamin and supplement retailer said at the time that it was notified by Fox that GNC's participation in the Super Bowl as an advertiser wasn't acceptable under the NFL.
GNC is listed under "prohibited companies" on a memo from the NFL and the players union, warning against business relationships with the

company because it is associated with substances banned by the NFL.
Gambling also is still a red flag, including ads for any hotel that features gambling even if it isn't referenced in the commercial. That also includes tourism ads for places that allow gambling such as Las Vegas.
Lottery ads are acceptable, as is general advertising for horse or dog racing or state and municipal off-track betting organizations.

FINANCE & MARKETS

Ailing Lenders Struggle for Fixes

Despite progress in southern Europe, 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 49% 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 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



Shares of Spain's Banco Popular, whose chairman is Emilio Saracho, above, have plunged in recent days on concerns about capital.

crisis in confidence and capital," Barclays analysts wrote in a research 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 steadying the bank for the long term.

Rome will also have to bail out in the coming months 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.

Top Court Decision Limits SEC Recoveries

By DAVE MICHAELS
AND BRENT KENDALL

WASHINGTON—The Supreme Court dealt a defeat to Wall Street's top cop, ruling unanimously that the Securities and Exchange Commission is subject to time limits when requiring companies or individuals to forfeit ill-gotten gains from fraud.

The court, in an opinion by Justice Sonia Sotomayor, said Monday that SEC enforcement actions seeking to disgorge ill-gotten gains must be brought within five years after the fraud occurred. The case, *Kokesh v. SEC*, centered on a 2009 SEC lawsuit against Charles Kokesh, an executive accused of stealing money from thousands of small investors who put cash into funds that he managed during the 1990s and the early part of the last decade.

The decision adds to the setbacks dealt to SEC enforcers by the high court. In 2013, in a case involving **Gabelli Funds LLC**, the justices unanimously ruled the statute of limitations restricts the SEC's ability to levy civil monetary penalties, the other key source of the agency's punitive powers.

In the *Kokesh* case, the commission had argued that disgorged profits are regularly used to compensate fraud victims and don't qualify as penalties that are capped by the five-year limit. The Supreme Court rejected that argument.

The court's decision could affect other cases alleging corporate misconduct, including those targeted for violations of federal anticorruption laws.

The SEC has obtained settlements requiring companies to forfeit tens of millions of dollars through those actions, which it pursues under the Foreign Corrupt Practices Act.

"There are a number of cases as well as negotiations in which the SEC's efforts to seek long-ago disgorgements will be thwarted," said Adam Unikowsky, a partner at **Jenner & Block LLP** who represented Mr. Kokesh before the Supreme Court. "That will have an effect, I think. A considerable one."

The opinion could benefit the estate of deceased Texas entrepreneur Charles Wyly. His heirs are still battling a 2014 judgment that required the estate and Charles Wyly's brother, Sam Wyly, to disgorge \$300 million for their roles in what the SEC called a fraudulent offshore scheme.

As for Mr. Kokesh, the SEC sued him in October 2009, claiming he looted tens of millions from 1995 to 2007 to pay salaries and bonuses and to fund office rent. A lower court ruled in 2005 that Mr. Kokesh should pay \$34.9 million in disgorgement, an amount his attorneys argued was excessive because the SEC could only reach back to 2004 in order to calculate the penalties that would apply.

An SEC spokeswoman declined to comment. The commission didn't immediately respond to further questions.



Justice Sonia Sotomayor wrote the unanimous decision.

FINANCE WATCH

COMMODITIES

Ex-LME Executives Plan Rival Platform

Former executives of the London Metal Exchange are launching an electronic-trading platform for nonferrous metals in a move that could challenge the 140-year-old LME.

NFEX Markets said the platform will open in the first quarter of 2018.

The platform's development team will include Martin Abbott, previously head of the LME, as well as Nigel Owens, also previously from the exchange.

The challenge comes as the LME faces falling volumes, not least after raising its fees. The average daily volume in 2016 fell almost 8% from 2015, according to the LME website.

Mark Bradley, a member of NFEX's advisory and development team, said the new trading platform isn't aimed at replacing "current trading models" and will

be complementary with them.

—David Hodari

BITCOIN

Withdrawals Resume At China's Exchanges

Bitcoin exchanges in China are again allowing withdrawals of the virtual currency, having upgraded their systems in response to heightened government scrutiny.

It ends a three-month moratorium that began shortly after regulators launched an investigation into the exchanges and threatened to shut down ones that skirt the rules. Authorities were concerned bitcoin could be used to bet on a decline in the Chinese yuan, as well as to move money out of the country, evading controls on capital outflows.

China's three major bitcoin exchanges, Huobi and OKCoin of Beijing and **BTCC** of Shanghai, said they began allowing withdrawals by customers last week.

—Chao Deng



Lone Star Funds has agreed to buy the struggling Portuguese lender Novo Banco.

Bondholders Pose Threat To Sale of Portugal Bank

By MARGOT PATRICK
AND PATRICIA KOWSMANN

Pacific Investment Management Co., or Pimco, and other bondholders in the troubled Portuguese lender **Novo Banco** SA could potentially derail a sale of the bank to the private-equity group **Lone Star Funds**, saying they would rather buy it themselves.

Lone Star agreed in March to inject €1 billion (\$1.1 billion) for a 75% stake in Novo Banco, with the current owner, a resolution fund run by the Bank of Portugal, keeping 25%.

A condition of the sale is that bondholders must stump up another €500 million by swapping €3 billion in senior bonds for new notes.

That is unacceptable to Pimco and other members of a bondholders' group. They wrote a letter to the Portuguese central bank late last month with their own offer: skip the bond swap and discuss selling the bank to them instead.

It is yet another twist in a tumultuous chapter for Banco **Espirito Santo** collapsed in August 2014. Novo Banco, a so-called good bank, was carved out of the failed lender with a €4.9 billion lifeline from the resolution fund. Novo Banco quickly burned through much of the capital as Portugal's weakened economy produced more bad loans.

Without Lone Star's equity, Novo Banco could ultimately be forced into liquidation. The European Commission had set an August deadline for the sale and, without a buyer, Novo Banco faced potential liquidation.

Lone Star and Novo Banco, which is currently working on the terms of the bond-swap offer, declined to comment.

For Portugal, there is more at stake than the sale of the country's third-largest bank. Pimco, an investing behemoth with \$1.5 trillion under management, is already at

Bondholders want the Bank of Portugal to discuss selling Novo Banco to them.

odds with the country over a 2015 decision by the central bank to transfer €2 billion in bonds held by Pimco, BlackRock Inc. and others out of the bank.

The funds sued over the move, which the Bank of Portugal said was in the public interest. Pimco has boycotted the country's sovereign-bond sales and other investments in the country ever since.

The Portuguese government is in talks with the two fund giants and others to settle the conflict over the 2015 bond

transfer, people familiar with the matter said.

The letter-writing bondholder group, represented by advisory firm PJT Partners, believes the resolution fund should lose its equity before the bondholders are forced to accept losses, people familiar with the effort said. The group wants access to Novo Banco's books so that it can conduct due diligence before making a formal offer, the people said.

Pimco isn't in the habit of buying banks outright, but it is a common feature of restructurings for bondholders to become the owners. That way, they still stand to gain as a company returns to health.

"The Novo Banco sales process is very messy and seems to be illegal" because it is barring bondholders who went to court from making offers for the bank, said Aba Schubert, a partner at Aethel Partners, an advisory firm that is also trying to round up bondholders for a potential takeover offer.

The Bank of Portugal has banned any investor suing it from participating in the sale.

In a statement, the Bank of Portugal said terms of the latest sale process have been public since it kicked off in January 2016. "Moreover, the process was accompanied and scrutinized by all relevant European authorities. Principles on fairness and equal treatment were always part of the rules," it added.

AmTrust Names New Chief Financial Officer

By MICHAEL RAPOPORT
AND LESLIE SCISM

AmTrust Financial Services Inc. said it would replace Chief Financial Officer Ronald Pipoly Jr. with Adam Karkowsky, another company insider.

The beleaguered insurer said Monday that the move was an internal decision that stemmed from a desire to beef up its finance capacities and wasn't connected to any regulatory scrutiny.

AmTrust acknowledged this year that it had weaknesses in its internal controls, including insufficient accounting and financial-reporting resources. Mr. Karkowsky, who was previously the company's executive vice president for strate-

gic development and mergers and acquisitions, played a key role in AmTrust's steps to remedy those problems, a spokeswoman said.

Before joining AmTrust in 2011, Mr. Karkowsky worked at **American International Group Inc.** from 2002 to 2005 and in private equity.

Mr. Pipoly, who was AmTrust's CFO since 2005, will remain with the company in other strategic and advisory roles.

AmTrust has been a target of short sellers—investors who bet a stock's price will fall—who have raised questions about its reserves and accounting. The company has restated three years of earnings and had to delay filing its annual report.

Advertisement

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FUND NAME	GF	AT	LB	DATE	CR	NAV	—%RETURN—
							YTD 12-MO 2-YR

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MARKETS DIGEST

Nikkei 225 Index

20170.82 ▼6.46, or 0.03%
High, low, open and close for each trading day of the past three months.



International Stock Indexes

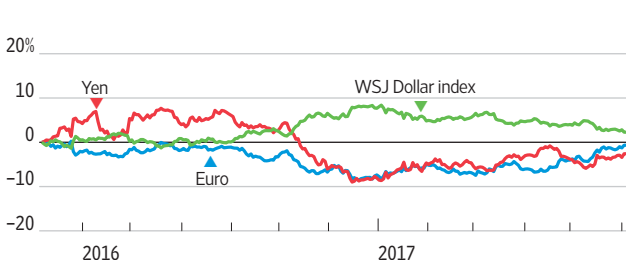
Data as of 4 p.m. New York time

Region/Country	Index	Close	Latest NetChg	% chg	Low	52-Week Range	High	YTD % chg
World	The Global Dow	2783.72	-6.54	-0.23	2193.75		2791.48	10.1
	MSCI EAFE	1911.00	-5.37	-0.28	1471.88		1956.39	11.3
	MSCI EM USD	1017.57	2.49	0.25	691.21		1044.05	28.1
Americas	DJ Americas	584.26	-0.88	-0.15	480.90		585.32	8.1
Brazil	Sao Paulo Bovespa	62430.96	-79.73	-0.13	48066.67		69487.58	3.7
Canada	S&P/TSX Comp	15415.58	-27.17	-0.18	13609.58		15943.09	0.8
Mexico	IPC All-Share	49620.86	303.48	0.62	43902.25		50154.33	8.7
Chile	Santiago IPSA	3715.51	-8.60	-0.23	2998.64		3786.05	15.3
U.S.	DJIA	21184.04	-22.25	-0.10	17063.08		21225.04	7.2
	Nasdaq Composite	6295.68	-10.11	-0.16	4574.25		6310.62	17.0
	S&P 500	2436.10	-2.97	-0.12	1991.68		2440.23	8.8
	CBOE Volatility	9.87	0.12	1.23	9.56		26.72	-29.7
EMEA	Stoxx Europe 600	392.04	-0.51	-0.13	908.75		396.45	8.5
	Stoxx Europe 50	3233.92	0.03	0.001	2626.52		3279.71	7.4
Austria	ATX	3157.73	...	Closed	1981.93		3211.08	20.6
Belgium	Bel-20	3900.35	-14.69	-0.38	3127.94		4055.96	8.2
France	CAC 40	5307.89	-35.52	-0.66	3955.98		5442.10	9.2
Germany	DAX	12822.94	...	Closed	9214.10		12878.59	11.7
Greece	ATG	786.57	...	Closed	517.10		800.08	22.2
Hungary	BUX	35150.44	...	Closed	25126.36		35160.95	9.8
Israel	Tel Aviv	1427.49	-0.40	-0.03	1372.23		1490.23	-2.9
Italy	FTSE MIB	20721.04	-207.20	-0.99	15017.42		21828.77	7.7
Netherlands	AEX	524.44	-2.30	-0.44	409.23		537.84	8.5
Poland	WIG	60179.36	-575.06	-0.95	42812.99		62666.49	16.3
Russia	RTS Index	1044.34	-1.68	-0.16	884.83		1196.99	-9.4
Spain	IBEX 35	10884.70	-21.20	-0.19	7579.80		11184.40	16.4
Sweden	SX All Share	590.56	-2.40	-0.41	443.66		594.67	10.5
Switzerland	Swiss Market	9043.96	...	Closed	7475.54		9136.95	10.0
South Africa	Johannesburg All Share	52870.12	-19.58	-0.04	48935.90		54716.53	4.4
Turkey	BIST 100	98191.97	-675.93	-0.68	70426.16		99278.08	25.7
U.K.	FTSE 100	7525.76	-21.87	-0.29	5788.74		7598.99	5.4
Asia-Pacific	DJ Asia-Pacific TSM	1634.51	1.38	0.08	1308.52		1635.29	14.9
Australia	S&P/ASX 200	5754.90	-33.20	-0.57	5103.30		5956.50	1.6
China	Shanghai Composite	3091.66	-13.88	-0.45	2833.07		3288.97	-0.4
Hong Kong	Hang Seng	25862.99	-61.06	-0.24	20038.42		25924.05	17.6
India	S&P BSE Sensex	31309.49	36.20	0.12	25765.14		31309.49	17.6
Japan	Nikkei Stock Avg	20170.82	-6.46	-0.03	14952.02		20177.28	5.5
Singapore	Straits Times	3238.31	-1.70	-0.05	2729.85		3271.11	12.4
South Korea	Kospi	2368.62	-3.10	-0.13	1925.24		2371.72	16.9
Taiwan	Weighted	10226.84	68.69	0.68	8458.87		10226.84	10.5

Source: SIX Financial Information;WSJ Market Data Group

Currencies

Yen, euro vs. dollar; dollar vs. major U.S. trading partners



Country/currency Mon in US\$ per US\$ YTD chg (%)

Americas				
Argentina peso-a	0.0623	16.0397	1.1	
Brazil real	0.3039	3.2904	1.1	
Canada dollar	0.7415	1.3486	0.3	
Chile peso	0.001493	670.00	0.0	
Colombia peso	0.0003454	2895.55	-3.5	
Ecuador US dollar-f	1	1	unch	
Mexico peso-a	0.0544	18.3917	-11.3	
Peru sol	0.3057	3.2715	-2.4	
Uruguay peso-e	0.0353	28.290	-3.6	
Venezuela bolivar	0.098791	10.12	1.3	
Asia-Pacific				
Australia dollar	0.7480	1.3369	-3.7	
China yuan	0.1470	6.8041	-2.0	
Europe				
Hong Kong dollar	0.1283	7.7925	0.5	
India rupee	0.0155	64.3450	-5.3	
Indonesia rupiah	0.0000752	13295	-1.7	
Japan yen	0.009050	110.50	-5.6	
Kazakhstan tenge	0.003195	313.01	-6.2	
Macau pataca	0.1246	8.0256	1.4	
Malaysia ringgit-c	0.2345	4.2650	-4.0	
New Zealand dollar	0.7141	1.4004	-3.9	
Pakistan rupee	0.0096	104.700	0.3	
Philippines peso	0.0203	49.373	0.5	
Singapore dollar	0.7236	1.3820	-4.5	
South Korea won	0.0008926	1120.37	-7.2	
Sri Lanka rupee	0.0065419	152.86	3.0	
Taiwan dollar	0.03324	30.087	-7.3	
Thailand baht	0.02937	34.050	-4.9	

STOXX 600 Index

392.04 ▼0.51, or 0.13%
High, low, open and close for each trading day of the past three months.



Global government bonds

Latest, month-ago and year-ago yields and spreads over or under U.S. Treasuries on benchmark two-year and 10-year government bonds around the world. Data as of 3 p.m. ET

			Country/ Maturity, in years	Yield	Latest	Spread Over Treasuries, in basis points			Yield						
	Coupon					Previous	Month Ago	Year ago	Previous	Month ago	Year ago				
2791.48 10.1	●	1956.39 11.3	●	1044.05 28.1	●	5.250	Australia 2	1.587	28.1	29.3	40.9	85.6	1.587	1.719	1.632
585.32 8.1	●	69487.58 3.7	●	15943.09 0.8	●	4.750	10	2.406	22.8	26.3	30.6	54.7	2.423	2.658	2.245
66.67 3.7	●	50154.33 0.8	●	3786.05 15.3	●	3.000	Belgium 2	-0.576	-188.2	-189.2	-184.1	-129.6	-0.598	-0.531	-0.521
609.58 0.8	●	21225.04 7.2	●	6310.62 17.0	●	0.800	10	0.657	-152.1	-152.3	-154.4	-138.1	0.637	0.808	0.317
902.25 0.8	●	2440.23 8.8	●	26.72 -29.7	●	0.000	France 2	-0.517	-182.3	-182.7	-173.3	-121.7	-0.533	-0.423	-0.441
98.64 15.3	●	396.45 8.5	●	3279.71 7.4	●	1.000	10	0.724	-145.4	-145.2	-151.0	-127.3	0.708	0.842	0.424
63.08 7.2	●	3211.08 20.6	●	4055.96 8.2	●	0.000	Germany 2	-0.732	-203.8	-204.4	-199.0	-130.2	-0.750	-0.680	-0.526
674.25 17.0	●	5442.10 9.2	●	5442.10 9.2	●	0.250	10	0.290	-188.8	-188.4	-193.2	-162.5	0.276	0.420	0.073
991.68 8.8	●	12878.59 11.7	●	800.08 22.2	●	0.300	Italy 2	-0.199	-150.5	-149.1	-144.4	-84.6	-0.197	-0.134	-0.071
9.56 -29.7	●	12878.59 11.7	●	800.08 22.2	●	2.200	10	2.279	10.2	10.1	-18.4	-36.3	2.261	2.168	1.335
908.75 8.5	●	35160.95 9.8	●	1490.23 -2.9	●	0.100	Japan 2	-0.144	-145.0	-144.8	-151.1	-101.4	-0.154	-0.201	-0.239
626.52 7.4	●	21828.77 7.7	●	537.84 8.5	●	0.100	10	0.050	-212.7	-210.6	-233.2	-179.7	0.054	0.020	-0.099
681.93 20.6	●	62666.49 16.3	●	1196.99 -9.4	●	4.000	Netherlands 2	-0.677	-198.3	-198.2	-190.5	-130.3	-0.688	-0.595	-0.527
127.94 8.2	●	1196.99 -9.4	●			0.750	10	0.505	-167.2	-167.2	-173.1	-153.3	0.488	0.621	0.165
955.98 9.2	●					4.750	Portugal 2	0.223	-108.3	-106.4	-98.0	-59.2	0.230	0.331	0.184
214.10 11.7	●					4.125	10	3.040	86.2	85.2	101.4	144.6	3.012	3.366	3.143
517.10 22.2	●					2.750	Spain 2	-0.273	-157.9	-157.3	-159.8	-88.5	-0.279	-0.288	-0.109
426.36 9.8	●					1.500	10	1.575	-60.2	-59.3	-80.3	-23.9	1.567	1.549	1.459
72.23 -2.9	●					4.250	Sweden 2	-0.706	-201.2	-201.2	-192.9	-126.2	-0.718	-0.619	-0.487
17.42 7.7	●					1.000	10	0.429	-174.8	-174.3	-170.4	-104.4	0.417	0.648	0.654
409.23 8.5	●					1.750	U.K. 2	0.108	-119.8	-117.4	-116.6	-42.9	0.120	0.145	0.347
312.99 16.3	●					4.250	10	1.044	-113.4	-112.0	-123.5	-41.8	1.040	1.117	1.280
384.83 -9.4	●					1.250	U.S. 2	1.306	...	...	...	...	1.294	1.310	0.776
						2.375	10	2.177	...	...	...	...	2.160	2.352	1.698

Commodities

Prices of futures contracts with the most open interest 3:30 p.m. New York time
EXCHANGE LEGEND: CBOT: Chicago Board of Trade; CME: Chicago Mercantile Exchange; ICE-US: ICE Futures U.S.; MDEX: Bursa Malaysia
Derivatives Berhad; TCE: Tokyo Commodity Exchange; COMEX: Commodity Exchange; LME: London Metal Exchange;
NYMEX: New York Mercantile Exchange; ICE-EU: ICE Futures Europe. *Data as of 6/2/2017

Commodity	Exchange	Last price	Net	One-Day Change Percentage	Year high	Year low
Corn (cents/bu.)	CBOT	373.00	0.25	0.07	393.75	360.75
Soybeans (cents/bu.)	CBOT	921.00	-0.25	-0.03	1,092.50	909.50
Wheat (cents/bu.)	CBOT	429.75	0.25	0.06	488.75	416.00
Live cattle (cents/lb.)	CME	126.875	0.825	0.65	127.500	99.400
Cocoa (\$/ton)	ICE-US	1,990	-11	-0.55	2,270	1,756
Coffee (cents/lb.)	ICE-US	128.35	2.80	2.23	161.55	125.25
Sugar (cents/lb.)	ICE-US	13.86	0.12	0.87	20.81	13.63
Cotton (cents/lb.)	ICE-US	72.62	-0.50	-0.68	75.72	69.81
Robusta coffee (\$/ton)	ICE-EU	1995.00	14.00	0.71	2,283.00	1,871.00
Copper (\$/lb.)	COMEX	2,5605	-0.0140	-0.54	2,8400	2,4725
Gold (\$/troy oz.)	COMEX	1282.00	1.80	0.14	1,300.30	1,155.00
Silver (\$/troy oz.)	COMEX	17,560	0.035	0.20	18,725	16,060
Aluminum (\$/mt)*	LME	1,914.00	-16.50	-0.85	1,972.00	1,688.50
Tin (\$/mt)*	LME	20,250.00	-175.00	-0.86	21,225.00	18,760.00
Copper (\$/mt)*	LME	5,584.00	-78.00	-1.38	6,156.00	5,491.00
Lead (\$/mt)*	LME	2,092.00	-11.50	-0.55	2,445.00	2,022.00
Zinc (\$/mt)*	LME	2,525.00	-34.50	-1.35	2,958.50	2,470.00
Nickel (\$/mt)*	LME	8,780.00	-85.00	-0.96	11,095.00	8,780.00
Rubber (Y.01/ton)	TCE	191.50	-2.50	-1.29	n.a.	n.a.
Palm oil (MYR/mt)	MDEX	2,494.00	-3.00	-0.12	2,790.00	2,421.00
Crude oil (\$/bbl.)	NYMEX	47.42	-0.24	-0.50	58.15	44.13
NY Harbor ULS (\$/gal)	NYMEX	1.4625	-0.0223	-1.50	1.7901	1.3846
RBOB gasoline (\$/mmBtu)	NYMEX	1.5386	-0.0385	-2.44	1.8859	1.4543
Natural gas (\$/mmBtu)	NYMEX	2.980	-0.019	-0.63	3.5770	2.8880
Brent crude (\$/bbl.)	ICE-EU	49.51	-0.44	-0.88	60.21	46.98
Gas oil (\$/ton)	ICE-EU	434.50	-4.50	-1.03	529.00	415.75

Sources: SIX Financial Information; WSJ Market Data Group

FINANCE & MARKETS

A Comic Plays Bitcoin for Laughs

Serial startup founder finds humor in the digital currency; nerds get the jokes

By RYAN VLASTELICA

“Do we have any libertarians in the house?”

The comedian, Margaux Avedisian, is setting up her audience.

“You must be so happy with this administration,” she continues, after maybe half the 50 audience members cheer. “It actually makes Gary Johnson look like not a bad idea. But he’s like Bitcoin Unlimited—*never gonna happen.*”

There’s a smattering of laughter, but it’s drowned out by the mild gasps and “oohs” that come from the audience. With this crowd, any offense taken isn’t in response to the reference to Mr. Johnson, the Libertarian Party’s 2016 presidential candidate. Instead, the audience is reacting to the knock against Bitcoin Unlimited, a software update that is controversial in the cryptocurrency’s community.

If you aren’t laughing—or don’t even get the joke—that’s understandable. It was told at a cryptocurrency conference, and it’s fair to say that Ms. Avedisian’s is a specialized form of comedy, written by a bitcoin nerd, for other bitcoin nerds.



Margaux Avedisian



GARY HAYLAND

“I’ve been in crypto since 2012. It was the first time I worked in an industry where compared with everyone else, I was the sane and rational person.”

The 33-year-old Ms. Avedisian is a bitcoin investor, founder of two bitcoin-related companies and an adviser and director at others. But what sets her apart is this unique job title: bitcoin comedian. She performed in May at Consensus 2017, a New York conference dedicated to all things bitcoin and blockchain (that’s the ledger used for bitcoin transactions), where no explanations for her jokes were needed.

Ms. Avedisian has traveled the world using bitcoin, accepts tips in the form of the cryptocurrency and has worked at every level of the industry. She has been dubbed, by herself and others, the Queen of Bitcoin, a nickname she wants to shed. “Because I don’t have *that* much bitcoin,” she says, “and because I’d like to not get kidnapped.”

“It’s not a crypto conference without someone who is, like, in prison or banned from the country.”

Ms. Avedisian entered comedy and bitcoin on the same day in 2012, and both decisions were largely impulsive. She has no formal performance training but signed up for an open-mic night. After her set, she met a founder of Tradehill, an early bitcoin exchange. “They were looking for a business-development person, were going to a meeting in San Diego, and had an extra seat on the plane,” she says. “I was like, ‘Yeah, I’ll do that.’”

The move to technology wasn’t out of left field. Though she studied psychology and chemistry at Mount Holyoke College, and was trained and certified as an emergency medical technician, Ms. Avedisian also worked at a variety of startups in San Francisco, including Answer in 30, a video-based information service she co-founded.

Wild West adventure

“I got a little jaded—how many photo-sharing apps do we really need?” she says. “But bitcoin seemed like something that really could disrupt the world and change finance.

And it was such a Wild West that you could help shape it.”

When Tradehill shut its doors later that year, Ms. Avedisian went on to co-found AlphaPoint Exchange, a financial-software firm specializing in digital-currency networks. She stayed there only three months, then co-founded MonetaGo Inc., which works with financial institutions on blockchain-related issues.

“She’s like Zelig,” says Michael Terpin, referring to the Woody Allen character who finds himself at every pivotal moment of the Jazz Age. Mr. Terpin is CEO of Transform Group, a public-relations firm focusing on companies that deal with new technologies.

Ms. Avedisian is currently a vice president at Transform, but it was at MonetaGo that she began combining her comedy with her work, starting a weekly comedy show at New York’s Bitcoin Center—an educational and promotional site for the currency—that lasted about two years.

“We initially laughed about it: ‘You’re going to tell jokes about bitcoin? That plays?’” says Jesse Chenard, CEO of MonetaGo. “But the best comedy is what you live, and she

lives bitcoin.”

Her material has never been just bitcoin-related. At a variety of venues, she does routines about Florida and San Francisco, as well as her experiences on dating apps and being a woman in tech.

“If everyone had a reference to what bitcoin was, it’d be a lot easier to do jokes about it outside the context of a conference,” Ms. Avedisian says. Meanwhile, bitcoin-specific audiences pose unique issues. “They’re nerds, so typically they’re not the most gregarious audience, and the community can be very cliquish,” she says. “I find I get more of a reaction if I roast the audience a bit or reference things that are more obscure.”

The Antonopoulos joke

Those references to things that are obscure to bitcoin outsiders become a sort of inside joke. For example, the setup to one of her Consensus jokes—“I was in a car with Andreas Antonopoulos,” a major figure in the industry—got a bigger laugh than the punchline, about why they weren’t in a nicer car given all the digital currencies he holds.

“Bitcoin audiences are open to being made fun of; God knows they’ve been the butt of the joke for seven years,” Mr. Chenard says before Ms. Avedisian’s Consensus show. “There’s a whole raft of comedy—or tragedy—that can be created out of the fact that this is literally digital gold, created out of nothing. Of course, it must be easier to have a thick skin when the digital gold you spent \$10,000 on is now worth \$2 million.”

Ms. Avedisian agrees, and then jumps on a table to begin her set in front of the bitcoin crowd. “I’m very honored to be here, ‘cause this may be the last comedy show some of you see before you are jailed.”

Auditors to Tell Stories Behind the Numbers

By MICHAEL RAPOPORT

Investors in the U.S. will soon get a new window into companies, courtesy of auditors.

Audit regulators from the Public Company Accounting Oversight Board voted Thursday to approve a long-planned overhaul and expansion of the auditor’s report—the letter included in a company’s annual report in which the auditor blesses the financial statements.

That statement, which hasn’t changed much in more than 70 years, has largely become legal boilerplate and doesn’t give investors much information about what an auditor actually thinks.

The new report will retain the current report’s up-or-down decision on whether an auditor thinks a company’s numbers are “fairly presented.” But it will also require auditors to tell investors about any “critical audit matters”—areas of their audit that were especially challenging or complex or forced them to make tough decisions in evaluating a company’s books.

For instance, the auditor’s assessment of how a company sets aside loan-loss reserves when it introduces a new loan product could be a critical audit matter.

The new requirement will bring the U.S. closer to the U.K. and other European countries where such disclosures in the auditor’s report are already required.

Large companies must begin detailing critical audit matters with reports in mid-2019; all other companies will begin doing so in early 2021. Newer, smaller companies classified as “emerging growth companies” will be exempt from the critical audit matters requirement.

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MARKETS

Energy Markets Eye Qatar

Nation is world's top gas exporter, but rift with neighbors hasn't spooked investors

By Jenny W. Hsu

Any political tension between major Middle Eastern energy-producing nations usually leads to a spike in global oil prices. But as the spat between Qatar and neighboring countries escalates, traders in the world's natural-gas markets will be on high alert, too.

On Monday, Saudi Arabia, Bahrain, United Arab Emirates and Egypt broke diplomatic ties with Qatar, accusing the country of backing terrorism activities. Qatar has denied the allegations. The diplomatic row led U.S. oil traded on the New York Mercantile Exchange up by as much as 1.6% to \$48.42 a barrel in Asian trading, before it slipped back. Early Monday afternoon in New York, it was down 1.2% to \$47.11.

The relatively calm oil-market response reflects the fact that Qatar, a member of the Organization of the Petroleum Exporting Countries, isn't actually a major petroleum producer. It accounts for about 2% of the group's output, or 618,000 barrels a day in April.

By contrast, the small nation, which lies on the eastern side of the Arabian peninsula, is a vital player in natural-gas markets, as the world's largest exporter of liquefied natural gas. In 2016, it shipped roughly 77.2 million tons of the super-chilled gas, equivalent to about one-third of global supply, according to International Gas Union. Most of Qatar's gas is located in its offshore North Field. Only Russia and Iran have more proven gas reserves, according to BP PLC's Statistical Review of World Energy.

To date, there is no indica-



Qatar is a much more significant player in the natural-gas market than it is in crude oil.

tion that Qatar's gas exports will be affected by the row with its neighbors.

Major customers for Qatar's gas are based in Asia; Japan sources about 15% of its gas from Qatar, while China and India are also big customers.

Japan's Jera Co., the world's top LNG importer, said it has received assurances from Qatargas that shipments will continue as scheduled. "We see no impact on LNG supply, but will continue to monitor geopolitical risks going forward," said a Jera spokesman. Qatargas is contracted to deliver about 8 million tons of LNG to Jera a year.

Prices for LNG are often set according to long-term contracts between suppliers and consumers, and are often based on a formula linked to oil prices. However, in recent years a spot market has developed as global gas supplies have increased.

For now, analysts say the latest diplomatic fracas won't yield any immediate impact on the appetite of big consumers. But if tensions worsen, oil

LNG Suppliers

Qatar is the world's largest exporter of liquefied natural gas with a market share of nearly one-third.

EXPORT VOLUME, IN MILLIONS OF METRIC TONS IN 2016			MARKET SHARE
Qatar		77.2	30.0%
Australia		44.3	17.2
Malaysia	25.0		9.7
Nigeria	18.6		7.2
Indonesia	16.6		6.4
Algeria	11.5		4.5
Russia	10.8		4.2
Trinidad	10.6		4.1
Oman	8.1		3.2
Papua New Guinea	7.4		2.9
Rest of the world	27.8		11.0

Source: International Gas Union

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prices could rise, which in turn could affect gas prices.

"As most of Asia's [gas] long-term contracts are still oil-indexed, this may increase contracted LNG prices and thus spot prices," said Kelvin Li, who works at consulting firm Lantau Group.

Even though Qatar isn't a leading oil producer, there is

concern that its political rift with Saudi Arabia could prompt it to back out of OPEC's plans to cut crude output. Last year, OPEC agreed to cut its oil production by 1.2 million barrels a day to reduce a supply glut. It agreed to extend those cuts to March.

—Mayumi Negishi contributed to this article

Diplomatic Spat Slams Doha Stocks

By Nikhil Lohade

DUBAI—Qatari stocks tumbled on Monday and the country's bond yields rose after Saudi Arabia and other Middle Eastern nations cut diplomatic and transport links to Doha, raising concerns about the economic impact on this Persian Gulf state.

The Qatar Exchange's main stocks index closed 7.3% lower at 9202.62 on relatively high volumes, despite the usual lull in regional trading during the holy month of Ramadan.

Saudi Arabia, the United Arab Emirates, Bahrain and Egypt severed relations with Doha on Monday and said they would close off air, sea and land routes to the country after accusing Qatar of backing terrorism and meddling in regional affairs.

"The Arab-Qatari rift will significantly undermine Qatar's economy, financial position, and the profitability of its businesses," Ayham Kamel, director for Middle East & North Africa at Eurasia Group, said in a note.

Qatari real-estate, transportation and consumer-goods stocks were among the biggest losers Monday.

The value of direct trade between the six-member Gulf Cooperation Council bloc, of which Saudi Arabia, the U.A.E., Bahrain and Qatar are members, isn't particularly large given most of these countries depend heavily on imports and exports with Asia, Africa and the West.

But investors are worried that the closure of transport routes between the countries will affect Qatar, which routes a substantial chunk of its imports through Saudi Arabia

and the U.A.E. Around half of Qatar's food supply comes via these two countries, analysts said. Qatar's only land border is with Saudi Arabia.

Switching to air and sea routes from overland connections would increase Qatar's import costs and result in a jump in inflation, Citi said in a research note.

"The most immediate concern will be to establish an alternative supply line for vital food imports," Mr. Kamel said.

The transport ban may also stem the flow of people from other GCC countries into Qatar, which some analysts say account for about half of all visitor traffic there.

The main stock index on the Qatar Exchange closed 7.3% lower.

The yield on Qatari dollar-denominated government bonds due in 2026 rose around 0.2 percentage point to 3.33%, according to Tradeweb.

Monday's news didn't appear to drag other local markets down with Qatar. Saudi Arabia's stock market reversed early-session losses to close 0.5% higher, while Dubai-listed stocks fell 0.7% and Abu Dhabi's market was flat.

Elsewhere, the Dow Jones Industrial Average fell 22.25 points, or 0.1%, to 21184.04. The S&P 500 slipped 0.1%, and the Nasdaq Composite declined 0.2%.

Travel and leisure shares lost ground after the weekend terror attack in London.

The Stoxx Europe 600 fell 0.1% to 392.04, while the U.K.'s FTSE 100 lost 0.3%.

HEARD ON THE STREET

FINANCIAL ANALYSIS & COMMENTARY

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Hidden Value Play in Big Trucks

If the world's largest truck maker was valued in line with its closest peer, it would be worth roughly twice as much. There is reason to think a value-unlocking spinoff could come to fruition.

It is the classic conglomerate problem: Daimler Trucks, which dominates U.S. highways with the Freightliner brand, is trapped within the Daimler automotive empire. The fearsome challenges facing the group's larger Mercedes-Benz car division—ranging from the end of the U.S. car boom to intensifying competition with Tesla and the autonomous-driving projects of other Silicon Valley companies—inevitably monopolize media and investor attention.

Daimler's stock trades at seven times forward earnings, compared with 16 times for Volvo—maker of Mack trucks, among others—which sold its namesake luxury car brand in 1999. This is the widest valuation gap in at least a decade. Worries about car makers are only half the reason; investors are also optimistic about the

Hidden Cargo

Forward price/earnings ratios

20 times



Source: FactSet

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prospects of truck makers. The U.S. truck market seems to be rebounding after a difficult 2016. Volvo's shares have been on a tear this year, particularly since first-quarter results in April that showed an 11% increase in orders.

Taxed and capitalized at group rates, the profit of Daimler Trucks gives it an equity value of roughly €10 billion (\$11.28 billion). That rises to €21 billion using Volvo's earnings multiple. Volkswagen is another auto

maker with truck gems hidden away. The company's market value is €70 billion. Brokerage Evercore ISI calculates that spinning off the trucks business and other moves would, theoretically, almost double the valuation.

This kind of analysis hasn't historically played well on Germany's notoriously conservative corporate scene.

But there are tantalizing signs of change in Germany Inc. Ownership of the country's stock market has glob-

alized. Activist investor Cevian Capital has won a board seat at steel giant Thyssenkrupp. Most revealingly, Joe Kaeser, boss of German engineering titan Siemens, has advocated once unheard-of maneuvers, such as a partial spinoff of minority stakes in the company's health-care unit and possibly even its core factory-automation business.

It is also hard for automotive executives to ignore Sergio Marchionne's breakup success at Fiat Chrysler. Ferrari's stock has almost doubled since being spun out of the embattled parent company last year. It is now valued as a luxury-goods brand like Hermès rather than a car maker.

Evercore ISI puts the chances of a truck spinoff within 12 to 18 months at 30% for Daimler and more than 50% for Volkswagen, where pressure on management is more intense. The potential for change within Germany's automotive industry shouldn't be overstated, but it is greater than investors may assume.

—Stephen Wilmut

OVERHEARD

The American shopping mall is dying. Or is it?

While thousands of retail outlets are closing across the country as customers shift purchases online and a recent study said one-quarter of American malls may shut down within the next five years, the developer of Minnesota's mammoth Mall of America is doubling down. More than doubling down, actually.

Canada's Triple Five Worldwide Group wants to build a 6-million-square-foot complex in Miami. That mall would be the biggest in the country.

They aren't completely bonkers, it seems. Rather than focusing on retail, the company's president said that the focus is "retailtainment," according to the Associated Press.

The facility would be more like an amusement park with an indoor ski slope, a submarine ride and theaters.

Oh, and if you need to do some shopping, they may have a few places to do that too.

Funds Take Shortcut to Performance

Active fund managers are beating the market for the first time in years. But the way they are getting the gains doesn't inspire confidence that their winning streak will go on for much longer.

Just over half of large-cap mutual funds beat their market benchmarks from the start of the year through May 18, according to a note by Goldman Sachs strategist David Kostin. This is the best rate of outperformance since 2009.

The main reason, however, has less to do with fund manager brilliance than with the time-honored strategy of piling into whatever is working.

Active managers are strongly overweight on the information technology and consumer discretionary sectors, according to Goldman. These two S&P 500 sectors are up 21.5% and 12.8%, respectively, so far this year, compared with 8.9% for the S&P 500.

Despite the strong performance, mutual-fund outflows have continued. Through May, investors have pulled \$60.6 billion from domestic equity mutual funds, according to Goldman Sachs analyst Alexander Blostein. This includes mutual funds that track indexes, so outflows from actively managed mutual funds are likely even greater, he notes. Domestic equity exchange-traded funds, meanwhile, have seen almost the exact same amount of inflows, at \$60.5 billion over the first five months of the year.

Flows tend to follow performance after a lag. So for active managers to start seeing real inflows, they will need to sustain the recent outperformance. That is unlikely.

—Aaron Back

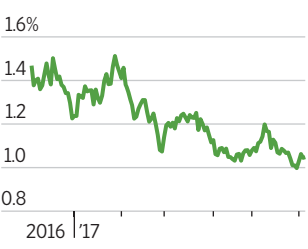
Are London's Markets Too Calm as Election Approaches?

The U.K. general election this week was supposed to be a foregone conclusion. But two terrorist attacks during the campaign—first in Manchester, then in London over the weekend—and big swings in opinion polls have made the outcome more uncertain. U.K. markets have remained relatively calm, but might not stay that way.

The base case is still that the Conservative Party led by Prime Minister Theresa May will retain power. But the comprehensive victory that appeared in prospect when the election was called in April is in doubt as opinion polls have suggested a tighter race, with the opposition La-

Slipping

Yield on 10-year U.K. gilts



Source: Tradeweb

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bour Party gaining support. The Manchester and London attacks have now placed attention on Mrs. May's role as home secretary before she took the top job last year and

on her election mantra of providing "strong and stable" leadership.

And the economic backdrop isn't a particularly supportive one for the incumbent government. Growth slowed to 0.2% in the first quarter. Inflation is squeezing real incomes, and consumer confidence is lower than in the previous election in 2015. Bond markets signal a whiff of caution. The 10-year U.K. gilt yield last week fell to 1%, its lowest since October, and the yield curve has flattened. U.K. stocks have rallied along with global markets, although the FTSE 100 is up less than its European and U.S. peers.

U.K. markets initially welcomed the election, figuring a big win for Mrs. May would help her to negotiate a less disruptive Brexit. But as uncertainty has risen, the pound has halted its upward march against the dollar and is being outpaced by the euro, though it remains stronger than it was before the vote was called.

A surprise outcome in Thursday's vote can't be ruled out. An indecisive result, with no party gaining a clear majority, would cast a deep shadow over the negotiations on the U.K.'s exit from the European Union starting in mid-June. A shock win for Labour would mean a

radical reassessment for fiscal policy, with more deficit spending that could upend the quiescent path of U.K. interest rates. Most important for stocks, Labour has promised higher corporate taxes.

If the election doesn't follow the script of a big win for the Conservatives, then it could be the pound and gilts that suffer: Higher uncertainty over both Brexit and the economic outlook could lead to a steeper curve. There won't be much time for investors to draw breath. Once the election is over, the focus will move swiftly to the product of the last U.K. vote shocker: Brexit.

—Richard Barley