

# THE WALL STREET JOURNAL.

DOW JONES | News Corp

WEDNESDAY, JUNE 7, 2017 ~ VOL. XXXV NO. 88

WSJ.com EUROPE EDITION

DJIA 21136.23 ▼ 0.23%

NASDAQ 6275.06 ▼ 0.33%

NIKKEI 19979.90 ▼ 0.95%

STOXX 600 389.40 ▼ 0.67%

BRENT 50.12 ▲ 1.31%

GOLD 1294.40 ▲ 1.18%

EURO 1.1270 ▲ 0.12%

## What's News

### Business & Finance

Investors are scrambling to protect themselves against big moves in the British pound ahead of this week's election. **A1**

♦ Uber has fired over 20 workers as part of a probe into claims of sexual harassment and sexism, according to an employee. **A1**

♦ GM shareholders defeated a hedge fund's proposal to split the stock into two classes in a vote of confidence for CEO Barra. **B1**

♦ VW's plan for electric-car charging stations in the U.S. has sparked criticism that it gives the company an unfair competitive advantage. **B1**

♦ Amazon is lowering its Prime membership fee for low-income shoppers, taking aim at rival Wal-Mart. **B1**

♦ Takata air-bag victims face a delay in getting payouts after the compensation fund's head, ex-FBI chief Mueller, stepped down. **B2**

♦ Fox is buying videogame studio Aftershock, which is working on the adaptation of the movie "Avatar." **B4**

♦ Venezuela is attempting to resell at a deep discount \$5 billion of bonds it issued in December as it struggles with a cash crunch. **B9**

♦ Trump will nominate veteran banker Joseph Ottig as Comptroller of the Currency, a post overseeing federally chartered banks. **B9**

♦ U.S. job openings reached a new high in April while hiring slowed, a sign that employers are struggling to find workers. **A7**

### World-Wide

♦ The third London attacker was prevented from boarding a flight from Italy to Istanbul last year and Islamic State propaganda was found on his phone, Italian officials said. **A1, A4**

♦ U.S.-backed forces in Syria launched their long-anticipated assault to capture Islamic State's de facto capital of Raqa. **A3**

♦ Iraqi troops pushed to the edge of Mosul's Old City, Islamic State's other major urban stronghold. **A3**

♦ Trump sided with Saudi Arabia and other Gulf states in their rift with Qatar over allegations the small emirate backs extremists. **A3**

♦ The top U.S. envoy in Beijing resigned over Trump's decision to withdraw from the Paris climate accord. **A5**

♦ A U.S. contractor was arrested and charged with leaking a secret report that described Russia's election-related hacking activities. **A7**

♦ Trump's nominee to head the Council of Economic Advisors defended the administration's forecast for robust economic growth. **A6**

♦ The U.S. plans on reviving talks on an investment treaty with China after it makes progress on other trade issues, Mnuchin said. **A6**

♦ A Trump regulatory plan has drawn criticism from an unexpected source: Washington's business lobby. **A6**

♦ Senate Republican talks on a health-care-overhaul bill were expected to focus on the future of Medicaid. **A7**

CONTENTS Markets ..... B10  
Business News ..... B3  
Opinion ..... A10-11  
China's World ..... A2  
Property Report ..... B8  
Crossword ..... A12  
Technology ..... B4  
Head on Street ..... B10  
U.S. News ..... A6-7  
Life & Arts ..... A9,12  
Weather ..... A12  
Management ..... B5  
World News ..... A2-5

€3.20; CHF5.50; £2.00;  
U.S. Military (EUR) \$2.20

23

Copyright 2017 Dow Jones & Company. All Rights Reserved

9779219 986139

Barcode

Copyright 2017 Dow Jones & Company. All Rights Reserved

23

Copyright 2017 Dow Jones & Company. All Rights Reserved

9779219 986139

Barcode

Copyright 2017 Dow Jones & Company. All Rights Reserved

23

Copyright 2017 Dow Jones & Company. All Rights Reserved

9779219 986139

Barcode

Copyright 2017 Dow Jones & Company. All Rights Reserved

23

Copyright 2017 Dow Jones & Company. All Rights Reserved

9779219 986139

Barcode

Copyright 2017 Dow Jones & Company. All Rights Reserved

23

Copyright 2017 Dow Jones & Company. All Rights Reserved

9779219 986139

Barcode

Copyright 2017 Dow Jones & Company. All Rights Reserved

23

Copyright 2017 Dow Jones & Company. All Rights Reserved

9779219 986139

Barcode

Copyright 2017 Dow Jones & Company. All Rights Reserved

23

Copyright 2017 Dow Jones & Company. All Rights Reserved

9779219 986139

Barcode

Copyright 2017 Dow Jones & Company. All Rights Reserved

23

Copyright 2017 Dow Jones & Company. All Rights Reserved

9779219 986139

Barcode

Copyright 2017 Dow Jones & Company. All Rights Reserved

23

Copyright 2017 Dow Jones & Company. All Rights Reserved

9779219 986139

Barcode

Copyright 2017 Dow Jones & Company. All Rights Reserved

23

Copyright 2017 Dow Jones & Company. All Rights Reserved

9779219 986139

Barcode

Copyright 2017 Dow Jones & Company. All Rights Reserved

23

Copyright 2017 Dow Jones & Company. All Rights Reserved

9779219 986139

Barcode

Copyright 2017 Dow Jones & Company. All Rights Reserved

23

Copyright 2017 Dow Jones & Company. All Rights Reserved

9779219 986139

Barcode

Copyright 2017 Dow Jones & Company. All Rights Reserved

23

Copyright 2017 Dow Jones & Company. All Rights Reserved

9779219 986139

Barcode

Copyright 2017 Dow Jones & Company. All Rights Reserved

23

Copyright 2017 Dow Jones & Company. All Rights Reserved

9779219 986139

Barcode

Copyright 2017 Dow Jones & Company. All Rights Reserved

23

Copyright 2017 Dow Jones & Company. All Rights Reserved

9779219 986139

Barcode

Copyright 2017 Dow Jones & Company. All Rights Reserved

23

Copyright 2017 Dow Jones & Company. All Rights Reserved

9779219 986139

Barcode

Copyright 2017 Dow Jones & Company. All Rights Reserved

23

Copyright 2017 Dow Jones & Company. All Rights Reserved

9779219 986139

Barcode

Copyright 2017 Dow Jones & Company. All Rights Reserved

23

Copyright 2017 Dow Jones & Company. All Rights Reserved

9779219 986139

Barcode

Copyright 2017 Dow Jones & Company. All Rights Reserved

23

Copyright 2017 Dow Jones & Company. All Rights Reserved

9779219 986139

Barcode

Copyright 2017 Dow Jones & Company. All Rights Reserved

23

Copyright 2017 Dow Jones & Company. All Rights Reserved

9779219 986139

Barcode

Copyright 2017 Dow Jones & Company. All Rights Reserved

23

Copyright 2017 Dow Jones & Company. All Rights Reserved

9779219 986139

Barcode

Copyright 2017 Dow Jones & Company. All Rights Reserved

23

Copyright 2017 Dow Jones & Company. All Rights Reserved

9779219 986139

Barcode

Copyright 2017 Dow Jones & Company. All Rights Reserved

23

Copyright 2017 Dow Jones & Company. All Rights Reserved

9779219 986139

Barcode

Copyright 2017 Dow Jones & Company. All Rights Reserved

23

Copyright 2017 Dow Jones & Company. All Rights Reserved

9779219 986139

Barcode

Copyright 2017 Dow Jones & Company. All Rights Reserved

23

Copyright 2017 Dow Jones & Company. All Rights Reserved

9779219 986139

Barcode

Copyright 2017 Dow Jones & Company. All Rights Reserved

23

Copyright 2017 Dow Jones & Company. All Rights Reserved

9779219 986139

Barcode

Copyright 2017 Dow Jones & Company. All Rights Reserved

23

</

## WORLD NEWS

# Don't Count on China as Next Climate Crusader



House under Donald Trump has turned apostate.

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

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

Can China step in?

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

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

Coal consumption has declined for three straight years. On current trends, many scientists expect that China will reach peak carbon emissions well before its target date of 2030 under the Paris accord. Yet Beijing remains committed to rapid growth. And coal is still king.

Just ask the residents of Beijing. Whenever economic



People made their way through heavy smog on an extremely polluted day in Shengfang in December.

DAVID SAGOL/REUTERS

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

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

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

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

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

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

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

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

For much of the past

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

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

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

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

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

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

## UBER

*Continued from Page One*  
begun a search for its first full-fledged chief financial officer since 2015. The current head of finance, Gautam Gupta, is leaving to join an unnamed startup as operations chief.

Meanwhile, Mr. Kalanick has been dealing with a personal tragedy. His mother was killed last month in a boating accident that also left his father in serious condition.

Bloomberg News earlier reported the news about the firings.

Uber has been conducting its own workplace review. Human resources chief Liane Hornsey and board director Arianna Huffington have held a series of so-called listening sessions and focus groups where employees are invited to air grievances and ask pointed questions. The month-long probes have prompted some employees to hire their own attorneys to help protect them, according to people familiar with the matter.

Uber said Monday it hired Harvard Business School professor and management expert Frances Frei as senior vice president of leadership and strategy to assist the human resources team. Ms. Frei reports to Mr. Kalanick and is expected to help improve the company's workplace processes.

Some investors have pressed Uber to release a full version of the Covington & Burling report, according to people familiar with the matter, though Uber said it would need to redact names and certain specifics to respect employee privacy.

**THE WALL STREET JOURNAL**  
Europe Edition ISSN 0921-99  
The News Building, 1 London Bridge Street,  
London, SE1 9GF

**Thorold Barker**, Editor, Europe  
**Grainne McCarthy**, Senior News Editor, Europe  
**Cicely K. Tyson**, News Editor, Europe  
**Darren Everson**, International Editions Editor

**Joseph C. Sternberg**, Editorial Page Editor

**Jacky Lo**, Circulation Sales  
**Andrew Robinson**, Communications  
**Jonathan Wright**, Commercial Partnerships

**Katie Vannec-Smith**,  
Global Managing Director & Publisher

**Advertising** through Dow Jones Advertising  
Sales: Hong Kong: 852-2831 2504; Singapore: 65-6415 4300; Tokyo: 81-3 6269-2701;  
Frankfurt: 49 69 29725390; London: 44 800  
842 9600; Paris: 33 1 40 17 17 17;  
New York: 1-212-659-2176

**Printers:** France: POP La Courneuve; Germany: Dogan Media Group/Hörrijet A.S.; Branch: Qualiprinters s.r.l.; United Kingdom: Newsprinters (Brockhouse) Limited, Great Cambridge Road, Waltham Cross, EN8 8DY

Registered as a newspaper at the Post Office.  
Trademarks appearing herein are used under license from Dow Jones & Co.

©2017 Dow Jones & Company. All rights reserved.

**Editor responsible:** Thorold Barker M-17936-2003. Registered address: Avenue de Cortenbergh 60/4F, 1040 Brussels, Belgium

**NEED ASSISTANCE WITH YOUR BUSINESS?**

By web: <http://services.wsj.com>  
By email: [subwsj@dowjones.com](mailto:subwsj@dowjones.com)  
By phone: +44(0)20 3426 1313

## South Korea Honors Its Fallen



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

## POUND

*Continued from Page One*

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

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

The pound gained more than 2% in April, when Mrs. May called a vote. Polls then suggested she would win convincingly. But Labour has crept up.

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

a Wall Street Journal average of opinion polls.

Labour's leader, Jeremy Corbyn, is considered the party's most left-wing leader in a generation. The self-described socialist has promised to nationalize rail and water companies, raise the minimum wage and increase taxes on corporations and the top 5% of earners. These plans likely would hit U.K. share prices if he were elected, analysts say. Labour's plans for increased fiscal spending could also raise the yields on U.K. government bonds if, as expected, it led to greater government borrowing.

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

But some investors also argue that a Labour-led government could boost sterling over the medium term. While the party has said it would respect

the Brexit vote, it likely would push harder to stay in the EU's single market.

In between the scenarios of Labour and Tory administrations are a range of minority governments and coalitions. Some investors hope that a minority government would

*All of a sudden, this has become an event for markets to worry about.'*

need backing from parties that are against Brexit—the Scottish National Party or the Liberal Democrat Party—and that could soften the divorce.

A second Brexit referendum would suddenly become a real possibility for the first time, making investors reassess their assumptions about Britain and the EU," said Matthew Jennings, investment di-

rector for U.K. equities at Fidelity International.

Still, David Vickers, a portfolio manager at Russell Investments, isn't so sure, underscoring how split opinion is even as the election nears. "I think a hung Parliament would probably be the worst [outcome] because you'd have a lack of leadership in the negotiations. If you're trying to rule by committee, it's going to be difficult," he said.

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

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

Still, current levels are

some way off the minus-13.7 points reached immediately before the Brexit vote.

"This week, we will expect volatility in sterling," said Nandini Ramakrishnan, a market analyst at J.P. Morgan Asset Management, who said her team is taking a more neutral stance on U.K. equities ahead of the election. "There are so many layers within each result that can affect how the market will think about it," he said.

**CORRECTIONS & AMPLIFICATIONS**

**Novo Banco** SA's name was misspelled in one instance as Noveo Banco in a Finance & Markets article on Tuesday about bondholders' opposition to the sale of the Portuguese lender to Lone Star Funds.

Readers can alert The Wall Street Journal to any errors in news articles by emailing [wsjcontact@wsj.com](mailto:wsjcontact@wsj.com).

By web: <http://services.wsj.com>  
By email: [subwsj@dowjones.com](mailto:subwsj@dowjones.com)  
By phone: +44(0)20 3426 1313

## WORLD NEWS

# Battle to Capture ISIS Stronghold Begins

**U.S.-backed forces move to retake Raqqa, terrorist group's de facto capital in Syria**

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

By Raja Abdulrahim  
in Beirut  
and Dion Nissenbaum  
in Washington

Backed by airstrikes from the U.S.-led coalition fighting Islamic State, the fighters, an alliance of Kurdish and Arab factions operating under the umbrella of the Syrian Democratic Forces, entered the easternmost neighborhood of the city late Tuesday, the SDF and anti-Islamic State activists' groups said.

U.S. Marines providing artillery support and American pilots flying Apache helicopters aided the push, said Pentagon spokesman Capt. Jeff Davis, adding that SDF forces had seized six square miles of eastern Raqqa, cut off supply lines to the west of the city and taken away Islamic State's ability to cross the Euphrates River.

As fighting erupted around the outskirts of Raqqa early Tuesday, most people stayed in their homes, one resident said. Those who ventured out went to internet cafes to send messages assuring friends and relatives they were safe or to find out from those who had already fled what escape routes they took, he said.

But concerns about the impact of escalating airstrikes and artillery fire aimed at weakening Islamic State's resistance in Raqqa deepened, with a spokesman for the International Rescue Committee warning that civilians could bear the brunt of the assault.

Opposition monitoring



RODI SAID/REUTERS

Fighters from the Syrian Democratic Forces, leading the push to drive Islamic State from Raqqa, headed toward the city on Tuesday.

## Monthslong Fight For Mosul Nears End

Extremists are holed up in Iraq's second-largest city

MOSUL, Iraq—Iraqi troops pushed to the edge of Mosul's historic Old City on Tuesday, as the battle for Islamic State's other major urban stronghold kicked off in neighboring Syria.

The fight for Mosul has been going on since mid-October. Thousands of extremists,

many from outside Iraq, are fighting to the death in Iraq's second-largest city. The Iraqi military has backed most of the extremists into the Old City, in the western part of Mosul, after clearing the eastern part in January.

Islamic State, which first seized Mosul three years ago, has entrenched itself in the neighborhoods it still holds, using residents as human shields, enlisting snipers to shoot those who flee and using vehicles—some of which are booby-trapped—to block streets.

groups and human-rights organizations have reported a sharp rise in civilian casualties from coalition airstrikes in Syria in recent months.

The start of the operation to retake the city from what the Pentagon estimated are fewer than 1,000 Islamic State militants remaining there came as U.S.-backed Iraqi government forces fight to retake the last vestiges of Islamic State control in the northern Iraqi city of Mo-

sul, once the extremist group's largest Iraqi stronghold.

The U.S. and its Western allies have long viewed Raqqa as an epicenter for Islamic State planning. Those concerns have been compounded by recent attacks in the U.K. and France.

Lt. Gen. Steve Townsend, commander of the anti-Islamic State coalition, said the operation to retake Raqqa would be "long and difficult" but would deliver a "decisive blow to the

idea of ISIS as a physical caliphate." He said the fight would continue after the extremist group is routed from Raqqa and Mosul.

The SDF launched its campaign to isolate and retake Raqqa in November, and has been laying the groundwork for the final push for months. It has seized Islamic State-held towns and villages around the city, cutting it off most avenues of escape.

Zinjili is one of the last neighborhoods bordering the Old City where troops are still battling the militants.

"I can't guess about when we will finish the liberation of Zinjili because of the large number of civilians there, and we're trying to protect their lives," said Col. Saad al-Abadi, spokesman for the Iraqi Army's 9th Division, which is leading the fight there.

On Tuesday, U.S.-backed forces began their campaign to recapture Raqqa, Islamic State's de facto capital in Syria, to the

west of Mosul. Over the weekend, Iraqi paramilitary forces also disrupted an Islamic State supply route between Mosul and Raqqa.

The militants still control a number of Iraqi towns and rural areas, including the extremist way station of Tal Afar in Iraq's northwest. Across Iraq, security officials are on alert for increased Islamic State attacks during the holy month of Ramadan. Islamic State claimed a May 30 bombing at an ice cream parlor in Baghdad.

—Ben Kesling

Last week, in a move that U.S. ally Turkey publicly protested, the Trump administration began supplying weapons directly to the Syrian Kurdish militia, the People's Protection Units, or YPG, which forms the bulk of the SDF.

Turkey had pressed for Arab rebel factions to lead the fight for Raqqa, a predominantly Arab city. But the U.S. has relied mostly on the Kurdish fighters, which Washington

considers most capable of confronting Islamic State.

Turkish Prime Minister Binali Yildirim warned on Tuesday that his country would "give the required response" if the capture of Raqqa by the YPG ever threatened Turkey's security. Ankara views the YPG as the Syrian affiliate of the Kurdistan Workers' Party, or PKK, a separatist group in Turkey that the U.S., Turkey and the European Union have designated a terrorist group.

The YPG and its political wing have used the battle against Islamic State to carve out a semi-autonomous Kurdish state across parts of northern Syria and along the Turkish border. "We will never allow our country to be damaged from the results of this cooperation," state media quoted Mr. Yildirim as saying.

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

Elsewhere in Syria, the U.S. is aiding Arab rebel groups that have been advancing against Islamic State from the south, putting it on a potential collision course with the regime of President Bashar al-Assad.

An estimated 200,000 civilians remain in Raqqa, and in announcing the start of the battle, the SDF warned them to stay away from the front lines and from Islamic State buildings and headquarters.

But a resident of the city said the artillery attacks were indiscriminate and that there were no safe paths out of the city.

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

The spokesman for the International Rescue Committee, Thomas Garofalo, said on Tuesday that his group was "deeply concerned for the safety of civilians in Raqqa."

# Trump Sides With Saudis, Gulf States in Qatar Dispute

By FELICIA SCHWARTZ

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

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

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

Mr. Trump added: "So good to see the Saudi Arabia visit

with the King and 50 countries already paying off. They said they would take a hard line on funding extremism, and all reference was pointing to Qatar. Perhaps this will be the beginning of the end to the horror of terrorism!"

Mr. Trump's decision to take sides on a tense diplomatic spat between Saudi Arabia, the United Arab Emirates, several other Gulf Arab countries and Qatar stands to further inflame tensions in the region by singling out Qatar even though other top administration officials said earlier that diplomacy would smooth over the disagreement.

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

Backers of a U.S. alliance with Qatar say the emirate is

crucial to the fight against Islamic State, and Qatar's Sunni Muslim monarchy has used its vast oil and gas resources to build a reputation as the region's top mediator in conflicts ranging from Sudan to Lebanon.

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

Shiite-majority Iran.

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

Mr. Trump's tweets reflect conversations he had with Saudi officials and others about Qatar two weeks ago, during a presidential visit to Saudi Arabia.

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

Qatar's foreign minister on Tuesday sought to mend ties by calling on the other five member countries of the Gulf Cooperation Council—Saudi Arabia, the U.A.E., Oman, Kuwait and Bahrain—to resolve the dispute "at a dialogue table" and vowing Qatar

wouldn't escalate the dispute by introducing its own sanctions. He said he had established contact with the foreign ministers of "fraternal and friendly countries," without specifying which.

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

Qatar called the decision to break ties and close borders unjustified and said the moves were based on false allegations.

—Nicolas Parasie and Asa Fitch contributed to this article.



Doha's port, through which much of Qatar's imports and exports pass.

AGENCE FRANCE PRESSE/GETTY IMAGES

## WORLD WATCH

## AFGHANISTAN

## Taliban Rocket Hits Compound in Kabul

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

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

The Taliban said the rocket was intended for the U.S. military's headquarters, which is located in the same area.

At least 650 people have been killed or wounded in Kabul in the past week, the majority in a massive truck bombing that struck just outside an entrance to the Green Zone. The government Tuesday revised the toll in the truck blast to 150 from 90.

—Habib Khan Totakhil and Jessica Donati

## FRANCE

## Police Shoot Man Who Struck Officer

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

The attacker struck an officer in the head as he patrolled Notre Dame's square and police responded by shooting him in the leg, according to police. Knives were discovered inside a backpack carried by the assailant, police said, adding that he was being hospitalized.

Police said they also found documents on the attacker suggesting he was an Algerian student in his 40s.

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

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

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

—Matthew Dalton and Nick Kostov

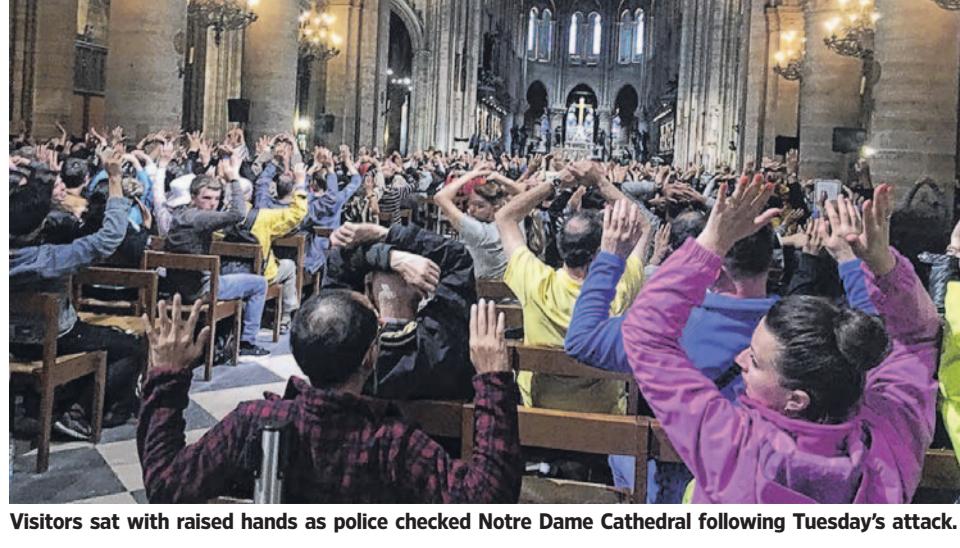
## YEMEN

## Cholera Epidemic Yet To Peak, WHO Says

A cholera epidemic in Yemen has killed at least 681 people

and the outbreak has yet to peak, according to World Health Organization (WHO) figures showing an increase in the death toll of nearly 50% since its last update on May 27.

WHO figures taken between



Visitors sat with raised hands as police checked Notre Dame Cathedral following Tuesday's attack.

NANCY SOEDERBERG/ASSOCIATED PRESS

April 27 and June 4 show 86,422 suspected cholera cases were recorded in 19 of Yemen's 23 governorates, although the WHO said the increase was partly due to "better completeness of reporting."

"Nationwide, this outbreak 'second wave' doesn't seem to have yet reached its peak," WHO said.

—Reuters

## MEXICO

## Accord Reached With U.S. on Sugar Trade

The U.S. and Mexico announced an "agreement in principle" Tuesday designed to avert a trade war over sugar, helping to set the course for bigger talks on rewriting the North American Free Trade Agreement.

U.S. sugar refiners say they are being hurt by imports of refined Mexican sugar, while not getting enough raw sugar for their refineries. The new agreement would reduce the share of refined sugar that Mexico can send to the U.S. to 30% of total sugar sent.

—Anthony Harrup and William Mauldin

## LONDON TERROR ATTACK

# Hole in Intel Sharing Helped One Attacker

By MATTHEW DALTON

PARIS—Europe's fractured landscape of national police and security forces has for years been an obstacle to stopping terror attacks.

The problem may have cropped up again in the failure to stop Saturday's London terror rampage, with Italy and the U.K. contradicting each other over whether one of the assailants had been flagged as a threat to British authorities.

European governments have been working for more than a decade to push their turf-conscious police forces and intelligence agencies to work together more closely, aiming to prevent threat information from falling between the cracks. That effort has yet to produce a cross-border law-enforcement agency akin to the U.S. Federal Bureau of Investigation that can conduct its own investigations across the European Union.

Instead, the region has created a number of multilateral institutions and databases that are supposed to prevent extremists deemed security



Police observe a minute's silence for the victims of Saturday's terrorist attacks in London.

Islamist radical.

Hours after the attack, French police stopped Mr. Abdeslam as he drove from Paris to Belgium. They ran his name against the Schengen database and turned up the alert from Belgium, but then let him go. Mr. Abdeslam remained on the run for months before being arrested in March 2016.

That episode prompted a sharp increase in the amount of information national governments placed into the Schengen database.

They also created a special category of alert for people deemed to be suspected "foreign terrorist fighters."

Italian authorities in March 2016 stopped Youssef Zaghba, a 22-year-old Italian citizen who was one of the assailants on London Bridge, from boarding a plane to Turkey and discovered extremist propaganda on his phone.

That episode would have been enough for some governments to place an alert in the database for him as a security risk, an EU official.

The Italians, however, didn't do so, having dropped

risks in one European country from moving undetected into another.

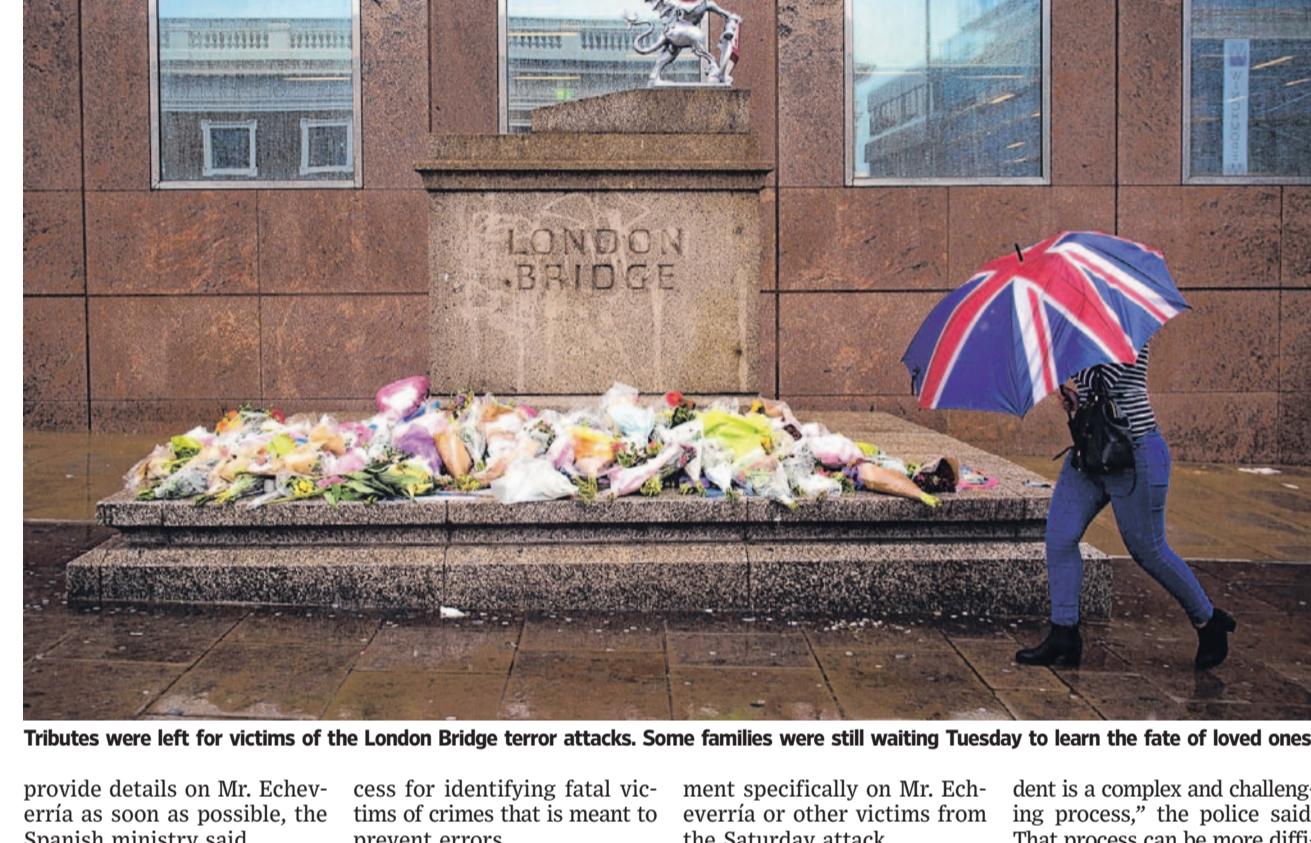
That approach, however, has left security loopholes, to the consternation of U.S. authorities. Washington has expressed exasperation with Europe's welter of security forces and pressed its national governments to band together to fight transnational crime and terrorism. The U.S. is concerned largely because it relies heavily on Europe's capitals to provide information about who should be on security

lists, such as the U.S. "no-fly" list, EU officials say.

One of Europe's main cross-border security tools is the Schengen Information System, a pan-European law-enforcement database that contains millions of alerts on stolen cars and documents, arrest warrants and the names of people deemed to be terror threats. The database can also call for a "discrete check," in which a national police force is notified when the subject of an alert has been stopped elsewhere in Europe. Police

across the EU have access to the database in real time.

The database's weak point has long been that governments are under few obligations to feed it with information or to consult it in law-enforcement operations. Before the Paris attacks of 2015, that laxness produced a crucial mistake: Belgium had entered the name of Salah Abdeslam, one of the Islamic State operatives who planned the Paris attacks, in the database but gave no indication he was a suspected



Tributes were left for victims of the London Bridge terror attacks. Some families were still waiting Tuesday to learn the fate of loved ones.

WILL OLIVER/EUROPEAN PRESSPHOTO AGENCY

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

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

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

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

On Monday, Spanish foreign minister Alfonso Dastis called his U.K. counterpart Boris Johnson to urge Britain to

provide details on Mr. Echeverría as soon as possible, the Spanish ministry said.

"We are pressing the British authorities because, frankly, this is a situation that can't be extended for much longer," Mr. Dastis told reporters in Madrid.

In the U.K., the police are constrained by a formal pro-

cess for identifying fatal victims of crimes that is meant to prevent errors.

"Accurately identifying victims is crucial and every care is taken to ensure this is done as quickly as possible, with due consideration to the families," the Metropolitan Police said.

On Tuesday, a police spokesman declined to com-

ment specifically on Mr. Echeverría or other victims from the Saturday attack.

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

"Identifying large numbers of casualties in a major inci-

dent is a complex and challenging process," the police said. That process can be more difficult and slower in cases like the London Bridge attack, where several victims are from different countries, making their relatives harder to locate and bring in to identify the bodies.

—Lara O'Reilly contributed to this article.

By Jon Sindreu,  
Sarah Kent and  
Jeannette Neumann

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

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

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

## Economic Divide a Key Factor in U.K. Vote

By JASON DOUGLAS  
AND WIKTOR SZARY

BIRMINGHAM, England—Disparities in wealth, income and opportunity have fueled a backlash against establishment politicians across Europe and in the U.S. In Britain, the economic divide shaping the dynamics of Thursday's parliamentary elections is the gap between London and the rest of the country.

A weekend Islamist terror attack—one of three this year, including a suicide bombing outside a pop concert in Manchester late last month—has focused voters' attention and candidates' rhetoric in recent days on security. But a major economic issue driving the campaign is how to close the chasm between the booming capital and less-prosperous regions.

Prime Minister Theresa May's governing Conservative Party has lost ground in opinion polls since she called the snap vote in April, but it is still leading. The latest surveys put her lead over the main opposition Labour Party anywhere between 4 and 11 percentage points.

Andy Street, the newly elected mayor of the West Midlands Combined Authority, a huge slice of central England encompassing cities such as Birmingham, Coventry and Wolverhampton, is trying to reduce the area's imbalance with London. emblematic of the split, he says: infrastructure spending per person in London is seven times as high as in his region.



West Midlands Mayor Andy Street greets Prime Minister Theresa May in Wolverhampton in central England. While London has prospered, regions such as the Midlands have struggled.

"It's not bloody surprising we haven't been able to grow the economy that fast," the 53-year-old mayor said.

London is more than eight times as populous as Birmingham, the country's second-largest city, and generates almost a quarter of the U.K. economy's entire annual output, compared with around 15% three decades ago. By contrast, Paris accounts for less than 10% of France's economy, while Berlin makes up less than 4% of Germany's.

Last year's Brexit referendum threw the divide between capital and country into sharp relief. London—a global entrepôt and financial hub

overwhelmingly voted to remain in the European Union, as did Scotland and Northern Ireland. Most of England and Wales chose to leave.

That result has given renewed impetus to stop-start efforts to boost regions scarred by deindustrialization and political neglect. Both main parties are jostling to persuade voters they have the best strategy for renewing regional economies in the world's fifth-biggest economy.

Mrs. May's Conservatives have put addressing the regional divide at the center of their platform. In its manifesto, the party said closing the gap between London and

the rest of the country is "the biggest prize in Britain today."

The party pledged extra investment in housing and infrastructure as well as scientific and technical colleges to train workers in new skills. It also said it would relocate government departments out of London to support local economies.

The main opposition Labour Party, led by Jeremy Corbyn, also has put regional revival on its agenda, saying in its manifesto that it would establish a national investment bank with a network of branches to finance infrastructure investment in left-behind areas.

## ATTACK

Continued from page A1  
an attack was being planned.

Another security official said it was still too early to draw conclusions about which attacker led the operation and how deeply their networks extended in Britain and abroad.

The three men, all residents of east London, mowed down pedestrians in a van on London Bridge before slashing their way through the popular Borough Market pub-and-restaurant area before being shot and killed by police.

U.K. police publicly identified Zaghba on Tuesday, saying he hadn't previously been a "subject of interest." Italian officials said Zaghba had been prevented from boarding a flight from Bologna to Istanbul in March 2016 after Islamic State propaganda was found on his phone.

Italian authorities detained Zaghba for a short time but didn't have enough evidence to press charges, the officials said. Information about him was shared with international intelligence and police sources, and the U.K. was notified separately because Zaghba traveled often to London; Felice Casson, the secretary of the Italian parliament's national security committee said. British officials declined to comment on the Italian statement.

In an interview with Italian weekly L'Espresso, Valeria Khadija Collina, a woman identified as Zaghba's mother, was quoted as saying she last heard from her son Thursday. "In hindsight, I now realize that it was a call to say goodbye," said the woman, who added she had

been planning to join her son in London imminently to celebrate the end of Ramadan.

She said her son had been trying to reach Syria when he was detained last year. He had shown her videos of Syria, where he hoped to find "pure Islam"—an idea she said he had taken up from the internet. "I always told him that there were terrible things there that they didn't show," she told the magazine. "But unfortunately I wasn't able to change his mind."

Security officials want to know whether Mr. Redouane linked up with Islamic State networks in Ireland, where he lived from 2012 until at least 2014, or during a 2014 trip to Morocco.

Redouane had once been married to a woman with whom he had a young child, according to two of her social-media contacts. One said the woman had posted on Facebook that the couple split in part over child-rearing differences, with Redouane wanting to control how the child was dressed and trying to stop her from swimming.

In London, authorities are investigating connection between Butt—who neighbors said had appeared in a TV documentary called "The Jihadis Next Door" that aired last year—and a London Islamist network that has groomed jihadis for decades, including Islamic State recruits. Butt has links to extremist preacher Mohammad Shamsuddin, a leading figure in an offshoot of the banned al-Muhajiroun network.

—Matthew Dalton, Pietro Lombardi, Riva Gold, Jon Sindreu, Jason Douglas and Jenny Gross contributed to this article.

## WORLD NEWS

# U.S. Envoy Resigns Post In Beijing

**BEIJING**—The top-ranking U.S. diplomat in Beijing resigned over President Donald Trump's decision to withdraw from the Paris climate accord, depleting already thinned-out State Department ranks and depriving Washington of one of its most experienced China hands.

By **Josh Chin, Te-Ping Chen and Brian Spegele**

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

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

U.S. Energy Secretary Rick Perry arrived in Beijing this week to attend an international gathering on clean energy and meet with Chinese officials. It would have been

Mr. Rank's job to accompany Mr. Perry to those meetings and help explain the Trump administration's decision to exit from the Paris agreement.

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

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

The U.S. Embassy in Tokyo has been without an ambassador since Caroline Kennedy departed after the November election. Mr. Trump's nominee for U.S. ambassador to Japan, businessman William Hagerty, has yet to be confirmed by the



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

Senate. Mr. Trump, meanwhile, has met with Japanese Prime Minister Shinzo Abe twice since his election and several top U.S. officials have visited Japan.

The U.S. also hasn't had an ambassador in South Korea, complicating diplomatic efforts during a crisis over North Korea's nuclear program and as a new government settles into office in Seoul.

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

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

"Dave Rank is the best Amer-

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

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

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

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

Cooperation on climate change was a rare bright spot in relations between China and the U.S. under the Obama administration. At the clean-energy gathering in Beijing on Tuesday, Mr. Brown, who criticized Mr. Trump's move, agreed on separate climate goals between his state and China's Ministry of Science and Technology.

On a panel at the same gathering, Mr. Perry stressed his department's support of cleaner coal technologies to balance environmental protection and economic growth.

China's Foreign Ministry declined to comment on Mr.

Rank's resignation, saying it was an internal U.S. matter. China would continue to work with the U.S. on a range of issues, ministry spokeswoman Hua Chunying said, "including cooperation in the climate-change field."

"Mr. Rank made a personal decision. We appreciate his years of dedicated service to the State Department," said spokeswoman Anna Richey-Allen.

Mr. Rank has been succeeded as acting head of mission by economic counselor Jonathan Fritz, a spokeswoman for the U.S. Embassy said. Mr. Rank's departure was first reported on Twitter by John Pomfret, a former Washington Post reporter who now works for China news startup SupChina.

Mr. Fritz couldn't be reached for comment.

# Violent Act Capped Turbulent Life

By **RACHEL PANNETT AND ROBB M. STEWART**

**SYDNEY**—A gunman who shot and killed a Melbourne hotel clerk in what Australian authorities are calling an act of terrorism was previously acquitted of conspiring to attack an army base and kill as many soldiers as possible.

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

At about 4 p.m. on Monday, he entered a serviced apartment building in suburban Brighton, shot and killed a 36-year old clerk—who leaves behind a wife and child—and took a woman hostage. After a two-hour standoff during which he fired at officers with a shotgun, he was killed by police.

In Australia and worldwide, security forces are struggling to monitor people with violent backgrounds, links to extremist groups and those who have traveled to train in Islamic State camps. The Melbourne siege came less than two days after three knife-wielding attackers killed seven people in central London.

"What is clear here is that we face a growing threat from Islamist terrorism in Australia, in the region, and around the world," Australian Prime Minister Malcolm Turnbull said. Australia's five-tier terrorism threat system has been set at "probable," the third-highest level, since September 2014.



Police searched Yacqub Khayre's Melbourne home on Tuesday, a day after he shot and killed a man.

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

When Khayre went on trial in 2010 for conspiring to attack the army base, prosecutors alleged he had traveled to Somalia the year before to seek approval for the act from a local sheikh. Khayre was acquitted by a jury, while three co-defendants were sentenced to 18 years in prison.

Less than two years later, in April 2012, Khayre broke into a house in suburban Melbourne. Armed with a switchblade, he stole items including an iPod, a laptop and jewelry, according to court documents. At about 2:40 a.m., a young woman who lived there returned home. He punched her in the face and

stomach and then assaulted her father before being wrestled to the ground. He was sentenced to 5½ years in prison with no chance of parole before three years and had extra time added on for arson while incarcerated. Police in Victoria state said he was released on parole late last year when he became eligible and until Monday, he appeared to have complied with the terms of his release.

"Australians need to be assured that people who are a threat to their safety aren't released on parole," Mr. Turnbull said.

It isn't the first time an assailant has carried out a terror attack here while on parole or on bail pending trial. Man Haron Monis, an Iranian immigrant who took over a central Sydney cafe and held several people hostage in 2014 before

police killed him, was on bail for multiple sexual crimes. Two hostages, the cafe's manager and a female customer, died.

Australia's center-right government has passed several antiterrorism laws increasing the powers of intelligence agencies and police to monitor and detain suspected extremists, in addition to prosecuting returning fighters.

The government has also introduced tough laws limiting the movement of suspects as young as 14, while allowing indefinite detention of convicted militants who are still believed to pose a security risk. On Tuesday, Victoria state Premier Daniel Andrews said officials would discuss with Mr. Turnbull and federal agencies whether tighter measures are needed.

—Rob Taylor in Canberra contributed to this article.

# Japan Salaries Stall Despite Jobs Dearth

By **YOKO KUBOTA**

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

So how much of a real raise are they getting?

Exactly zero.

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

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

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

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

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

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

Recently, economists have

been focusing on an additional factor in Japan—the changing composition of the workforce.

Especially since Mr. Abe took office in December 2012, new workers in Japan, such as the elderly, women and foreigners, have taken lower-paid, part-time or irregular jobs. Those leaving the workforce tend to be highly paid full-time employees who have reached retirement age of 60 or 65.

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

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

While the average individual wage has stagnated, the total amount of wages paid to all employees in Japan actually rose 2.1% after adjustment for inflation in the year ended in March, government data show. That is largely because the number of people working has been rising about 1% annually, despite a shrinking population.

**FamilyMart Uny Holdings** Co., a convenience-store operator, has been holding job fairs for foreigners at Japanese-language schools. At a job fair for the elderly this week in Tokyo hosted by 7-Eleven, around 100 people listened to tips from managers on becoming a clerk.

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

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



A 7-Eleven employee at a job fair for the elderly in Tokyo

# South African Economy Falls Into Recession

By **GABRIELE STEINHAUSER**

27.7% in the first quarter—the highest rate since 2003.

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

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

Mr. Zuma's approval rating has dropped to just 2.8 out of 10—the lowest reading for any South African president since the poll was first conducted in 1993, according to Ipsos. In November, Mr. Zuma still scored four out of 10.

The latest poll was based on interviews with 3,471 South Africans of voting age and has an

error margin of 1.63%. It was conducted before South African media published a barrage of leaked emails that appeared to show a flow of payments between senior ANC officials—including Mr. Zuma—and a controversial Indian business family, the Guptas.

The emails, which have dominated local headlines for the past 10 days, reportedly show that Gupta-owned businesses picked up ANC officials' expenses, including for travel, hotel and mobile-data charges, and coached officials on how to respond to questions about their relationship to the family.

In exchange, the Guptas, whose businesses stretch from media to mining, allegedly secured lucrative contracts from state-owned enterprises and access to confidential govern-

ment information.

A lawyer for the Guptas has said the family won't comment on the emails until they can verify their authenticity.

Mr. Zuma has denied reports, based on the emails, that he is seeking residence in Dubai and has rejected similar allegations about his ties to the Guptas in the past. The ANC has called on the government to establish the veracity of the emails, which it says "call into question the integrity and credibility of the government and the use of state resources."

On Tuesday, the statistics office said 12.8% growth in the mining and quarrying industry failed to make up for a 5.9% contraction in the trade, catering and accommodation sector and a 3.7% decline in manufacturing in the first quarter.

## U.S. NEWS

# Seeking Private Money for Infrastructure

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

By TED MANN  
AND RYAN DEZEMBER

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

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

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

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

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

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



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

challenge will be to steer Wall Street's mountain of infrastructure money to projects that have traditionally been bypassed, such as toll roads and bridges, because of political hurdles, low returns and project time lines that exceed the length of time these funds have investors' cash locked up—usually 10 years or so. Speeding up permitting processes could make more projects palatable to private-equity investors, investors say, particularly as competition for deals that fit well within current funds, such as pipelines and power plants, pushes up asset prices.

Blackstone, for example, has spent more than six years securing permits to bury transmission lines that will carry electricity generated by dams in Quebec to New York City and Massachusetts. It could take years more before the power lines are completed, and the firm begins collecting on its investment. Blackstone executives say the massive fund they are raising, which would be more than twice the size of the current record, will have no timeline on returning cash to investors and targets lower returns.

Ms. Crebo-Rediker praised the administration's embrace of programs that provide loans, loan guarantees and lines of credit for projects with national significance, allowing states and cities that qualify to add leverage to building projects.

The administration also called for expanding a similar loan program for water infrastructure, and it said it would lift the cap on a program that allows the Transportation Department to allow the issuance of tax-exempt bonds for private entities.

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

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

incentives to states and cities to turn to the private sector for financing.

"I think you'll see a huge increase in infrastructure fund balances once we put into place the two things we're doing investors care about," DJ Gribbin, the special assistant to the president for infrastructure policy, said in an interview.

The administration hopes to cut lead times to get projects from the planning stage to construction by reducing permitting requirements. That will lessen the political risk that has deterred some private investment, officials said.

Secondly, it plans to encourage cities and towns to raise fees—like roadway tolls or water-usage charges—that will provide the revenue streams for private-equity investors.

It isn't clear, however, that private investors will swarm to some of the country's most seriously decrepit infrastruc-

ture projects because not all of them will provide commercial returns.

"I'm a huge supporter of increasing private capital in infrastructure," said Heidi Crebo-Rediker, an adjunct senior fellow at the Council on Foreign Relations who served in the administration of former President Barack Obama, a Democrat.

"But it is not a silver bullet, and as a country we are not set up to take on a fully private investment in public infrastructure," she said.

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

Officials at several major transportation agencies have expressed serious concerns about the administration's infrastructure approach in re-

cent days.

One government official, referring to the administration's desire to shift responsibility for providing direct funding from the federal to state and local governments, said that Mr. Trump's administration was trying to "starve the beast" and force states and cities to find ways to finance privately.

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

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

Private-equity executives and bankers who specialize in infrastructure investing said

that finding money for projects isn't a problem. It is the dearth of attractive investments, they said.

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

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

The White House's chal-

## Regulatory Plan Worries Business

By ERIC MORATH

A proposal in President Donald Trump's budget to eliminate a regulator and cut government spending is drawing criticism from an unexpected source: Washington's business lobby.

Labor Secretary Alexander Acosta was expected to outline the administration's plans for reducing spending at the agency at a budget hearing Wednesday. One proposal put forth is to merge the department's body that oversees government contractors into the Equal Employment Opportunity Commission, an independent agency that enforces antidiscrimination laws among all employers, including those with no government ties.

Some conservative groups, including the Heritage Foundation, see the department's Office of Federal Contract Compliance Programs and the commission as redundant. Both agencies enforce labor rules, overlap in jurisdiction and have coordinated on the gathering of information.

The contract office received \$105 million in funding for the current fiscal year. The president's budget proposes cutting that to \$88 million for the next fiscal year, before combining the two agencies in the 2019 fiscal year. The commission's funding for the next fiscal year was left unchanged.



A White House proposal would merge two employment regulators.

The proposed merger is consistent with the president's direction for agencies to develop plans to reorganize and would benefit workers and employers by consolidating the oversight of federal employment rules, an official at the White House's Office of Management and Budget said Monday.

But pro-business organizations, including the Chamber of Commerce, are skeptical. "There is a fear in the business community that this newly formed grouping might result in the worst of all worlds from both agencies," said Randel Johnson, the chamber's senior vice president for labor, immigration and employee benefits.

The agencies differ in a few ways. The federal-contract office enforces stricter regulations.

tions set for firms that provide the government with goods and services, including affirmative-action rules. In that role, the office conducts audits of thousands of contractors annually, but those investigations are limited to specific locations.

The commission, which oversees all employers, only acts upon complaints. But once it receives a complaint, it can expand an investigation nationally. The commission can seek damages and levy fines. The contract office is limited to collecting only damages but also can bar a firm from receiving federal contracts.

Some businesses see the potential for an agency that combines auditing power with national reach and stronger tools. "This could create a su-

perior enforcement agency," said Mickey Silberman, a Jackson Lewis labor attorney who represents businesses. "It could be very powerful combination, potentially, of much broader enforcement authority and the ability to seek much greater remedy from employers."

Congress would need to approve stripping the office from the Labor Department and moving it to the commission. Top Republicans have yet to endorse the plan.

Republicans on the House Education and the Workforce committee are open to discussing opportunities "to streamline the federal government," but protecting workers and ensuring the nation's nondiscrimination laws are properly enforced are top priorities, said a spokeswoman for the committee, led by Virginia Foxx (R., N.C.).

A spokeswoman for Republicans on the House Appropriations Committee, which will hear from Mr. Acosta this week, said the proposal is under review. Leading Democrats, concerned combining the agencies and reducing funding could weaken civil-rights protections, reject the proposal.

"We should be doing much more, not less, to help make sure all workers get paid fairly and treated fairly on the job," said Sen. Patty Murray of Washington, the ranking Democrat on the Senate labor committee.

## Pick for Economic Post Defends Growth Goal

By JOSH ZUMBRUN

**WASHINGTON**—Kevin Hassett, the man who would be one of President Donald Trump's top economic advisers, defended the administration's forecasts for robust economic growth over the next decade, saying a target of 3% growth is achievable with the right policies.

"I think it's absolutely possible to return to a place where you get 3% growth if you design policies that encourage capital formation in the United States," said Mr. Hassett, the nominee to be chairman of the Council of Economic Advisers, in testimony before the Senate Banking Committee.

"For sure, if we don't change policy, we can expect to stay around 2%," he said.

The president's budget forecasts the U.S. economy would grow 3% a year for most of the next decade, while private forecasters, the Federal Reserve and Congressional Budget Office have all forecast growth closer to 2%. While there are often differences between the forecasts, they are seldom this large.

Mr. Hassett, the director of research for domestic policy at the conservative American Enterprise Institute, said a tax-policy overhaul would be necessary to get such a large lift in growth.

He said the discrepancy between private forecasters and the White House may boil down to the fact that the private forecasters "don't envision the kind of sweeping tax changes" that could be enacted.

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

"I believe it is essential to gather evidence, and not just rely on theories," Mr. Hassett



Kevin Hassett

said in his brief prepared remarks.

"The real world has many complications that are not included in models, and the data often surprise economists, especially those who have too much confidence in pure theory," he said.

He also said that among his top priorities would be making economic analysis that is "transparent and replicable."

Mr. Hassett would join an administration with some sharp internal divisions in its

approach to economic policy, particularly between economic nationalists on one side and Wall Street moderates and establishment Republicans on the other. He would more likely be in the latter camp. He has written work supportive of free trade and increased immigration, and worked as a consultant to Citigroup.

Asked about his past work on immigration, Mr. Hassett said he stands by the analysis that "if there were more workers, you would have more output," and said that "immigrants in this country have been an important source of growth."

## China Treaty on Mnuchin's Agenda

By IAN TALLEY

**WASHINGTON**—The Trump administration plans on reviving talks toward a bilateral investment treaty that would give U.S. firms broader access to the Chinese market, but only after Washington makes progress on other trade issues, U.S. Treasury Secretary Steven Mnuchin said Tuesday.

The Obama administration had said it was close to completing a yearslong negotiation with Beijing on a Bilateral Investment Treaty, but the

Trump administration's focus on ramping up exports to China, rather than U.S. investment in the world's second-largest economy, has quashed hopes among U.S. business advocates of the so-called BIT for a deal anytime soon.

Mr. Mnuchin, speaking at the U.S.-China Business Council annual meeting, said a BIT deal is on the Trump administration's agenda, even though it isn't a top priority.

First, the administration is seeking to make progress on specific market-access issues

such as beef exports, Chinese rules on biotechnology imports and energy products. "Then we can turn to the bilateral investment agreement," the secretary said.

He also said that while the administration was considering technical changes to the interagency security-review process on foreign investment, it won't use it to leverage better trade terms with China.

Some lawmakers and their advisers have proposed not only bolstering the processes used by the Committee on For-

eign Investment in the U.S., which reviews foreign deals, but also using it to pursue the administration's goal of achieving "reciprocity" in its trade relationship with China. If Beijing doesn't give U.S. companies access to Chinese markets, the concept goes, the U.S. might use the review process to restrict Chinese access to U.S. markets.

Mr. Mnuchin said, however,

that "we want to keep Cftus as a national-security review and we want to deal with economic issues separately."

I believe it is essential to gather evidence, and not just rely on theories," Mr. Hassett

## U.S. NEWS

# GOP Health Talks Focus On Medicaid

WASHINGTON—As Senate Republicans gathered behind closed doors Tuesday to hear options from GOP leaders for a health-overhaul bill, the future of Medicaid is expected to take center stage.

*By Stephanie Armour,  
Louise Radnofsky  
and Kristina Peterson*

Former President Barack Obama's Affordable Care Act ushered in sweeping changes to the program, which provides health coverage for about 1 in 5 Americans. Enrollees include children and the disabled, but also millions of poor working-age Americans in the 31 states that opted to expand eligibility with significant federal funding under the 2010 health law.

House Republicans, in a bill passed last month, would continue the ACA's expanded federal-funding levels until 2020 and then gradually phase them out, likely prompting states to end the expanded coverage.

The issue pits Republican-controlled states against one another at a time when GOP leaders are eager to see relatively fast action on the bill in the Senate. States that expanded Medicaid are anxious not to see people lose health coverage or governors' budgets squeezed, and states that didn't are reluctant to see other states protected for making a choice they oppose.

There are roughly equal numbers of red states—and Republican senators—in each camp. Senate GOP leaders, meanwhile, need to preserve near-perfect unity among their 52 members in order to pass a health bill that repeals the ACA, because they can count on no votes from Democrats.

GOP Sens. Rob Portman of

Ohio and Pat Toomey of Pennsylvania are taking the lead on the issue within a group of Senate Republicans tasked with leading the 52 members across the finish line.

Both represent states that opted to expand the program. Mr. Portman is considered to largely share the perspective of his governor, John Kasich, who fought to extend Medicaid eligibility in Ohio over objections from other Republicans. Mr. Toomey, by contrast, is a budget hawk who backs deeper Medicaid cuts typically favored by Republicans from the many states, especially in the South, that didn't expand their programs.

Several options are believed to be on the table.

Some conservative strategists say the best course for a deal on Medicaid is to restrict federal funding to a set amount for each person enrolled but allow states to retain more generous eligibility rules for a longer period of time.

Such a proposal could represent a net win for states that opted not to expand the program, while allowing states that did to figure out how to offer coverage for people who qualify according to the standards they want to set.

Another concept being discussed is cutting off federal Medicaid funding for people with incomes above the poverty level, and moving those people into subsidized private insurance plans, people familiar with the conversations said. That idea is particularly promoted by Mr. Kasich, although it is unlikely to appease the more stringent advocates of cutting federal spending on Medicaid.

Senate aides spent last week hammering out potential



Sen. Rob Portman, left, has taken a less draconian stance on cutting Medicaid spending than Sen. Pat Toomey, a fellow Republican.

## Anthem to Quit Ohio ACA Exchange

Anthem Inc. said it will pull out of the Affordable Care Act health-insurance exchange in Ohio next year, a move that likely will leave at least 18 counties in the state with no available ACA marketplace plans.

The move is the first withdrawal by Anthem, a huge exchange insurer that has warned repeatedly that it was weighing its future in the ACA marketplaces, which sell health insurance to individuals. The decision will likely create alarm in the other 13 states where Anthem offers individual health-insurance plans. So far, the in-

dustry has filed 2018 ACA plans with regulators in other states, including Virginia, Maine and Connecticut, but it could still pull back.

The Ohio Department of Insurance said that, based on preliminary 2018 filings made by insurers, Anthem's move will leave at least 18 counties with no exchange plans available.

Anthem is currently the only ACA exchange insurer in 20 Ohio counties, according to the Kaiser Family Foundation. The move will mark the second region at risk of being bare of ACA marketplace insurers, after Blue Cross and Blue Shield of Kansas City announced it would leave a large area of western Missouri next year.

In announcing the decision, Anthem said that setting prices

surer has filed 2018 ACA plans with regulators in other states, including Virginia, Maine and Connecticut, but it could still pull back.

The Ohio Department of Insurance said that, based on preliminary 2018 filings made by insurers, Anthem's move will leave at least 18 counties with no exchange plans available.

Anthem is currently the only ACA exchange insurer in 20 Ohio counties, according to the Kaiser Family Foundation. The move will mark the second region at risk of being bare of ACA marketplace insurers, after Blue Cross and Blue Shield of Kansas City announced it would leave a large area of western Missouri next year.

In announcing the decision, Anthem said that setting prices

\$119 billion in the next decade compared with current law.

Senate Majority Leader Mitch McConnell at the policy lunch Tuesday was expected to outline the options to Senate Republicans in hopes of holding a vote on the bill before lawmakers' July 4 break. That would give Republicans time before the August recess to

and making decisions about ACA plans has become "increasingly difficult due to the shrinking individual market as well as continual changes in federal operations, rules and guidance."

The insurer said the market remains "volatile," and it cited the uncertainty surrounding key issues including federal payments that help reduce costs for low-income ACA enrollees.

In a statement, the Ohio insurance department said it "is looking for options to help the approximately 10,500 Ohioans in counties where there may not be an exchange plan when this takes effect in 2018." The department said that Ohio has 11 exchange insurers overall this year, down from 17 in 2016.

—Anna Wilde Mathews

will join with us as we move beyond the system's failures."

Democrats have so far blasted the Republican effort and said they wouldn't support legislation that undermines the ACA.

"All Republicans are asking themselves right now is whether to burn down the house or bulldoze it, because at the end of the day, the policies they're working with will dramatically raise families' health-care costs, kick tens of millions of people off of coverage and deepen the system-wide chaos they've already provoked," said Sen. Patty Murray of Washington, the top Democrat on the Senate health committee.

After the Tuesday Hill meeting, some GOP leaders will head to the White House for a meeting with President Donald Trump about the party's next steps on health care and taxes.

Mr. McConnell and Senate Majority Whip John Cornyn of Texas will attend, along with House Speaker Paul Ryan of Wisconsin, Majority Leader Kevin McCarthy of California and Majority Whip Steve Scalise of Louisiana, the White House said Tuesday.

## Tax-Exempt Land Vexes Cities

BY JOSEPH DE AVILA

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

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

It has less taxable property than the neighboring suburban community of West Hartford, which has less than half of the population than its urban neighbor. And Hartford's total property-tax receipts are about 25% below that of the town community of Greenwich.

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

The mayor said the small tax base along with growing fixed costs produced structural budget deficits that prior administrations sought to deal with through asset sales,



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

short-term debt restructuring and property-tax increases.

Mr. Bronin is now asking for financial help from the state.

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

For capital cities such as Hartford, much of the real estate is held by government departments that don't pay taxes.

Other cities in similar situations include Boston, where just over half of the property in the city is tax exempt. In Baltimore, about 32% of the property is tax exempt.

Only 64 bankruptcies have been filed by cities, counties, towns and villages since 1954, according to James Spiotto, an attorney who tracks municipalities' bankruptcies. In 2013, Detroit became the largest ever U.S. municipal bankruptcy case.

Victor Medeiros, a public-financial ratings analyst with S&P Global Ratings, which down-

graded Hartford last month, said the city could face additional downgrades of several notches. The credit-ratings firm will be watching whether Connecticut can reach a timely budget agreement and what level of financial assistance the state will be able to offer the city, he said.

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

Mr. Bronin said one-time budget fixes and tax increases won't cut it anymore. After cutting 15% of the city's non-uniformed workforce, he said he won't reduce the number of police officers or firefighters and added that further trimming back city services would be irresponsible.

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

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

## ECONOMY

### Job Openings Hit New High in April

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

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

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

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

—Jeffrey Sparshott

## U.S. WATCH

at a Los Angeles school are in limbo after their answer sheets were lost in transit, leaving them and their parents upset as testing officials scramble to locate the missing material.

ACT spokesman Ed Colby said a package of answer sheets from an April 8 testing at University High School didn't arrive at the company's headquarters in Iowa. ACT is working with FedEx to locate the package, he said.

—Tawnell D. Hobbs

## OPIOID CRISIS

### Police Warned of Accidental Overdose

The U.S. Drug Enforcement Administration on Tuesday warned of a new problem presented by the nation's drug abuse epidemic: the threat of law enforcement officers accidentally overdosing.

Officers and paramedics are increasingly coming in contact with potent synthetic opioids that can be dangerous and deadly, a troubling side effect of the U.S. opioid crisis.

Although the DEA doesn't keep data quantifying the problem, first responders handling evidence or helping overdose victims are more frequently reporting breathing problems, dizziness and even loss of consciousness, acting Administrator Chuck Rosenberg said. The DEA issued new guidance to officers and emergency responders, urging caution even during routine calls.

—Associated Press

## COLLEGE ADMISSION TEST

### Some ACT Scores Missing in Los Angeles

About 125 students who took the ACT college-admission test



REMEMBRANCE: Veterans Geraldine Corn, left, 95, and Eli Linden, 94, visit before the start of a ceremony Tuesday marking the 73rd anniversary of D-Day at the World War II Memorial in Washington.

BY DEL QUENTIN WILBER AND LUKAS I. ALPERT

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

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

The Justice Department didn't identify the news organization in court papers, but a U.S. official confirmed it

was the Intercept, which on Monday afternoon posted online a document that it said was produced by the National Security Agency and which concluded Russian spies hacked computers of a U.S. company "to obtain information on elections-related software and hardware solutions."

Ms. Winner is being held in federal custody until a detention hearing later this week, said her attorney, Titus Nichols. "She has no criminal history," Mr. Nichols said. "She is holding up very well and trying to remain in good spirits. We are working to resolve this and put it behind her."

Ms. Winner is a contractor with Pluribus International Corp. and is assigned to a

government facility in Georgia, the Justice Department said. Calls to Pluribus weren't answered.

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

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

The government investigated who had access to the

## IN DEPTH



LINDSEY JANIES/BLOOMBERG NEWS

The Asia Vision liquefied natural gas carrier ship at the Cheniere Energy Inc. terminal on the U.S. Gulf Coast. The firm has spent more than \$19 billion on plants that cool gas to minus 260 degrees Fahrenheit.

## GAS

*Continued from Page One*

the next couple of years.

In one sign of how gas is going global, the U.S. and China are working on a trade deal that could send vast quantities of gas pumped in Texas and Pennsylvania to factories in Shanghai and Guangdong. Improved access for U.S. exporters to China's giant energy markets could boost overall global shipments.

The changes are contributing to rapidly narrowing price differences from place to place. In 2012, Asia spot prices for LNG were \$5.74 per million British thermal units higher than natural-gas prices in Europe, according to S&P Global Platts. This year so far, the difference has averaged less than \$1, something analysts expect to continue.

Worries by U.S. political leaders that gas exports would drive domestic prices significantly higher haven't been borne out, at least so far, as Energy Department studies show only marginal effects.

The U.S. appears to be exporting its low gas prices rather than importing higher ones from the rest of the world.

As LNG import terminals open in more locations, gas pricing and trading mechanisms are developing as well. Some investors are increasingly using the gas price at a pipeline intersection in Louisiana, called the Henry Hub, as a global benchmark.

Trading in the New York Mercantile Exchange's Henry Hub gas futures contract is becoming more global, said Peter Keavey, global head of energy at Nymex owner CME Group. In May, the Intercontinental Exchange launched the first futures contract reflecting LNG produced in the U.S.,

based on S&P Global Platts Gulf Coast price assessments.

Seaborne gas is reducing some countries' historic dependence on pipelines that run through potentially unfriendly territory. Poland, for instance, opened its first import terminal a year ago, lessening its reliance on gas piped from Russia.

When global trade in LNG began in the 1960s, the cost of liquefying gas was so high it was a niche product, affordable only by developed countries such as Japan.

As the technology proved reliable, trade in LNG became more common, but contracts to deliver the fuel by ship were decadeslong and had ironclad destination clauses. Gas contracted for Tokyo couldn't be rerouted to Seoul. Traders called gas tankers "pipelines at sea."

Now, contracts are getting shorter and starting to allow gas to be diverted to where demand is greatest. Earlier this year, three large LNG buy-

ers in Japan, China and South Korea agreed to work together to push sellers for more contract flexibility and fewer onerous restrictions.

At any given time, there are about 170 tankers filled with LNG on the world's oceans, up from 150 a year ago, according to a tracker firm called ClipperData. Before long, traders will be able to "make a very quick phone call to get that gas to whatever market is in distress at that particular time," said Charif Souki, chairman and founder of Tellurian Inc., which is seeking to export gas from the U.S. Gulf Coast.

At the heart of the changes

is supply. Huge new discoveries in the U.S., Middle East, East Africa and Australia, along with recovery techniques such as fracking, have expanded the amount of gas available for export. Companies and countries are moving to develop new markets to where they can sell it all.

One pioneer is Houston-based Cheniere Energy Inc. Founded and led for years by Mr. Souki, Cheniere initially developed terminals to import gas along the U.S. Gulf Coast. When U.S. gas production soared in recent years, the company converted its facilities into export terminals. It has spent more than \$19 billion on plants at Sabine Pass, La., and Corpus Christi, Texas, that cool gas to minus 260 degrees Fahrenheit, at which point it turns into liquid and can move by tanker.

The U.S. continues to import some gas via pipeline from Canada. By next year, Sabine Pass and other LNG

terminals are expected to turn the U.S. into a net gas exporter.

In a quest for customers, Cheniere has invested in a Chilean project to build a power plant, LNG terminal, storage facility and pipeline. The company is willing to put in "early-stage capital, modest amounts of equity...to grow the LNG market," said Anatol Feygin, the company's chief commercial officer.

Oil titans Total SA and Royal Dutch Shell PLC also are offering to build facilities to burn gas. The two and their partners are building an import terminal and pipeline for

part of what persuades nations to invest in infrastructure to import and burn gas is a belief its price will stay low. There are no signs supply growth is slowing. Qatar, the longtime LNG leader, recently lifted a self-imposed moratorium on the development of its North Field, the single largest gas reservoir in the world.

The volume of LNG expected to be delivered this year, 294.1 million metric tons, is up 22% in three years. It is likely to rise 21% more by 2020, according to IHS data and forecasts.

"We are going into a period of oversupply, and prices will face downward pressure for some time," said Gautam Sudhakar, an LNG analyst with IHS Markit.

LNG faces competition even at low prices, because in some places it is cheaper to keep burning coal than to build gas facilities. In India, one of the world's largest consumers of coal, it is renewables such as solar power, rather than natural gas, that may be mounting the strongest challenge. In nuclear power, Japan recently restarted some idled plants and China is building several new ones.

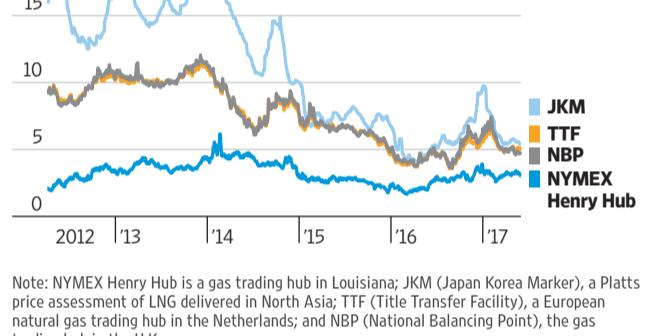
"LNG is going to have to fight for its place in the global energy mix," said Keo Luke-fahr, general manager of natural gas for the Americas arm of PetroChina International. "It has a narrow window to establish itself as a cost-competitive clean-energy resource if it is going to realize its potential in the world's energy supply."

To take advantage of the window, producers are looking for new ways to finance gas-burning projects. Virginia-based AES Corp. is building a \$1 billion project, including an

## Coming Together

More LNG trade has contributed to a convergence in global gas pricing.

\$25 per million BTUs



Note: NYMEX Henry Hub is a gas trading hub in Louisiana; JKM (Japan Korea Marker), a Platts price assessment of LNG delivered in North Asia; TTF (Title Transfer Facility), a European natural gas trading hub in the Netherlands; and NBP (National Balancing Point), the gas trading hub in the U.K.

Source: S&P Global Platts

import dock and gas-burning power plant, near the mouth of the Panama Canal, the recent widening of which has enhanced trading by letting larger tankers pass.

The project is aided by a \$150 million loan from the World Bank's International Finance Corp. It became involved both to provide Panama with needed power and because the plant will displace electricity from dirtier fuels such as diesel.

Helping make gas more accessible is a relatively new technology—floating LNG facilities.

Offshore plants can be built in about half the three years it takes to put up a land-based terminal. Their mobile nature also is an advantage in certain markets where an importer doesn't have spotless credit. If it can't pay, the terminal can weigh anchor and relocate.

The first floating terminal was christened in 2005. Today there are 25, according to the International Group of Liquefied Natural Gas Importers, a

trade association. Excelerate Energy, a Houston company that developed this technology, is working on new floating terminals in Namibia, Bangladesh, Pakistan and elsewhere. The equipment to liquefy gas can also now be put on a large vessel that can be anchored offshore.

One sea creature owes its life to this new, interconnected gas market.

When the Rioja Knutsen tanker abandoned its Portugal destination to take advantage of an opportunity in Mexico, the Algerian energy company Sonatrach stepped into the breach, sending a tanker of LNG to Portugal.

That tanker, the Cheikh El Mokrani, returned to Algeria to fill up with a new cargo on April 9. As it idled off the coast, its crew spotted a small whale trapped in a fishing net. A sailor jumped in to untangle it. A video posted online showed the whale swimming free as the rest of the crew cheered.

—Christopher M. Matthews contributed to this article.

## JEANS

*Continued from Page One*

National Center for Education Statistics. That creates a lot of demand for students to let their fashion-flag fly.

Some argue the fundraisers subvert the reasons why schools adopted uniforms in the first place.

"I'm not paying no dollar to wear jeans," said Demetria Henderson, who has three children at Central Elementary in Texas. "I tell my kids, 'They want you all to wear uniforms, that's what y'all are going to wear.'"

Yet students seem eager to pay—typically \$1 or \$2—to shed their khaki pants and plaid skirts for some denim. At Winget Park Elementary School in North Carolina, jeans day is the parent-teacher organization's most consistent fundraising effort, pulling in several hundred dollars a month.

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

and easy way to raise money."

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

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

The money goes to help pay tuition for families in a financial bind, said Ann Lovell, an office worker at the school. That goes some way to mitigate the complaint that the burden is heavier on poorer families than more affluent ones.

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

On a recent day at Harry Stone Montessori Academy in Texas, Principal Niki Jones watched over the jeans-day process. Two students sat at a table in the school's lobby

and collected money from each youngster who showed up in jeans, unless they had a \$25 "jeans pass," which is a better deal.

A majority of students participated, readily producing two bucks or slapping down handfuls of coins, all money that will help pay for field trips, books and other

expenses.

One girl showed up in jeans empty-handed. Ms. Jones sprang into action, producing two bills from her wallet with a soft rebuke to the girl about often forgetting her cash.

Ashanti Campbell, 14, said she keeps a pair of uniform pants in her locker, in case she forgets her money, which

rarely happens. "Since we wear uniforms all week, this is the time we get to be casual," she said.

Some educators say the fundraiser contradicts the premise of requiring uniforms—to eliminate bullying, improve discipline, enhance school pride and keep students focused on education in-

stead of clothing.

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

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

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

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

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

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



Students stand in line to give money so they can wear jeans to school.

BRANDON THIBODEAUX FOR THE WALL STREET JOURNAL

# LIFE & ARTS

BONDS: ON RELATIONSHIPS | By Elizabeth Bernstein

## A Guide to Little White Lies



### I BET YOU'VE LIED RECENTLY.

"I loved your presentation."

"That tofu lasagna was delicious."

"I can't believe she dumped you."

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Consider the timing.** Dr. Schweitzer also suggests avoid-

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

### Lie if the person wants reassurance.

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

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

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

### Question whether you are being manipulative.

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

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

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

### Be truthful if you want someone to change.

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

### Remember the Golden Rule.

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

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

MY RIDE | By A.J. Baime

## TO ALASKA AND BEYOND FOR A FAMILY TRUCK

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

### Frank Norwood, 89, a retired insurance agent:

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

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

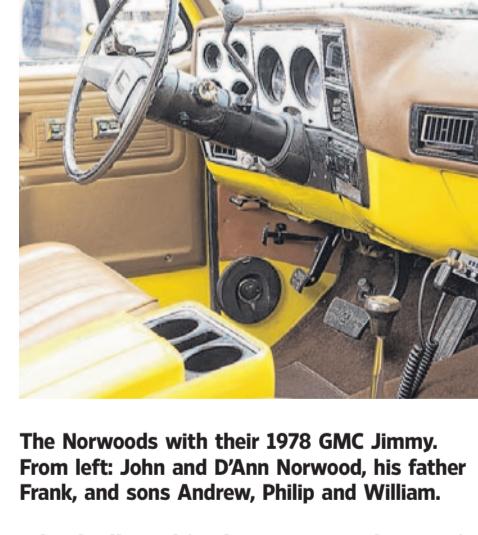
"In 2010, I decided to sell the Jimmy. I

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

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

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

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



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

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

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

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

## OPINION

## REVIEW &amp; OUTLOOK

## Britain Makes Its Choice

**B**etween Brexit and terrorism, British voters have a lot on their minds as they head to the polls Thursday to elect a new Parliament. On both of these large and defining issues, they have a real choice.

Prime Minister Theresa May remains the favorite to keep her job. Her Conservative Party's "strong and stable leadership" slogan resonates with voters bracing for Brexit uncertainty and battered by terror attacks in London and Manchester. She's a more serious leader and thinker than Labour leader Jeremy Corbyn, and voters seem disposed to credit gravitas.

That gravitas matters most on security. As Home Secretary under former Prime Minister David Cameron, Mrs. May helped develop surveillance and policing methods with which Britain has been more successful than some European peers in thwarting terror attacks. Now Britain must renew its focus on thwarting Islamist radicalization. Mrs. May's speech after Saturday night's attack in London offered a way forward, including an emphasis on British values of freedom and tolerance.

Her differences are profound with Mr. Corbyn and the left fringe of Labour he represents. He has bragged about his record voting against antiterror legislation relating to both Islamist and Irish nationalist terror, including laws banning glorification of terrorism and giving police emergency surveillance powers.

He has also argued against seizing the passports of those who attempt to join Islamic State in Syria and that Britain's domestic terror threat is a consequence of its attempt to fight terrorism in the Middle East. Oh, and he opposes NATO.

Britain's other vexing challenge is its future after leaving the European Union. No one can

## May and Corbyn offer sharp contrasts on growth and security.

say how negotiations will go, so the more important question is how Britain will prepare its own economy for whatever happens.

The main disappointment of the campaign, and it's a big one, is that Mrs. May hasn't campaigned more aggressively on economic growth as an antidote to Brexit-induced uncertainty. Instead she has pulled the Tories further to the left on social spending, taxation and regulation. Her plans to cap fuel prices and create a new industrial strategy, to name two, are economically dubious and falling flat politically.

Fortunately the rest of the party is moderating some of these urges. Pressure from the Tory Thatcherite wing explains why Mrs. May is sticking to Mr. Cameron's plan to cut the corporate-tax rate to 17%, and why she was forced to abide by Mr. Cameron's pledge not to increase personal-income tax rates.

Labour's manifesto, meanwhile, is a spree of tax hikes—on top earners, private insurance premiums and even home backyards. It supports nationalizing industries, more spending on government employees, unreformed entitlements and handouts such as free university tuition for the middle class.

British voters appear to recognize that's not the way forward, but Mrs. May's softening poll numbers are a warning. If she loses seats or the election, it will be because she tried to be a Tory Tony Blair when voters want a bolder vision for a greater Britain.

Her challenge if she wins will be to negotiate a Brexit deal that sets Britain up for success, and then pursue domestic policies that capitalize on the opportunity. She hasn't offered the right formula, but voters can at least dispense with Mr. Corbyn's guarantee of decline.

## Supreme Court Disgorges the SEC

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

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

Nice try, Justice Sonia Sotomayor wrote for the Court. "A 'penalty' is a 'punishment,' whether corporal or pecuniary, imposed and enforced by

## The agency takes a unanimous beating for an enforcement abuse.

the State, for a crime or offense[s]e against its laws," she wrote. Disgorgement "bears all the hallmarks of a penalty: It is imposed as a consequence of violating a public law and is intended to deter, not to compensate." That's a welcome rebuke to the SEC, which has used disgorgement aggressively to extract settlements, including some \$2.8

billion in 2016.

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

## The Buck Stops Everywhere Else

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

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

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

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

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

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

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

The new order wasn't "watered down" on

## Trump undermines his own travel ban and Justice Department.

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

national security.

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

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

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

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

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

## Has France Found Its Ronald Reagan?

By Walter Russell Mead

Paris

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## LETTERS TO THE EDITOR

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

German Chancellor "Angela Merkel's Lament" (Review & Outlook, May 30) that "we Europeans must really take our destiny into our own hands" raises the question as to why Europe delegated the determination of its destiny to someone else in the first place.

If President Trump's reluctance to follow in his predecessor's footsteps and bless the Paris climate accord infuriated Europeans and prompted a renewed sense of responsibility for their fate, is that so bad? Germany can step up now and start covering more of the cost of defending Europe or it can cuddle up to Vladimir Putin, supposedly Mr. Trump's BFF, and hope that a nonaggression pact works out better than the one in 1939.

President Trump's disorderly behavior led to Ms. Merkel's epiphany regarding Europe's responsibility for Europe's fate. It's about time. World War II ended seven decades

## A MacArthur-Like Viceroy Won't Work in Afghanistan

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

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

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

*BRIAN FLANAGAN  
Diplomatic Security Service (Ret.)  
St. James, N.C.*

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

*CARL BECHGAARD  
Eastham, Mass.*

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

## OPINION

# How Theresa May Led the Tories Astray

By Joseph C. Sternberg

**T**heresa May is gambling this week's election, her political career and Britain's future on a theory.

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

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

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

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

\* \* \*

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

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

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

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

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

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

There's a disconnect here. Mr. Timothy wrote that by age 12 he had concluded that "Labour, in the pursuit of equality, only hold people back, but it is the Conservatives who help you to go as far as your poten-

Theresa May as Conservative Party chairman in 2002. REUTERS

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

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

as a regulatory cap on household energy prices.

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

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

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

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

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

That raises a question: Can out-Labouring Labour ever be a viable

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

\* \* \*

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

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

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

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

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

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

## Index Funds Still Beat 'Active' Portfolio Management

By Burton G. Malkiel

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

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

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

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

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

zero-sum game. For every winner there will be a loser.

But in the presence of costs, the game becomes negative-sum. The index investor will achieve the market return with close to zero cost. Actively managed funds charge

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

management fees of about 1% a year. Thus, as a group, actively managed funds must underperform index funds by their difference in costs. And empirical evidence suggests that active funds underperform index funds by approximately the difference in their costs. Moreover, actively managed funds tend to realize taxable capital gains each year. Passive index funds are more tax-efficient, making the after-tax gap even larger.

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

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

In 2016 an AB Bernstein research team led by analyst Inigo Fraser-Jenkins published a report with the provocative title "The Silent Road to Serfdom: Why Passive Investment Is Worse than Marxism."

The report argued that a market system in which investors invest passively in index funds is even worse than an economy in which government directs all capital investment. The report alleges that indexing causes

money to pour into a set of investments without regard to considerations such as profitability and growth opportunities. Detractors also accuse index funds of producing a concentration of ownership not seen since the days of the Rockefeller Trust.

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

But the substantial management fees that active managers charge give them an incentive to perform this function. They will continue to market their services with the claim

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

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

It's true that there will be a growing concentration of ownership among the index providers, and they will have increased influence in

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

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

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

## Why America's Elites Hate



**MAIN STREET**  
By William McGurn

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

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

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

Mr. Tomasky, for example, informs progressives that middle Americans—wait for it—"go to church." They have friends ("and sometimes even spouses") "who are Republi-

cans." They don't feel self-conscious saluting the flag." Who knew?

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

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

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

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

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

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

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

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

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

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

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

*Write to mcgurn@wsj.com.*

## THE WALL STREET JOURNAL.

PUBLISHED SINCE 1889 BY DOW JONES & COMPANY

Rupert Murdoch  
Executive Chairman, News Corp  
Gerard Baker  
Editor in Chief

Matthew J. Murray  
Deputy Editor in Chief

DEPUTY MANAGING EDITORS:

Michael W. Miller, Senior Deputy;

Thorold Barker, Europe; Paul Beckett,

Washington; Andrew Dowell, Asia;

Christine Glancey, Operations;

Jennifer J. Hicks, Digital;

Neal Lipschutz, Standards; Alex Martin, News;

Shazna Nessa, Visuals; Ann Podd, Initiatives;

Matthew Rose, Enterprise;

Stephen Wisniewski, Professional News

Paul A. Gigot, Editor of the Editorial Page;

Daniel Henninger, Deputy Editor, Editorial Page

WALL STREET JOURNAL MANAGEMENT:

Suzi Watford, Marketing and Circulation;

Joseph B. Vincent, Operations;

Larry L. Hoffman, Production

EDITORIAL AND CORPORATE HEADQUARTERS:  
1211 Avenue of the Americas, New York, N.Y. 10036

Telephone 1-800-DOWJONES



DOW JONES  
News Corp

10036

## LIFE &amp; ARTS

YOUR HEALTH | By Sumathi Reddy

# When Doctors Fire Patients

Some medical practices dismiss no-shows, serial postponers and disruptive individuals

**YOU'RE FIRED!**

It is something nine out of 10 primary-care practices have said to at least one patient in the past two years, albeit more politely. According to research published last month in the journal *JAMA Internal Medicine*, 67% of nearly 800 practices reported dismissing one to 20 patients over two years while 15% reported dismissing 21 to 50 patients. About 10% reported dismissing no patients over the course of two years and 8% said they dismissed 51 or more patients.

The study was inspired by worries that patient dismissals may rise because some insurers are starting to reimburse doctors for health outcomes rather than services provided. That shift has been in the works, before the Affordable Care Act became law in 2010.

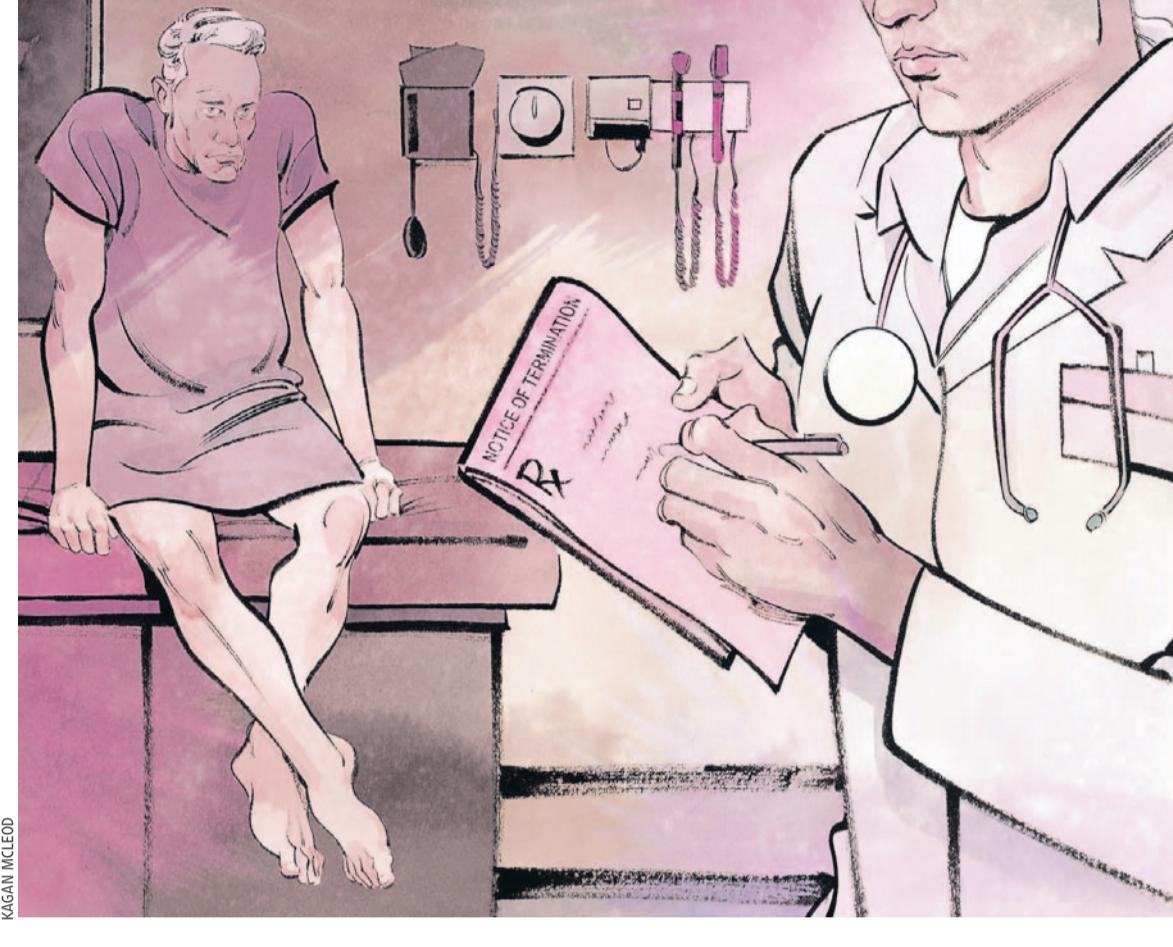
"The good news is in our study we found that no, it did not have an impact," said Ann O'Malley, the first author on the study and a senior fellow at Mathematica Policy Research, a Princeton, N.J., policy-research organization. "The providers stuck with their patients. They did not seem to be worried that just because they were in this initiative and being measured on some sort of quality metric that they needed to cherry-pick their patients."

Researchers sent surveys to 794 primary-care offices: 443 of the practices are participating in the federal Comprehensive Primary Care initiative, which is testing an approach to payment and delivery of primary care; 351 were a control group for comparison purposes.

The number of patients dismissed was proportional to the size of the practice, Dr. O'Malley said.

Patients who were extremely disruptive or behaved inappropriately with staff or clinicians were the biggest problem, with 81% of practices saying they dismissed at least one such patient in the past two years.

About 78% of practices said they had fired patients for violating chronic pain and controlled-sub-



stance abuse policies while 74% cited repeatedly missing appointments as a reason for patient dismissals.

About 45% of practices said they had dismissed one or more patients for not following medical recommendations; 39% said they had dismissed one or more patients who didn't pay bills on time.

In the survey, doctors' offices could identify multiple reasons for dismissing patients.

Though the study didn't show any impact on practices as insurers shift payment from volume to value, some doctors predict that eventually it will have an effect. "I

think it will become increasingly common with patients who don't follow our instructions," said Jesse Hackell, a pediatrician, vice president and chief operating officer of Pomona Pediatrics in Pomona, N.Y. "We are going to be responsible for outcome measures that we have no control over, such as whether patients follow our instructions or take medications."

Dr. Hackell said his practice doesn't dismiss patients often. Once a patient's bills are sent to a collection agency they will be dismissed, and after many chances, he said.

Another reason that is starting to pop up more—though still just a

few times a year—is patients who regularly go to the emergency room, urgent care or retail-based clinics for health-care needs.

"We will call them and tell them we can't be responsible for your child's overall health if you continue to utilize these services," Dr. Hackell said.

In the *JAMA* study, making frequent visits to the ER and self-referring to specialists accounted for just 6% of patient dismissals.

Pediatricians may dismiss patients when parents refuse to have their children vaccinated in a timely manner. Dr. Hackell was co-author of a 2016 report in the journal *Pedi-*

atrics

on "Countering Vaccine Hesitancy," which includes a brief statement that dismissing such patients is acceptable as a last alternative.

Most doctors' practices have a procedure for dismissing patients. They will mail them a certified letter outlining the reasons for dismissal and offer them emergency medical needs for 30 days during which time they are asked to find another physician.

Gary LeRoy, a family physician in Dayton, Ohio, says the most common reason for patient dismissals in the federally qualified health center where he works is no-shows.

"We send a letter for no-shows," Dr. LeRoy said. "A patient has what we call, 'a no-show meeting' to talk about the importance of showing up for appointments and then sign something agreeing not to do this anymore. If they do it again, then they are dismissed. It happens more than I'd like."

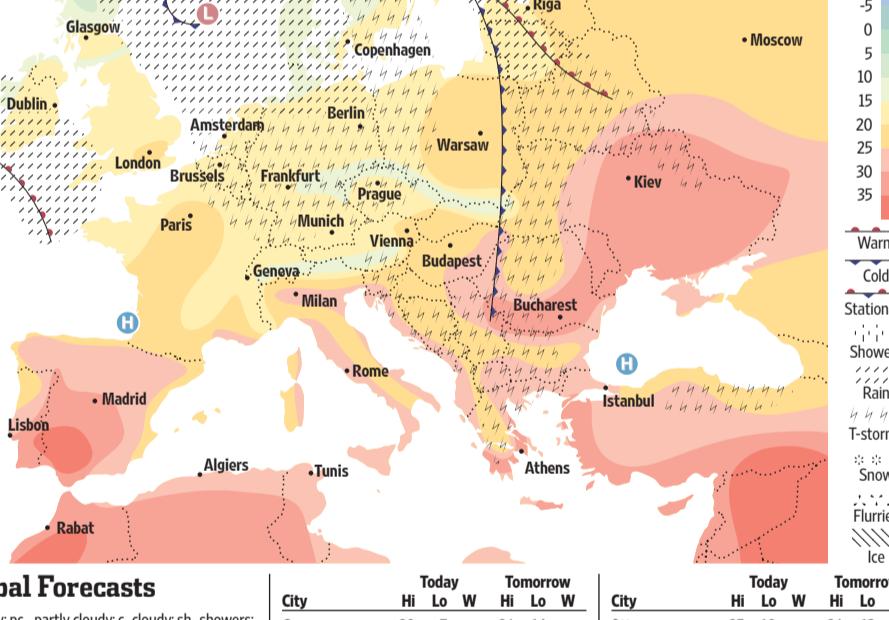
Mahesh Prakriya was dismissed from his longtime general internist for being a no-show for appointments. The Microsoft program manager remembers a particularly busy time at work about three years ago when he had to cancel or reschedule three appointments in a row.

"I was having a crazy, crazy year at Microsoft," said Mr. Prakriya, who lives in Redmond, Wash. "Every time I had a good excuse as to why I canceled or rescheduled and it was for general checkups, nothing urgent."

Mr. Prakriya got a call from the nurse who said the relationship didn't seem to be working out. Mr. Prakriya asked to speak to the doctor to apologize and plead his case. "He's got a file on me for 17 years and that is hard to recreate," he said.

He recalled the doctor telling him that perhaps it would be better to switch to a closer physician, as he was 30 minutes away. "I wasn't mad," said Mr. Prakriya. "It's really difficult for them, as well. I completely understand."

## Weather



## Global Forecasts

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

Today Hi Lo W Tomorrow Hi Lo W

Amsterdam 17 13 t 22 14 t

Anchorage 18 11 pc 17 11 sh

Athens 28 20 s 29 22 t

Atlanta 26 17 pc 25 16 pc

Bahrain 45 26 s 43 26 s

Baltimore 20 12 sh 21 13 c

Bangkok 31 25 t 30 25 t

Beijing 32 16 s 36 17 pc

Berlin 18 11 t 21 14 pc

Bogota 19 10 c 18 10 sh

Boise 36 18 s 29 14 c

Boston 17 12 pc 21 11 pc

Brussels 19 12 t 23 14 t

Buenos Aires 16 6 pc 13 3 sh

Cairo 40 25 s 41 25 s

Calgary 25 12 c 26 11 t

Caracas 32 26 pc 31 27 pc

Charlotte 26 15 pc 24 14 pc

Chicago 24 11 s 26 15 pc

Dallas 31 20 pc 30 20 pc

Denver 25 12 t 30 13 t

Detroit 22 12 c 24 14 pc

Dubai 42 29 s 41 29 s

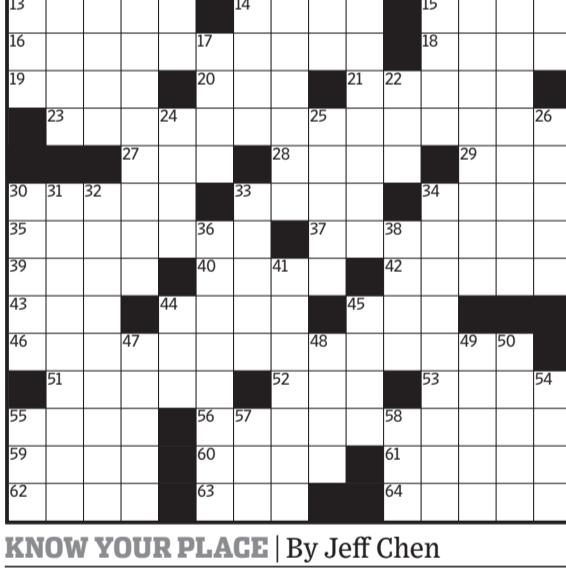
Dublin 17 11 r 18 10 r

Edinburgh 15 5 pc 13 10 r

Frankfurt 19 10 t 24 14 pc

## AccuWeather.com

## The WSJ Daily Crossword | Edited by Mike Shenk



## KNOW YOUR PLACE | By Jeff Chen

## Across

- 1 Visits a souk
- 6 "This is a disaster!"
- 9 Flaubert heroine
- 13 Chevy SUV also sold as the GMC Yukon
- 14 Price performance
- 15 MGM co-founder Marcus
- 16 Reef's place?
- 18 Phase between waxing gibbous and waning gibbous
- 19 Steamroll
- 20 "Dachshund Doll" sculptor
- 21 Brief bout of hedonism
- 23 Copa's place?
- 27 "That is sooooo cool!"
- 28 Fit to \_\_\_\_
- 29 Justice Dept. agency
- 30 Online annoyance
- 33 Employs
- 34 Reach 22, perhaps
- 35 Signs up for some grunt work
- 37 "Pays the rent"
- 39 Plants studied by Gregor Mendel
- 40 Sign of neglect
- 42 The Elder or the Younger of Rome
- 43 "You know what..."
- 44 Audrey's "Robin and Marian" co-star
- 45 Fixed
- 46 Twit's place?
- 51 Lego brand for youngsters
- 52 Former baseball commissioner Vincent
- 53 Barrier to entry? 55 Accessory for Doctor Doom
- 56 Hero's place?
- 59 Lena of "Enemies, A Love Story"
- 60 Something people don't want to be on the house
- 61 Make a case

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

- |   |   |
|---|---|
| 62 Ransom of automakers                   | 25 Wiped out, in slang                                |
| 63 Canon offering                         | 26 Stay on the sideline                               |
| 64 Giggle                                 | 30 Sister brand of Crush                              |
| <b>Down</b>                               | 31 Everybody  |
| 1 Ruckus                                  | 32 Do some fixing up                                  |
| 2 One Pillar Pagoda city                  | 33 Customary  |
| 3 Comment accompanied by an eye roll      | 34 "Charm City"                                       |
| 4 Capital of Mauritius                    | 36 Girl Scout cookies shaped like the Girl Scout logo |
| 5 "What happened was this..."             | 38 Unleash invectives                                 |
| 6 Some Italian brandies                   | 41 Goblet for brandy                                  |
| 7 Suffer                                  | 44 NBC series shot at 30 Rock                         |
| 8 Bar on a staff line                     | 45 Ocular woe   |
| 9 Puckish                                 | 47 Makes a first bid                                  |
| 10 Volcano overlooking Suruga Bay         | 48 "Let It Snow" lyricist                             |
| 11 "Hacksaw Ridge" director               | 49 Hired goon   |
| 12 Punching tool                          | 50 World Court location, with "The"                   |
| 14 Do sported by Dr. J                    | 54 "America the Beautiful" pronoun                    |
| 17 Singly                                 | 55 Bill's partner                                     |
| 22 Director often spotted at Knicks games | 57 Goose egg  |
| 24 Bumble's cry                           | 58 Animal in the Chinese zodiac                       |

## Previous Puzzle's Solution

VEGAS	SAM	SPAY
ACORN	SONG	EINE
PICKUP	THE	SLACKS
EGO	BROOM	UHOH
MUSIC	ORCA	
GMS	SKINTIGHTS	
GRAMPS	BEEF	URI
OUNCE	SIS	ELMER
LED	RITZ	TRIBES
FLOPSWEATS	ELS	LOOT RAISE
COIN	SWARM	BEA
ARCH	ONES	LONGSTORYSHORTS
BEET	MSN	TUGAT

## THE DAILY SHOT

## Micro Trends, Macro Context. In Minutes.

Get a complete look at the trends moving global markets with The Daily Shot. WSJ's latest member-exclusive newsletter delivers a sophisticated, impartial view in 30-plus charts, every morning. [Sign up at WSJ.com/dailyshot](http://WSJ.com/dailyshot)

THE WALL STREET JOURNAL.  
Read ambitiously

# BUSINESS & FINANCE

© 2017 Dow Jones & Company. All Rights Reserved.

THE WALL STREET JOURNAL.

Wednesday, June 7, 2017 | B1

Euro vs. Dollar 1.1270 ▲ 0.12% FTSE 100 7524.95 ▼ 0.01% Gold 1294.40 ▲ 1.18% WTI crude 48.19 ▲ 1.67% German Bund yield 0.254% 10-Year Treasury yield 2.147%

## GM Chief Wins Breathing Room

By MIKE COLIAS

**General Motors** Co. shareholders signaled continued patience with Chief Executive Mary Barra's attempts to boost a languishing share price, voting down hedge-fund manager David Einhorn's proposal to split the company's stock into two classes.

More than 90% of GM investors casting ballots at the company's annual meeting Tuesday rejected a plan floated in March by Mr. Einhorn's **Greenlight Capital** Inc. that aimed to shake up GM's capital structure. The plan called for a class of stock that pays dividends and a second that awards all additional earnings growth to investors.

Shareholders also overwhelmingly shunned Mr. Einhorn's slate of three proposed directors, returning 11 incumbent directors backed by the



Shareholders backed Mary Barra in rebuffing an activist investor.

she isn't ignoring GM's "undervalued" shares, which remain stuck near their initial public offering price of \$33 in 2010 and rank among the cheapest in the S&P 500 based on their price/earnings-ratio.

"We have to keep earning our way," Ms. Barra said. She emphasized GM must "outperform" peers amid a slowdown in the U.S. market, a challenge analysts have flagged as central to its struggles.

Ms. Barra, who is chairman in addition to CEO, led the boardroom fight against Mr. Einhorn's dual-class idea, claiming it amounted to financial engineering that would have hampered the company's ability to manage cyclical downturns and invest in future technologies. In 2015, before being named chairman, she rallied directors and her management team to fend off a separate

group of investors demanding billions in share buybacks and board representation.

GM has encountered various speed bumps since Ms. Barra took over for Dan Akerson, an auto industry outsider who was appointed to GM's board during the government-funded bankruptcy of the company in 2009. Mr. Akerson left GM's CEO job in January 2014 after three years, leaving Ms. Barra to deal with an ignition-switch safety recall that presented a management crisis and cost billions of dollars to resolve, denting the auto maker's reputation.

In a statement, Mr. Einhorn expressed disappointment that shareholders "elected to maintain the status quo" over what he called a "creative idea" to unlock value in GM's stock. He congratulated the management team on its latest "win."

Please see GM page B2

## VW Stirs Ire Over Charging Stations

By MIKE SPECTOR

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

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

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

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

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

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

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

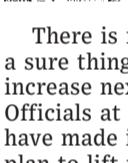
A Ford executive, referring to Volkswagen's plan to install 50 ultrafast charging stations in highway corridors, raised concerns that the German auto

Please see VW page B4

### HEARD ON THE STREET

By Justin Lahart

## Fed Must Face Up To Difficult Situation

 The facts have changed. Will the Federal Reserve change its mind?

There is no such thing as a sure thing, but a Fed rate increase next week is close. Officials at the central bank have made it clear they plan to lift their target range on overnight rates, and futures markets are putting the odds at better than 90% that a move will be made at the meeting that concludes June 14.

But when Fed policy makers look beyond next week, they will have to consider a few inconvenient facts: First, even though unemployment is low, wage growth remains weak and inflation has cooled.

Second, the economy remains stuck in a slow-growth rut.

And third, the chances of near-term tax cuts and fiscal stimulus, which could provide a meaningful economic boost, have fallen.

That is the message not just from the data and the headlines, but from the market. The yield on the 10-year Treasury note on Tuesday slipped to its lowest in more than half a year—an indication that bond investors have downgraded their growth and inflation expectations.

None of these developments are likely to prevent a rate rise next week, but they could prompt the Fed to rethink its projected rate increases through next year and its plan to begin winding down its balance sheet.

At the outset of the year it seemed as if the economy might be shifting into higher gear, with the election of President Donald Trump bringing about a burst of optimism at many businesses. But the good vibes didn't translate into better growth. Gross domestic product increased at just a 1.2% annual rate in the first quarter. Most economists reckon it will rebound to about a 3% in the current quarter.

The underlying trend remains around 2%, about the growth rate the economy has shown over the past several years. If policy makers at the Fed thought growth was going to run meaningfully faster this year, they shouldn't think it anymore.

There is, of course, the possibility that there will be tax cuts and a stimulus plan. But with no concrete proposals

Please see HEARD page B2



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

## Amazon Steps on Wal-Mart's Turf

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

By LAURA STEVENS

AND SARAH NASSAUER

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

The online retailer giant said Tuesday that it will offer a nearly 20% segment of the U.S. population—people who obtain government assistance with cards typically used for food stamps—a \$5.99 monthly Prime membership, less than the \$10.99 a month or \$99 annual plan for other consumers. The membership buys access to unlimited two-day shipping, video and music content, photo storage and other perks.

The new Prime offering takes direct aim at Wal-Mart, which counts on shoppers who

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

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

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

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

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

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

ping on orders over \$35. (Amazon's free-shipping threshold for non-Prime customers is currently for orders over \$25.) Wal-Mart executives hoped it would draw in more value-oriented and non-Prime customers by removing membership fees.

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

## Harvard Yard Sale: New Zealand Dairy Farms

**Harvard University** spent years assembling 8,500 acres of dairy farms and roughly 5,500 cows on the South Island of New Zealand. Now it's selling.

By Juliet Chung,  
Dawn Lim  
and Lucy Craymer

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

Harvard is an anomaly among endowments, holding a \$4 billion natural-resources portfolio that directly owns as-

sets across five continents. The \$36 billion endowment owns California vineyards, Chilean timberland and Brazilian soybean and maize farms. Its natural-resources bets helped the endowment profit for more than a decade.



Australian farmland shown in 2013, prior to its sale to Harvard. The university is reworking its \$4 billion natural-resources portfolio.

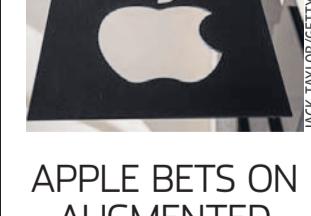
real-estate and venture-capital fund investments, including some of its interests in Kleiner Perkins Caufield & Byers, according to people familiar with the matter. For its portfolio of fund interests, Harvard has asked buyers to lock in deals by the end of June, when its fiscal year ends, said people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

Harvard aims to have roughly a third of its assets under management invested in private equity, real estate and venture capital, according to its 2016 annual report. The endowment doesn't disclose how much it actually has invested in those areas.

Any sales would give Harvard's new endowment chief, N.P. "Narv" Narvekar, more maneuverability as he attempts

Please see FARM page B2

### INSIDE



#### APPLE BETS ON AUGMENTED REALITY

BUSINESS, B3

#### BITCOIN SOARS TO A NEW RECORD

FINANCE & MARKETS, B7

## INDEX TO BUSINESSES

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

A	G
Adani Group.....B4	General Motors.....B4
Aetna.....A7	Goldman Sachs Group.....B9,B10
Aftershock.....B4	GrubHub.....B10
AirAsia.....B3	H
Air China.....B3	Haitong Securities.....B9
Alphabet.....B3,B4,B10	HD Supply.....B4
Amazon.com.....B1,B4,B10	Hines.....B8
Apple.....B3,B4,B10	I
AT&T.....B10	IHS Markit.....A1
B	InterContinental Exchange.....A8
Bank of America.....B9	International Finance.....A8
Blackstone Group.....B5,B8	J
C	JBS.....B4
Charter Communications.....B10	J. Crew Group.....B4
Cheniere Energy.....A8	J.P. Morgan Chase.....B9
China Eastern Airlines.....B3	Just Eat.....B10
China Investment.....B8	K
China Southern Airlines.....B3	Kabam.....B4
CIT Group.....B9	KKR.....B1
Citigroup.....B9	L
Clayton Dubilier & Rice.....B4	Lego.....B3
ClipperData.....A8	Logicor.....B8
Comcast.....B10	Lyft.....B4
Covington & Burling.....A1	M
D - F	Minerva.....B4
Delivery Hero.....B10	Morgan Stanley.....B10
Dinosaur Group.....B9	N
Facebook.....B10	Netflix.....B10
D - F	O1 Properties.....B8
G	P
Federighi, Craig.....B3	Perkins Coie.....A1
Akerson, Dan.....B1	Raven Russia.....B8
Aliev, Rustam.....B8	S
C	Snap.....B3
Cabana, Mark.....B9	S&P Global Platts.....A8
Caldwell, Brian.....B2	Takata.....B2
Carr, Peter.....B2	Takeaway.com.....B10
D	Tesla.....B4
Dallen, Russ.....B9	T-Mobile.....B10
E - F	21st Century Fox.....B4
Einhorn, David.....B1	U
	Uber Technologies.....A1
	Ulmart.....B8
G	V
Feldman, Doug.....B10	Verizon Communications.....B10
K	Volkswagen.....B1
Green, Logan.....B4	W
Kean, Brian.....B8	Wal-Mart Stores....B1,B5
N	Waymo.....B4
O - R	Y
Noreika, Keith.....B9	Yum Brands.....B5
Zeng, Steven.....B9	Z
Östberg, Niklas.....B10	Netflix.....B10

## INDEX TO PEOPLE

A	Federighi, Craig.....B3
Akerson, Dan.....B1	Feinberg, Kenneth.....B2
Aliev, Rustam.....B8	Fields, Mark.....B2
C	G
Cabana, Mark.....B9	Green, Logan.....B4
Caldwell, Brian.....B2	K
Carr, Peter.....B2	Kean, Brian.....B8
D	N
Dallen, Russ.....B9	Noreika, Keith.....B9
E - F	O - R
Einhorn, David.....B1	Östberg, Niklas.....B10

## GM

Continued from the prior page

Shares of GM were little changed Tuesday afternoon. GM's market valuation of \$51.8 billion trails electric-car maker Tesla Inc.'s \$57.6 billion valuation, an indication that Wall Street prizes future growth opportunities over near-term profit.

Detroit auto makers are under mounting pressure to counter a growing threat from tech companies developing electric cars and self-driving vehicles. Ford Motor Co. in May ousted its chief executive, Mark Fields, who like Ms. Barra took over in 2014 after a career climbing the ranks. With Ford's shares slumping badly, he was replaced by Jim Hackett, an industry outsider who had served on Ford's board.

GM generally has gotten more credit than Ford for its bets on future growth areas where Tesla and other Silicon Valley companies are seen as having an edge. That includes last year's roughly \$1 billion acquisition of autonomous-vehicle developer Cruise Automation, which helps GM's attract tech talent and gird the auto maker to combat Alphabet Inc. and other tech compa-

nies looking to compete in the car business.

The rejection of Mr. Einhorn's plan won't end the debate over how GM can boost its stock-market performance. Some analysts have floated the idea of a tracking stock for longer-term and potentially higher-growth businesses such as Cruise and GM's in-car concierge service OnStar.

"If GM successfully builds out its autonomous/mobility solutions/services and starts recording revenue, we believe a tracking stock of those efforts could unlock value," RBC Capital analyst Joseph Spak wrote in a March note to investors.

Ms. Barra said GM continues to look at different structures that could attract growth investors, but also cautioned that many of the tech-based pieces of the business are intertwined with GM's broader vehicle-making efforts.

In addition to tech investments, GM has been exiting markets where profits have been hard to come by. The auto maker left Russia in 2015, and is in the process of selling operations in Europe and South Africa.

In May, it said it would no longer sell cars in India, a market expected to grow significantly in coming years.

ADVERTISEMENT

## Legal Notices

### INTERNATIONAL NOTICES

Record No. 2017 No 192 COS

THE HIGH COURT

COMMERCIAL

IN THE MATTER OF NEXVET BIOPHARMA PUBLIC LIMITED COMPANY AND IN THE MATTER OF SECTIONS 450(3) AND 450(5) OF THE COMPANIES ACT 2014

AND IN THE MATTER OF THE COMPANIES ACT 2014

AND IN THE MATTER OF THE IRISH TAKEOVER PANEL ACT 1997

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

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

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

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

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

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

MATHESON  
Solicitors for the Company  
70 Sir John Rogerson's Quay  
Dublin 2  
Ireland

June 7, 2017

### THE WALL STREET JOURNAL.

## LEGAL NOTICES

ADVERTISE TODAY

(44) 207-572-2124

Robert.Monaghan  
[@wsj.com](mailto:@wsj.com)

For more information visit:

[wsj.com/classifieds](http://wsj.com/classifieds)

© 2017 Dow Jones & Company, Inc.  
All Rights Reserved.

## BUSINESS & FINANCE

# Takata Payouts Face Delay

Compensation funds to get new supervisor after Robert Mueller relinquishes role

By MIKE SPECTOR

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

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

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

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

Kenneth Feinberg, a lawyer and longtime compensation expert who recently oversaw a fund for victims of crashes tied to faulty ignition switches in older General Motors Co. vehicles, is now under consideration to replace Mr. Mueller, Judge Steeh said.

A spokesman for the U.S. District Court in Detroit confirmed the developments in a news advisory Monday evening after The Wall Street Journal reported them. The judge plans to confer with lawyers from the Justice Depart-



Former FBI Director Robert Mueller, seen in 2013, was recently picked to lead the Russia probe.

ment and Takata to find a replacement for Mr. Mueller, the advisory said.

Bob Mueller took an extraordinary monetary loss to drop this assignment and willingly gave up fees that would have amounted to millions of dollars to accept the Justice Department's Special Counsel appointment," the judge said in a statement accompanying the advisory, describing the decision as a "civic duty" and "extraordinary."

The special master overseeing the Takata funds is expected to develop formulas and procedures for distributing money to air-bag victims, and make recommendations to the judge on certain payouts. That work could face some delays after Mr. Mueller's decision to relinquish the Takata assignment.

Auto makers and consumers have been expecting to receive payments in coming months.

Mr. Feinberg declined to comment on the judge's plans. A Takata spokesman declined to comment.

In addition to fielding death and injury claims stemming from the defective GM ignition switches, Mr. Feinberg has overseen funds for victims of the Sept. 11, 2001, terrorist attacks and BP PLC's Deepwater Horizon oil spill in 2010.

Judge Steeh in April selected Mr. Mueller to oversee separate funds directing \$850 million to auto makers shelling out recalls of millions of Takata air bags and \$125 million to consumers harmed or yet to be affected by the safety devices.

The pending appointment was part of Takata's agreement earlier this year to plead guilty to criminal wire fraud for providing misleading testing reports to auto makers on the faulty air bags.

Takata is weighing a bankruptcy filing and possible sale to a rival amid financial difficulties stemming from the recalled air bags.

The air bags, which risk exploding and spraying shrapnel, are currently linked to 16 deaths and more than 180 inju-

ries globally, according to officials.

Auto makers are currently in the process of eventually recalling 42 million vehicles with up to nearly 70 million Takata air bags that risk rupturing, the largest automotive recall in U.S. history.

Several auto makers in May reached a \$553 million settlement with current and former owners and lessees of nearly 16 million vehicles to address lagging repairs and financial losses associated with the faulty air bags.

Mr. Mueller's notification that he could no longer oversee the Takata funds was expected among those close to the case given his new duties leading a federal investigation into Russian meddling in the 2016 election and possible coordination between Moscow's efforts and the Trump campaign. President Donald Trump has rejected suggestions he or his associates colluded with Russia, and the Kremlin has denied interfering in the U.S. election.

## FARM

Continued from the prior page to engineer one of the investment world's most high-profile turnarounds. The 55-year-old Mr. Narvekar has been on the job six months and moved quickly to reshape the endowment. Harvard Management Co.'s returns were second-lowest in the Ivy League for the decade ending June 30, 2016. He has announced plans to lay off roughly half the endowment's staff and eliminate an internal hedge fund.

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

Under Mr. Narvekar, Harvard made a first-time investment in New York hedge fund Element Capital Management this April and recently invested with Cambridge Square Capital, a new Boston hedge fund launched by a former Harvard bond manager. Har-

vard also bought \$1 billion worth of exposure to exchange-traded funds last quarter, according to a securities filing, in an attempt to track markets at a low cost.

Quickly scaling up or down Harvard's illiquid natural-resources holdings is more difficult. Harvard isn't planning to sell its entire natural-resources portfolio and could

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

Over the decade ended 2014, the natural-resources portfolio gained an average annualized 11.6%, above the comparable return of the whole endowment. Harvard hasn't published a more recent 10-year figure.

Harvard first ventured into natural resources in 1997, buying a hardwood forest in the U.S.

even buy new assets, a person close to the endowment said, but will exit investments opportunistically.

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



In the decade ended 2014, Harvard's natural-resources portfolio gained an average annualized 11.6%.

## HEARD

Continued from the prior page als in place, and with the White House snarled by distractions, the chances seem slimmer than they did at the start of the year.

For the Fed, that matters. Minutes from its December

rate-setting meeting indicate Fed staff economists incorporated an assumption of more expansionary government policy in their forecasts, as did half the central bank's policy makers.

If they have come to think the economy isn't about to get a shot in the arm, they should at least reconsider their plans.

Finally, early signs that wages and inflation were heating up have evaporated. Last week's job report showed that average hourly earnings were up 2.5% on the year last month, versus a gain of 2.9% in December. Excluding food and energy, the Fed's preferred measure of inflation showed consumer prices were up 1.5%

## BUSINESS NEWS

# Apple Enters Augmented-Reality Race

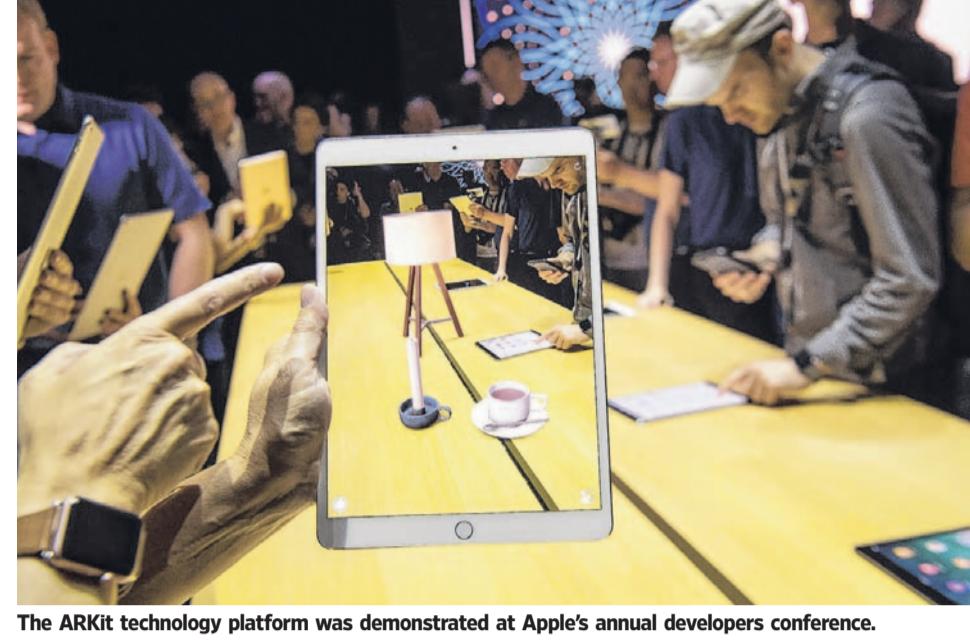
BY TRIPP MICKLE

**Apple** Inc. has set its sights on a new target: becoming the world's largest platform for augmented reality.

The ambitious announcement, which was overshadowed by the introduction Monday of the HomePod speaker, plunges Apple into a race against **Alphabet** Inc., Facebook Inc., **Snap** Inc. and others to conquer an emerging technology that uses cameras and computers to overlay digital images on a person's view of the real world.

It also bolsters the belief among many industry observers that Apple will build new augmented-reality features into its coming 10th-anniversary edition iPhone, and eventually develop glasses that relay information about the world so people can view maps or restaurant menus without pulling out a device.

Augmented reality shot to prominence nearly a year ago following the release of "Pokémon Go," a game in which players scoured the map of the real world, with the help of location-tracking technology, to find digital monsters superimposed through the smartphone



The ARKit technology platform was demonstrated at Apple's annual developers conference.

DAVID PAUL MORRIS/BLOOMBERG NEWS  
reality, including headsets in development from Microsoft Corp. and Magic Leap Inc. Alphabet's **Google** Tango platform has been available on some smartphones for a about a year.

director Peter Jackson, showed an ARKit-based experience, seen through an iPad, in which airships battled in a virtual town square that was digitally dropped on a real table on stage, with the audience visible in the background.

Apple's announcement came two months after Facebook opened its augmented-reality tools to developers. CEO Mark Zuckerberg said he expects the nascent technology to open the world to a new world of apps and services.

Facebook's smaller rival, **Snap**, popularized simple augmented-reality tools that overlay bunny ears or dog noses on users' faces. It also allows users to add special effects to photos and backgrounds.

By creating an augmented-reality tool kit for developers, Apple could spur its more than 680 million iPhone users to share augmented images through its iMessage service rather than through Facebook or Snapchat, developers said.

◆ Apple's HomePod speaker makes its debut..... B4  
◆ Heard on the Street: New speaker not an easy sell... B10

screen. The technology is different from virtual reality, which uses computer headsets to create fully immersive digital worlds.

Roughly 40 million people in the U.S. are expected to use augmented reality this year, up 30% from last year, according to research firm eMarketer. It estimates the total will rise to 54 million in 2019.

Craig Federighi, Apple's head of software, demonstrated the potential of Apple's new technology platform, ARKit, at the company's annual Worldwide Developers Conference keynote Monday. While viewing a table on stage through an iPhone screen, Mr. Federighi added virtual images of a steaming cup of coffee and lamp. The

images appeared to rest directly on the table, recognizing the real-world surface rather than floating above it.

Apple Chief Executive Tim Cook has been a big proponent of augmented reality, saying he believes it will have broader success than virtual reality because it is less isolating.

Several companies are already working on augmented

representatives of Wingnut AR, an augmented-reality studio from "Lord Of The Rings"

## Budget Carrier AirAsia Targets China

BY TREFOR MOSS

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

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

Budget airline **AirAsia** Bhd aims to change that, hoping to

shake up China's aviation sector by exporting its no-frills model to the region's biggest air-travel market.

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

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

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

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

Elsewhere in Asia, budget airlines are thriving. Low-cost carriers such as Indonesia's Lion Air, India's IndiGo and AirAsia have zoomed past full-service incumbents when it comes to securing domestic and regional market share.

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

nese base.

In its regulatory filing, AirAsia said it had signed a memorandum of understanding with local partners China Everbright Group, a state-run financial-services company, and the Henan government. The parties have a year to strike a deal.

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



An AirAsia counter at Kuala Lumpur International. The Malaysia-based airline will be going up against China's state-run carriers.

dowjones.com/dna

# Welcome to the Age of Intelligence

**Knowledge is having the right answers. Intelligence is asking the right questions.**

We have created the DNA Platform so businesses can harness unrivaled data, news and analytics to unlock intelligence solutions once thought beyond reach.

**D/DNA**  
DATA / NEWS / ANALYTICS

The Open Intelligence Platform

POWERED BY D | DOW JONES

## TECHNOLOGY

WSJ.com/Tech

PERSONAL TECHNOLOGY | By Geoffrey A. Fowler

# Hey Siri, What Took You So Long?



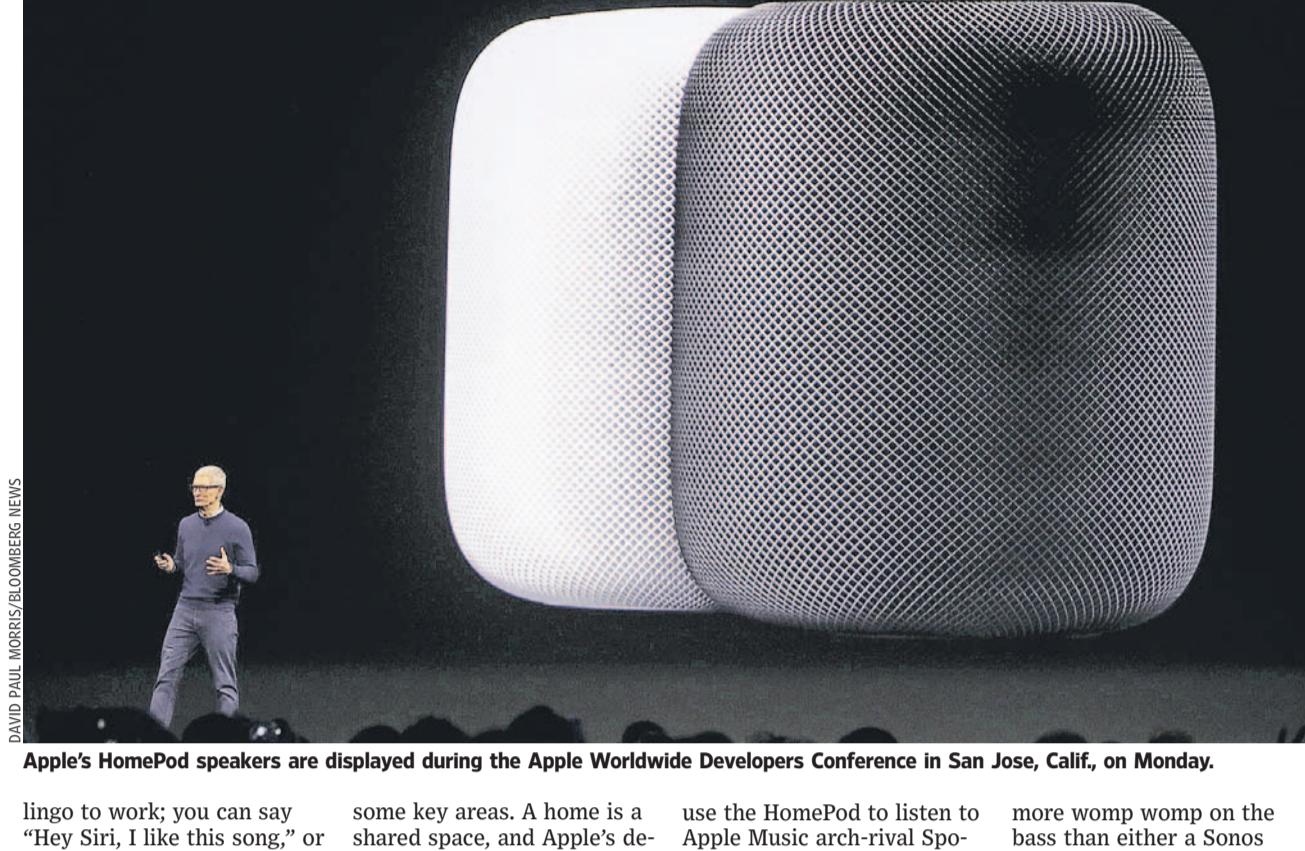
SAN JOSE, Calif.—**Apple** is acknowledging there's life beyond the iPhone.

The big reveal at the company's Worldwide Developers Conference on Monday was the HomePod, a \$350 voice-controlled speaker.

Apple Inc. is touting this squat 7-inch cylinder as a way to fill a room with sonic bliss—and in a brief listen I got, it sounded great. But the HomePod's real purpose isn't just music: Inside, it has got the same brain as an iPhone 6, an array of six microphones to pick up your voice and its own connection to Siri, Apple's AI assistant. The HomePod isn't an accessory—it's a computer for your home.

Or it better be, for Apple's sake. The HomePod, due to start shipping in December, has to make up ground that Apple lost to the Echo, **Amazon.com** Inc.'s talking Alexa AI speaker first unveiled in 2014. It is also trailing Google's Home, which came out last year featuring Google's even smarter AI, the Assistant. Talking tech has given us easy access to the abundance of the internet without having to be tied to our smartphones. In many homes, a talking speaker is a trivia companion, a shopping helper, a master control for your lights.

Apple's key to catching up is Siri. A part of the iPhone since 2011, right now she is less like a cherished member of the household and more like that awkward cousin. But at its presentation to app developers on Monday, Apple highlighted its updated AI capabilities. Siri will understand more context, even across multiple Apple devices. Apple says the HomePod doesn't need special



Apple's HomePod speakers are displayed during the Apple Worldwide Developers Conference in San Jose, Calif., on Monday.

lingo to work; you can say "Hey Siri, I like this song," or even just "more like this."

Apple has some potential advantages over its rivals in making AI that is actually intelligent. The iPhone certainly knows more about my life than Amazon does. And Apple's Home app is more capable than either Amazon or **Alphabet** Inc.'s Google at automating my smart-home gadgets and making them work together.

Apple also may have an easier time convincing millions to put microphones in their homes. Not long ago, that idea would have creeped out most people. Apple has a strong reputation for protecting privacy, and its executives underscored that the HomePod sends requests to its servers in an anonymized way.

But Apple is behind in

some key areas. A home is a shared space, and Apple's devices are often designed to be used by only one person at a time. It made no mention on Monday whether Siri would be able to understand, based on voices, that you are a different person than your husband—with different calendar events, not to mention different tastes in music. But Google's Home recently added the ability to differentiate between people.

There is also an open question about how well Siri in the HomePod will work with other apps and services. Apple first opened up her capabilities at least year's WWDC, but Siri apps have been slower to arrive than the thousands of "skills" available for Amazon's Alexa. You might never be able to

use the HomePod to listen to Apple Music arch-rival Spotify—or to say, "Hey Siri, open Google's Assistant."

Apple was also mum about whether HomePod works with Apple TV. Google's Home lets you say, "Play 'Unbreakable Kimmy Schmidt' on Chromecast" and tada, there Netflix's most hilarious show. Amazon has learned that some answers can't be delivered via voice, and its next Alexa-powered device, called the Echo Show, has a screen built on top.

Much of Apple's sales pitch for the HomePod is audio quality. In my listen, a single HomePod filled a small room with sound that made a more coherent distinction between the singer and the backup band on pop and rock, while also providing

more wombomp on the bass than either a Sonos Play:3 or Amazon Echo.

Apple says the HomePod has spatial awareness to tune sound to the room it is in, plus custom woofers and "beam-forming" tweeters.

Speaker mumbo jumbo may help rationalize the HomePod's elevated price tag. But what's most important is usefulness. Can the HomePod really pick up your voice across the room while you are blasting Beyoncé? If you call out to one in the living room, will the one in the kitchen answer, too? Nobody wants a house full of kids named Siri.

Apple has six months to work out answers to the questions—during which we'll get new Alexa speakers...and countless other talking devices.

# Fox Buys Mobile Game Maker

BY BEN FRITZ

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

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

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

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

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

Hollywood studios have over the past two decades swung back and forth on whether they should produce videogames themselves in order to maintain quality and reap the profits or license them to other companies that have more expertise.

Fox itself has built and exited two game businesses since 2000. Walt Disney Co. last year killed its console videogame publishing business after spending hundreds of millions on it.

Comcast Corp.'s Universal Pictures recently hired new executives to spearhead a move into mobile game publishing.

**Aftershock** was already working on an "Avatar" online mobile game since last year and will look to adapt other film and TV properties from the studio, as well as to create original properties.

"We want fans to experience our intellectual property 12 months of the year and **Aftershock** is a way to jump-start that process," said Ms. Snider.

Fox is currently working on four film sequels to "Avatar," the first of which is scheduled for release in 2020, 11 years after the original, which earned a record \$2.7 billion worldwide.

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

# Lyft Forges Ahead With Driverless Plans

BY GREG BENSINGER

platform," said Logan Green, Lyft chief executive, in a call with media.

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

In January 2016, Lyft said it received a roughly \$500 million investment from GM, making it one of the San Francisco company's biggest shareholders ahead of the auto maker's \$1 billion purchase of self-driving technology startup Cruise Automation later that year. The two companies then announced in May 2016 they would begin testing a fleet of cars within a year.

Lyft's Mr. Green declined to discuss the company's work



The ride-hailing firm is teaming up with startup NuTonomy.

**Tesla** Inc., are jockeying for an edge in autonomous vehicles that they hope could reap them billions in profits in the coming years.

Waymo, for its part, has been collaborating with Fiat Chrysler Automobiles NV since last year on integrating autonomous technology into its vehicles.

NuTonomy, based in Cambridge, Mass., plans to put Peugeot sport-utility vehicles on Singapore roads for testing by September. Mr. Green said Lyft would be working with Boston officials to ensure it has regulatory authority to put self-driving cars on city street.

NuTonomy was first to put regular passengers in a self-driving vehicle, beating Uber Technologies Inc. by a matter of weeks last year with its test in Singapore. Uber has since begun testing its own autonomous vehicles in Pittsburgh, Tempe, Ariz., and around the state of California.

With GM or Waymo. A spokeswoman noted the company's partnerships are "non-exclusive."

GM said there would be no impact on its relationship with Lyft. "Our plan remains steadfast—we are on track to launch our self-driving technology first in a ride-sharing application."

A Waymo spokeswoman de-

clined to specifically address Lyft's NuTonomy partnership.

The deals highlight the eagerness in Silicon Valley, Detroit and beyond to deploy self-driving technology that many believe will reduce deaths and lower the cost of transportation. A range of companies, including auto maker Ford Motor Co., online retailer Amazon.com Inc. and electric-car maker

clined to specifically address

Tesla has chargers around the world and in most U.S. states. Volkswagen's success with its chargers isn't guaranteed in an era of cheap gasoline that lowers demand for electric cars, though forecasters expect their popularity to rise.

Volkswagen plans to reap revenue from drivers and other auto makers. Motorists are expected to be able to swipe credit cards at charging stations to refuel, or purchase time-limited subscriptions to Electrify America's network.

Some auto makers could also pay Electrify America a fixed rate for each vehicle it sells and then offer its customers free charging on the burgeoning network.

The exact prices aren't yet clear, but will be based on the type of charger, kilowatt rates and market conditions, a company spokeswoman said.

The company's push comes on the heels of its diesel-emissions cheating crisis. Volkswagen pleaded guilty to criminal charges and agreed to legal settlements and penalties that could exceed \$25 billion, depending on how many vehicles the company repurchases.

"We continue to be concerned that Volkswagen will be allowed to benefit from a settlement intended to penalize for defrauding consumers,"

said a spokeswoman for Arizona Attorney General Mark Brnovich, a Republican, adding the office expects the EPA to "diligently monitor" Volkswagen's program.

A spokeswoman for Rhode Island Attorney General Peter Kilmartin, a Democrat, said that "concerns remain that [Volkswagen] will gain an advantage in the industry despite the company's past malfeasance."

## BUSINESS WATCH

ADANI GROUP

### Australian Mine Gets Approval

Indian conglomerate **Adani Group** has approved construction of one of the world's largest new coal mines, shaking off concerns about the mine's environmental impact and viability.

The decision comes days after Adani agreed to pay the state government royalties on coal produced from the 16 billion-Australian-dollar (US\$12 billion) Carmichael mine in the eastern state of Queensland.

Adani has pushed ahead with plans to build the mine that would produce thermal coal to generate electricity and operate for six decades, despite concerns around a looming supply glut. The company plans to produce as much as 60 million metric tons of thermal coal a year from six open-cut pits and five underground mines.

—Rob Taylor

tive, as the seller of preppy clothes struggles with a prolonged sales slump and hefty debt load.

The company on Monday named James Brett, who is president of furniture retailer West Elm, as CEO beginning next month.

Mr. Drexler, who has been CEO since 2003, will continue to serve as board chairman. The change comes as Mr. Drexler is scrambling to keep the company from ending up in bankruptcy.

—Khadeeja Safdar

### Company to Sell Some Beef Units

Brazilian meatpacker **JBS SA** said Tuesday it agreed to sell its beef operations in Argentina, Paraguay and Uruguay for \$300 million, subject to some adjustment.

The buyers are all controlled by rival **Minerva SA**.

—Luciana Magalhaes

**J. Crew Group** Inc. said its longtime leader Mickey Drexler will step aside as chief execu-

## VW

*Continued from page B1* maker could design them without regard to other car companies' needs while also having access to competitors' customer data.

"Given the importance of this portion of the infrastructure to [battery-electric vehicle] adoption, Ford has reservations about having a key electrification driver dependent on and ultimately controlled by one automotive competitor," wrote John Viera, the Dearborn, Mich., auto maker's global director of sustainability and vehicle environmental matters, in a letter to California regulators.

Rather than a punishment or government-endorsed competitive foothold, Volkswagen views the investment as a good-faith showing after agreeing to pay billions of dollars to owners, dealers and regulators.

"There is a lot of investment that needs to happen. We're just part of it," Mark McNabb, chief executive of Electrify America LLC, the German auto maker's subsidiary undertaking the investment plan, said in an interview.

Volkswagen's stations ultimately will address less than

10% of charging needs, Mr. McNabb said. "I don't think we're a dominant part of the equation."

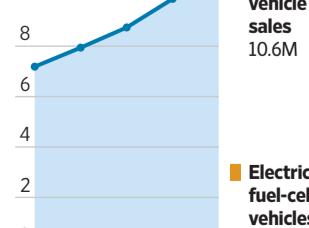
Tesla Inc. currently has an extensive charging network, featuring 861 stations with 5,655 speedy chargers for drivers of its expensive electric vehicles.

Tesla has chargers around the world and in most U.S. states. Volkswagen's success with its chargers isn't guaranteed in an era of cheap gasoline that lowers demand for electric cars, though forecasters expect their popularity to rise.

### Low Charge

Volkswagen's \$2 billion electric-car charging station push comes amid paltry sales of electric, plug-in hybrid, hybrid and fuel-cell vehicles.

#### Light trucks



Source: WardsAuto

In the U.S., electric vehicles are expected to eventually make up 6% of overall car sales over the next two decades or so, up from less than 1% currently, according to the Energy Information Administration. By 2025, sales of battery-powered electric vehicles, plug-in hybrids and hydrogen fuel-cell cars together will reach 1.5 million, or about 9% of U.S. sales, the agency projects.

Volkswagen plans to reap revenue from drivers and other auto makers. Motorists are expected to be able to swipe credit cards at charging stations to refuel, or purchase time-limited subscriptions to Electrify America's network.

Some auto makers could also pay Electrify America a fixed rate for each vehicle it sells and then offer its customers free charging on the burgeoning network.

The exact prices aren't yet clear, but will be based on the type of charger, kilowatt rates and market conditions, a company spokeswoman said.

The company's push comes on the heels of its diesel-emissions cheating crisis. Volkswagen pleaded guilty to criminal charges and agreed to legal settlements and penalties that could exceed \$25 billion, depending on how many vehicles the company repurchases.

"We continue to be concerned that Volkswagen will be allowed to benefit from a settlement intended to penalize for defrauding consumers,"

said a spokeswoman for Arizona Attorney General Mark Brnovich, a Republican, adding the office expects the EPA to "diligently monitor" Volkswagen's program.

A spokeswoman for Rhode Island Attorney General Peter Kilmartin, a Democrat, said that "concerns remain that [Volkswagen] will gain an advantage in the industry despite the company's past malfeasance."

## MANAGEMENT

# Paid Parental Leave Gains Support

Employee benefit rarely reaches lower echelons of workforce, but White House budget proposal may help change that

BY RACHEL FEINTZEIG

In recent years, corporations such as Microsoft Corp., Blackstone Group LP and Credit Suisse Group AG have added generous paid-leave policies to give employees time to bond with their newborns.

But for most American workers, having a child often means taking unpaid time off, a situation that can stress finances and wreak havoc with family schedules.

Many of those workers would stand to get relief under a proposal in President Donald Trump's budget to provide six weeks of paid time off for new mothers and fathers.

The proposal, estimated to cost \$19 billion over a decade, likely will be rewritten as Congress crafts its own budget resolutions over the next few months, though that process traditionally takes into account White House priorities. Political support for paid leave is building in some cities and states, and Ivanka Trump, daughter of Mr. Trump and an adviser to him, has adopted family leave as a signature issue.

The U.S. is the only nation among 41 that doesn't mandate paid parental leave, according to data compiled by the Organization for Economic Cooperation and Development.

Under the 1993 Family and Medical Leave Act, workers are entitled to 12 weeks of unpaid leave. Many new parents also take time off by using their employers' short-term disability benefits, though those policies often only cover a portion of their wages for some of their leave.

In the U.S., 13% of private-industry workers had access to any kind of paid family leave, according to March 2016 statistics from the Bureau of Labor Statistics, the most recent available. Restaurant and retail chains like Yum Brands Inc. have introduced new paid-leave benefits for corporate employees, but the workers who stock shelves and ring up customers rarely



Kristen Picciolo, a barista at Starbucks, was among a group of employees who petitioned company leaders about parental-leave benefits.

have paid parental leave.

Tiffani Hylton fell behind on rent, water and electric payments while taking a six-week, partially paid leave from Wal-Mart in 2016 following the birth of her daughter, Annabelle. Back at work baking doughnuts and bread in a Troy, Ohio, store, she felt sore, exhausted and longed to be with her daughter. After cutting back her hours, she left Wal-Mart last summer.

"Six weeks fully paid, that would have saved me months of stress," she said. "It would have kept us from being stuck in extra debt for months on end, worrying about how we were going to pay for food and diapers."

Salaried employees of Wal-Mart Stores Inc. are entitled to 10 weeks of fully paid maternity leave after the arrival of a child; hourly workers can file for some pay using a short-term disability benefit if they qualify.

This fall, Starbucks Corp.

will give mothers working in its stores six weeks of fully paid parental paid leave. Some baristas have criticized the coffee chain for giving mothers in its corporate headquarters up to 18 weeks at full pay.

At a shareholders meeting earlier this year, Kristen Picciolo, a barista at a Medina, Ohio, store, asked company leaders to give all Starbucks workers equal leave. "I know as a parent how important it is to spend those first few months with your new baby," she said during the meeting.

A Starbucks spokesman said that the company is constantly evaluating its benefits based on employee feedback.

"You will not find another company that has pioneered more innovative benefits for full- and part-time employees," he said in a statement.

A March report from Pew Research Center found that mothers with household incomes under \$30,000 took a

median maternity leave of six weeks; those whose households bring in at least \$75,000 took 12 weeks. Some 14% of restaurant employers provide paid maternity leave for hourly workers, according to a 2016 survey from research firm TDn2K.

In the U.S., months of time off to care for a newborn "is a very elite benefit," said Britanna Cayo Cotter, chief of staff for Paid Leave for the U.S., a nonprofit advocacy group.

Joe Kefauver, managing partner of Align Public Strategies LLC, which advises retailers—and restaurant companies like Wendy's Co.—on public-policy issues, said that companies in industries like technology absorb such benefits more easily than low-margin businesses like fast-food chains.

"It's not an insensitivity to the employee," he said. "It's a sensitivity to the business model."

Whatever the prospects are

for Mr. Trump's parental-leave proposal, advocates say momentum for the ideas is building at the state and local levels. Last year, Democratic Gov. Andrew Cuomo signed a law that phases in a paid family leave program starting in 2018; by 2021, it is set to provide 12 weeks of paid leave.

The Washington, D.C., city council also last year approved a paid family leave program that includes eight weeks of leave for new parents.

When her son was born, Ms. Picciolo, the Starbucks barista, moved in with her mother, went on a payment plan with her electric company and turned to food pantries for wipes and diapers.

Her boyfriend, Seth Gibson, picked up extra waiting and bartending shifts at Ruby Tuesday, returning to work the day after the birth of the couple's child. Money was a constant worry. Paid leave for either parent would have eased some of the pressure, he said.

## Leave Policies Are A Confusing Maze For New Parents

Various government and corporate rules affect benefits

For many new parents in the U.S., navigating the array of policies and rules for taking parental leave is easily as tough as 3 a.m. wake-up cries.

"It's a patchwork," said Ellen Galinsky, a senior research adviser at the Society for Human Resource Management, a group for human-resource professionals. How much leave and how much pay workers may receive after the birth of a child is governed by a maze of federal, state, local and corporate rules.

Although more companies are starting to offer at least some pay for maternity leave, the proportion of organizations offering workers fully paid parental leave has decreased over the years, according to a survey of employers by the Society for Human Resource Management.

The survey found that of the 58% of firms that provide at least some pay for new mothers, 78% fund those payments through temporary disability insurance plans.

The federal Family and Medical Leave Act provides 12 weeks of unpaid leave for employees who meet certain requirements, such as working for their employer for at least a year and logging at least 1,250 hours in that year. Their organizations also must have at least 50 employees within a 75-mile radius.

Some new mothers can tap disability benefits if their company provides them, but such benefits often only cover half or two-thirds of the mother's pay.

A few states have their own temporary disability-insurance programs; others, including Rhode Island and New Jersey, have paid parental leave programs. New York and Washington, D.C., are scheduled to phase in family-leave programs in the coming years.

—Rachel Feintzeig

# Old-Time Jobs Are Hot Again as Reaction to Digital Age

BY LAUREN WEBER

Gentrification isn't just taking place in working-class neighborhoods. It's happening to jobs, too.

Walk around parts of Brooklyn, Portland or Pittsburgh, and you'll find stylish cocktail bars, barbers and the occasional butcher shop staffed by young, college-educated employees. For an affluent segment of today's urban economy, these jobs have been revalued from low-status semi-manual labor to glamorous occupations, says sociologist Richard Ocejo.

In his new book "Masters of Craft: Old Jobs in the New Urban Economy," Mr. Ocejo examines the forces driving a resurgence of occupations such as butcher and bartender among young middle-class urbanites.

A similar dynamic is at work with a handful of other jobs, including craft brewer, bookbinder, furniture maker and fishmonger.

The Labor Department projects that between 2014 and 2024 the number of bartenders and barbers in the U.S. will grow 10%, while butchers will see a 5% increase, compared with a 7% job growth for all occupations over the same period. Median pay for these jobs was less than \$30,000 a year in 2016.

Millennials are drawn to these occupations, in part, as a reaction to "the ephemerality of the digital age," says Mr. Ocejo, a sociology professor at John Jay College of Criminal Justice and the City University of New York Graduate Center.

Distinct from many of today's most vaunted jobs in fields like information technology and fi-



A bartender at Green Russell bar located in downtown Denver.

nancial services, these trades "are based in using your hands, with actual tools and materials, to provide a tangible concrete product," he says.

To attract young people with college degrees and other options in the labor market, jobs usually have an element of performance to them, Mr.

Ocejo says. In most of the careers he studied for "Masters of Craft," workers interact closely with customers, often in a public setting where their skill and knowledge can be admired. That's why some manual positions like electrician and plumber are unlikely to experience the same "revalorization," he says.

Unlike real-estate gentrification, where the arrival of more affluent people displaces lower-income residents in a neighborhood, hipsters generally aren't displacing workers at more conventional businesses in the same industry, Mr. Ocejo says.

A trendy whole-animal butcher isn't pushing out the local butcher shop, he says, since it likely "closed a long time ago when the Italians moved out." And it isn't hurting the halal

butchers in the neighborhood either, since those shops serve a different clientele.

"They've created a niche that didn't exist before, and they're operating along parallel but very, very separate paths" with pre-existing businesses, Mr. Ocejo says.

But with aesthetics playing such a key role in the craft-business ideal—from bartenders with suspenders and handlebar mustaches to tattooed butchers carving an unusual cut of meat—Mr. Ocejo says the jobs tend to attract people from similar cultural backgrounds, creating a barrier for others.

"It's very difficult if you are from a working-class background or a minority to get one of these jobs, which would give you higher wages, networking opportunities and more interesting work," he says.

## The Story is Just the Start with WSJ+

We've taken what you love to read in the Journal and brought it to life. Activate your complimentary WSJ+ membership today for exclusive offers, events and experiences.

Discover more at [wsjplus.com](http://wsjplus.com)

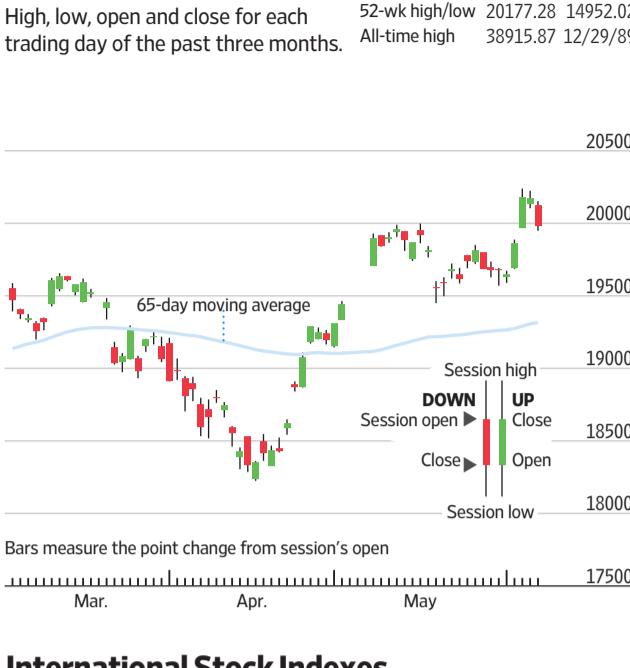
WSJ+



## MARKETS DIGEST

**Nikkei 225 Index****19979.90** ▼190.92, or 0.95%

High, low, open and close for each trading day of the past three months.

**STOXX 600 Index****389.40** ▼2.64, or 0.67%

High, low, open and close for each trading day of the past three months.

**S&P 500 Index****2429.33** ▼6.77, or 0.28%

High, low, open and close for each trading day of the past three months.



Data as of 4 p.m. New York time

Last Year ago

Bars measure the point change from session's open

Mar. Apr. May

Mar. Apr. May

Mar. Apr. May

**International Stock Indexes**

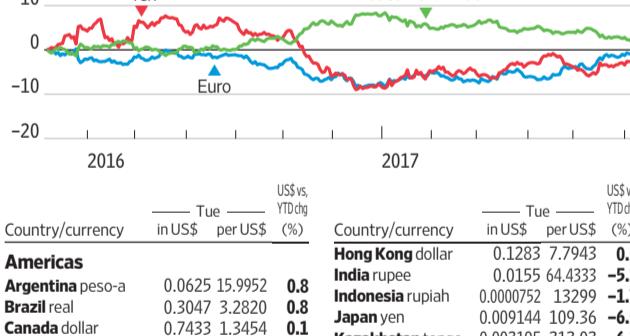
Data as of 4 p.m. New York time

Region/Country	Index	Close	NetChg	% chg	52-Week Range	Low	Close	High	YTD % chg
<b>World</b>	<b>The Global Dow</b>	2776.03	-7.88	<b>-0.28</b>	2193.75	2791.48	9.8		
	<b>MSCI EAFE</b>	1905.62	-5.79	<b>-0.30</b>	1471.88	1956.39	11.0		
	<b>MSCI EM USD</b>	1015.70	-1.89	<b>-0.19</b>	691.21	1044.05	27.9		
<b>Americas</b>	<b>DJ Americas</b>	583.02	-1.21	<b>-0.21</b>	480.90	585.50	7.9		
Brazil	Sao Paulo Bovespa	63068.70	618.25	<b>1.09</b>	48066.67	69487.58	4.7		
Canada	S&P/TSX Comp	15458.57	48.79	<b>0.32</b>	13609.58	15943.09	1.1		
Mexico	IPC All-Share	49236.29	-356.20	<b>-0.72</b>	43902.25	50154.33	7.9		
Chile	Santiago IPSA	3735.30	12.91	<b>0.35</b>	2998.64	3786.05	15.9		
<b>U.S.</b>	<b>DJIA</b>	21136.23	-47.81	<b>-0.23</b>	17063.08	21225.04	7.0		
	Nasdaq Composite	6275.06	-20.63	<b>-0.33</b>	4574.25	6310.62	16.6		
	<b>S&amp;P 500</b>	2429.33	-6.77	<b>-0.28</b>	1991.68	2440.23	8.5		
	CBOE Volatility	10.68	0.61	<b>6.06</b>	9.56	26.72	-23.9		
<b>EMEA</b>	<b>Stoxx Europe 600</b>	389.40	-2.64	<b>-0.67</b>	308.75	396.45	7.7		
	<b>Stoxx Europe 50</b>	3211.47	-22.45	<b>-0.69</b>	2626.52	3279.71	6.7		
Austria	ATX	3171.60	13.87	<b>0.44</b>	1981.93	3211.08	21.1		
Belgium	Bel-20	3878.26	-22.09	<b>-0.57</b>	3127.94	4055.96	7.5		
France	CAC 40	5269.22	-38.67	<b>-0.73</b>	3955.98	5442.10	8.4		
Germany	DAX	12690.12	-132.82	<b>-1.04</b>	9214.10	12878.59	10.5		
Greece	ATG	777.53	-9.04	<b>-1.15</b>	517.10	800.08	20.8		
Hungary	BUX	34926.99	-223.45	<b>-0.64</b>	25126.36	35160.95	9.1		
Israel	Tel Aviv	1423.90	-3.59	<b>-0.25</b>	1372.23	1490.23	-3.2		
Italy	FTSE MIB	20760.01	38.97	<b>0.19</b>	15017.42	21828.77	7.9		
Netherlands	AEX	521.71	-2.73	<b>-0.52</b>	409.23	537.84	8.0		
Poland	WIG	60723.47	544.11	<b>0.90</b>	42812.99	62666.49	17.3		
Russia	RTS Index	1041.23	-3.11	<b>-0.30</b>	884.83	1196.99	-9.6		
Spain	IBEX 35	10879.70	-5.00	<b>-0.05</b>	7579.80	11184.40	16.3		
Sweden	SX All Share	590.56	...	<b>Closed</b>	443.66	594.67	10.5		
Switzerland	Swiss Market	8908.27	-135.69	<b>-1.50</b>	7475.54	9136.95	8.4		
South Africa	Johannesburg All Share	52251.87	-618.25	<b>-1.17</b>	48935.90	54716.53	3.2		
Turkey	BIST 100	98331.54	139.57	<b>0.14</b>	70426.16	99278.08	25.8		
U.K.	FTSE 100	7524.95	-0.81	<b>-0.01</b>	5788.74	7598.99	5.3		
<b>Asia-Pacific</b>	<b>DC Asia-Pacific TSM</b>	1633.17	-1.57	<b>-0.10</b>	1308.52	1635.46	14.8		
Australia	<b>S&amp;P/ASX 200</b>	5667.50	-87.40	<b>-1.52</b>	5103.30	5956.50	0.03		
China	<b>Shanghai Composite</b>	3102.13	10.47	<b>0.34</b>	2833.07	3288.97	-0.05		
Hong Kong	Hang Seng	25997.14	134.15	<b>0.52</b>	20038.42	25997.14	18.2		
India	<b>S&amp;P BSE Sensex</b>	31190.56	-118.93	<b>-0.38</b>	25765.14	31309.49	17.1		
Japan	Nikkei Stock Avg	19979.90	-190.92	<b>-0.95</b>	14952.02	20177.28	4.5		
Singapore	Straits Times	3235.75	-2.56	<b>-0.08</b>	2729.85	3271.11	12.3		
South Korea	Kospi	2368.62	...	<b>Closed</b>	1925.24	2371.72	16.9		
Taiwan	Weighted	10206.18	-20.66	<b>-0.20</b>	8458.87	10226.84	10.3		

Source: SIX Financial Information/WSJ Market Data Group

**Currencies**

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



London close on June 6

Country/currency	US\$ vs. in US\$	US\$ vs. per US\$ (%)	Tue	YTD chg
Country/currency				
Hong Kong dollar	0.1283	7.7943	0.5	
India rupee	0.0155	64.4333	-1.7	
Indonesia rupiah	0.0000752	13299	-6.5	
Japan yen	0.009144	109.36	-6.5	
Kazakhstan tenge	0.003195	313.03	-6.3	
Macau pataca	0.1245	8.0336	1.5	
Malaysia ringgit-c	0.2341	4.2725	-7.9	
New Zealand dollar	0.7200	1.3889	-3.8	
Pakistan rupee	0.0095	104.80	0.4	
Philippines peso	0.0202	49.481	-0.3	
Singapore dollar	0.7250	1.3793	-0.1	
South Korea won	0.000894	1119.35	-7.3	
Sri Lanka rupee	0.006545	152.80	2.9	
Taiwan dollar	0.03322	30.10	-0.6	
Thailand baht	0.02944	33.970	-5.1	

Country/currency	US\$ vs. in US\$	US\$ vs. per US\$ (%)	Tue	YTD chg
Argentina peso-a	0.0625	15.9952	0.8	
Brazil real	0.3047	3.2820	0.8	
Canada dollar	0.7433	1.3454	0.1	
Chile peso	0.001495	668.80	-0.1	
Colombia peso	0.003458	2892.00	-3.7	
Ecuador US dollar-f	1	1 unch		
Mexico peso-a	0.0547	18.2005	-11.8	
Peru so'l	0.3061	3.2671	-2.6	
Uruguay peso-e	0.0353	28.340	-3.4	
Venezuela bolivar	0.100150	9.99	-0.1	

Country/currency	Offer	Bid




<tbl

## FINANCE &amp; MARKETS

# As Bitcoin Soars, Backers Dismiss Risks

Despite potential for a crash, each leg up in price moves currency closer to mainstream

BY PAUL VIGNA

Bitcoin, the digital currency, hit a new all-time high of \$2,967 Tuesday, after having roughly tripled this year.

Given bitcoin's history of volatility, a tumble at some point seems inevitable.

The currency's backers don't necessarily disagree. They just don't care.

"This is probably the third or fourth bubble, if you want to call it that, in digital currency that we've gone through," said Brian Armstrong, founder and chief executive of San Francisco-based bitcoin-services firm Coinbase, which supports bitcoin trading.

Waves of demand for bitcoin tend to bring hype and volatility, but also new money, new ideas and new people to the unregulated currency and its offshoots. The result is that the world of cryptocurrencies is larger than it was before.

"A bunch of new people who had never heard about it are going to learn about it," said Mr. Armstrong.

Tony Horsley, a 78-year-old Atlanta investor whose portfolio includes 12 stable compa-



**Bitcoin backers believe the currency is still in the earliest stages.**

nies including Apple Inc. and Berkshire Hathaway Inc., says bitcoin's huge price run-up in the past two months has made him curious and given him an idea to add "a little excitement to the mix." "When you get to my age, you can afford to take a few risks," Mr. Horsley said. "My portfolio of 12 stocks is boring." He hasn't invested yet.

A stateless currency launched in 2009, bitcoin isn't controlled by any one entity or government. Maintained by a decentralized network of computers, it is designed to quickly and cheaply match users with each other, sidestepping middlemen like banks.

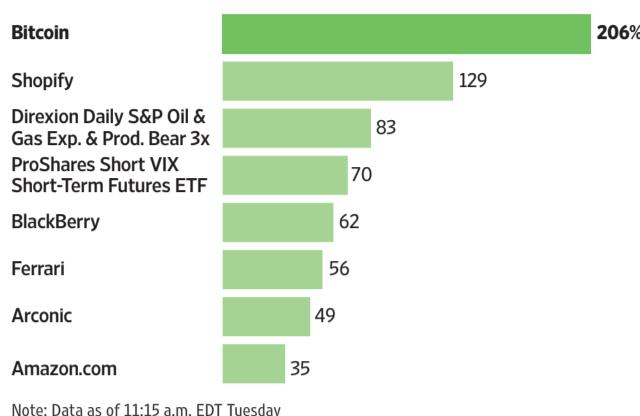
The number of people actu-

ally using bitcoin is hard to pinpoint, but each new leg up in the price increases its mainstream exposure. It has been used for nefarious purposes like ransomware and drug trafficking. It also appeals to investors who don't trust their home currency and to entities in developing economies that want more efficient international payments.

Nairobi, Kenya-based BitPesa, another bitcoin services firm, says it has helped 6,000 users across 85 countries send and receive payments in bitcoin. Global entrepreneurs have launched hundreds of bitcoin-like tokens known as "initial coin offerings," an alterna-

## Head of the Class

Year-to-date gains for bitcoin and other high-flying 2017 investments



Note: Data as of 11:15 a.m. EDT Tuesday

Source: WSJ Market Data Group

THE WALL STREET JOURNAL

the bitcoin in the world are still worth less than the \$65 billion market value of electronic-payments company PayPal Holdings Inc., not to mention the market values of most big banks and technology companies.

What keeps bitcoin believers invested is the notion that the currency is still in the earliest stages. They remain convinced bitcoin will find a use that results in its widespread adoption, which in turn would cause its value to keep soaring. The original bitcoin program was written to cap the currency at 21 million units.

Until then, bitcoin's roller coaster ride creates winners and losers, even as the surrounding publicity helps expand bitcoin's appeal and put its visibility at a higher "plateau," as Coinbase's Mr. Armstrong described it. In recent weeks, Coinbase has been putting together a funding round that would value the company at \$1 billion, which would make it one of the most valuable companies focused on digital currencies.

Bitcoin enthusiasts expect jarring turns in the price. "Markets work in bubble cycles," said Charlie Shrem, chief business officer of Jaxx, a cryptocurrency-services business based in Toronto. "There will be a bust, people will get wrecked."

tive to venture-capital funding.

Many investors pay for the tokens with bitcoin or a rival digital currency called Ethereum. The trend has helped spur demand for both.

Elizabeth Roselli, BitPesa's co-founder and CEO, says regulators worldwide are increasingly recognizing bitcoin's legitimate uses. "We stopped hearing, 'Go away, it's gonna die,'" she says.

Under a new law, Japan's Financial Stability Agency started recognizing the digital currency as a payment method. Investors have responded by putting new money into bitcoin, and companies ranging from discount-

airline Peach to energy company Nippon Gas Co. are accepting it from consumers.

Most of the gains this year, about \$1,800 per bitcoin, happened since April 1, according to data provider CoinDesk. The number of daily transactions on bitcoin's network has roughly tripled to around 300,000 from about 100,000 two years ago. The currency, which eased off its record

Tuesday morning to \$2,878, now has a total market value of \$46 billion, up from \$15.3 billion on Dec. 31, 2016, according to CoinMarketCap.

Still, that is tiny compared with the \$1.5 trillion of U.S. currency in circulation. And all

airline Peach to energy company Nippon Gas Co. are accepting it from consumers.

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

Accountants said the labor market is tight for students with CPA-ready skills. So "it is understandable that the public accounting firms would weigh in on this immigration issue," said Terry Warfield, a University of Wisconsin-Madison accounting professor.

# Accountants Jump Into the Debate Over Immigration

BY MICHAEL RAPORT

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

Major accounting firms and the industry's trade group are trying to convince Congress to include accounting as part of the "STEM" career fields—science, technology, engineering and mathematics. Those areas

get special consideration when the U.S. government determines which foreigners get visas to work in the U.S.

Specifically, the industry wants to expand the STEM definition of mathematics to include accounting. The efforts by firms and the American Institute of Certified Public Accountants are cited in recent lobbying disclosure reports filed with Congress.

President Donald Trump has called for scaling back the

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

Accounting firms say they aren't seeking lower-paid

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

Accounting firms need "global mobility" for their personnel to work with multinational companies with operations both in the U.S. and

abroad, the group said. Beyond immigration, having the prestige and attention of STEM could help attract more people into accounting, the AICPA said.

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

WSJ City

Carry the Square Mile

The WSJ City App.

Now on Android and iOS.

Stay up to date with essential news from the City of London and beyond. Get the most crucial stories, sector insights and markets data delivered straight to your iPhone or Android device with the WSJ City App.

DOWNLOAD NOW

Download on the  
App Store

Android App on  
Google play

THE WALL STREET JOURNAL.  
Read ambitiously

## INTERNATIONAL PROPERTY: RUSSIA

# Commercial Sector Lures Bargain Hunters

Investors tiptoe back into the market as crisis ebbs and prices remain relatively low

BY THERESA AGOVINO  
AND PETER GRANT

Development and investment activity is slowly picking up in Russia's commercial real-estate market as the country emerges from a crippling economic downturn and some investors shrug off concerns about ties between Russia and the new Trump administration.

Domestic players and foreign investors that hunkered down during the Russian economic crisis that hit in 2014 are leading the way. They are beginning to get out their checkbooks partly because prices for office buildings, stores, warehouses and other property in Russia are much lower than in other emerging markets like Eastern Europe.

Houston-based **Hines**, which has been investing in Russia for more than two decades, is close to new deals in Moscow to develop a residential complex and buy an office building, said people familiar with the matter. The firm



The former Bolshevik Building in Moscow has been converted into residential and retail space.

owns about \$2 billion of real estate in that city and St. Petersburg.

Meanwhile, Guernsey-based investment firm **Raven Russia** Ltd., which began investing in the country in 2005, emerged from roughly a four-year hiatus this year to buy a warehouse and two small office buildings in St. Petersburg for a total of \$83 million.

**Raven Russia**, which raised £100 million (\$129 million) last month, also signed a memorandum of understanding with a Russian partner to build a network of distribution centers. "We had been waiting for the market to stabilize," said Glyn Hirsch, chief executive officer of Raven Russia. "Of course, there is still risk, but at current prices we think

it is worth the risk."

Mr. Hirsch said the St. Petersburg portfolio's yield is about 16%, meaning its annual income comes to about 16% of the purchase price. "Where else in the world are you going to get a return like that?" he said.

To be sure, most foreign investors continue to steer clear of the market, given that

Western sanctions put in place in 2014 are still in effect against Russia stemming from its annexation of the Crimea region. Political and economic uncertainty remain high.

Blackstone Group LP, one of the world's largest real-estate investors, has purchased properties in countries such as India and Brazil in recent years, but hasn't bought anything in Russia for more than a decade. A Blackstone spokeswoman declined to comment.

The volume of commercial property sales in Russia totaled \$4 billion in 2016, 70% below 2013, according to Real Capital Analytics, a real-estate data firm. But in recent months sales have rebounded. In the first quarter of 2017, Russian sales volume totaled \$861 million, more than double the same period in 2016, Real Capital said.

Much of the new investment is coming from Russian pension funds and other domestic institutions, said S. Lee Timmins, head of Hines's Eurasia region. In 2012, about 70% of the investment was foreign and 30% domestic.

"Now the ratio has flipped," Mr. Timmins said.

A number of sovereign wealth funds are in the market looking for deals and joint-

venture partners, said Dmitry Mints, CEO of **01 Properties**, one of the country's largest office-building landlords. "Russia is one of the best markets right now in terms of value for money," he said.

Investors are beginning to tiptoe back into the market partly because the biggest stresses on the Russian economy have been easing. The price of oil and the value of the ruble have risen from the depths they hit after the 2014 crisis.

The commercial real-estate market also is improving for landlords. The Moscow office vacancy rate fell to 15.1% in the first quarter of this year, its lowest level since the second quarter of 2014, according to real-estate services firm JLL. Rents of top-quality Moscow buildings rose to \$434 a square meter a year in the first quarter of 2017, up 17% from a five-year low in the first quarter of last year.

Development activity also has shown signs of picking up. For example, 01 Properties recently completed the conversion of a former 19th-century sweets factory, renamed the Bolshevik Building by Russian leader Vladimir Lenin, into a mixed-use project with residential and retail space.

## Online Retailers Take a Different Tack on Delivery

BY ART PATNAUDE

Online retail is expanding in Russia, just like everywhere else in the world, but its growth path is taking unexpected twists and turns creating special challenges for property companies there.

The most pressing problem is theft. If you have an item delivered, "it will be stolen if you're not home," said Brian Kean, spokesman for **Ulmart**, one of the country's largest online retailers.

Also, while Russians increasingly use the internet to

learn about products and prices, they don't want to pay with credit cards as do shoppers in Western Europe and the U.S. They primarily shop at brick-and-mortar stores, according to a January report by consumer-market research firm Euromonitor.

The answer from some real-estate developers has been to customize the distribution network for Russian customers.

Demand for warehouses is expected to increase as the Russian economy recovers and online shopping picks up. Internet retailing grew 21% last

year in value terms to reach around \$14.2 billion, according to Euromonitor, expanding at a faster clip than other parts of the country's economy still reeling from the lingering effects of economic sanctions, low oil prices and a weak currency.

Warehouses-needed for online retailers to make same-day deliveries-took a particularly large knock as retail companies pulled back when consumer spending dropped. Vacancy rates on warehouses in Moscow rose to more than 11.3% in the second quarter of

2016 from 2.1% in the first quarter of 2014, according to property broker Colliers International Ltd. Now it appears a corner has been turned. Moscow vacancy rates have fallen to 10.4% in the first quarter of this year, Colliers data show.

The market for warehouses "is looking much brighter even compared with a year ago," said Rustam Aliev, partner at law firm Goltsblat BLP in Moscow.

Ulmart, which chalked up more than 49.3 billion rubles (\$870 million) in online sales last year, has developed scores

of "fulfillment centers" where online shoppers can pick up their new shirts, electronics, household goods and other purchases. They range in size from 15-square-meter (161-square-foot) sites for pedestrian traffic to 323,000-square-foot centers in suburban areas with drive-through windows.

Ulmart has plans to develop a 646,000-square-foot warehouse near Moscow. "Instead of getting your coffee, you pick up your new iPhone," Mr. Kean said.

Ulmart's sales are recover-

ing but they are still below 2013, the year before the crisis, when they hit \$1.2 billion.

Investors globally have been enamored of logistics space and have made bets on the sector as internet shopping was taking off. Last week, **Blackstone Group** LP announced that it had sold the European logistics company that it began building in 2012, named **Logicor**, to sovereign-wealth fund **China Investment Corp.** for €12.25 billion (\$13.79 billion).

—Peter Grant contributed to this article.



Moscow aims to demolish five-story buildings from the Khrushchev era and put up high-rises.

## Destroying to Build Anew

BY NATHAN HODGE

MOSCOW—Vitaly Slavin loves his home in northwest Moscow. Built in 1968, the brick apartment building was one of thousands of prefabricated five-story buildings thrown up during the Soviet housing boom of the 1950s and 1960s.

"It's in solid shape, it's a 10-minute walk to the subway, and there's a park nearby," he said.

But Mr. Slavin's building is one of thousands targeted for demolition by Moscow city authorities in what is shaping up as the city's biggest face-lift in a generation. This spring, the city published a list of 4,500 apartment buildings that will be torn down, the first phase of a renovation plan that will eventually see 8,000 aging buildings demolished and replaced with high-rise apartments.

For the Russian real-estate industry and foreign property investors, the plan is the first bright spot in years in a business that has been hammered along with the rest of the country's economy by the ailing energy sector and Western sanctions put in place after Russia's annexation of Crimea in 2014.

Moscow Mayor Sergei Sobyanin has estimated the first installment of the plan would

cost around 300 billion rubles (\$5.3 billion) over three years, according to the news agency RIA-Novosti. Officials project the longer-term cost of relocating and rehousing tens of thousands of people over 20 years would cost at least \$53 billion.

The demolition program is moving forward at a time when Russia's currency has firmed against the dollar and property prices in Moscow have stabilized. The average

transaction program has been magnified because details haven't been revealed. Early in May, local media outlet Republic.ru reported developers were beginning to prepare to make bids. But it is still too early to say how this will work.

Opponents of the plan say the final word over the demolition is in the hands of President Vladimir Putin, who is seen as the arbiter of any politically charged issue in Russia.

Mayor Sobyanin has been the most visible proponent of the plan. In a recent radio interview, he said the renovation plan would be carried out in a democratic manner: If two-thirds of the residents of an apartment block don't want to be relocated in new housing, they won't be included in the renovation program.

"There is no desire to drag anyone into this program by force," he said. "Everything is voluntary. If the residents want it, we include their building. If they do not want it, we don't include it."

Thousands took part in a street demonstration against the plan in mid-May. The five-story buildings, built largely during the Khrushchev era, are cramped and utilitarian in design, with thin walls and low ceilings. But some residents have a strong sentimental attachment to them.

price of a square meter of residential space is more than \$2,900, up from \$2,600 a year ago, according to IRN.ru, a Russian real-estate index.

But the program touches a potential third rail for some apartment owners who worry they may face eviction-by-edict by government authorities. The city government says owners will be offered new flats in the same area, but some protesters have feared they will be moved to high rises in the outer suburbs.

Concern about the demoli-

**NAI Global**

## Access the World

Lease. Buy. Sell. Manage.  
Commercial Real Estate Services for YOU.  
+1 212 405 2500 | [www.naiglobal.com](http://www.naiglobal.com)

MAKHONIN ANDREY/TASS/ZUMA PRESS

## FINANCE &amp; MARKETS

# Caracas Peddles Cheap Debt

Facing cash squeeze, Venezuela tries to sell \$5 billion of deeply discounted bonds

Venezuela is attempting to resell at a deep discount \$5 billion of bonds it originally issued in December through a Chinese brokerage as it struggles to squeeze through a tightening cash crunch, according to investors who were offered the bonds.

By Matt Wirz,  
Kejal Vyas  
and Carolyn Cui

The move is the country's latest extraordinary step to raise funds after being shut out of the international debt market in recent years as its oil-rich socialist economy crumbles. But even bond funds that specialize in distressed debt are hesitating to buy in because of concerns about the irregularities surrounding the deal and questions from opposition lawmakers about its legality.

While much of Wall Street sees default as a matter of time, the offer could appeal to investors willing to take on the risk in exchange for potentially significant returns. **Goldman Sachs Group Inc.** recently paid \$865 million for \$2.8 billion in Venezuelan bonds in a transaction that drew widespread condemnation from rivals of embattled President Nicolás Maduro, who accused the New York bank of helping finance his increasingly authoritarian and isolated administration.

"It's like they're having a going-out-of-business sale," said Russ Dallen, partner at the brokerage Caracas Capital Markets. "And that's what buyers should be worried about. Either they're really desperate or they're just filling up their credit card with no plans of paying back."

Haitong Securities USA, a unit of China's **Haitong Securities Co. Ltd.**, in recent weeks



**Opponents of Venezuela President Nicolás Maduro, above, say the discounted bonds are illegal.**

has been marketing the distressed debt to U.S. hedge-fund managers who specialize in buying emerging-market bonds, the investors who were offered the bonds said. Haitong had the title of underwriter when Venezuela issued the bonds to a state-owned bank in December.

Unlike the bonds Goldman bought, the debt securities being shopped by Haitong aren't registered with the international organizations that settle such transactions, meaning they can't be traded electronically, a risk that investors said was keeping them from buying them.

Spokesmen at Venezuela's finance and information ministries as well as Haitong Securities didn't respond to calls seeking comment.

Reeling from nearly two decades of economic mismanagement, Venezuela has had to resort to unorthodox financing methods through small and often little-known institutions as large international banks veer away from Mr. Maduro's government.

Governments in the developing world typically plug funding gaps by issuing bonds through Wall Street firms and

European banks that distribute the debt to bond-fund managers globally. But Venezuela has lost access to that market in recent years. The economy has shrunk by an estimated 27% since 2013. The International Monetary Fund says inflation this year will hit 720%. Venezuela's central bank has stopped publishing basic economic indicators like balance of payments and gross domestic product since September 2015, making the country's capacity to pay a big guessing game for investors and credit rating firms alike.

Unable to tap debt markets, the government has turned to a strategy of issuing bonds directly to state-controlled entities that then try to resell the debt to foreign buyers for hard currency at bargain-basement prices.

The bonds picked up by Goldman Sachs in May were sold for 31 cents on the dollar, via U.K. broker **Dinosaur Group**. Haitong is offering the additional bonds, which fall due in 2036, at an even deeper discount, the fund managers said.

The 2036 bonds were issued in December by Venezuela's government in a private placement to state-run Banco de

Venezuela. At the time, the Finance Ministry had said the securities were earmarked as IOUs to be distributed to food and medicine importers that have ceased activity because Venezuela owes them billions of dollars in arrears.

But Mr. Maduro's political rivals also cried foul calling the bonds illegal because they were never approved by the opposition-controlled congress, also known as the National Assembly. "They are liquidating the nation's assets, indebting future generations," said opposition lawmaker Angel Alvarado.

Potential buyers fear that if Venezuela defaults, owners of the 2036 bonds wouldn't have the same claim as other bondholders because their bonds were issued at discount prices via an intermediary, Banco de Venezuela. They are also hesitant to buy the bonds because they haven't been registered with Euroclear or Depository Trust & Clearing Corp., the international securities settlement organizations that institutional investors use to trade electronically, one of the fund managers said.

Tracking the Libor-OIS spread (London interbank offered rate and overnight index swap) helps investors and policy makers monitor the health of money markets. A higher reading signals increasing stress, while a lower one indicates easy funding conditions. The gauge soared to a record in October 2008.

# One Market Gauge Signals Rate Rise

By MIN ZENG

A measure that tracks stress in U.S. money markets tumbled to near its lowest level in seven years, a sign of loose financial conditions that could help prompt the Federal Reserve to raise interest rates next week.

The three-month dollar Libor-OIS spread—the difference between the rate at which banks lend to each other and the market's expectations of central bank rates—fell below 0.1 percentage point on Monday. It was 0.0998 percentage point, the lowest since August 2015, according to Steven Zeng, interest-rate strategist at Deutsche Bank AG. The spread's lowest level in recent years was in March 2010, when it hit 0.06 percentage point.

As markets fret over whether the Fed will raise short-term borrowing rates too quickly, potentially constraining growth in the economy, the narrowing Libor-OIS spread is one indication that the U.S. central bank has the latitude to stay on its course of raising interest rates. The Fed lifted rates in December and March and is expected to act again at its June 13-14 meeting.

Some other indicators in financial markets, including lower Treasury yields, higher stocks and a weaker dollar, also point to loose financial conditions.

Tracking the Libor-OIS spread (London interbank offered rate and overnight index swap) helps investors and policy makers monitor the health of money markets. A higher reading signals increasing stress, while a lower one indicates easy funding conditions. The gauge soared to a record in October 2008.

To some analysts, the narrowing spread reflects the

easy monetary policies that still dominate financial markets and could breed complacency in investors. The Fed has been raising rates only gradually, and the European Central Bank and the Bank of Japan have continued bond-buying programs to stimulate their economies. Prices of assets from stocks to leveraged loans to bitcoin to gold have risen in the meantime.

"The problem for the Fed is that despite its rate increases, market signals remain unresponsive, potentially generating financial asset bubbles," said Mark Cabana, head of U.S. short-rates strategy at Bank of America Merrill Lynch and a former trader and analyst at the Federal Reserve Bank of New York.

**The narrowing Libor-OIS spread is one indication the Fed can stay the course.**

Ample liquidity also offers an explanation of why Treasurys have strengthened this year alongside a roaring stock market, a shift from late last year when bonds sold off as shares rallied.

The yield on the 10-year Treasury note settled at 2.147% Tuesday, its lowest level this year and down from 2.609% in mid-March. Yields fall when bond prices rise.

But to many others, the narrowing Libor-OIS difference is more a byproduct of postcrisis banking regulations and the money-market overhaul that kicked in during October.

Continued thirst among investors for income in a low-yield world has also contributed to the narrowing spread.

# Stocks Fall on Jitters Ahead of Vote

BY SARAH SJOLIN  
AND AKANE OTANI

European stocks closed lower as investors erred on the side of caution ahead of potentially market-moving events later this week.

The Stoxx Europe 600 index fell 0.7% to end at 389.40. That marked the regional benchmark's lowest close since May 18, or nearly three weeks ago.

Thursday, British voters head to the polls for a general election whose outcome is seen as both increasingly difficult to predict and potentially critical to negotiations over the terms for the U.K.'s departure from the European Union.

The same day, policy makers at the European Central Bank are scheduled to meet, while James Comey, the former head of the U.S. Federal Bureau of Investigation, will testify before Congress. Questions from lawmakers are expected to focus on whether he felt President Donald Trump tried to influence the FBI's investigation into alleged Russian meddling in the U.S. election.

"Essentially, we brace for a volatile session on Thursday and Friday as at least one of those crucial events could trigger sharp moves in the markets," analysts at Rabbobank said in a note.

The Swiss drugmaker **Roche Holding** was one of the pan-European benchmark's biggest losers, falling 5.5% af-

ter a clinical trial showed only a modest benefit to women who took the company's cancer drug Perjeta.

In the U.S., stocks wobbled while gold and U.S. government bonds gained ground, signaling a note of caution among investors. Both gold and Treasury debt are generally considered haven investments.

The Dow Jones Industrial Average fell 47.81 points, or 0.2%, to 21,136.23 on Tuesday.

The S&P 500 and the Nasdaq Composite both declined 0.3%.

Gold for June delivery rose 1.2% to \$1,294.40 an ounce,

posting its third consecutive session of gains and its highest settlement since Nov. 4.

Government-bond prices

strengthened, with the yield on the 10-year U.S. Treasury note declining to 2.147%, its lowest settlement since Nov. 10, from 2.182% on Monday.

This year's bond rally stands in contrast to stocks trading near record highs, said Art Hogan, chief market strategist at Wunderlich Securities, with the bond market signaling a more pessimistic view of the U.S. economy.

"The markets are sending mixed messages out there," he said. "At some point, something's got to give."

In Asia, Japanese stocks fell as the yen, also a haven asset, gained ground, creating a headwind for exporters.

The Nikkei Stock Average ended the day down 1%.

Shares of heavy-equipment



**Roche dropped 5.5% in response to the results of a drug trial.**

makers—which had benefited

from expectations of greater infrastructure spending in the U.S.—were down. **Komatsu** fell by 1.9%.

"The market sentiment remains very fragile," said Masashi Murata, a senior cur-

rency strategist at Brown Brothers Harriman. "We can't expect the U.S. to grow at over 3% this year, at least under the Trump administration, in the middle of political scandals."

—Christopher Whittall contributed to this article.

ADVERTISEMENT

## Business Real Estate & Auctions

UNITED STATES

**TEN-X COMMERCIAL**



FOR SALE  
**THE CONDADO PLAZA HILTON**

999 Ashford Avenue, San Juan, PR

572 ROOMS      HOTEL      4.92 ACRES

INDICATIVE BIDS DUE: JUNE 27

10x.com/condado-wj



Notable  
Commercial  
Properties.

Commercial Listings Every

Wednesday.

List Your Property Today.

Call +44 (0) 207 572 2124

BY RYAN TRACY

WASHINGTON—President Donald Trump will nominate **Joseph Otting** as Comptroller of the Currency, a post overseeing federally chartered banks, the White House said Monday.

The move, if approved by the Senate, would place a former banker in a key role as the Trump team reviews financial regulatory policies.

The confirmation process could take months. Mr. Otting had previously been reported as a candidate for the job and would replace Keith Noreika, the acting comptroller. The Trump administration installed Mr. Noreika about a month ago to replace former President Barack Obama's comptroller.

Not much is known about

Mr. Otting's regulatory views, but he is expected to adopt a similar tone to other Trump administration officials, who have called for a review of banking rules they say went too far under Mr. Obama and are curbing legitimate lending.

The comptroller oversees most of the largest federally chartered U.S. banks, including **Citigroup Inc.**, **Bank of America Corp.** and **J.P. Morgan Chase & Co.** The position marshals a force of hundreds of examiners stationed inside big banks, giving the comptroller significant sway over the regulatory tone that supervisors take with financial firms.

During the Obama administration, the comptroller's office took an aggressive tone with bankers at times, criticizing them for loans that offi-

cials viewed as excessively risky. While the OCC's examiners are unlikely to change their posture overnight, a new comptroller could, over time, give them different marching orders.

Mr. Otting has worked in banking for decades. He began his career at Bank of America. At Union Bank NA in the 1990s, he was in charge of lending to medium-size companies. He later moved to U.S. Bancorp., where he helped build a middle-market business and oversaw an expansion of the lender's presence in California.

In 2010, he was hired as chief executive of OneWest, now owned by **CIT Group**.

The White House said Mr. Otting most recently served as managing partner of Ocean Blvd LLC and Lake Blvd LLC.

Advertisement      INTERNATIONAL INVESTMENT FUNDS

[ Search by company, category or country at europe.WSJ.com/funds ]

**MORNINGSTAR**®

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

■ Chartered Asset Management Pte Ltd - Tel No: 65-6835-8866  
Fax No: 65-6835-8865, Website: www.cam.com.sg Email: cam@cam.com.sg  
OT MUS 05/31 USD 306450.87 14 10.8 -3.8

For information about listing your funds,  
please contact: Freda Fung tel: +852 2831  
2504; email: freda.fung@wsj.com

# MARKETS

# This Rally Has Legs, and Broad Reach, Too

Gains in the S&P 500 show advances across the board, not just in large tech companies

By BEN EISEN

Technology giants may grab all the headlines, but the market rally of 2017 has been spread across a wide range of stocks.

Gauges of how broad-based the rally has been, known in technical lingo as breadth, show that stocks are gaining across the board this year. More than 70% of the shares in the S&P 500 were trading above their respective 200-day moving averages at Monday's close. Surpassing such a measure is typically a sign of increasing momentum.

Nearly half of the index's 505 stocks were beating the benchmark's 8.8% gain this year, according to WSJ Market Data Group.

Investors had been becoming concerned about the dominance of a few highflying names. Facebook Inc., Amazon.com Inc., Netflix Inc., and Apple Inc. are all up by more than 30% this year, leading to questions about whether a reversal in their shares would drag the broader market down.

Meanwhile, the Class A shares of Google parent Alphabet Inc. on Monday closed above \$1,000 for the first time since the company split its shares in 2014. Amazon finished above \$1,000 for the first time ever on Friday.

The S&P 500 is weighted by market capitalization, which means the biggest companies exert the most pull, with firms like Apple and Amazon contributing disproportionately to the rise in the index. But in a sign that the rally hasn't left smaller companies behind, an equally weighted version of the index is up nearly as much.

Healthy measures of breadth are reassuring some investors, who view the participation of a wide range of companies as a sign stocks can continue to rally.

"We think that breadth of market performance has been sufficiently diffuse to allay investor fears of narrow performance," said equity strategists at Morgan Stanley, led by Michael Wilson, in a note to clients on Monday.

Deteriorating breadth can indicate trouble is brewing below the market's surface. The advance-decline line, a measure of the cumulative number of New York Stock Exchange companies whose shares are rising relative to those that are falling, turned sharply lower ahead of the last two big market crashes.

This year, it has continued to hit fresh records, according to WSJ Market Data Group numbers going back to 1998. New highs in that measure tend to extend "the life expectancy of the bull market," said Doug Ramsey, chief investment officer of Leuthold Group in Minneapolis.

Different corners of the market are all up this year, including the Russell 2000 index of small-cap stocks, the Dow Jones Transportation Average and the utilities sector of the S&P 500. It is unlikely the eight-year-old bull market will end when a diverse array of sectors are hitting new highs, Mr. Ramsey said.

Still, the biggest firms do make up an ever larger share of the total value of major indexes. The 10 biggest stocks in the S&P 500 account for nearly one-fifth of the index, according to Goldman Sachs Group Inc.

But Goldman's research analysts find that breadth is still in line with its average from recent years.

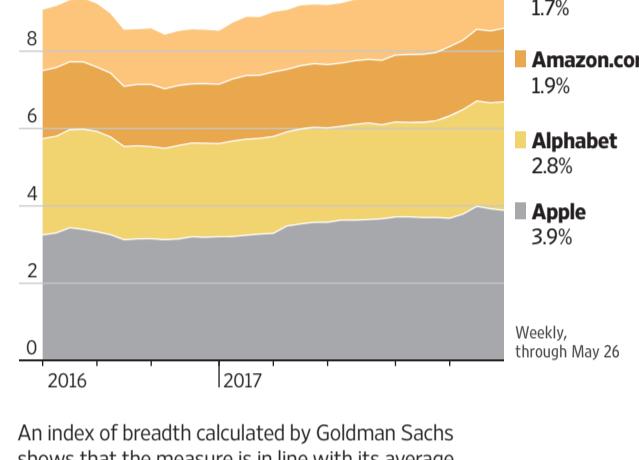
—Ken Jimenez and Tom DeStefano contributed to this article.

## Signs of Strength

A surge in tech stocks has spurred some analysts to question the staying power of a record run by U.S. major indexes. But numerous broad measures of underlying sentiment and investor enthusiasm are rising, likely pointing to further gains for the Dow, S&P 500 and Nasdaq.

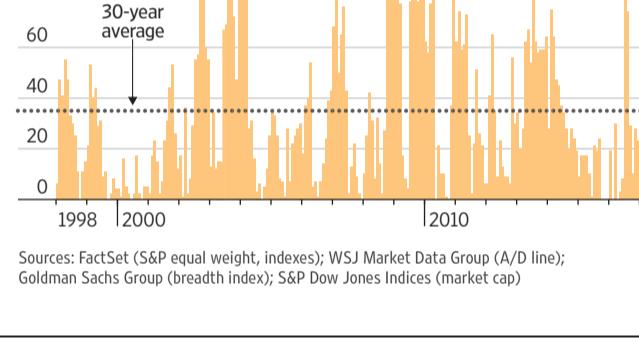
Tech stalwarts have recently become more heavily weighted in the S&P 500 index.

### Share of total S&P 500 market capitalization



An index of breadth calculated by Goldman Sachs shows that the measure is in line with its average.

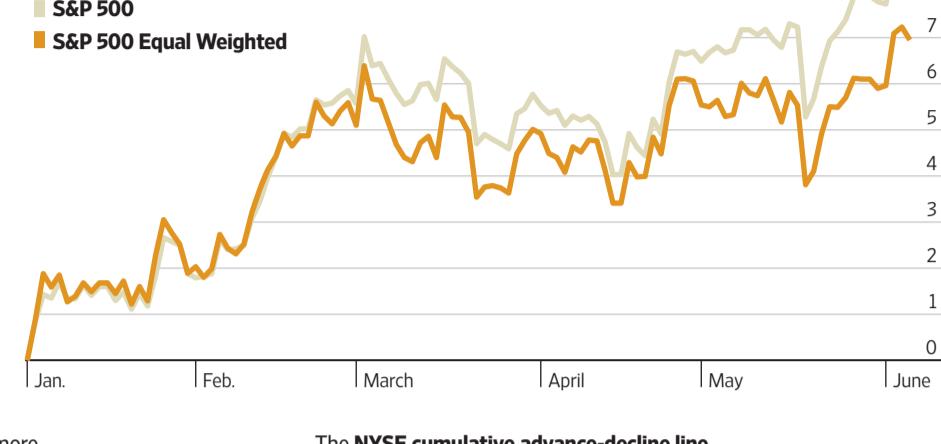
### Goldman Sachs Breadth Index



Sources: FactSet (S&P equal weight, indexes); WSJ Market Data Group (A/D line); Goldman Sachs Group (breadth index); S&P Dow Jones Indices (market cap)

An equal-weighted measure of the S&P 500 has gained nearly as much as the market-cap-weighted version this year.

**S&P 500**  
**S&P 500 Equal Weighted**



The NYSE cumulative advance-decline line is still climbing to new heights.

400,000

300,000

200,000

100,000

0

-100,000

January 2000 AOL and Time Warner announce merger

September 2008 Lehman Brothers files bankruptcy

February 2016 Stocks hit lowest of the year

Monthly tally

1998 2000 2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010

2010