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THE WALL STREET JOURNAL.

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What's News

Business & Finance

Brazil's J&F, the holding company that controls the world's top meatpacker, agreed to pay $3.2 billion to settle corruption probes. **A1**

◆ **Female CEOs** at some of the largest U.S. firms outearn their male counterparts, in part reflecting strong results at women-run businesses. **B1**

◆ **Portugal has benefited** from the rally in eurozone bonds, with investors lured by strong economic data and relaxation of political risk. **B1**

◆ **EU regulators moved** to prevent nations from using different rules to lure financial firms from London because of Brexit. **B5**

◆ **Barclays said** it would sell a large chunk of its African unit after regulators signed off on the deal, expected to generate $2.1 billion. **B5**

◆ **China Investment Corp.** is in advanced talks to buy European warehouse firm Logicor from Blackstone in a $13.4 billion deal. **B5**

◆ **Taubman agreed** to hold annual board elections, acceding to pressure on the mall landlord from hedge fund Land & Buildings. **B5**

◆ **The pound fluctuated** as opinion polls gave mixed messages on next week's U.K. general election. **B1**

◆ **China's yuan hit** a six-month high against the dollar in offshore markets, a move some traders ascribed to central-bank intervention. **B8**

◆ **Economic growth slowed** across parts of the U.S. in recent weeks, according to a new Fed report. **WSJ.com**

World-Wide

◆ **Ex-FBI Director Comey** is expected to testify as early as next week that Trump asked him to back off the Flynn investigation. **A1**

◆ **A truck blast in Kabul** killed at least 80 people, as militants escalated a campaign aimed at toppling the Afghan government. **A1**

◆ **Trump is leaning** toward unwinding emissions cuts agreed to in the 2015 Paris climate accord, but has yet to make a final decision. **A6**

◆ **South Korea's president** wasn't told that additional parts of a controversial missile-defense system had arrived, his office said. **A3**

◆ **A labor-rights group** said it has lost contact with three undercover investigators at Chinese plants making Ivanka Trump shoes. **A3**

◆ **Turkey is expanding** efforts abroad to capture Erdogan's opponents by canceling their passports. **A5**

◆ **A Moscow court ordered** a Russian opposition leader to delete portions of an investigative video that helped spark street protests. **A5**

◆ **Ohio is suing** five drugmakers, alleging they fueled an opioid crisis by misrepresenting the addictive risks of their painkillers. **A6**

◆ **NASA announced** that it will launch an unprecedented mission to fly directly into the sun's atmosphere. **A7**

◆ **Australia's spy chief** dismissed claims that Muslim refugees are to blame for a rise in terrorist incidents. **A3**

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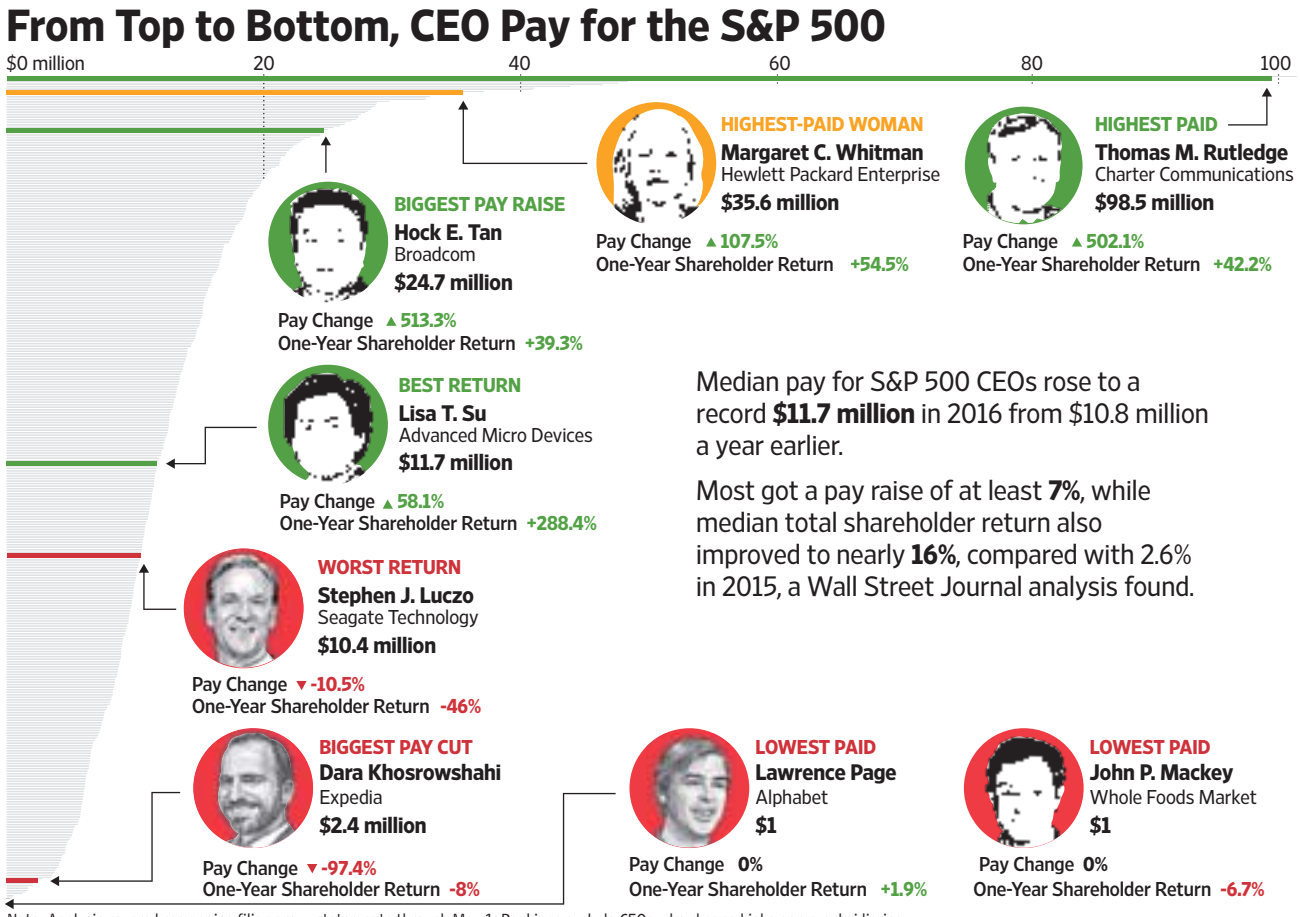
From Top to Bottom, CEO Pay for the S&P 500



Median pay for S&P 500 CEOs rose to a record **$11.7 million** in 2016 from $10.8 million a year earlier.

Most got a pay raise of at least **7%**, while median total shareholder return also improved to nearly **16%**, compared with 2.6% in 2015, a Wall Street Journal analysis found.

Note: Analysis covered companies filing proxy statements through May 1. Rankings exclude CEOs who changed jobs or run subsidiaries.
Sources: MyLogIQ (compensation); FactSet (market data)

Theo Francis and Jieqian Zhang/THE WALL STREET JOURNAL.

UPWARD: CEO pay climbed amid rising profits and stocks. Female chiefs outearn men, although women remain greatly outnumbered. **B1**

Fired FBI Director To Testify About President

By Del Quentin Wilber

Former FBI Director James Comey is expected to testify as early as next week before lawmakers that U.S. President Donald Trump asked him to back off the investigation of former national security adviser Mike Flynn, according to a person familiar with the matter.

The testimony before the Senate Intelligence Committee would be Mr. Comey's first time speaking in public after Mr. Trump unexpectedly fired him on May 9.

Climate Change

Trump is leaning toward unwinding emissions-cuts promises the U.S. made in the 2015 Paris climate deal. A6

And in another sign that lawmakers' investigation into alleged Russian meddling in the 2016 presidential election is ramping up in scope and intensity, the House Intelligence Committee issued on Wednesday seven subpoenas related to the probe.

Mr. Comey's testimony on Capitol Hill would be a high-profile moment in the investigation that has shadowed Mr. Trump's presidency since he took office in January.

Mr. Comey wrote in a memo after a February encounter with Mr. Trump in the Oval Office that the president said to him, "I hope you can let this

Please see COMEY page A6

Kabul Bomb Sows Carnage

Explosion in Afghan capital's diplomatic quarter kills more than 80, wounds hundreds

By Jessica Donati And Ehsanullah Amiri

KABUL—A truck packed with explosives detonated in the heart of the Afghan capital on Wednesday, killing at least 80 people as the country reels from an escalating campaign by militants aimed at toppling the U.S.-backed government.

The massive blast struck during the morning rush hour on the outskirts of a heavily fortified part of the city known as the Green Zone where major embassies and U.S. military headquarters are located. It was the first time a truck bomb had struck in the area, and it collapsed buildings, blew out glass windows and sent a mushroom cloud of smoke over the city.

Hospitals were flooded with victims of the attack, which wounded more than 350 people. The vast majority were Afghan civilians who had been commuting to work at government agencies, companies and foreign embassies on foot or in buses. The death toll from the blast was expected to rise as more bodies were discovered in the debris and collapsed buildings.

"When we come to the office, we don't know if we'll come back," said Ekramuddin Hamdard, an employee of an Afghan telecom company who spoke from his bed at Kabul's Emergency Hospital, where he was being treated for a head wound. "Every day is death for us," he added.

The blast came a week before the Afghan government of President Ashraf Ghani was to host a gathering of representatives of more than 20 countries to discuss political solutions to the long-running conflict with the Taliban.

It also came amid debate in the administration of President Donald Trump over the direction of U.S. policy in Afghanistan: The Pentagon has recommended sending an additional 3,000 U.S. troops to combat militant groups and assist the Afghan military.

The Taliban, which have waged war against the U.S.-backed government for 16 years, denied responsibility for the bombing. The militants typically avoid claiming attacks that kill many civilians and can turn civilians against

Please see BLAST page A2

Art Family Tangled In Looting by ISIS

By Benoit Faucon And Georgi Kantchev

In early March, Swiss law-enforcement officials pulled over a vehicle on a Geneva road and, after a search, discovered an ancient oil lamp, people familiar with the matter say. When the driver failed to provide documentation proving the object's provenance to the officers' satisfaction, he was arrested on suspicion of evading value-added taxes, these people say.

The arrest accelerated an investigation that authorities hope can shed light on one of the art world's best-kept secrets: how ancient objects plundered in the battle zones of the Middle East end up in posh art collections thousands of miles away.

The driver, who hasn't been identified publicly or charged, works for Ali Aboutaam, the elder brother of one of the most storied families in the international antiquities business, which owns galleries off New York's Madison Avenue and in Geneva, according to Swiss authorities.

The Swiss say that they already had the driver under surveillance when they made the stop, and that it was merely a step in a broader investigation of Mr. Aboutaam and his brother Hicham into whether they have handled Syrian and

Please see ART page A4

FLYNN'S PRO-TURKEY WORK: UNFINISHED FILM

Former Trump adviser's contracts the subject of expanding investigation

By Dion Nissenbaum

WASHINGTON—Last fall, as retired Lt. Gen. Mike Flynn traveled the country stumping for Donald Trump, his business partner holed up in a small Washington hotel room with the former head of Turkish military intelligence to work on a special project.

"General, hi. I'm Bijan Kian, welcome to Washington, D.C.," Mr. Kian, the head of Mr. Flynn's consulting firm, greeted the Turkish dignitary. "Gen. Flynn, my partner, sends his regards to you."

The hotel room meeting was filmed as part of a documentary the Flynn Intel Group was producing for a Turkish businessman, who paid $530,000 to the lobbying shop to polish the country's image after a botched military coup. That contract has landed Mr. Flynn in legal jeopardy.

The unfinished, never-distributed film, details of which haven't been previously reported, appears to represent the core of the Flynn Intel Group's work for Turkish interests.

The contract is at the heart of an expanding investigation into Mr. Flynn's business dealings. In February the retired three-star general was forced to resign, under fire over his conflicting statements about his contacts with Russian officials before the inauguration, after 24 days as Mr. Trump's national security adviser.

Mr. Flynn didn't disclose to the federal government until March that his company was paid to represent Turkish interests. He is

Please see FLYNN page A8

Brazilian Firm to Pay $3.2 Billion Bribery Fine

By Luciana Magalhaes

SÃO PAULO—The holding company that controls JBS SA, the world's biggest meat producer, agreed to pay the biggest corruption-related penalty globally as part of multiple corruption investigations, Brazilian prosecutors said.

J&F Investimentos SA, which controls JBS and a host of other Brazilian businesses, said the 10.3 billion reais ($3.2 billion) penalty will be paid over 25 years, after its owners admitted to paying roughly $150 million to Brazilian politicians. Among other favors, the bribes guaranteed JBS access to billions of dollars in taxpayer-subsidized loans that funded an acquisition spree in the U.S. and other countries, transforming the family-owned company into a global giant.

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OHIO SUES FIRMS OVER OPIOID CRISIS

U.S. NEWS, A6

ISTOCK

THE QUALITY OF THE AIR UP THERE

THE MIDDLE SEAT, A12

Honey, Is It Your Turn to Run for Office?

* * *

A Nebraska couple debate who should run for Congress

By Kristina Peterson

WASHINGTON—Former Democratic Rep. Brad Ashford is considering mounting a challenge to the Republican who beat him last fall. So is his wife.

Mr. Ashford and his wife, Ann Ferlic Ashford, haven't decided yet which spouse will take on GOP Rep. Don Bacon, who is representing their swing district based in Omaha, Neb. They have, however, consulted their friends, three children and assorted Democratic officials in both Nebraska and Washington for advice on who is best for the challenge.

"I'm sure they think we're

Please see SPOUSE page A8

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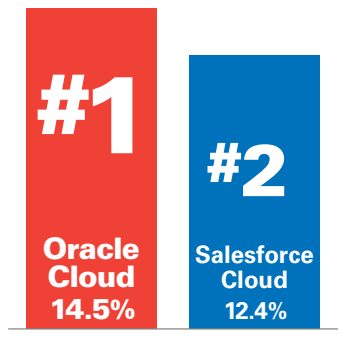

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Source: IDC "Worldwide SaaS Enterprise Applications Market Shares, 2015: The Top 15 by Buyer Size," doc #US41913816, Dec. 2016; Table 4. For the purposes of this report, SaaS enterprise applications include the following application markets: CRM, engineering, ERP, operations and manufacturing, and SCM.
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CAPITAL ACCOUNT | By Greg Ip

This Time, Trump Has a Point About Trade

President Donald Trump took his bellicose economic agenda on the road last week, blasting Germany for its "very bad" trade surplus—or "evil" as one German newspaper translated it—then repeating the accusation on Twitter back home.

It was one of several slights that prompted German Chancellor Angela Merkel to respond frostily that Europe needed to determine its future without counting on American help.

Yet whatever Ms. Merkel thinks of the messenger, she should hear the message. While Mr. Trump gets a lot wrong about trade, on this particular point he's right. Germany's current account surplus, which combines trade and investment income, is now the world's largest. Along with China's, it is a dangerous imbalance that leaves others, including the U.S. and the rest of Europe, worse off.

It's not just Mr. Trump who thinks so. "The criticism is right. Germany's trade surplus is excessive," says Marcel Fratzscher, president of DIW Berlin, a prominent German think tank. Mervyn King, former governor of the Bank of England, went further, arguing, "President Trump is right when he identifies a problem with current international trading and monetary relationships."

Mr. Trump does misstate the problem. It's not, as he frequently claims, that a trade deficit means one country is using protectionist policies to win at another's expense. Protectionism can change the patterns of a country's exports and imports, but not the overall balance.

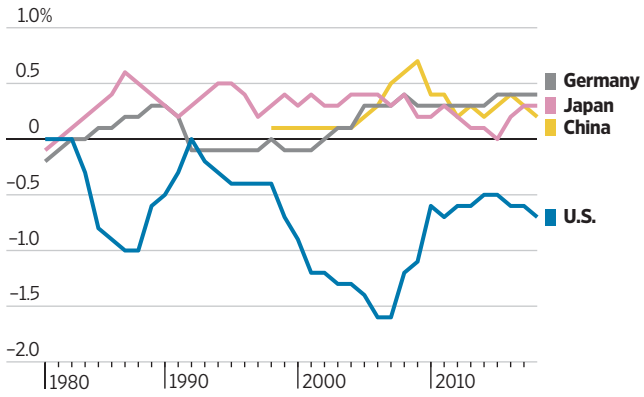
Rather, deeper economic forces are at work. A trade surplus means a country consumes less than it produces and thus saves a lot. A deficit means the opposite. This can be benign: a country in the upswing of the business cycle, like the U.S., tends to have a deficit. A country in recession, or with an aging population, tends to have a surplus. However, the persistence and magnitude of Chinese and German surpluses and U.S. deficits suggest actual policy decisions are at work.

This comes by interfering with currency markets. As Mr. King notes, a country with a weak economy and a trade deficit would expect its currency to fall to boost exports and restrain imports. That can't happen if exchange rates can't move, as is the case with China and Germany, though for different reasons.

Structurally Unbalanced

The U.S. has run deep deficits on international trade and income since the 1980s, mirroring surpluses by first Japan, then China and Germany.

Percentage of world GDP:



Note: 2017 is a projection; current account includes merchandise trade and investment income
Source: International Monetary Fund THE WALL STREET JOURNAL.

China was the largest of a group of countries that from 2003 to 2013 spent more than $5 trillion intervening in foreign exchange markets to hold down their currencies and bolster trade surpluses, according to a new book by Fred Bergsten and Joseph Gagnon of the Peterson Institute for International Economics. That drew jobs and production from deficit countries like the U.S., worsening the 2007-2009 recession and holding back the subsequent recovery. They estimate U.S. employment was depressed by more than one million jobs between 2009 and 2014 as a result.

China's behavior has changed in recent years. It has allowed its exchange rate to appreciate and since 2014 has intervened to support it, and the trade surplus has shrunk.

Messrs. Bergsten and Gagnon suggest a new approach to prevent China from reverting to its old ways: When a country buys dollars to hold down its currency for competitive advantage, the U.S. should respond proportionately by purchasing that country's currency. They also recommend the U.S. go beyond current law, which requires the U.S. to discourage currency manipulation in new trade pacts, by prohibiting it outright. Mr. Trump may seek just that in a renegotiated North American Free Trade Agreement. Since neither Mexico nor Canada manipulate their currencies, this would serve as a template for future pacts.

Germany is a tougher challenge. Since adopting the euro in 1999, it hasn't controlled its own currency. However, it did win competitive advantage over its neighbors in the currency union. Labor-market reforms restrained domestic wages. In 2007, a payroll tax cut, which made German labor more competitive, was financed with an increase in the value-added tax, which exempted exports.

In previous eras, those reforms would have pushed the deutsche mark higher, squeezing Germany's trade surplus. Inside the euro, though, the burden has fallen on Germany's neighbors, including France, to compete by grinding down domestic wages and prices through high unemployment and fiscal austerity. That has kept the entire region's economy weak, forcing the **European Central Bank** to hold down interest rates and thus the euro. That inflates the entire region's trade surplus with the world.

Mr. Fratzscher says the problem is not, as Mr. Trump claims, that Germany exports too much: "You can't blame BMW for selling cars to American consumers. The problem is Germany is importing too little."

In time that can be fixed if tight labor markets drive up German wages, bolstering domestic spending and imports. To hurry rebalancing, outsiders urge the **German government** to borrow and invest more, reducing domestic saving. French President Emmanuel Macron is pressing for a "fiscal union" under which Germany backstops more of its neighbors' obligations, effectively loosening the vise of austerity in the rest of Europe.

Neither is appealing to Ms. Merkel or austere Germans. Mr. King says the euro may have to break up into a strong currency area led by Germany and a weak currency area including France.

Until now, U.S. leaders have been too attached to the euro to point this out. By contrast Mr. Trump, unburdened by any commitment to the status quo, can engage in "ruthless truth-telling," as Mr. King puts it. After this past week, though, it's doubtful Mr. Macron or Ms. Merkel will be in any mood to listen.

FINE

Continued from Page One

The penalty comes in the wake of a huge corruption-related fine levied on another Brazilian corporate heavyweight. In December, construction giant Odebrecht SA agreed to pay $2.5 billion to prosecutors in Brazil, the U.S. and Switzerland

J&F, which is controlled by the brothers Joesley and Wesley Batista, had said it was cooperating with authorities.

As part of the agreement, Joesley Batista, who is JBS chairman, and Wesley Batista, who is the meatpacker's chief executive, skirted jail time in Brazil. Prosecutors say they accepted that condition because of the brothers' cooperation.

The agreement with prosecutors, which still needs to be signed by J&F and the authorities, will settle several corruption investigations, including probes focused on alleged pension fund fraud and alleged problems with meat sold by JBS.

Despite the sizable penalty, JBS shares rallied on São Paulo's stock exchange on Wednesday as investors hoped for a rapid resolution to the company's legal woes.

The prospect of a penalty had fueled speculation that the company would need to shed assets to make the payments. J&F also owns a bank, one of Brazil's largest dairy brands, a cleaning-products company, a paper-and-pulp company, a power plant, and Havaianas, a brand of rubber flip-flops imprinted with the Brazilian flag.

BLAST

Continued from Page One

them. The group routinely targets government workers and has over the past year started using larger-scale truck bombs in the capital.

The Afghan intelligence agency Wednesday blamed the Haqqani network, a militant group that is part of the Taliban insurgency.

There was no immediate response to the attack from the Taliban's Islamist rival, the local branch of Islamic State, which in the past year has expanded its operations beyond its stronghold in eastern Nangarhar province and carried out large attacks in Kabul. Islamic State cooperates with the Taliban in some parts of Afghanistan but has clashed with them in others, as they compete for territory.

The Taliban have carried out increasingly devastating attacks in the capital since most foreign troops withdrew in 2014, with the goal of turning Afghans against the government by creating an impression of unmanageable chaos and instability. The group has also taken advantage of the vacuum left by foreign troops to seize swaths of territory and threaten at least half a dozen major cities.

The group's expansion has spurred a U.S. military request for increased American personnel and capabilities in the country. The Pentagon fears that territorial losses by the Afghan government could allow foreign terrorists to use Afghanistan as a haven, as it did when the Taliban government hosted late former al Qaeda chief Osama bin Laden, blamed for the Sept. 11 attacks in the U.S.

Afghanistan and Iraq, both of which are embroiled in fights against religious extremism, have been hit by a spate of attacks since the start of Ramadan on Saturday. The holy month is a time of prayer and spiritual reflection for many Muslims, who fast during daylight hours. But some extremist groups such as Islamic State claim killing enemies is a noble act during the period.

With the Taliban and Islamic State turning increasingly to vehicle-borne bombs, Afghan and foreign officials have been bracing for the possibility of a large assault on Kabul's busy center.

Emergency Hospital, itself damaged in the blast, received more than a hundred victims in the first half-hour after the attack, officials there said.

Relatives cried outside the gates, while others scoured lists of casualties for names of family members and friends.

Afghans working for government agencies, media organizations and foreign embassies were among the dead. They included 10 security personnel working for the U.S. government, according to a U.S. State Department update. A driver for the Afghan service of the British Broadcasting Corp. was also killed.

An Afghan guard at the German Embassy was killed and German diplomatic staff were injured, German Foreign Minister Sigmar Gabriel said in Berlin. The blast destroyed the outer walls of the compound and caused severe damage to the buildings inside.

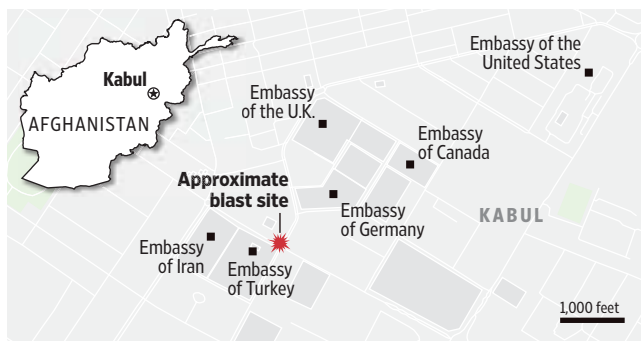
"I was in the makeup room preparing for my morning show. A huge boom shook the room and everything collapsed. It was terrible," said Taban Ibraz, a presenter for Afghan television network 1TV, located near the blast. "The entire studio, newsroom and offices have been destroyed."

An employee of Roshan, a mobile-phone company, said many of his colleagues were killed and wounded in the blast. "The two floors of office building collapsed completely as a result of the explosion," he said. Then, the "office's generators caught fire as well."

—Andrea Thomas in Berlin, Maria Abi-Habib in Beirut and Felicia Schwartz in Washington contributed to this article.

OMAR SOBHANI/REUTERS

An Afghan man at the site of a blast in Kabul. More than 300 people were injured.



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CORRECTIONS & AMPLIFICATIONS

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Protesters in India Have a Beef With Cattle Rules

ARUN SANKAR/AGENCE FRANCE-PRESSE/GETTY IMAGES

ROUGH DAY: Police in Chennai removed demonstrators during a protest against the government's ban on the sale of cattle for slaughter.

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WORLD NEWS

South Korea Military Kept Leader in Dark

By Jonathan Cheng

SEOUL—The South Korean defense minister deliberately withheld from a report to President Moon Jae-in the fact that additional components of a controversial U.S. missile-defense system had arrived in the country, the president's office said Wednesday.

The conclusion is likely to add fuel to a monthslong controversy over the U.S. missile system, called Terminal High-Altitude Area Defense, or Thaad, at a time when Washington and Seoul are looking for ways to respond to North Korea's growing nuclear-missile threat. It suggests a split in opinion in South Korea about the system reaches the top levels of government.

The U.S. on Tuesday claimed success in shooting down a mock intercontinental ballistic missile that is similar to the capabilities that North Korea is believed to be working toward.

The apparent effort to exclude South Korea's president from the planning underscores the uncertainties swirling around the nascent Moon administration ahead of a planned meeting with U.S. President Donald Trump scheduled for late June in Washington. Mr. Moon still doesn't have a cabinet in place, and is relying on holdovers from his predecessor's conservative government, including the defense minister.

Yoon Young-chan, a spokesman for the presidential Blue House in Seoul, said Wednesday that an investigation had confirmed the Ministry of National Defense had "intentionally dropped mention" of the additional Thaad components in a report to the president. Mr. Moon said he was "shocked" by the discovery, Mr. Yoon said.

An earlier draft went into detail about the number of Thaad launchers, but the final version sent to Mr. Moon omitted that detail in favor of a vague reference to Thaad, Mr. Yoon said the investigation found.

Defense officials in Washington dismissed the idea that the U.S. secretly colluded with the South Korean military to accelerate plans for the missile-defense system and suggested the problem appeared to be between the South Korean military and the president.

"If there's a breakdown in communication, it's one internal to the Korean government," said one defense official. "We're not sneaking stuff in there."

Mr. Moon, the country's first left-leaning president in nearly a decade, took power three weeks ago in a snap election after campaigning in part to halt the missile battery's deployment.

As a candidate, Mr. Moon criticized the decision-making process by his predecessor, the conservative President Park Geun-hye, to deploy Thaad, which he says was conducted in a nontransparent fashion. He said that as president he would review that process.

China opposes the missile-defense system in South Korea, calling it a threat to its security, and is believed to have responded with cyberattacks and sanctions against South Korean companies. China's Foreign Ministry expressed its concern Wednesday, saying the system "will not be conducive to denuclearization and regional peace and stability."

The U.S. says Thaad is defensive, and a bulwark against North Korean threats. Pyongyang has conducted three missile tests since Mr. Moon was elected, most recently Monday.

The hitherto-undisclosed arrival of the additional Thaad components is likely to strengthen perceptions among the South Korean public that the U.S. and South Korean militaries are rushing to deploy Thaad before it can be halted.

Polls show most South Koreans support tougher measures on North Korea, though a vocal protest against the Thaad deployment has drawn attention. Meanwhile, statements from Mr. Trump and China have raised concerns about the cost of proceeding with the deployment.

In March, after the country's National Assembly voted to impeach Ms. Park, the U.S. military brought the first Thaad components into South Korea in an overnight operation.

The U.S. military moved those components onto a golf course in southern South Korea during another overnight operation, and declared the system operational one week before the May 9 presidential election.

A Thaad battery typically contains six launchers, but the original deployment in South Korea only included two. It is unclear when the four additional launchers arrived in South Korea.

A spokesman for South Korea's Ministry of National Defense confirmed that the four launchers had arrived, but declined to comment on the timing or say whether they were at the golf course. He didn't address the Blue House accusation that the Defense Ministry purposefully withheld information on the launchers.

—Dion Nissenbaum contributed to this article.

JEAN CHUNG/GETTY IMAGES

Moon Jae-in greets supporters after his victory was confirmed in South Korea's presidential election. He took power three weeks ago.

Australia's Spy Chief Backs Muslim Refugees

By Rob Taylor

CANBERRA, Australia—The domestic spy chief made a rare public appearance to dismiss claims that Muslim refugees and their children are to blame for a rising number of terrorist incidents.

Duncan Lewis said the refugee program isn't the source of terrorism in the nation.

Duncan Lewis, director-general of the Australian Security Intelligence Organization, on Wednesday rejected claims made by Pauline Hanson, a far-right senator and party leader, that Muslim refugees and their children are responsible for "terrorist attacks and problems that are happening on our streets." It was a rare intervention by Mr. Lewis.

"I am not here to vilify the Islamic community, I am here to keep the Australian community safe," Mr. Lewis said. "The refugee program is not the source of terrorism in Australia," he told national radio.

Australia is generally viewed by migration experts and the United Nations as a multicultural success. More than a quarter of the population was born overseas, a result of waves of postwar migration. Australia is the world's second-most-multicultural nation, according to the Organization for Economic Co-operation and Development.

Still, Australia, which has had to face a slowing economy, stagnant wages, stubbornly high underemployment and the end of a mining boom, hasn't escaped a global wave of anti-immigrant rhetoric. Last year, a national survey found that about 20% of people saw high immigration as the social policy they liked the least.

In July, Ms. Hanson's One Nation Party returned to Parliament after calling for a ban on Muslim migration. The elections left Prime Minister Malcolm Turnbull's center-right coalition clinging to power.

China Holds Trump Plant's Watchdog

By Eva Dou
And Te-Ping Chen

BEIJING—A labor-rights group said it has lost contact with three undercover investigators who worked at Chinese factories making Ivanka Trump-brand shoes, and at least one of them has been detained.

New York-based China Labor Watch was investigating the factories—which also produce other U.S. brand-name items—in hopes of drawing Ms. Trump's support for better working conditions, said the group's founder, Li Qiang.

Investigator Hua Haifeng was detained on suspicion of illegal eavesdropping, his wife said, citing a call Tuesday afternoon from police in Jiangxi province. Under Chinese law, that refers to the use of listening equipment in a way that causes "serious consequences."

The status of the other two investigators was unclear, Mr. Li said, after he lost touch with them over the weekend.

A spokeswoman for the Ivanka Trump brand declined to comment. The White House, where Ms. Trump holds an advisory position, didn't respond to a request for comment. Police in Jiangxi, and in Dongguan, where Mr. Hua and another missing investigator were working, didn't answer phone calls on Wednesday.

Ivanka Trump shoe-brand licensee Marc Fisher Footwear, which operates as a middleman between the brand and Chinese factories, said it had been unaware of the situation and would look into it immediately.

Mr. Li said this was the first formal detention of an investigator he could recall in the organization's 17-year history.

China Labor Watch often investigates factories supplying prominent companies such as Apple Inc. and Samsung Electronics Co., with the aim of using the brands' star power to bring broad attention to Chinese labor conditions. Funded by donations and grants, the organization interviews workers about factory conditions and often has undercover investigators take assembly-line jobs.

U.S. President Donald Trump and his family's business interests in China and other countries have been a fraught issue because of the potential for conflicts of interest.

China Labor Watch said the undercover investigators worked at two shoe factories owned by **Huajian International**, one in Dongguan, a city in the southern province of Guangdong, and the other in Jiangxi.

China Labor Watch began investigating Chinese factories linked to the Trump family last summer. The group suspended the project following Mr. Trump's election to evaluate the political risks, then reopened the shoe-supplier investigation in March, Mr. Li said.

Mr. Li said he plans to send Ms. Trump video footage and other evidence of what the group calls questionable labor practices its investigators found at both factories.

—Yang Jie contributed to this article.

GREG BAKER/AGENCE FRANCE-PRESSE/GETTY IMAGES

A Huajian factory makes Ivanka Trump-brand shoes.

Vietnam Explores Post-TPP Trade Options With U.S.

When U.S. President Donald Trump pulled out of a 12-country free-trade accord in January, it upended the plans of banker-turned-entrepreneur Rose Tran in Vietnam.

By John Lyons, Jacob M. Schlesinger and William Mauldin

Ms. Tran had raised $50 million to set up a suit factory in Ho Chi Minh City, betting on the increased access to markets like the U.S. that the Trans-Pacific Partnership was supposed to bring. "We were disappointed to say the least," said Ms. Tran, who is scrambling to remake her strategy and repay her debts.

Nearly five months later, trade experts were watching a Wednesday meeting between Mr. Trump and Vietnamese Prime Minister Nguyen Xuan Phuc for hints on how the new administration would deal with countries like Vietnam, which is counting on exports from businesses like Ms. Tran's to help it build wealth and develop its economy.

Vietnam has grown more than 6% a year for a decade by providing cheap manufacturing for companies including Nike Inc. and Samsung Electronics Co. Economists estimate the scrapped TPP deal would have let the country export more, boosting Vietnam's economy by at least 8 percentage points—more than any other TPP partner. Vietnam also saw the deal as driving domestic overhauls, and helping offset the rise of China by anchoring the U.S. to the region.

International trade experts say Mr. Phuc hopes to start talks to replace TPP with one of the bilateral, country-to-country deals that the Trump administration says it prefers over multinational accords.

"The Vietnamese want to find out more clearly where the U.S. is" on trade, said John Goyer, senior director for Southeast Asia for the U.S. Chamber of Commerce in Washington. "From Hanoi's perspective, 'What does the U.S. want in a bilateral that they didn't get in TPP? What do we have to give up?' "

Vietnamese authorities declined to respond to questions for this article.

While Trump officials have said a bilateral trade deal with Vietnam is possible, it would likely only be considered after higher-priority items such as revising the North American Free Trade Agreement and pacts with the U.K. or Japan, people familiar with the process said.

On Tuesday, U.S. Trade Representative Robert Lighthizer appeared to tag Vietnam as a country unfairly benefiting from trade by selling more to the U.S. than it buys. Mr. Lighthizer emphasized a $32 billion U.S. trade deficit with Vietnam while introducing Mr. Phuc at an event for businesses.

"This concerning growth in our trade deficit presents new challenges," Mr. Lighthizer said.

Some economists argue that even if the U.S. curbs imports from countries like Vietnam, it is unlikely that much manufacturing will shift back to higher-cost American factories.

And engaging with Vietnam on trade could carry security benefits for the U.S., foreign-policy experts say. Both nations are skeptical about the rise of China, which has fought multiple wars with neighboring Vietnam. Vietnam's relations with the U.S.—long chilly following the Vietnam War—have warmed. Last year, the U.S. lifted a ban on selling lethal weapons to Vietnam.

More recently, Vietnamese diplomats urged other Southeast Asian nations to perform joint military exercises with the U.S. despite China's objections, according to diplomatic officials in the region.

"The Vietnamese, of all the Asian countries, are the most worried about Chinese influence," says Ernie Bower, president of the Bower Group, an Asia-Pacific think tank.

Signing trade deals with other countries is an important part of Vietnam's strategy to limit its reliance on China, trade experts say. China is pushing a separate Regional Comprehensive Economic Partnership trade deal with the U.S., while doling out loans and infrastructure projects around the region.

Vietnam is in the final stages of a trade accord with the European Union. TPP nations are also considering a deal without the U.S., a move that would keep the accord alive and allow the U.S. to rejoin later.

At her suit factory, LPTEX, Ms. Tran is figuring out a new export strategy post-TPP. To qualify for local content rules under TPP, Ms. Tran imported expensive fabric-making machines from Europe. She hired an Italian expert to manage them and found him a translator. Ms. Tran hopes the equipment will help her snag contracts with higher-quality customers. So far it is working, and LPTEX is producing suits for several brands in Europe.

Her new company slogan: "Producing in Vietnam with the quality of Italy and the standard of Japan."

"TPP is not coming, but we still think we will crack the U.S. on quality," Ms. Tran said.

—Vu Trong Khanh contributed to this article.

HOANG DINH NAM/AGENCE FRANCE-PRESSE/GETTY IMAGES

JOHN LYONS/THE WALL STREET JOURNAL

Vietnamese manufacturing has helped the economy grow more than 6% a year for a decade. But with the scrapping of the Trans-Pacific Partnership, entrepreneurs like Rose Tran, right, are trying to find new markets. Left, a worker at a Vietnamese Ford plant

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U.K. Attacker Lived Between Two Worlds

MANCHESTER, England—Young Libyans torn between ordinary life in Britain and violence in the chaotic North African nation are often known here as "double shafras," after the Arabic word for SIM cards.

*By **Hassan Morajea, Jenny Gross** and **Laurence Fletcher***

JON SUPER/AGENCE FRANCE-PRESSE/GETTY IMAGES

Manchester police are trying to determine if Salman Abedi had any links to Islamic State.

Salman Abedi, who killed 22 people last week when he detonated a bomb strapped to his back outside an Ariana Grande concert, was one of them.

Double shafras may live in quiet suburbs or tightknit neighborhoods. But Islamist extremism, suspicions about informants and gang rivalry are rife, and Libya's struggle is a constant presence. Some are drawn back to join the fight.

Abedi, who was 22 years old at the time of the attack, grew up in a community of Libyan immigrants in Manchester. When his father, Ramadan, traveled to Libya in 2011 to fight against the longtime Libyan dictator, Moammar Gadhafi, Abedi, who was then 16, went with him.

Abedi's sister, Jomana, 18, said she noticed changes in her older brother in 2015. Their father had stayed in Libya, leaving her and her brothers with their mother in Manchester. Abedi became more focused on prayers and fasting and more withdrawn, she said.

"He didn't have friends or people too close to him. He would pray and come home," she said.

The brutality of the front lines was a shock for some young Libyans from Manchester. But trying to reintegrate after months in Libya was often a bigger shock.

"When they went there, they smelled blood and heard rattles of the Kalashnikovs," said Hisham Ben Ghalbon, a Libyan native and longtime Manchester resident who used to go to the same mosque as the Abedi family. "That level of adrenaline, they got hooked."

A young man named Mohamed, one of Abedi's friends from college, said some contemporaries who returned to south Manchester after taking up arms in Libya "came back a bit crazy."

"You could tell by the fights they were having on the street," said Mohamed, who wanted to use only his first name. "They weren't scared of anything—even knives, hammers."

British authorities still have 11 people in custody in the U.K. in connection with the attack. Abedi's father and brother, Hashem, are being held in custody in Libya, Abedi's sister said.

Manchester police said Tuesday they had a good understanding of what the bomb was made up and where the parts came from.

Abedi made most of the purchases of the bomb's core components by himself and many of his actions were carried out alone in the four days that he was in the U.K. before the attack, according to Manchester police.

Abedi had gone to Libya most recently in mid-April.

"It is vital that we make sure that he is not part of a wider network and we cannot rule this out yet," the police said. "There remain a number of things that concern us about his behavior prior to the attack and those of his associates which we need to get to the bottom of."

The British government is still working to determine if Abedi had any links with Islamic State, which claimed responsibility for the attack, a Western security official said. Officials are focused on what role other family members, and particularly his father, played in his path toward radicalization, the official said.

Young people who are susceptible to extremist ideology are sometimes first exposed to it at home through their families, said Hamed El-Said, professor at Manchester Metropolitan University focusing on terrorism and business.

Mr. El-Said said that radicalization in Manchester, in the past few years, has happened more in person than online because young people don't want authorities to be suspicious.

Naser Shukri, 47, a Manchester resident from Libya and an acquaintance of Ramadan Abedi, said the father was harshly critical of those who he perceived weren't true Muslims.

"He regarded a lot of Libyan people who had different views as non-Muslims," said Mr. Shukri, a former political consultant for the United Nations mission in Libya.

Several years ago, Mr. Shukri said, Ramadan Abedi lashed out at him for wearing a tie in a television interview with BBC Arabic.

Salman Abedi spent his spare time with other young men from a strict Muslim background, said a former schoolmate. "Salman was always seen with these people," he said.When the schoolmate acknowledged supporting Gadhafi, Salman became agitated, telling him: "You can't be a Muslim if you're supporting Gadhafi."

One of Abedi's neighbors, Raphael Hostey, was a recruiter and fighter for Islamic State who was killed in a drone strike in Syria last year.

Another of Abedi's schoolmates, Abdalraouf Abdallah, who fought in Libya, was sentenced last year to more than five years in prison for terrorism-related offenses.

Double shafras "spend all their time in Manchester...feeling like they don't belong here, they belong somewhere else," Mr. Ben Ghalbon said. "And when they went somewhere else, they didn't belong there either. They look different, they behave different, they speak different."

—Joshua Robinson contributed to this article.

ART

Continued from page A1

Iraqi objects looted under the auspices of the extremist group Islamic State, or ISIS.

In separate investigations, law enforcement in Belgium and security services in France are also looking at the brothers in connection with the ISIS looting, officials in these countries say.

The U.S. Immigration and Customs Enforcement, or ICE, is scrutinizing the Aboutaam brothers as part of an investigation into a number of U.S.-based antiquities dealers to determine whether they trafficked in looted material, according to people familiar with the matter.

Neither of the Aboutaam brothers has been charged with any wrongdoing related to these investigations. A lawyer representing the family company, Phoenix Ancient Art SA, said it "has never knowingly purchased or sold any looted items, let alone items looted by ISIS."

The lawyer, Jeremy H. Temkin, added: "Phoenix prides itself on its outstanding research of the provenance of items it buys and sells, its extensive due diligence, and its efforts to enhance transparency in the market."

ALASTAIR MILLER/BLOOMBERG NEWS, AGENCE FRANCE-PRESSE/GETTY IMAGES (BOTTOM), U.S. ATTORNEY'S OFFICE (TOP RIGHT)

Left, Ali Aboutaam (front) and Hicham Aboutaam. Above, an ancient gold ring, allegedly looted by ISIS, that has gone missing. Below, the damaged Roman amphitheater in Palmyra.

The illegal trade in ancient coins, statues and relics has long been a vital source of funds for Islamic State, security officials say.

In December 2016, the Justice Department for the first time filed a civil complaint seeking the forfeiture of objects associated with ISIS, alleging that the group markets and sells antiquities to finance its terror operations.

The items, which include a gold ring with a gemstone and a carved Neo-Assyrian stone depicting a eunuch, are believed to be worth hundreds of thousands of dollars, the Justice Department said. Photographs of the items were discovered during a raid of a top ISIS official's home near Deir Ezzour, Syria, in 2015 according to the complaint, filed in Washington federal court. As is typical of a civil forfeiture case, the lawsuit named the pieces themselves as defendants, and it isn't known who currently possesses them. No dealers have been implicated in the case.

The U.S., and particularly New York, is a major destination for stolen antiquities, American and European investigators say. More than 40% of the world's art is traded in the U.S., according to Arts Economics, a leading consultancy on art markets.

"It's still surprisingly easy to smuggle stolen objects here," said Domenic DiGiovanni, who handled more than 60 antiquities seizures as a customs officer in New York before retiring in 2014. Mr. DiGiovanni said that dealers use courier services and air cargo to smuggle antiques into U.S. airports and are increasingly stashing objects in passenger luggage.

A 1970 United Nations convention banned all trade in antiquities taken without proper disclosure to the country in which they were found. In 2015, amid reports of widespread looting by Islamic State, the U.N. Security Council banned all trade in Syrian antiquities and reaffirmed a 1990s ban on sales of Iraqi artifacts.

In Switzerland, owners of ancient art are required by law to be able to document the legitimate origin of their goods.

Authorities in Switzerland were interested in the Aboutaam family even before the driver's arrest in March, and had already placed Ali Aboutaam's wife under surveillance, people familiar with the matter said. After the March car search, law-enforcement officials secretly watched as the wife, Biliana Voden Aboutaam, moved antiquities out of storage at the Geneva free ports—a maze of armored warehouses in the city's industrial zone where people can legitimately store high-value items without having to pay tax on them, these people said.

Ms. Aboutaam was detained in March for around two weeks after also failing to produce the proper documentation of ownership and origin for some objects. She was ultimately released without being charged.

After his arrest in Geneva, the driver told investigators that he had traveled several times to New York's John F. Kennedy International Airport, carrying small antiquities in his hand luggage, and that a person working with the Aboutaams was there to greet him, according to the people familiar with the probe.

"The situation involving Ali Aboutaam's driver and wife pertains to the local VAT and is unrelated to any matters relating to alleged looting," said their lawyer, Mr. Temkin.

A spokesman for the Geneva free ports said he wasn't aware of the investigation into the Aboutaams and said the facility has tightened control of antiquities entering its storage space.

The Aboutaams' father, Sleiman, founded the family trading business, Phoenix Ancient Art, in Beirut in the 1960s. The brothers, Lebanese nationals with Canadian citizenship, inherited the business when their parents died in a plane crash in 1998.

The father taught Ali Aboutaam the trade by taking him to business meetings and the family later moved from war-torn Lebanon to Geneva, according to a person who knows the family.

Hicham and Ali Aboutaam have attracted attention from authorities in the past. A 2003 ICE investigation found they were "allegedly trafficking in illegally obtained art and antiquities," according to the U.S. agency's website. The following year, Hicham Aboutaam was fined $5,000 in New York federal court after pleading guilty to falsifying a customs declaration that declared a drinking vessel Syrian when it was alleged to have originated from a plundered Iranian cave, according to court records.

A spokesman for the Aboutaams said the artwork was purchased in good faith and there is no evidence it was stolen or illegally excavated. The incorrect description was the result of a clerical error, he added.

In 2004, an Egyptian court sentenced Ali Aboutaam in absentia to 15 years in prison after he was accused of smuggling artifacts from Egypt to Switzerland. In a news release, Phoenix said Mr. Aboutaam was never invited to participate in the proceedings and learned about his conviction from the press.

According to written statements by Bulgarian authorities, the Egyptian conviction led to his arrest in Sofia, Bulgaria, under an international warrant in 2008. A spokesman for Phoenix said a ruling that year in the Sofia High Court had exonerated Ali Aboutaam and deemed the Egyptian accusations as "false."

Egypt's antiquities authority didn't respond to a request to comment.

In January 2016, customs officials in Belgium seized Syrian objects that had been sent from the Aboutaams' Geneva gallery, according to a Belgian official and the spokesman of the Brussels Antiques & Fine Art Fair, where the art was heading.

The Belgian official said authorities are investigating whether they were excavated after the outbreak of Syria's civil war rather than in 1956, as the art dealer's documents claim.

In an email, Ali Aboutaam said that the seizure was due to "malicious information" from a jealous Parisian art dealer and that both artifacts were traded before the war.

The Aboutaams are on a list of 15 dealers, including three based in the U.S., that French security officials are focusing on in connection with possible trading in antiquities looted by ISIS, according to a document seen by the Journal and to two people familiar with the probes.

French authorities are gathering information on what artifacts the Aboutaams and others sell, as well as on their suppliers, clients and international banking transactions, officials say.

The Aboutaams' U.S. gallery is located on a street off Madison Avenue. Visitors are buzzed into a discreetly lit stone-floored room where around 24 unlabeled objects are displayed with prices that are in the hundreds of thousands of dollars.

In 2007, Hitcham Aboutaam was living in a narrow, elegant home near that gallery when a Journal reporter visited. The house was dotted with demure furniture and studded with marble sculptures, some on pedestals.

Ali Aboutaam still lives in Geneva, in an apartment in one of the city's most expensive neighborhoods.

The brothers say they have sold pieces to some of the world's biggest museums, including the Metropolitan Museum of Art in New York and the J. Paul Getty Museum in Los Angeles. The Met declined to comment. The Getty Museum said it "acquired one object in its collection from Phoenix Ancient Art, more than 20 years ago."

—Thomas MacMillan, Valentina Pop and Kelly Crow contributed to this article.

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Italy Faces Prospect of Early Vote

By Giovanni Legorano

ROME—A tentative agreement by Italy's main parties on a new law that could pave the way for snap elections as soon as September is reviving the prospect of political instability in a country seen as among the weakest in the eurozone.

Matteo Renzi, the former Italian prime minister and head of the country's governing center-left Democratic Party, said late Tuesday that Italy's main parties have agreed on new electoral rules that would allow a snap election far sooner than the 2018 timetable many had expected.

Investors were reassured after the defeat of populist parties in the Netherlands and France. The prospect of snap elections in Italy—where an antiestablishment movement is high in the polls—in the fall is likely to unnerve markets.

Milan's FTSE MIB index ended down 2% on Monday, with banks taking a big hit, as prospects of an early election flared up, though they were calmer on Wednesday.

The new law still faces big hurdles, but even if Italians don't vote in September, there will be a drumbeat of speculation that could leave investors on edge.

Since Mr. Renzi's resignation in December, Italy has been in political limbo, with a number of parties pushing for snap elections and a new government led by Prime Minister Paolo Gentiloni regarded as little more than a caretaker administration.

A major obstacle to snap elections has been the need for a new electoral law following a court ruling early this year that ordered changes to the existing rules on the grounds that parts were unconstitutional.

After months of bickering, Italy's main parties have tentatively agreed to a new model similar to Germany's, in which each party gets parliamentary seats in proportion to its electoral result, with a 5% threshold needed to enter the legislature. Currently, an absolute majority is assigned in the lower house to the party that wins at least 40% of the vote in general elections.

Parliamentary elections are currently due before May 2018. Mr. Renzi said the new electoral law could win parliamentary approval by early July, which would allow for parliament to be dissolved and a new election to be held between 45 and 70 days later.

But if the new rules are approved, some doubt that President Sergio Mattarella, who has the power to dissolve parliament, would allow for autumn elections. Political analysts give the prospect about a 50% chance.

The main obstacle is the budget approval process, which consumes much of the final months of each year, a major reason Italy has never held parliamentary elections in the autumn.

"It will be very complicated to approve the budget law and have elections in the middle of the process," said Roberto D'Alimonte, professor of political science at Rome's LUISS University. "Very complicated."

When Italians finally do go to vote, the fragmentation of Italy's electorate in recent years could produce a hung parliament, reigniting fears that political instability will paralyze a country that has yet to come to grips with its deep economic problems.

The antiestablishment 5 Star Movement—one of Europe's biggest populist parties—is running neck-and-neck with the Democratic Party at around 30% of the votes, according to public-opinion polls. Other large parties, such as Silvio Berlusconi's Forza Italia and anti-immigrant and euroskeptic Northern League, have about 13% support.

If the Democratic Party were to garner the most votes and be tasked with the formation of a new government, Mr. Renzi would likely draft the support of Mr. Berlusconi to create an unwieldy left-right coalition.

Alternatively, if the 5 Star Movement—which pledges to call a referendum on Italy's membership in the eurozone if it comes to power—got most of the votes, it might try to form a minority government with external support of the Northern League, politicians and academics say.

SAMANTHA ZUCHI/IMAGO/ZUMA PRESS

Former Prime Minister Renzi, shown in mid-May, announced a tentative accord by Italy's main parties on a new law that could lead to elections.

NBA Star Dodges a Turkish Press

By Margaret Coker

ISTANBUL—Turkey is expanding efforts abroad to capture opponents by canceling their passports to force foreign governments to send them back, Turkish officials said, describing a strategy that nearly netted an NBA player in May.

The efforts accelerated this spring in what one of the officials said is part of a counterterrorism campaign focused on Turkish followers of U.S.-based cleric Fethullah Gulen, a critic of President Recep Tayyip Erdogan whose network Turkey classifies as a terrorist group.

Oklahoma City Thunder center Enes Kanter told The Wall Street Journal he narrowly escaped a government attempt to force him back to Turkey after his passport was abruptly invalidated during a multination charity tour that included stops at schools affiliated with Mr. Gulen's movement.

The National Basketball Association player, a 25-year-old legal U.S. resident, has been outspoken in his support for Mr. Gulen and criticism of Mr. Erdogan. Mr. Kanter was allowed to return following the intervention of U.S. and NBA officials. "It's crazy," Mr. Kanter said. "The government is going after anyone who speaks up for democracy and against [Mr. Erdogan]."

Turkey seeks Mr. Kanter's arrest on charges of glorifying terror related to his links to Mr. Gulen, one of the Turkish officials said on Friday. The official described Mr. Kanter as a dangerous individual and said governments have an obligation to hold or deport people who don't have valid travel documents.

Turkish officials accuse Mr. Gulen of masterminding a failed July coup attempt and consider his religious network a grave national security threat. Mr. Gulen and his supporters dismiss the accusations as politically motivated and he has denied any role in the coup attempt, saying he rejects violence.

The Gulenist movement runs more than 700 schools around the world as well as businesses valued at billions of dollars, Turkish officials say. Mr. Gulen says he has no oversight of these enterprises.

Turkey has arrested roughly 50,000 people and purged around 140,000 others from the civil service since the coup attempt, accusing most of links to Mr. Gulen.

Mr. Erdogan on Tuesday warned international allies that Turkey wouldn't release their wanted suspects or citizens from Turkish jails unless those countries sent so-called Gulenists back to Turkey.

Turkey has formally requested Mr. Gulen's extradition from the U.S., where he is a legal resident, but U.S. officials say purported evidence compiled by Ankara doesn't meet American legal standards.

The U.N. Human Rights Office in Southeast Asia said it had serious concerns regarding the safety in Turkey of the men who had been deported from the region.

Mr. Kanter is one of several high-profile Turkish sports stars closely tied to the Gulen movement. After the Thunder were eliminated from the NBA playoffs in May, he and his manager set off on a global tour. Mr. Kanter traveled on his Turkish passport to seven Asian countries without any problem.

After arriving in Jakarta, Indonesia, Mr. Kanter said he traveled with private security guards as well as a police escort on May 19 to publicity events. He coached a children's basketball camp at a private school run by a Gulenist foundation.

Around 2 a.m., his manager got a call from a school administrator warning them that Indonesian authorities were there looking for Mr. Kanter.

Indonesia's immigration spokesman, Agung Sampurno, said there was no written request from Turkey or Indonesian institutions to cancel Mr. Kanter's passport or deport him. Jakarta police said they had no information on the matter.

Mr. Kanter and his manager, also a Turkish citizen, bought tickets on a 5:30 a.m. flight to Singapore. Indonesian authorities didn't question them at the airport. Around 12 hours later, upon arrival in Bucharest authorities said his passport had been canceled. It took several hours to get Romanian and U.S. clearance to fly back to America.

Five days later, after Mr. Kanter was back in the U.S., Turkish authorities confirmed there was a criminal probe against him and they had canceled his passport.

EDUARDO MUNOZ ALVAREZ/GETTY IMAGES

Enes Kanter dodged an effort to force him back to Turkey.

PAVEL GOLOVKIN/ASSOCIATED PRESS

Alexei Navalny attending hearings in Moscow on Tuesday.

Putin Rival Is Told To Amend Video

By Nathan Hodge

MOSCOW—A Moscow court ordered Russian opposition leader Alexei Navalny to delete portions of an investigative video that drew millions of viewers and helped spark unusually large street demonstrations across Russia.

Alisher Usmanov, a billionaire who ranks fifth on the Forbes list of richest Russian businessmen, filed suit in April against Mr. Navalny for defamation, after Mr. Navalny and a team of investigators from his Anti-Corruption Foundation released a video alleging the businessman gave property to a foundation linked to Russian Prime Minister Dmitry Medvedev. Mr. Usmanov, who is a majority shareholder in a leading mobile operator and Russian-language social-media enterprises and owns a share in the **Arsenal Football Club**, said the opposition leader was engaged in a smear campaign.

The Lyublino district court in Moscow ruled Wednesday afternoon in favor of Mr. Usmanov, Russia's official court-reporting agency said. News agency RIA-Novosti said Judge Marina Vasina said allegations made by Mr. Navalny in his investigation were "untrue and discrediting the honor, dignity and business reputation" of Mr. Usmanov.

Vladimir Usenko, an attorney for Mr. Usmanov, said his legal team sought to remove any references to Mr. Usmanov from the video and online publications. A written decision is expected in five days, he added.

"We are satisfied with today's decision," he said.

Mr. Navalny said he would appeal the court's decision. "The court ordered me to remove the investigation," Mr. Navalny said on Twitter. "That absolutely won't happen."

The investigative video, which was released in early March, has been an online sensation. In late March, the Russian opposition leader mobilized thousands of demonstrators across Russia to protest official corruption. The country's state-controlled media largely ignored the marches, which presented an unexpected challenge to President Vladimir Putin's political rule.

Mr. Medvedev has dismissed the video as a "compote" of unsubstantiated allegations.

Mr. Usmanov, contacted through his representatives, didn't immediately respond to a request for comment.

The trading of allegations between the opposition leader and the businessman reflects how Mr. Navalny has grown in stature as Russia's top opposition figure, even as other opponents to the Kremlin have been marginalized or run out of the country.

Mr. Navalny has also come under intense pressure. Earlier this year, he was found guilty of embezzlement by a court in Kirov, 500 miles east of Moscow, a verdict he says was meant to exclude him from running in next year's presidential election. In late April, an assailant splashed him with a green antiseptic dye, an attack that left him largely blind in one eye.

The Russian government is quick to cast opposition politicians as insignificant. But the Kremlin is increasingly worried about political discontent among young voters, who turned out for Mr. Navalny's protests in large numbers.

Mikhail Kasyanov, a former Russian prime minister, said the prospect of young, discontented voters mobilizing "frightened" the Kremlin.

"This phenomenon has just begun," Mr. Kasyanov said. "These are people who are still quite young, they want some kind of justice, having visited one or another European country, and they understand that people can live differently."

WORLD WATCH

EUROZONE

Commission Floats Idea of Closer Union

The bloc may need to set up a common budget, treasury and borrowing capacity to secure its stability, requiring politically sensitive steps, the European Union's executive arm said.

In a report Wednesday on the future of the eurozone, the European Commission outlined a two-stage process that by 2025 could include a greater pooling of resources and eventually lead to a fully fledged eurozone budget overseen by a common treasury.

The ideas come as French President Emmanuel Macron seeks to prod the German government into advancing some longstanding ideas for deepening the bloc's economic and monetary union.

Berlin and other capitals have responded that some ideas for integrating the eurozone are possible over time but that France must first implement politically challenging structural reforms. *—Laurence Norman*

KOEN VAN WEEL/EUROPEAN PRESSPHOTO AGENCY

FAR FROM HOME: A visitor watches a giant panda eating in its enclosure at the Ouwehand Zoo in Rhenen, the Netherlands.

FRANCE

Expatriate Jihadists At 'Risk,' Paris Says

A government spokesman responded to a Wall Street Journal article on Monday on secret French operations to kill French jihadists.

The article said French special forces are working with Iraqi soldiers to hunt and kill French nationals who have joined the senior ranks of Islamic State. The names and photographs of as many as 30 men identified as high-value targets have been distributed to Iraqi authorities by French special forces.

Christophe Castaner said France views such fighters as "enemy combatants" who can be targeted for assassination. "I say to all the fighters who join [Islamic State] and who travel overseas to wage war: Waging war means taking risks."

—Matthew Dalton

CANADA

GDP Grew in Quarter At Annual 3.7% Rate

Economic output grew in the first quarter, making Canada the best-performing economy among those in the Group of Seven in early 2017 on the strength of consumer spending and a rebound in business investment.

Gross domestic product rose at a 3.7% annualized rate in the first quarter, to 1.81 trillion Canadian dollars (US$1.35 trillion), Statistics Canada said.

—Paul Vieira

MEXICO

Central Bank Raises 2017 Growth Outlook

Mexico's central bank on Wednesday raised its growth expectations to between 1.5% and 2.5% this year, up from its previous estimate of 1.3% to 2.3%. The bank left its 2018 GDP-growth forecast at 1.7% to 2.7%.

—Anthony Harrup

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U.S. Poised to Pare Back Carbon Cuts

Trump leaning toward unwinding climate accord commitment; lobbying intensifies

By Eli Stokols
And Bradley Olson

President Donald Trump is leaning toward unwinding emissions reductions that the U.S. agreed to as part of the 2015 Paris climate accord, but he has yet to make a final decision on the matter, three White House officials said Wednesday.

The president said on Twitter on Wednesday morning that a determination on the Paris accord would be released "over the next few days." Later, Mr. Trump told reporters in the Oval Office: "I'm hearing from a lot of people both ways," and said that he would make a decision "very soon."

Under the climate-change accord, 190 countries committed to cutting greenhouse-gas emissions, in an effort to combat climate change. The agreement aims to keep average global temperatures from rising more than 2 degrees Celsius, or 3.6 degrees Fahrenheit, above preindustrial levels.

Under the agreement, each participating country determines its own set of emissions targets and a plan to reach them.

The U.S. had pledged to cut greenhouse-gas emissions by 26% to 28% from 2005 levels by 2025. The U.S. is the world's second-largest emitter of carbon, behind only China, which has reaffirmed its own commitment to meeting its targets under the Paris accord.

According to several administration officials and other people with direct knowledge of the deliberations, Mr. Trump is weighing how far to go in fulfilling a campaign promise that he would pull the U.S. from the accord.

The president is also hearing from business leaders and senior aides who are urging him not to completely withdraw.

Because the Paris agreement is nonbinding, Mr. Trump has the option of lowering the emissions targets for the U.S. without withdrawing completely, which could take three years under the original agreement.

The president was scheduled to meet Wednesday with Secretary of State Rex Tillerson, who has advocated remaining in the deal. A day earlier, Mr. Trump met with one of his administration's leading voices for complete withdrawal, Environmental Protection Agency Administrator Scott Pruitt.

Mr. Pruitt and Mr. Trump have both expressed deep skepticism about the role of human activity as a leading factor in climate change.

Dozens of Fortune 500 companies have lobbied the administration to remain in the agreement, expressing their collective support in a public advertising campaign and privately in smaller meetings and phone calls with the president.

Large companies say the accord provides a predictable and practical framework for reducing emissions and can serve to boost competitiveness and job creation while minimizing business risks from climate change.

One of Mr. Trump's closest business allies, Dow Chemical Co. Chief Executive Andrew Liveris, has been seeking an Oval Office meeting this week to make his case, a person familiar with the matter said.

Following Wednesday morning's reports that a withdrawal might be imminent, Apple Inc. Chief Tim Cook and Tesla Inc. CEO Elon Musk were among the business leaders placing phone calls to the White House in a last-minute effort to persuade the president to reconsider, according to people familiar with the calls.

Mr. Musk tweeted Wednesday afternoon that he had "done all [he] could" to urge the president and his aides to stay in the Paris agreement and that he would leave his role as a member of an advisory business council should the administration withdraw.

While larger energy companies such as Exxon Mobil Corp. and Royal Dutch Shell PLC support the U.S.'s commitment to the Paris accord, other fossil-fuel companies, especially those with fewer investments in clean-energy technologies, have been pushing hard for complete withdrawal.

Separately on Wednesday, Exxon's shareholders voted to demand more transparency from the company about the impact of climate change on its operations.

The vote was the strongest signal yet of investor interest and concern about climate risks.

BlackRock Inc. and Vanguard Group, Exxon's two largest shareholders, voted for the measure, people familiar with the matter said.

At last week's summit of the Group of Seven leading nations in Sicily, European leaders also focused their conversations with Mr. Trump on persuading him of the importance of America's leadership when it comes to combating climate change and the economic opportunities that can be derived from the advancement of new energy technologies.

U.S. carbon emissions are likely to continue falling regardless of any political change of course, mainly for market reasons that have made it cheaper to use natural gas to generate electricity instead of coal.

Because of this switch, as well as greater efficiency throughout the U.S. economy, energy-related carbon-dioxide emissions fell last year to the lowest level since 1992, according to the U.S. Energy Information Administration.

Even if the U.S. withdraws and eschews any further emissions-reductions policies, a number of states will continue with regulations that are likely to be influential.

LUKE SHARRETT/BLOOMBERG NEWS

U.S. carbon emissions are expected to continue falling as cheaper natural gas replaces coal to generate electricity.

Climate Calculus in Pulling Out of Deal

President Donald Trump is under pressure from supporters and opponents of the Paris accord. Here are some of the calculations involved in pulling out.

Firing up the Base

Slipping out of international entanglements could fire up Mr. Trump's political base, which includes "economic nationalists" who believe the U.S. can achieve prosperity alone, as well as conservatives and working-class voters skeptical of overseas structures such as the United Nations, which organizes international climate negotiations.

Voters' Changing Views

With the exception of conservative Republicans, who are split, Americans have increasingly joined the scientific consensus in blaming humans' carbon dioxide emissions for rising temperatures on earth.

A November survey published by Yale and George Mason University found nearly seven in 10 registered voters say the U.S. should participate in the international climate deal.

Avoiding Pressure for Not Complying

The Paris deal isn't really binding—countries that don't follow through with their commitments on curbing carbon dioxide emissions in 2025 won't face enforceable sanctions. But if Mr. Trump and future presidents roll back domestic regulations on coal power plants and vehicle emissions, then Washington could come under peer pressure as other countries "name and shame" the economies that aren't living up to their pledges. Pulling the U.S. out of the deal would remove that pressure.

Diminishing Washington's Reliability

Mr. Trump is seeking to put pressure on China to open its markets to investment and trade, but rapid backtracking on what was until recently a major U.S. priority could discourage governments in Beijing or elsewhere from making long-term commitments with Washington.

Losing Predictability for Business

More businesses—mostly outside the oil and coal industries—are backing predictable climate rules that help them invest for the future in green energy and even win over customers based on their environmental stewardship.

Sudden reversals by the U.S., the second-biggest emitter of gases linked to climate change, would add risk to those planned investments and likely generate complaints from investors.

—William Mauldin

Drug Firms Sued by Ohio Over Opioids

By Jeanne Whalen

Ohio is suing five drugmakers, the state's attorney general said, alleging they fueled an opioid crisis in the state by misrepresenting the addictive risks of their painkillers.

The lawsuit, filed in state court in Ross County, targets parent companies and various subsidiaries, including **Purdue Pharma** LP, **Johnson & Johnson**, **Teva Pharmaceutical Industries** Ltd., **Allergan** PLC and **Endo International** PLC's Endo Health Solutions unit.

Attorney General Mike DeWine said at a news conference on Wednesday that the companies were dishonest with doctors about their painkillers' risks. He said they marketed heavily to general practitioners, who "may not have a particular specialty in that area."

"The evidence is going to show they knew what they were saying was not true and they did it to increase sales," Mr. DeWine said.

In a statement, Johnson & Johnson, parent of Janssen Pharmaceuticals, which sells Duragesic, said: "We firmly believe the allegations in this lawsuit are both legally and factually unfounded. Janssen has acted appropriately, responsibly and in the best interests of patients regarding our opioid pain medications, which are FDA-approved and carry FDA-mandated warnings about the known risks of the medications on every product label."

Teva said it is reviewing the complaint and didn't have an immediate comment. Teva and its Cephalon Inc. unit sell the painkillers Actiq and Fentora.

Purdue, maker of the painkiller OxyContin, said: "We share the attorney general's concerns about the opioid crisis and we are committed to working collaboratively to find solutions."

Allergan and Endo declined to comment. Allergan sells Kadian, Norco and generic opioids. Endo, parent of Endo Health Solutions, makes the painkiller Opana.

Ohio has been among the states hardest hit by opioid addiction, which has helped drive U.S. overdose deaths to record highs. Many people became addicted by taking powerful opioid painkillers, and often then turned to heroin if they couldn't get access to pills.

Public-health officials have long blamed aggressive company marketing and lax opioid painkiller prescribing for sparking the crisis.

In an interview, Mr. DeWine, a Republican, said Ohio's lawsuit is among the most comprehensive taken by any state against opioid-painkiller makers. He said he believed only Mississippi has filed a suit similar in scope to Ohio's.

Some cities and counties, including Chicago and California's Orange and Santa Clara counties, have also sued opioid painkiller makers, alleging misleading marketing that fueled addiction. West Virginia sued drug distributors, alleging they improperly flooded the state with addictive painkillers.

Perhaps the biggest legal hit to a painkiller company came in 2007, when Purdue Frederick Co., an affiliate of Purdue Pharma, and three of its executives pleaded guilty in federal court to criminal charges of misleading the public about the addictive qualities of OxyContin, and agreed to pay the federal government and a group of states $634.5 million in fines. That settlement grew out of a multistate investigation and a federal lawsuit.

BROOKE LAVALLEY/THE COLUMBUS DISPATCH/ASSOCIATED PRESS

Ohio Attorney General Mike DeWine, a Republican, announced the lawsuit against five companies in Columbus on Wednesday.

COMEY

Continued from page A1

go," referring to the Federal Bureau of Investigation's probe into Mr. Flynn, according to people who have seen the memo. Mr. Trump has denied asking Mr. Comey to drop the bureau's investigation of Mr. Flynn.

The conversation took place shortly after Mr. Flynn resigned under pressure for having misled Vice President Mike Pence about the nature of his phone conversations with a Russian diplomat.

The former national security adviser is also being investigated by federal authorities for potential violations of a law regarding the disclosure of work for a foreign power.

In early March, Mr. Flynn filed a retroactive disclosure form with the Justice Department detailing how his firm received $530,000 in 2016 from a Turkish businessman through a Dutch company called Inovo BV.

The Senate Intelligence Committee, along with several other congressional panels, is investigating Russia's alleged interference in last year's presidential election and whether the GOP president's associates colluded with Moscow.

Russian officials have denied meddling in the election, and Mr. Trump has denied any collusion.

On Wednesday, the Republican-led House Intelligence Committee issued four subpoenas related to the Russia investigation and three related to questions about how and why the names of associates of Mr. Trump were unredacted and distributed within classified reports by officials in former President Barack Obama's administration during the transition between presidents.

The committee has subpoenaed the National Security Agency, the FBI and the Central Intelligence Agency for information about what is called "unmasking." Republicans on the committee have been pushing for a thorough investigation of how the names of Mr. Trump's campaign officials became exposed in classified intelligence reports based off intelligence community intercepts.

The House Intelligence Committee issued seven subpoenas in the Russia probe.

Mr. Comey was spearheading the Russia investigation when Mr. Trump dismissed him. Mr. Trump has called the investigation a witch hunt.

After Mr. Comey was fired, Deputy Attorney General Rod Rosenstein appointed a special counsel, former FBI Director Robert Mueller, to lead the Russia inquiry as special counsel.

Mr. Comey has spoken to members of Mr. Mueller's team to ensure his testimony won't hurt the special counsel's investigation, according to the person familiar with the matter. It wasn't clear Wednesday if the White House will seek to intervene and block Mr. Comey's testimony.

The testimony could come as early as June 8, according to people close to Mr. Comey.

Rebecca Watkins, a spokeswoman for Sen. Richard Burr (R., N.C.), the chairman of the Senate Intelligence Committee, said in a statement that the panel "welcomes the testimony of former Director Comey, but does not have an announcement to make at this time."

Rachel Cohen, a spokeswoman for Sen. Mark Warner of Virginia, the committee's top Democrat, declined to comment.

—Byron Tau contributed to this article.

SHAWN THEW/EUROPEAN PRESSPHOTO AGENCY

Ex-FBI chief James Comey is expected to testify as early as next week.

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NASA Probe To Explore Sun's Corona

By Shibani Mahtani

CHICAGO—NASA announced here Wednesday that it will launch an unprecedented mission to fly directly into the sun's atmosphere, zooming within 4 million miles of the surface and withstanding temperatures of up to 2,500 degrees Fahrenheit.

The mission has been named the Parker Solar Probe after Eugene Parker, a solar astrophysicist at the University of Chicago who in 1968 wrote a seminal paper about solar winds and the solar magnetic system. The launch is planned for between July 31 and Aug. 19 of 2018.

This is the first time a satellite will fly directly into the sun's atmosphere, with the aim of answering questions including why the atmosphere, known as the corona, is hotter than the surface of the sun itself and other questions about space weather. The spacecraft and instruments will be protected by a 4.5-inch thick carbon-composite shield, NASA said.

"We have not been able to answer these questions without being able to take a probe at the sun," said Nicola Fox, the mission project scientist for the solar probe. Answers to these questions are "key to us being able to put the last pieces together" about the sun's atmosphere, she added.

The mission will also produce the first-ever close-up view of a star, providing a deeper understanding of the physics of stars across our universe.

The mission, which will launch from the Kennedy Space Center in Florida, is fully funded, costing about $1.5 billion from development to launch.

About eight weeks after the launch, the satellite will encounter Venus and do a flyby of the planet, and eight weeks after that, it will encounter the sun's atmosphere for the first time. Traveling at 430,000 miles an hour, the satellite will continue making orbits around the sun, using instruments to measure the atmosphere.

The whole mission will take about seven years, Dr. Fox said.

NASA says the mission was 60 years in the making, bolstered by Dr. Parker's transformational research, in which he predicted the existence of solar winds. His research changed the way scientists perceive space and formed the basis for the solar probe.

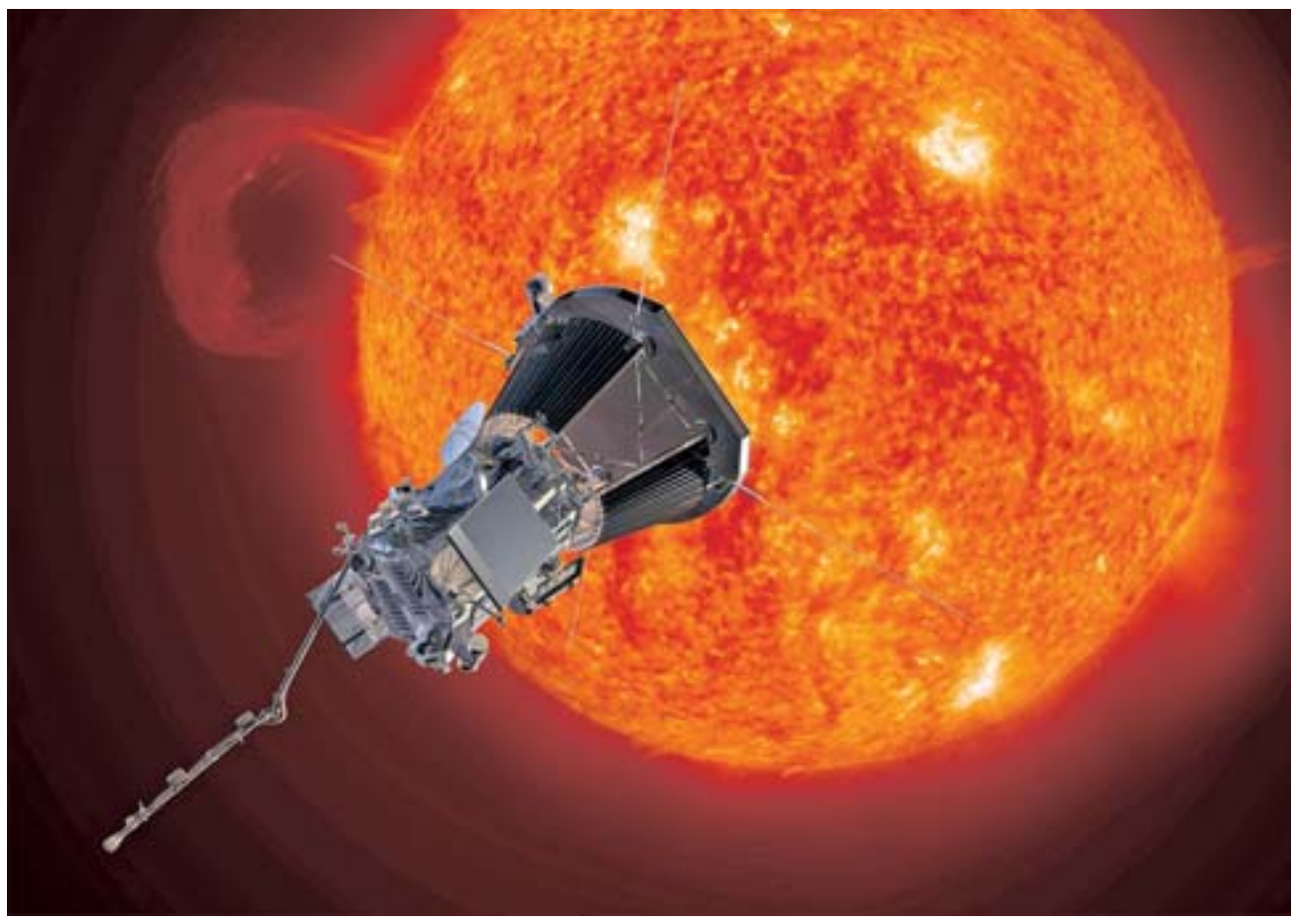
The mission is a culmination of research in the field of solar and heliophysics since then, said Thomas Zurbuchen, association administrator for the Science Mission Directorate at NASA's Washington headquarters.

Understanding weather patterns in space, scientists say, will have real-life applications, since plasma and radiation from the sun could affect our planet. Space weather can influence everything including electrical grids and GPS systems, and further understanding of the atmospheric changes will help scientists find ways to minimize disruptions to these systems on Earth.

The mission can also help support space travel overall by providing a deeper understanding of the risk to astronauts posed by storms in space, scientists said.

The Parker Solar Probe is the first time that a NASA mission has been named after a living scientist. When Dr. Parker's research was first published in the 1960s, many initially dismissed his research as wrong until his theoretical models were confirmed by spacecraft.

"One would like to have some more detailed measurements of what's going on in the solar wind," Dr. Parker said. "I'm sure that there will be some surprises. There always are."



JOHNS HOPKINS UNIVERSITY APPLIED PHYSICS LABORATORY/ASSOCIATED PRESS

The mission would bring a spacecraft into the sun's atmosphere for the first time. A launch date is scheduled for next year.

Critics Indict California Bar Exam for Low Pass Rate

By Sara Randazzo

LOS ANGELES—California's notoriously difficult bar exam has long been a point of pride among the state's lawyers. Now it is prompting blowback.

With passing rates hitting historic lows, the state's law schools are pushing for a controversial change: lowering the score required to pass.

The educators argue that California holds graduates to an unreasonably high standard that no longer can be justified, especially as the price of law school skyrockets.

Others say lowering the bar would pander to a recent cohort of law students with weak credentials, and that law schools should either raise their own standards or shut their doors.

The issue came to a head after the announcement that just 35% of takers passed the most-recent California exam, given in February. Only 43% passed July's test, the lowest mark for the summer exam in more than three decades.

Bar-passage rates nationally have trended downward since 2014. While some states have begun to see rebounds, others haven't. Florida, for instance, continued a four-year downward slide on July's test, to 68% passing, down from a recent high of 80% in July 2012.

The declining rates have coincided with a steep drop in applicants to law school, spurring the programs to shrink class sizes and, in some cases, admit students with weaker grades and test scores. From 2010 to 2016, first-year enrollment at American Bar Association-accredited schools nationwide fell nearly 29%.

One camp of law-industry watchers blames the drop in passing rates on the declining credentials of incoming classes. Others point to changing study habits of millennials, who grew up with the ability to find information at their fingertips and aren't accustomed to the intensive memorization and writing skills needed to pass a bar exam. Law schools point to the test's required score as the problem.

The issue has been acute in California, which licenses the second-largest number of lawyers each year after New York and houses 10% of the nation's ABA-accredited law schools.

Deans of 20 of California's nationally accredited law schools earlier this year unsuccessfully tried to persuade the California Supreme Court, which oversees the state bar and regulates the exam, to temporarily lower the standards for passing. The controversy soon reached the statehouse, where the Senate Judiciary Committee called a hearing to analyze the decline.

Now, the State Bar of California is racing to answer a series of existential questions: Is the stringent test—with a passing standard higher than all states but one—serving the public interest? And does the exam even test what incoming lawyers need to know?

A study released this week by two Pepperdine University School of Law professors, Robert Anderson IV and Derek Muller, concluded that California lawyers with lower bar exam scores were more likely to be disciplined or disbarred during their careers, based on limited publicly available data.

The format of the exam hasn't changed substantially in decades, though the test will be reduced from a three-day undertaking to two days starting in July. A California state bar analysis concluded that the two-day test shouldn't affect passage rates.

At **University of California Hastings College of the Law** in San Francisco, Dean David Faigman said he was shocked and disappointed last fall to learn that just 51% of his graduates taking the test for the first time passed the July exam.

While accepting that his school had to do more to help students prepare, his ire soon turned to the exam.

Each state sets its own passing score on a common multiple-choice section of the bar developed by a national organization. Since 1984, California's so-called cut score has been 144, higher than every state but Delaware. New York uses 133; 16 other states set it at 135.

If California used the same passing score as New York on last July's test, 87% of graduates from nationally accredited schools in the state would have passed, compared with the 62% who passed, according to an analysis commissioned by the state bar.

"Does California know something the rest of the country doesn't?" Mr. Faigman said. "The more I dug, the worse it smelled in terms of what California was doing."

Mr. Faigman and other deans say lowering the standard isn't a matter of catering to students who are no longer equipped to pass. Instead, they argue there is no good reason passing the exam ever had to be so hard.

Weily Yang, a 2015 graduate of **Whittier Law School** in Southern California, failed the bar three times before finally passing February's test. **Whittier College** announced in April it would close the law school, in part because of low bar passage rates.

Preparing for the bar multiple times taught Mr. Yang how to pass the test, he said, but "I don't think it helped me at all at becoming a better lawyer."

The 33-year-old has been living with his parents since graduating, and now has a job at a trusts-and-estates law firm. The time spent retaking the test, he said, "hindered my finances, it hindered my quality of life."

Some practicing lawyers say the problem isn't the difficulty of the test but that there are too many law schools churning out graduates with little chance of finding decent employment.

"The focus should not be on dumbing down the ability to pass the bar," said Jeremy Rosen, a partner at California appellate firm Horvitz & Levy. Rather, Mr. Rosen said, the takeaway should be that "a lot of people shouldn't be in law school. We have too many law students nationwide."

The state bar is now working to complete a series of studies by the fall that will help the state Supreme Court decide what to do. Some states have moved their passing score down in past decades, though more have raised it.

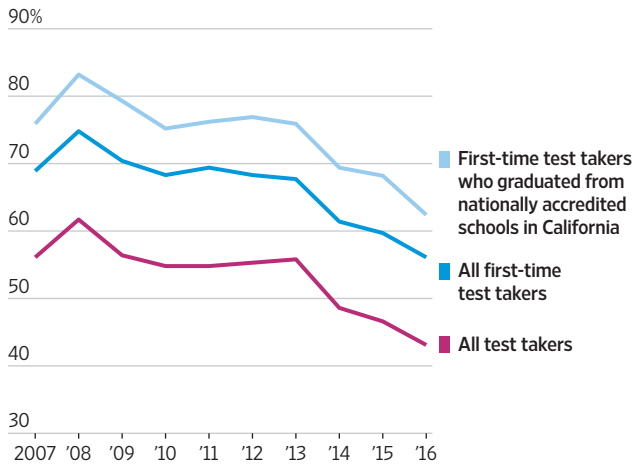
"We intend to let the results of these studies guide the direction we take and the recommendations we make," said Leah Wilson, the chief operating officer of the state bar, who added that the agency is concerned about the falling passage rates.

ERIC RISBERG/ASSOCIATED PRESS

Michelle Freeman and Deborah Rodriguez participated in a moot court in San Francisco in March.

Failing the Bar

California's notoriously difficult bar exam has had historically low pass-rates in recent years. Passing rates on the state's exam offered in July:



Source: State Bar of California

THE WALL STREET JOURNAL.

U.S. WATCH

CALIFORNIA

Oakland to Settle Police-Abuse Case

Oakland, Calif., will pay the victim of alleged sex abuse at the hands of several of the city's police officers nearly a million dollars to settle allegations that threw the police department into turmoil last year.

The now 19-year-old woman, who worked as a prostitute, accused police officers from Oakland and other police departments around the Bay Area of sexually exploiting her, including some instances when she was under the age of 18.

The allegations of sexual misconduct rocked the Oakland Police Department. After the scandal surfaced last spring, Sean Whent, Oakland's police chief at the time, resigned and two of his replacements also left in quick succession in June.

Last fall, the Alameda County District Attorney announced plans to charge seven former and current officers from the Oakland Police Department, the Contra Costa Sheriff's Department and the Livermore Police Department with crimes including sexual acts with a minor and exchanging compensation for sex. Two have pleaded guilty since then, and the rest are fighting the charges.

A spokeswoman for the police department referred questions to the city attorney's office, which didn't respond to requests for comment.

—Zusha Elinson

MAINE

Nonviolent Prisoners Freed to Fill Jobs

Ahead of peak tourism season, Maine's Republican Gov. Paul LePage is releasing nonviolent offenders from prison early to get them back to work.

The program is starting small. The sentences of 17 male inmates who committed low-level offenses were commuted in recent days. Mr. LePage's administration is now contemplating a similar move among the female prison population, and is also eyeing possible commutations in county jails.

His administration says it is only releasing offenders deemed to be at low risk to the public.

—Jennifer Levitz

JOSHUA ROBERTS/REUTERS

SPELLING BEE: Avril Regis, 14, of Pago Pago, American Samoa, watching competitors during the 2017 Scripps National Spelling Bee at National Harbor in Oxon Hill, Md., on Wednesday.

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FLYNN

Continued from Page One

now facing military, congressional and criminal investigations into allegations that he improperly concealed his financial ties to Turkey and Russia, and into whether the ties played any role in his decisions as the president's adviser.

Along with the money from the Turkish businessman, Mr. Flynn received $33,750 from a Russian state news network to travel to Moscow in 2015, sit next to President Vladimir Putin at a gala and give a public interview on U.S. foreign policy.

A federal grand jury in Virginia recently issued subpoenas to people who worked for the Flynn Intel Group. Last week, Mr. Flynn said he would invoke his Fifth Amendment right against self-incrimination and refuse to honor a subpoena from the Senate Intelligence Committee, which is investigating allegations of Russian interference in the 2016 presidential election.

On Tuesday, Mr. Flynn said he would turn over documents from his businesses to the Senate Intelligence Committee, according to a person familiar with the matter. The Flynn Intel Group shut down in November.

Robert Kelner, the attorney for Mr. Flynn and the Flynn Intel Group declined to comment. In the past, Mr. Kelner has criticized what he called "unfounded allegations" against Mr. Flynn and said he hoped Mr. Flynn would have a fair chance to tell his story. Mr. Kian didn't respond to requests to comment.

Focus of film

Flynn Intel Group hired professionals to shoot the documentary and then worked to conceal its role in producing the film, according to David Enders, a former VICE News correspondent hired to work on the project. The Wall Street Journal reviewed footage prepared for the unfinished documentary, which was shelved in November, two days before Mr. Flynn was officially asked to become the president's national security adviser.

Mr. Enders and Rudi Bakhtiar, a former CNN anchor hired to be the on-camera face for the film, said the disclosure in March about Mr. Flynn's work as a foreign agent came as a shock.

Ms. Bakhtiar said she was misled about the true intentions of the film, which she said was focused on attacking a U.S.-based Turkish imam President Recep Tayyip Erdogan has accused of orchestrating last summer's botched military coup. She said she thought the work would produce an objective, investigatory documentary about Turkey and Fethullah Gulen, the imam.

As the documentary plans moved ahead last fall, Mr. Enders said that Mr. Kian told him he didn't want anyone to know who was behind the film about Mr. Gulen, whom Mr. Erdogan wants the U.S. to extradite to Turkey to face accusations he runs a terrorist group behind last summer's failed coup.

"Bijan said they did not want to be connected to this in any way," Mr. Enders said. "He said: 'We don't want anyone to know the Flynn Intel Group has anything to do with this.' " Mr. Enders said Mr. Kian didn't explain his reasons.

The project began last summer, after Mr. Erdogan quashed a poorly conceived July 15 military coup attempt. A few weeks later, Ekim Alptekin, a Turkish businessman and Erdogan defender, signed a three-month contract with the Flynn Intel Group to help Turkish interests.

Mr. Alptekin, head of a Netherlands-based consulting firm called Inovo BV, and chairman of the Turkey-U.S. Business Council, a group that promotes business between the two countries, said he wanted to use the documentary to help expose America to the dangers of Mr. Gulen.

"We were thinking of a small, '60 Minutes' kind of a thing, where these conclusions are brought to the public," Mr. Alptekin told the Journal. "We thought that might have a good effect."

Mr. Gulen, who lives in Pennsylvania, has repeatedly denied playing any role in last summer's failed coup in Turkey or that he leads a terrorist group.

U.S. officials have said several times over the past year that Turkey has yet to provide enough evidence to extradite Mr. Gulen. Washington's refusal to comply with the request remains a major point of contention between the two countries.

On Sept. 9, Mr. Alptekin's company sent the first $200,000 to the Flynn Intel Group, according to the U.S. company's Foreign Agents Registration Act filing, the disclosure that was filed in March. Mr. Alptekin said the money for the project came from his own accounts and not the Turkish government.

Four days later, the Flynn Intel Group sent $40,000 back to Mr. Alptekin's firm and characterized it in the filing as a consulting fee.

Mr. Alptekin said the $40,000 was actually a refund because the Flynn Intel Group didn't have the ability to lobby the U.S. government as planned.

"They didn't have a game plan, so they immediately wired the lobbying component of the contract back to me," Mr. Alptekin said. "So that was a reimbursement to me."

In its foreign registration filing, the Flynn Intel Group said its work was "focused on improving U.S. business organizations' confidence regarding doing business in Turkey, particularly with respect to the stability of Turkey and its suitability as a venue for investment and commercial activity."

In Washington, the Flynn Intel Group began gathering publicly available information about Mr. Gulen, with a particular focus on his network of charter schools in the U.S.

Mr. Flynn's group was producing the documentary for a Turkish businessman.

The company hired Mr. Enders, who said he was asked to track down for the documentary historic footage of Ayatollah Ruhollah Khomeini, the Iranian leader who took power in 1979 after the country's shah was overthrown. Mr. Enders, who was paid $3,400 for his work, said he was initially told the film would be a "well-investigated documentary about Iran." Mr. Enders said it later became clear that Mr. Kian saw Mr. Gulen as a Turkish Ayatollah.

Ms. Bakhtiar, who was hired to conduct interviews on camera, and Mr. Kian were old family friends united by their Iranian heritage. Mr. Kian, a former director of the Export-Import Bank, got in touch to express sympathies with Ms. Bakhtiar in 2005, after her father died. Ms. Bakhtiar's uncle, who served as the last prime minister of Iran before the 1979 revolution, was assassinated in Paris in 1991.

Ms. Bakhtiar had worked as an anchor at CNN and a correspondent at Fox News, Voice of America and Reuters, and had traveled to some of the world's toughest spots throughout her career, including Iran and Iraq.

Last fall, Ms. Bakhtiar said Mr. Kian told her he wanted to bring her in on a "very exciting" project about Turkey. At the time, Turkey was in the midst of a sweeping post-coup crackdown on dissent. Mr. Erdogan had imposed a state of emergency and had begun detaining tens of thousands of soldiers, police officers, teachers, journalists and diplomats accused of supporting Mr. Gulen.

Ms. Bakhtiar said she agreed to meet Mr. Kian at his office in Alexandria, Va. She said she didn't realize until she got there that it was the offices of the Flynn Intel Group. She said Mr. Kian told her at that meeting that the company he ran with Mr. Flynn would be funding the project.

At the time, Mr. Flynn, who had been fired as head of the Pentagon's intelligence branch in 2014, had recently rocketed to the center of the campaign news by delivering a fiery speech at the Republican National Convention, where he led the crowd in chanting "lock her up" about Mr. Trump's Democratic opponent, former Secretary of State Hillary Clinton.

"I was excited—until I realized it was Flynn Intel Group," said Ms. Bakhtiar, who agreed to work on the film anyway, in part because Mr. Kian was a family friend.

Meanwhile, lobbying firm SGR LLC, run by veteran Washington consultant Jim Courtovich, was hired to promote the film once it was made, and it developed proposals to try to place the documentary on news shows such as PBS's "Frontline," according to one consultant involved in the project.

SGR also created a Monopoly-style illustration it called "Gulenopoly." It was paid $40,000 by the Flynn Intel Group for its work, according to the foreign registration filing.

A short time after the Alexandria meeting, Ms. Bakhtiar said Mr. Kian called her and asked her to meet him at a boutique hotel in Washington the next day to do some interviews for the film. Mr. Kian sent over a packet of background information to prepare, and all of it centered on Mr. Gulen.

The info on Mr. Gulen, said three people who saw it, was little more than a collection of information easily available on the internet, including publicly available details about his charter schools.

When Ms. Bakhtiar got to the hotel, she said she met Mr. Kian and Mr. Enders, who were waiting in a room to do the interviews. Mr. Kian gave Ms. Bakhtiar a list of questions to ask and told her the people coming didn't have much time.

Mr. Enders said Mr. Kian told him to bring the equipment in piece-by-piece so the hotel staff wouldn't know they were filming. "It was very hush-hush," Mr. Enders said. "They were like Keystone Kops."

As Ms. Bakhtiar prepared for the interviews, Mr. Kian greeted the men she would be talking to, which included Ismail Hakki Pekin, the general who once served as head of Turkey's military intelligence branch, and Nedim Sener, a well-known Turkish journalist.

The men have said they were persecuted by supporters of Mr. Gulen, who were once allies of Mr. Erdogan and held powerful government positions.

Ms. Bakhtiar said she had little time to prepare and knew little about the Turks she was interviewing.

In his 20-minute interview, Mr. Pekin repeated a contention by top Turkish officials that Mr. Gulen was an asset of the Central Intelligence Agency, which protected the Turkish cleric from being extradited.

Mr. Pekin said that he wanted to take part in the documentary because he saw it as a chance to let as many Americans as possible know about the danger posed by Mr. Gulen.

At the end of the interview with Mr. Sener, Mr. Kian stepped in to ask a few questions of his own. But he wanted to make sure he wouldn't be filmed.

"I don't want to be on camera," Mr. Kian can be heard whispering in the video reviewed by the Journal.

"That's fine," responds Mr. Enders, who was running the camera. "You're not."

Mr. Sener told the Journal that he came to Washington because he thought it was important to raise the issue of Mr. Gulen with U.S. officials. "The Americans think of him as a supporter of moderate Islam," he said. "However, Fethullah Gulen is the plotter of the July 15 coup."

Ms. Bakhtiar, who was paid $1,200 for the day's work on the film, said she told Mr. Kian that she wanted to go to Turkey to round out the piece. "I said: 'I want to get both sides,' " she said. "I'm a journalist. He never said 'We're going to make a documentary that's going to crush Gulen.' I never would have done it."

She said she hasn't been contacted by any officials investigating Mr. Flynn.

Publicity pledge

A few days after the filming, Mr. Alptekin wired another $185,000 to the Flynn Intel Group. Mr. Alptekin said he shaved off $15,000 because the company wasn't living up to its pledge to produce some good publicity.

"PR is something that you have to see," he said. "It's not something that is behind-the-scenes. It's in front of the scenes, so if there is no output, it's very clear that nothing is happening."

The next week, the Flynn Intel Group sent another $40,000 back to Mr. Alptekin's firm and later classified it as a consulting fee. Again, Mr. Alptekin said, the money was a reimbursement, not a consulting fee.

By mid-October, work on the film had come to a halt.

On Nov. 8, Election Day, the Hill newspaper printed an op-ed by Mr. Flynn that compared Mr. Gulen to Ayatollah Khomeini and backed Turkey's demand that Mr. Gulen be extradited.

The piece included an image of the spoof Gulenopoly game.

On Nov. 14, Mr. Alptekin sent another $145,000 to the Flynn Intel Group. The next day, two days before the president-elect named Mr. Flynn as his first national security adviser, Mr. Alptekin and the Flynn Intel Group ended their contract.

Mr. Alptekin said the three-month contract came to a natural end. "They did a great job," he said.

Cast of Characters | Behind the scenes of an unfinished film

Bijan Kian

Ekim Alptekin

Ismail Hakki Pekin

Nedim Sener

Rudi Bakhtiar

Fethullah Gulen

CAROLYN KASTER/AP(FLYNN); DANIEL ACKER/BLOOMBERG(KIAN); MARK WILSON/GETTY(ALPTEKIN); XINHUA/ZUMA(PEKIN); OZAN KOSE/AFP(SENER); CHARLES MOSTOLLER/REUTERS(GULEN)

SPOUSE

Continued from Page One

crazier than loons because we can't make up our minds: is it me or Ann? We're going to make the right decision," Mr. Ashford said.

The Ashfords' dilemma strikes at the intersection of 21st century politics and modern marriage. Their quandary is familiar to any couple struggling to balance the demands of two careers. On the other hand, most spouses aren't both considering a run for Congress.

"I'll tell you what, it makes family dinners certainly more interesting than most," said John Ashford, a lawyer in the public defender's office in Omaha and the older of two children Mr. Ashford has from a previous marriage. "Most people at my age—their parents are talking about what home to buy in Florida or Arizona or what cruise to go on."

The Ashfords' electoral equivocating began early this year. Stung by his tight loss in November, Mr. Ashford, 67 years old, planned to travel and work with a group hoping to launch streetcars in Omaha. Mrs. Ashford, 57, a health-care executive growing increasingly interested in politics, spotted an opening.

"I thought, oh, OK, if he's not going to do it, I'd like to step up," she said.

But as the weeks passed, Mr. Ashford, who had previously served in the Nebraska state legislature, began missing his old job on Capitol Hill, and itching to take on Mr. Bacon. "Both of us would like to run," she said. "We just talk through it as thoughtfully as we can."

The couple, who have been married almost 25 years, said they are consulting, but not pressuring, their children. All five family members are on a text message chain through which they send frequent dispatches.

"We joke—and it's purely a joke—that we're going to have a family primary," Mrs. Ashford said. "Since we have three children, clearly there can't be a tie."

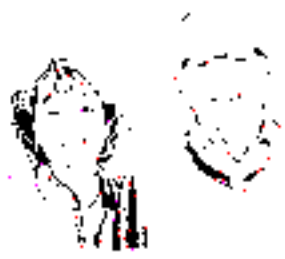
John Ashford said his stepmother first floated the idea to them on a family trip to Portugal in January. His hopes of taking a break campaigning for his dad, which the 37-year-old son has been doing for three decades, were quickly replaced by family deliberations over the Ashfords' electoral pros and cons.

"My dad has the [political] experience, but my stepmom has worked in health care for 25 years, she's been an executive," he said, noting that he hasn't endorsed either parent. "I will say that Christmas is going to be good for me this year," he joked. "I think I could really leverage a pretty fantastic gift at this point."

His sister, Ellie, 30, said she was initially skeptical about her stepmother's foray into politics.

"When she first told me about it, I said, 'to be honest, I don't think that's a good idea,'" she said, worried that Mrs. Ashford would be perceived as trying to ride her husband's coattails. But her thoughts evolved as she increasingly believed Mrs. Ashford could successfully run as a political outsider with deep business experience, as well as a woman and mother.

"I would say Ann is the rock in our family and my dad is the dreamer— that's their dynamic," Ellie Ashford said.



The Ashfords

The couple met in 1991, when Mrs. Ashford joined the downtown Omaha Rotary club and was assigned to be a greeter with Mr. Ashford's running partner, who set them up on a blind date. "We met for brunch on a Sunday. We ended up getting married," in 1993, Mrs. Ashford said. They also have a son, Tom, who is 19.

Politics for the Ashfords has long been a family affair, with the occasional respite from policy discussions demanded by the kids, Mrs. Ashford said.

"Sometimes when we go on family vacations they say, 'OK, now we're going to talk about the scenery instead of what is the government like in this country,'" she said.

The Ashfords' marital debate has few identical precedents on Capitol Hill, but some couples have faced similar decisions. When Rep. Jim Banks (R., Ind.) was deployed to Afghanistan while serving in the Indiana state Senate, his wife, Amanda, was elected by a caucus to serve as his replacement for the chamber's session in 2015.

Rep. Debbie Dingell (D., Mich.) in November 2014 won the seat held by her husband, Rep. John Dingell, when he retired after nearly six decades in the House.

Mrs. Dingell said people assumed she was trying to ride her husband's last name to Congress so she refused to let him attend some campaign events with her. "I didn't want to be seen with him," she said. "I needed to be Debbie Dingell and stand on my own two feet, period."

More commonly, the first wave of women elected to Congress often took over seats vacated by their husbands' deaths. Between 1917 and 1976, roughly a third of the 95 women who served in the House or Senate were elected or appointed to succeed their late husbands.

"I haven't done that yet," Mr. Ashford quipped about his own demise. "That would make the decision so much easier."

Earlier this year, Rep. Denny Heck (D., Wash.) went to dinner at Clyde's, a Washington restaurant, with both Ashfords and Ellie to deliver his opinion.

"I weighed in very strongly," said Mr. Heck, a friend of the family. "I looked them in the eye. I said, 'Work. This. Out.' "

Mr. Ashford said the couple is leaning toward having him run and will make a final decision in the next couple of weeks.

"We said it would be an Ashford," said his son John. "We do have our dog, Sasha, and she's still in the running as well."

—Reid J. Epstein contributed to this article.

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LIFE & ARTS

JONATHAN CARLSON

JASON GAY

If Offices Go Old School, I Need Booze

A retro twist in modern workplace culture has columnist Jason Gay considering his options. And cocktails.

AMERICA'S MOST coveted workplace item? A door to slam in co-workers' faces! The Journal's Vanessa Fuhrmans reported last week that executives are tired of the egalitarian, open-floor planning craze, in which they are forced to share desk space, lunchtime aromas and even conversations with low-ranking employees, and are demanding a return to the era of private offices, where today's workplace leaders will be able to shut the door and save the company in blissful, creative silence. Or, nap.

Critics claim open floor-planning hasn't been the innovation-booster it was sold to be—all that insidious mingling instead led to distractions and low productivity, not to mention insufferable small talk about CrossFit.

The plea for private offices follows the backtracking of another modern workplace standard: remote employees.

Just recently, IBM boss Ginni Rometty blew on the corporate conch shell and called the company's thousands of remote workers back to the reef. The idea, IBM explained, is to bring all that talent together and build a collaborative workplace where innovation happens—at least until everyone gets sick of it, and demands private offices.

As someone who has worked remotely, and also at a desk, a cubicle, and, glamorously, an office with a window that looked directly into the window of the office bathroom, I see all sides here. To be honest, I'm perfectly capable of screwing around and not doing my work while sitting at home, elbow-to-elbow with my colleagues, or behind a hermetically sealed door. I have days working at home when noon rolls around, and I have to remind myself I haven't put on pants. There are also days in the office I would do anything not to put on pants.

But if we're really turning back the clock here, to the retro American office environment, where status was conferred by getting your name etched on a door, and "remote worker" was just another term for "semi-employed," we should be demanding a few more things:

1. The return of the bar cart. Seriously. We need it. If our bosses are going to summon us back to headquarters, then promptly retreat to their wood-panelled lairs, the least they can do is return the good old-fashioned bar cart. I'm too young to have been in an office for the bar-cart's boozy prime, but I've heard all the stories about how great it was to hear those little wheels rolling around 4:30 p.m., how everyone at work got so excited, like kennel puppies at feeding time. Of course, those pleasant bar-cart stories led to other, less pleasant bar-cart stories, which were a big reason why the bar cart went away. But why not give it another try? I'm not asking for much here. A bar cart in 2017 doesn't have to be the King Cole at the St. Regis. Just a modest cart with whiskey, bourbon, vodka, gin, tequila, rum, cognac, champagne, a selection of domestic and Europeans reds and whites, vermouth, triple sec, Midori, Frangelico, bitters, and all appropriate mixers and fruits. That's it. Maybe some mixed nuts.

(If you're a CEO, think about all the gloomy emails you have to send these days, telling workers about downsizing and budget reductions and how this year's holiday party will not take place at Applebee's, but in a parking lot behind the Applebee's. Now imagine what it will be like to send out an email about the return of the bar cart, what a hero you will be in the office... for at least a couple hours, until everyone starts talking behind your back again. Do it!)

2. Smoking. Now I know what you're thinking: Hey, man, smoking cigarettes in the office is illegal. And it is. But so is microwaving fish in the break room, and your co-workers commit that crime every day. I am old enough to have begun in journalism when it was still acceptable to smoke in the newsroom, and I have fond memories of my beloved first editor standing over my shoulder, watching me type, telling me to move this word or that word, as the end of his Camel Light continued to burn and lengthen and finally ashing on my shoulder, whereupon he would brush it away like the father figure I hoped he was. I'm not complaining. It was status in our newsroom: We counted how many times we got ashed on.

I also remember offices with smoking rooms, and how those smoking rooms became, in effect, influential secret societies, with their own rules and gossip and even marriages. Employees took up smoking just so they could hang out in the smoking room. Talk about the collaborative spirit! Yes, there are some health concerns, but those blueberry scones in the morning meeting aren't going to lengthen your life, either.

3. Weekends. Yes: it's more likely we get smoking back than our weekends back. But no harm in asking. Working stiffs of a certain age will remember what it was like to leave the office on a Friday at 5 p.m.—or, hey, a Thursday at 4 p.m.—and not think a single thought about the office or anyone inside it until returning to the desk on Monday. What a perk it was! Today there are no boundaries; technology and guilt have conspired to make the weekend a hellish extension of the work week. And many of us have accepted it. We're such suckers! Remember when people used to send emails on a Saturday that read, "Sorry for emailing on a Saturday, but..."? Now nobody does that—even though we all know the truth, that everyone hates the interruptions, including the boss, and nothing ever gets accomplished by those weekend email chains except to give everyone a throbbing case of paranoia. I'm telling you, if the American workplace will just give me the weekend, I'll never ask for an office with a door, or anything else. Well, OK: the bar cart. I would really like that.

FILM

SMASHING HOLLYWOOD'S GLASS CEILING

BY MICHAEL SALFINO AND BEN FRITZ

WONDER WOMAN has battled genetically-engineered alien killing machines and the God of War. But now with director Patty Jenkins, she's at the center of perhaps her toughest battle to date: Hollywood's glass ceiling.

Ms. Jenkins is the director of Warner Bros.' "Wonder Woman" opening June 2, starring Israeli actress Gal Gadot. It's the first movie focused on a female superhero since 2005's "Elektra" and Ms. Jenkins is the first woman to ever direct a Hollywood superhero film.

The movie is high-stakes enough simply because it comes after Warner last year released two movies featuring its DC Comics super-heroes, "Batman v Superman" and "Suicide Squad," that performed well at the box office but were reviled by critics and fans. Its success or failure will inevitably also become part of ongoing debates in Hollywood about representations of women on screen and their inclusion behind the camera.

This is hardly surprising given that just 7% of directors of the top 250 grossing films of 2016 were women, according to a San Diego State study. That's down from 9% in 2015. The study also found that just 17% of editors, 13% of writers and 5% of cinematographers last year were women—and those are the professions where many directors typically first prove themselves. Female actors did account for 37% of major characters, up three points from 2015 and a recent high.

In the superhero genre, which currently dominates Hollywood, the numbers are far worse. A growing chorus of fans have complained that female characters aren't given the spotlight enough. "Captain Marvel," due in 2019, will be the first film from Disney's Marvel Studios to focus on a superheroine, after 20 prior ones focused on men or teams. It will be directed by the duo Anna Boden and Ryan Fleck, marking the first time Marvel has made a film with a female director.

Female directors sometimes drop out of projects due to creative differences, as happens frequently to men too, but the splits often get more attention because of the paucity of women making movies.

Marvel talked to "Selma" director Ava DuVernay about directing next year's "Black Panther, but she split due to differing visions for the movie from the studio. Ryan Coogler, director of "Creed," ultimately directed the film.

Ms. Jenkins, meanwhile, came close to directing 2013's "Thor: The Dark World" for Marvel, but she parted ways, also citing creative differences and was replaced by Alan Taylor.

Her career is emblematic of the struggles many female filmmakers have faced in Hollywood. After directing 2003's "Monster," which won Charlize Theron an Oscar for best actress, Ms. Jenkins worked in TV, including prestige assignments like "Entourage" and "The Killing," but didn't get another feature film to the finish line until "Wonder Woman," that's nearly a 14-year gap.

She says cancelled projects and pregnancy also contributed to her absence and that she continued to work in television. "But now I'm back to my true love, movies."

No director who oversaw a Best Actress or Actor Oscar since 1999 has waited so long between films. The second- and third-longest waits for a follow-up assignment also belong to women directors. Kimberly Peirce had a nine-year gap between "Boys Don't Cry," which won Hilary Swank a gold statue, and Ms. Peirce's next film, "Stop-Loss." And British stage director Phyllida Lloyd hasn't returned to the silver screen since helping Meryl Streep win Best Actress in 2011 for "The Iron Lady."

The average gap between films for the men who have directed their leading actors to an Oscar during that stretch is under three years compared to nearly 10 years for the three women.

WARNER BROS.

Gal Gadot as Wonder Woman with director Patty Jenkins on the film set.

With a budget well above $100 million, "Wonder Woman" is the biggest live-action movie ever directed solely by a woman. Early reviews of the movie have been positive and a sequel is likely if box office returns are robust. At the moment though, 13 superhero movies are scheduled for release in the next two years and with the exception of "Wonder Woman" and "Captain Marvel," all of them feature teams or men alone and will be directed by men.

—Christopher John Farley contributed to this article.

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OPINION

REVIEW & OUTLOOK

The White House Mess

White House aides are leaking that President Trump is considering a staff shakeup to stop them from leaking, and the casualty on Monday was communications director Mike Dubke. Mr. Trump certainly needs to fix his White House mess, but staff changes won't matter unless the President accepts that he is the root of the dysfunction.

A shakeup needs to start with some self-reflection at the top.

Mr. Dubke's departure was rumored for weeks, though he'd been on the job for only three months. He wasn't the problem, and his replacement won't be the solution. It's impossible to run a communications operation, or a policy shop, if the top man prefers chaotic, make-it-up-as-you-go management.

Take two recent examples. In late April Mr. Trump decided after consulting with a couple of advisers that he wanted to unilaterally withdraw from Nafta. No staff preparation. No warning to Mexico or Canada.

As word spread that the announcement was imminent, other aides and business leaders swung into action to prevent it, including pleas to Prime Minister Justin Trudeau to call the President. Mr. Trump stood down, but the result was wasted political energy and economic uncertainty.

Then there was the fire drill over Mr. Trump's tax plan. The White House National Economic Council had been working to develop a plan to send to Congress, but suddenly the President announced publicly that he wanted it rolled out in days. The result was a one-pager that moved in the right policy direction but was easily attacked for its lack of details. Mr. Trump may have wanted to galvanize his team, but the drill wasted time and did little to build a Republican consensus in Congress.

This is apparently how Mr. Trump likes to govern, and he has built a White House tower of Babel in that image. Reince Priebus, his chief of staff, has too little power and must read constantly that his job is in jeopardy. Steve Bannon is supposed to be the keeper of the populist flame, but his coterie of allies leak relentlessly against economics aide Gary Cohn and national security adviser H.R. McMaster.

Son-in-law Jared Kushner is a loyal, calming influence, but the family tie means he is hard to fire and complicates relations with others in the Administration. Sean Spicer is supposed to explain what's going on to a hostile press corps when he hasn't been told the facts, which might be contradicted by Mr. Trump in any case.

General Counsel Don McGahn has been an able judge picker but on all evidence has little influence on the President's behavior. At a minimum Mr. McGahn should have been in the room when Mr. Trump spoke privately to FBI Director James Comey in February about Michael Flynn. Mr. McGahn should be advising Mr. Trump to avoid such legal traps, and if the President is ignoring that advice Mr. McGahn should resign and tell Mr. Trump to get somebody he will heed.

On that score, it isn't reassuring that Mr. Trump is said to have retained his longtime New York lawyer, Marc Kasowitz, to handle the Russia investigation. Mr. Kasowitz is a babe in the Beltway who has a major Russian client in OJSC Sberbank. Mr. Trump needs to hire a lawyer experienced in Washington political and legal cases and then deputize him to handle everything regarding special counsel Robert Mueller and the Russian question.

The rest of Mr. Trump's White House reshuffle should be aimed at delivering on his campaign promise to pass reform legislation and spur faster growth. Either give Mr. Priebus the power to run the White House, or hire someone Mr. Trump will trust to impose order on competing factions.

Tell Mr. Bannon to stop the guerrilla warfare or get out. There are plenty of conservatives who can counter the liberal instincts of Mr. Kushner and Ivanka in White House councils, starting with Mike Pence. Why not give the Vice President more policy authority?

Mr. Trump also needs a formal policy process for debating legislative initiatives like health care and tax reform. Members of Congress tell us they have no clear idea whom to talk to with a question about specific policies. This compounds the internal confusion because Congress and other outsiders will bombard everyone on the senior staff. Lt. Gen. McMaster seems to have built this process on foreign policy, but it isn't clear Mr. Cohn has the same authority on the domestic agenda.

The larger reality is that Mr. Trump is wasting the precious asset of time. He has a shortening window for legislative achievements before the 2018 election. Presidents typically get a staff that reflects their governing style, and if Mr. Trump can't show more personal discipline, the fair conclusion will be that he likes the chaos.

American Trial Lawyers Get Lassoed

U.S. trial lawyers get frequent-flier miles litigating cases in state courts known for friendly juries and plush verdicts. On Tuesday the Supreme Court made clear that forum shopping has limits and the plaintiffs bar has gone too far.

The Justices ruled 8-1 that out-of-state plaintiffs couldn't sue in Montana when the railroad company in question, BNSF, wasn't incorporated there, the plaintiffs didn't live there and the injuries didn't occur there. That BNSF does business in Montana wasn't adequate grounds for the company to be sued there. (*BNSF v. Tyrell*).

"Our precedent," Justice Ruth Bader Ginsburg wrote for the majority, "explains that the Fourteenth Amendment's Due Process Clause does not permit a State to hale an out-of-state corporation before its courts when the corporation is not 'at home' in the State and the episode-in-suit occurred elsewhere." The ruling overturned the Montana Supreme Court.

The plaintiffs argued that the company could be sued under the Federal Employers' Liability Act for injuries sustained while they were working for BNSF, which is incorporated in Delaware and operates primarily in Texas. The ruling against them should have been unanimous, but they found some comfort in Justice Sonia Sotomayor's partial dissent.

"What was once a holistic, nuanced contacts analysis backed by considerations of fairness and reasonableness has now effectively been replaced by the rote identification of a corporation's principal place of business or place of incorporation," Justice Sotomayor laments. "The result? It is individual plaintiffs, harmed by the actions of a far-flung foreign corporation, who will . . . be forced to sue in distant jurisdictions with which they have no contacts or connection."

Huh? The plaintiffs can sue in their own jurisdiction, and if they don't like that they can sue where the company is headquartered. The far-flung jurisdiction in this suit was Montana, where BNSF had less than 5% of its workforce and less than 6% of its track mileage. Perhaps Justice Sotomayor will explain what she meant in the next round.

The U.S. Bureaucracy's Judges

The U.S. administrative state has grown so large that it is untethered to the original concept of the separation of powers, and a court case is trying to prove it. Last week the D.C. Circuit Court of Appeals heard a case on whether administrative-law judges at the U.S. Securities and Exchange Commission are unconstitutional.

Courts consider if administrative law judges are legal.

The U.S. Constitution's Appointments Clause says "[the President] shall nominate, and by and with the Advice and Consent of the Senate, shall appoint . . . Officers of the United States, whose Appointments are not herein otherwise provided for." That's a problem for the administrative-law judges, who aren't appointed by the President or even by the presidentially appointed SEC commissioners. They are hired by the agency's career bureaucrats.

Yet these judges wield vast power and issue decisions in cases brought by the same agencies that sign their paychecks. Not surprisingly, the agencies make out pretty well. In 2013 the National Labor Relations Board, which also uses administrative-law judges, boasted that it won 88% of the time.

The legal question is whether these judges count as "officers," who exercise significant authority and thus require presidential appointment. So let's see. In the case before the D.C. Circuit, *Lucia v. SEC*, an administrative-law judge imposed some $300,000 in fines and banned Raymond Lucia from working as an investment adviser as punishment for a retirement plan that allegedly misled investors. Whether or not Mr. Lucia deserved that sanction, it strains credulity to argue that such punishment isn't an exercise of significant authority.

In August a three-judge panel of the D.C. Circuit upheld the constitutionality of the SEC's law judges on grounds that their decisions are appealable. But that is true of all federal judges except the Supreme Court. Such appeals are also costly for defendants, leading many to settle rather than take their chances on an administrative judge likely to favor his agency.

The D.C. Circuit Court of Appeals tilts decidedly to the left since President Obama packed it in 2013 and looks favorably on government regulatory and prosecutorial power. But the Tenth Circuit Court of Appeals heard a similar case in December and ruled that the administrative-law judges are unconstitutional. Judge Scott Matheson wrote that the Founders would never have tolerated unaccountable officers like administrative judges.

The Appointments Clause, Judge Matheson wrote, "promotes public accountability by identifying the public officials who appoint officers. And it prevents the diffusion of that power by restricting it to specific public officials." The Founders limited the appointment power to keep government accountable to voters.

Administrative-law judges exist at dozens of federal agencies. Their presence is a product of the ever-expanding federal bureaucracy and a guarantee of its growth, sparing agencies the more rigorous and time-consuming oversight by the federal courts. Even if the full D.C. Circuit finds these judges constitutional, this is an issue that the Supreme Court should settle.

Defending Social Media

BUSINESS WORLD
By Holman W. Jenkins, Jr.

It often falls to CEOs, usually young ones, to lead society's adjustment to life-altering technologies. Thomas Edison didn't just invent the lightbulb and a practical electrical distribution system. He had to teach people what electricity was for, and how not to be afraid. An early failure was setting fire to Henry Vanderbilt's house, after which Mrs. Vanderbilt refused to return until Edison removed his generator.

On Mark Zuckerberg falls the onus to adjust us to the downsides of social media. In every particular, there is nothing new here. People have committed crimes for publicity before. The media have dwelled on the details to satisfy our prurience before. Consider the irony today of press accounts that lovingly recount a handful of rapes, beatings and murders staged for social media, then wring their hands over our appetite for such details.

Mr. Zuckerberg is told he must develop algorithms to protect the public from such material (or buck up the existing media monopoly on it), which in practice will mean developing algorithms to protect Facebook's brand from what some of its users choose to do with its technology.

What would be truly useful, of course, is an algorithm to identify those Facebook users likely to commit such crimes beforehand.

Travis Kalanick, the much vilified CEO of Uber, is next up the hierarchical scale of CEOs whose business involves a heavy dose of social responsibility. If not in every one of his actions, in his generally feisty and heedless demeanor, he's the chief needed by a company that offers the public a service of huge and transformative value that is opposed by a phalanx of retrograde, self-protecting vested interests and their political handmaidens.

He has been vilified for arguing with one of his drivers as an equal rather than as a small and vulnerable child, which is apparently how many in the media believe tech billionaires should be required to relate to the rest of us.

He has been vilified for a software program, Greyball, that helped protect a service of great value to passengers and drivers from entrapment by bureaucrats seeking to shut it down.

Mr. Kalanick certainly needs to adjust his persona for the conflicting demands on a CEO. He perhaps is already trading notes with Brian Chesky, the comparatively invisible head of Airbnb, which combines a similar need to be nicey-nice for the consuming public with an unrelenting readiness to fight for its right to exist.

We come now to the most explosive techno-social anxiety of the moment, though far from visible is a CEO to spank for the social consequences of that nonexistent product, the self-driving car.

Whole academic and media careers are being built on the threat it poses. The truly self-driving car may not have delivered a passenger to a destination yet, but it has delivered renewed life to a century-old, utopian proposal of a universal, taxpayer-funded basic income to support a future humanity consisting mostly of the nonemployed.

Mark Fields, recently fired chief of Ford, some have tried to turn into the lightning rod CEO we need. But perhaps we are getting ahead of ourselves. Google recently began recruiting volunteers for an experimental-vehicle program in the Phoenix area. Like other such pilot programs, Google's self-driving car will come with a Google employee to keep a hand on the wheel.

Ask Thomas Edison: Life-altering technologies come with a big dose of fear.

Such experiments are transitional, naturally, but they point to a paradox. For the elderly, the disabled, children and others for whom a self-driving car would be a godsend, it will be less of a godsend if it doesn't also come with a human to help them get in and out with their baggage.

Then there's an even more destabilizing paradox: Exactly the same technology that allows a self-driving car to find its way through the physical world will also make it unnecessary for people to move through the physical world.

The machine vision and real-time mapping that will let your car navigate to the Kwik-E-Mart will also transport you instantly to San Marco Square in Venice in all its glory. It will let you shop the aisles of a supermarket whose selection and layout are customized entirely for you. It will let you join friends for cocktails in Sydney without leaving Detroit.

But at least the self-driving Tesla in your garage will mean jobs for coal miners to keep it juiced with electricity for the trips it increasingly won't be taking.

Our social world surely will be transformed by technologies being born today, and in ways we don't grasp as well as we think we do. In the meantime, Mr. Zuckerberg might borrow an idea from Hollywood. He could just put an R rating on certain Facebook content in much the way the movie industry once used R ratings to signal to minors which films might be especially interesting to see.

LETTERS TO THE EDITOR

Hold On, Growth Was Great Under Reagan

It is no surprise that Jason Furman, chairman of the White House Council of Economic Advisers under President Obama, believes 3% GDP growth is unobtainable under President Trump ("Trump Is More Optimistic Than Reagan, and That's Not Good," op-ed, May 25). During the Obama years, forecasts kept telling us higher growth was around the corner, but of course how can Mr. Trump do better than the magical Mr. Obama?

Mr. Furman states that the Reagan tax cuts didn't cause growth, it was people entering the workforce and now that can't happen with baby boomers retiring. Yet how did people enter the workforce if more jobs weren't created by the tax cuts?

Mr. Furman's simulations say there is a one-in-25 shot of these workers re-entering the workforce now, based on historical data. But he already misses the point of creating more jobs to stimulate higher worker-participation rates.

Mr. Obama didn't include the costs of his many policies in budget calculations, and that's why America is in this low-growth mess. ObamaCare increased job losses with its cost to employers. Dodd-Frank's unfinished regulations trim growth to this day. One of the highest corporate-tax rates in the world and other executive orders were meant to add pressure to employers, not help with job growth.

These are the real culprits. No, Mr. Furman, we're not going to settle with your new normal of less-than-2% GDP growth.

Ken Nelson
Chicago

Mr. Furman claims that "during the Reagan era, the economy grew 3.1% a year, purportedly spurred by tax cuts and regulatory reforms."

To get the depressed 3.1% growth rate cited by Mr. Furman, he measured the compound annual growth rate during the decade of 1980 to 1990, using the end of 1979 as a base, and therefore included two recessions not of President Reagan's making.

Let's start with the fact that Reagan took the oath of office in January 1981. The Reagan tax cuts didn't take effect until January 1983. From that point forward, the economy grew at a 4.8% annual rate through the end of Reagan's term in January 1989, and a 4.5% rate through the end of the decade.

H. Terrence Riley III, CFA
New York

We'll Find Value When Index Bubble Bursts

Regarding "Intelligent Investor: Put a Fork in Stock Pickers" (Business & Finance, May 13), I think there is compelling merit in what value-oriented stock pickers can provide. The success of passive investing has created unusual opportunity because of the distortions that have developed with money flows into indexes and out of actively managed strategies.

America has been in a multiyear bull market where the relentless flow of money to passive funds has caused the largest index components to outperform regardless of earnings multiples, growth potential or business strength. There is certainly an important place for passive investing, but it is essentially allocating capital to stocks that S&P 500 and its competitors have selected predominantly based on market capitalization. Autopilot is deciding where investors' money goes.

I don't believe the valuation discrepancies caused in part by passive investing are sustainable, making the present time an especially favorable environment for stock pickers. Index portfolios don't recognize risk. A somewhat lower return with much less risk may be very desirable.

I believe professionals can judge the risk of portfolios and the process that produced them. There will be a time when the fork gets stuck in index funds and the bubble bursts. As everyone runs for the exits, the professional investor will be there to find opportunity and value in the rubble.

John A. Levin
CEO, Levin Capital Strategies LP
New York

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OPINION

America First Doesn't Mean America Alone

By H.R. McMaster
And Gary D. Cohn

President Trump just returned from nine days in the Middle East and Europe that demonstrated his America First approach to ensuring security and prosperity for our nation. America will not lead from behind. This administration will restore confidence in American leadership as we serve the American people.

America First does not mean America alone. It is a commitment to protecting and advancing our vital interests while also fostering cooperation and strengthening relationships with our allies and partners. A determination to stand up for our people and our way of life deepens our friends' respect for America.

The president is unequivocal in declaring that America's primary interest is the safety and security of our citizens. In discussions overseas, Mr. Trump encouraged others to join the U.S. in doing more to defeat the terrorist organizations that threaten peaceful nations around the world. He challenged leaders of more than 50 Muslim-majority countries to stand together "against the murder of innocent Muslims, the oppression of women, the persecution of Jews, and the slaughter of Christians."

We are asking a lot of our allies and partners. But in return the U.S. will once again be a true friend.

A strong stand against terrorism is consistent with values common across all the world's great religions. After the president's historic remarks, leader after leader of Muslim-majority nations reaffirmed the president's message and committed to confronting the terrorism and extremism that plague all civilized societies.

GETTY IMAGES

Leaders of NATO in Brussels on May 25.

To answer the call and address these grave concerns, Saudi Arabia launched a new Global Center for Combating Extremist Ideology, and several Middle Eastern nations signed a memorandum of understanding to create the Terrorist Financing Targeting Center, with the mission of cutting off funds to terrorist organizations.

Ensuring American economic prosperity is also critical to our national interests. In Saudi Arabia, Mr. Trump helped facilitate $110 billion in defense investments that will strengthen regional and American security and create American jobs. He also announced nearly $270 billion in agreements with private-sector enterprises from the U.S., spanning the financial-services, energy, technology, mining and manufacturing industries. These efforts will enhance job creation and investment in America.

While meeting with European Union leaders in Brussels, the president reiterated his concern about our trade deficits with many European nations. He also emphasized the importance of reciprocity in trade and commerce.

Simply put, America will treat others as they treat us. At the Group of Seven in Taormina, Sicily, where Mr. Trump further solidified his relationships with leaders of the world's largest market economies, the members came together in the official communiqué to stand firm "against all unfair trade practices" and to foster a truly level playing field.

Strong alliances and economically thriving partners are a third vital American interest. As the president stated in Brussels, the North Atlantic Treaty Organization is rooted in "the courage of our people, the strength of our resolve, and the commitments that bind us together as one." While reconfirming America's commitment to NATO and Article 5, the president challenged our allies to share equitably the responsibility for our mutual defense.

We came away with new outcomes for the first time in decades: More allies are stepping up to meet their defense commitments. By asking for more buy-in, we have deepened our relationships. That is not surprising. Alliances based on mutual respect and shared responsibility are strong. And strong alliances bolster American power.

In Israel, the president affirmed that a secure, prosperous and democratic Jewish state is central to American interests in the region. The president also met with Palestinian leadership because he understands the importance of American engagement in the pursuit of a historic peace deal between Israelis and Palestinians.

We are asking a lot of our allies and partners. But in return America will once again be a true friend to our partners and the worst foe to our enemies.

The president's visit showed the power of both competing to advance interests and engaging to develop relationships and foster cooperation. We have a vital interest in taking the lead internationally to advance American military, political and economic strength.

We engage with the world not to impose our way of life but to "secure the blessings of liberty for ourselves and our posterity." That means identifying the interests and principles that make America uncommon and advancing them in the Middle East, with our NATO allies, with the G-7 nations and beyond.

The president embarked on his first foreign trip with a clear-eyed outlook that the world is not a "global community" but an arena where nations, nongovernmental actors and businesses engage and compete for advantage. We bring to this forum unmatched military, political, economic, cultural and moral strength. Rather than deny this elemental nature of international affairs, we embrace it.

At every stop in our journey, we delivered a clear message to our friends and partners: Where our interests align, we are open to working together to solve problems and explore opportunities. We let adversaries know that we will not only take their measure, deter conflict through strength, and defend our interests and values, but also look for areas of common interest that allow us to work together.

In short, those societies that share our interests will find no friend more steadfast than the United States. Those that choose to challenge our interests will encounter the firmest resolve.

This historic trip represented a strategic shift for the United States. America First signals the restoration of American leadership and our government's traditional role overseas—to use the diplomatic, economic and military resources of the U.S. to enhance American security, promote American prosperity and extend American influence around the world.

Lt. Gen. McMaster is the White House national security adviser. Mr. Cohn is director of the National Economic Council.

A Chance to Restructure the Eurozone's Financial Architecture

By Alberto Gallo

Europe is back in black. France's new president, Emmanuel Macron, and Germany's Chancellor Angela Merkel are now working in tandem. The European Commission on Wednesday published a new roadmap to European integration. After eight long years, the political crisis that engulfed Europe seems to have moved elsewhere.

European leaders have a lot of work to do. The first step should be restructuring Europe's financial architecture. European firms and banks are in better shape, yet far from healthy.

If the U.S. recovered quickly from the crisis, it is also thanks to its financial system, which allowed firms and banks to deleverage quickly by openly recognizing losses in capital markets. Europe, instead, is still stuck with €1 trillion ($1.12 trillion) in nonperforming loans, around 10% of eurozone gross domestic product.

Part of the problem is structural: Europe's financial infrastructure lacks flexibility. Firms rely largely on bank loans to borrow, and bankruptcy procedures are slow and expensive. This makes the exit from a balance-sheet recession longer and more difficult.

The risk is that Europe will go down the same path as Japan, where banks extended credit to zombie firms for decades, engulfing the economy in a slow stagnation. Europe's policy makers need to shake up its financial system and build a stronger banking and capital-markets union.

The first place to start is with fewer and stronger banks. Eurozone banks have deleveraged down to €31 trillion in assets from €35 trillion in 2008 and raised more than €250 billion in capital over the past nine years, yet still they are nearly three times the size of the eurozone economy.

The banks' business model need to be fixed. In some countries, banks have become a petrified forest of institutions: Italy's central-bank governor, Ignazio Visco, noted on Wednesday that his country's banks lack profitability and need to cut costs—about time for a country where banks still run more branches per capita than restaurants, according to OECD data.

Europe must give its banks and capital markets the flexibility they need to weather the next crisis.

Second, Europe needs a quicker and simpler framework for bankruptcy and debt restructuring. Bankruptcy in Europe can be two to three times more costly than in New York State, according to World Bank data. Holders of nonperforming debt in Italy need up to several years to recover what they are owed, even after an agreement with debtors. If the cost of handling failure is steep, banks will apply an extra charge when giving out loans. This means credit will cost more even for performing firms, and entrepreneurs will think twice before taking risks.

Third, Europe needs more alternatives to banks, including bonds and securitizations. Capital markets make up only 10% of corporate funding in Europe's periphery and up to a third in the core countries, compared to 75% in the U.S.

Thus few European firms benefit directly when a central-bank stimulus lowers bond yields. It also means that in a crisis, Europeans keep most of the losses for themselves. U.S. high-yield borrowers restructured more than half of corporate-debt losses in bond markets, to a value of more than $500 billion.

By comparison, 95% of losses in European corporate debt remain in the loan market, a large part of which still sits on the banks' books.

The other part of the problem is social and political: Europeans leaders need to accept economic failure. Keeping zombie firms or banks alive reduces growth and productivity, as recent ECB research has shown. Yet it remains a popular policy: Italy recently approved a €400 million rescue plan for loss-making Alitalia, the third one in 30 years.

A government that keeps inefficient sectors alive may preserve short-term political stability, yet will inevitably take away resources from productive industries and stifle long-term growth. After many gyrations, European leaders have a window of opportunity to strengthen public institutions as well as private financial markets. It is time to take down the petrified forest and plant the seeds for a diversified and stronger financial system.

Mr. Gallo is head of macro strategies at Algebris Investments and a portfolio manager for the Algebris Macro Credit Fund.

Darkness in Prague—and Beyond

POLITICS & IDEAS
By William A. Galston

I visited the Czech Republic last week for the first time in more than two decades. It wasn't an entirely happy return.

In 1995 I could still pass for young, and Europe was young again. As we convened in Prague for an international conference on civic education, everything seemed possible. If history hadn't quite ended, it was moving in the right direction, and more rapidly than sober analysts had thought possible. With Vaclav Havel in the Castle, the idealists had turned out to be the true realists.

Prague was still struggling to remove the accumulated grime of four communist decades, but the surface didn't matter. Spirits were high. Music was everywhere, in churches as well as bars, announced on huge placards that magically appeared each morning before breakfast.

Students thronged the squares. The ancient buildings were more than reminders of the past; they had become part of a new drama written and staged by a generation that had prevailed against all odds.

As Wordsworth wrote of a similar moment: "Bliss it was in that dawn to be alive, But to be young was very heaven!"

I landed in Prague this time under different circumstances. The surface was gleaming, but the spirit had darkened. Milos Zeman, the current Czech president, has adopted Vladimir Putin's analogy between Kosovo's independence and the annexation of Crimea; Mr. Zeman calls the conflict in Donbass a "civil war between two groups of Ukrainian citizens."

Like populists everywhere, he sharpens longstanding ethnic tensions for short-term electoral advantage. Students and intellectuals who spearheaded the Velvet Revolution sporadically demonstrate against him.

As I walked the streets, I saw throngs of tourists for whom Prague was a charming visual backdrop and a fine place to shop. *Dulce et decorum* had given way to Dolce & Gabbana. The Prague Spring had become a museum exhibit; the lines were short.

Along the banks of the river, Chinese brides shivered in their thin white wedding dresses as videographers barked orders. As I looked down from the Gothic-era Charles Bridge to the waters below, I pondered, not for the first time, the ancient wisdom of Heraclitus: *panta rhei*—everything flows. We cannot step into the same river twice; certainly not the Vltava.

But I wasn't in Prague to lament a vanished past. Under the auspices of the National Endowment for Democracy and Forum 2000 (an organization Havel co-founded in 1996), a group of scholars and activists from around the world convened to explore current threats to democratic institutions and strategies for countering them.

Despite our differences, we agreed on the big picture. The democratic wave that began in 1974 crested in 2006, and democracy has been on the defensive ever since.

From without and within, democratic institutions and ideals are under threat.

Democracy is now challenged from without, by increasingly self-confident and aggressive autocracies, and also from within, by ethnic antipathies, terrorism and sclerotic political institutions. These internal forces have built support for what Hungary's Viktor Orban memorably dubbed "illiberal democracy"—an unfettered majoritarianism that is hostile to minority rights and political liberties and is conjoined with broad executive powers.

Though vitally important, free and fair elections are only a part of what we must now defend. We must also shine an urgent spotlight on would-be autocrats' use of majoritarianism to attack the outer ramparts of liberal democracy—constitutional courts and the rule of law; political freedoms of speech, press, assembly and association; and the rights of individuals and minority groups, including freedom of religion and conscience.

We agreed on another important point: Although some citizens will value democracy as an intrinsic good, come what may, most will judge it by its performance over time. When economic growth slows and traditional sectors decay, when household incomes stagnate and large numbers of young adults cannot find jobs, when floods of immigrants and refugees appear to threaten the prosperity, security and even identity of longtime citizens, doubts about democracy's capacity to meet public needs are bound to deepen.

If existing domestic and international institutions are seen as standing in the way of effective responses, demands for political change will only intensify.

We agreed, finally, that while each country must work out its own solutions, a new organization—an international coalition for democratic renewal—can help provide a more supportive context for these national efforts. Such an organization could help revitalize the democratic ideal, wage the battle of ideas against democracy's adversaries, and serve as a forum for exchanging ideas across national borders about the best ways of meeting today's challenges to liberal democracy.

We memorialized our agreement in the "Prague Appeal," to be released this week. As we adjourned, mindful of the magnitude of the task we confronted, we drew strength from those who preceded us. As Havel once said, "The only lost cause is one we give up on before we enter the struggle."

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THE MIDDLE SEAT | By Scott McCartney

Should You Beware the Air Up There?

Despite the occasional odd odor, the air quality in cabins may actually be better than you think, research shows

MICHAEL WITTE

YOUR WORST FEARS about breathing bad air on planes are probably unfounded.

A recent European study that monitored air on 69 flights found cabin air quality was less polluted than that of office buildings, schools and residences. Contaminants that were found were "detected at levels considered not unusual for indoor air environments," the study commissioned by the European Aviation Safety Agency said.

That's good news for travelers, but unlikely to eliminate fears some hold, particularly in Europe, that oil fumes in airplanes are a toxic health problem.

Airlines and aircraft manufacturers have struggled for decades to eliminate contamination from "bleed air" systems that compress air just inside the engine, before that air comes in contact with burning fuel. The fresh, compressed air mixes with filtered air recirculated within the cabin. Problems, such as leaky seals or overfilling the oil in the engine during maintenance, can arise. That can lead to pumping chemicals from hot oil to passengers.

"There's nothing between the engine and the people breathing that air," says Judith Anderson, an industrial hygienist who works on health and safety issues for the Association of Flight Attendants. The organization has researched this issue for decades and pushed for improvements of aircrafts and airline procedures.

Still, such fume events are rare. The flight attendants union says it gets two or three reports a week out of tens of thousands of flights. The lead author on the European study, Sven Schuchardt of the Fraunhofer Institute for Toxicology and Experimental Medicine in Hannover, Germany, says research that distinguishes between minor "smell events" and more-serious "fume events" show fume events happen only a few times per one million takeoffs.

Oil-related toxins "can enter the cabin more often than you think, but in amounts that are not worth mentioning," Dr. Schuchardt says.

The study, funded by EASA, the European equivalent of the U.S. Federal Aviation Administration, measured air on 69 flights and recorded no fume events. Still, Dr. Schuchardt says in an interview that the research team calculated the maximum concentrations in a fume event and concluded there's not enough oil in an engine to be harmful. Being behind exhaust from a stinky car or truck in traffic would be worse.

"Our opinion is: OK, it's not nice to have a fume event, because it's oily mist in the cabin air. But if this occurs, it's only for a few minutes, maximum three to five minutes, and the amount of toxic compounds is never critical. No way," he says. "I think it's no problem to breathe cabin air in every situation."

The aviation world doesn't dispute that fume events happen, but there is disagreement over whether they are harmful. In some cases, some scientists believe, exposure can cause neurological issues such as loss of memory or balance, and onset of problems is often delayed. Crew members may be more susceptible to getting sick right away, because repeated exposure weakens resistance.

Boeing, Airbus and the airline industry have long maintained that their systems are safe and onboard air is clean, as the EASA study found.

Boeing's newest design, the 787 Dreamliner, is made without a bleed air system, using an electric system for heating and compressing fresh air. The EASA study included eight 787 flights and found slightly lower levels of chemical vapors.

The European study detected TCP on three of its 69 flights. All three were on aircraft with bleed air systems. Crews didn't smell anything unusual on those flights, the study said, and the levels weren't considered high enough to be a risk.

The FAA plans to release a report later this year on research that began a number of years ago collecting air samples aboard 100 airplanes. Results have been delayed because researchers involved have changed jobs.

AFA's Ms. Anderson thinks progress is being made, since several companies are trying to develop bleed air filters and sensors. And some airlines have taken a more active approach to prevention.

She credits Spirit Airlines with making improvements after some serious fume events several years ago. Spirit changed pilot procedures to isolate and shorten any fume events and trained crews on better recognition of problems. In addition, Spirit is working with a filtration company on some engineering solutions.

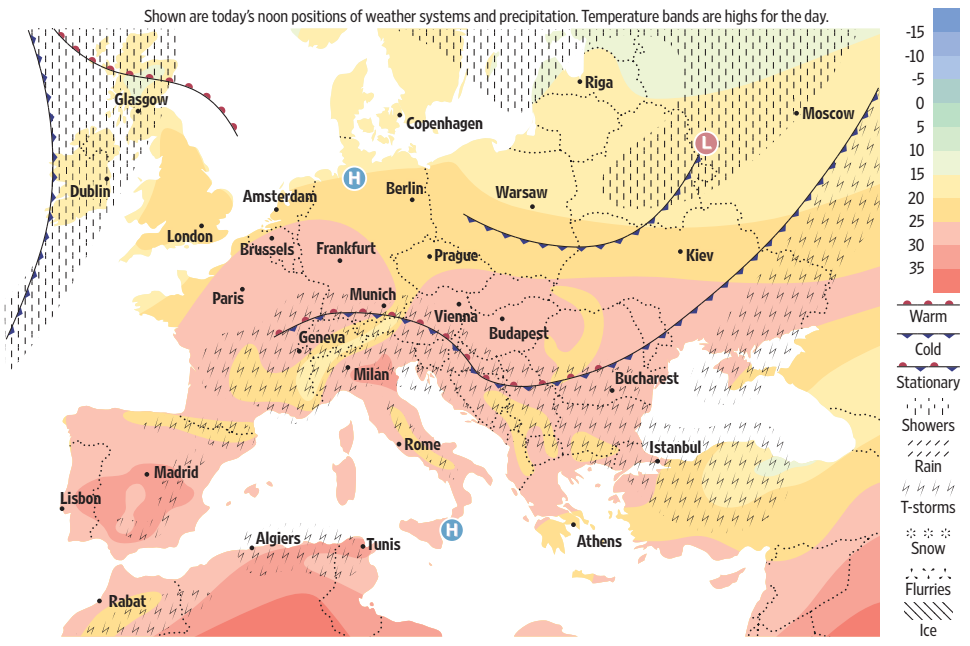
Preventing fume events can be a cost-savings measure for airlines, reducing unscheduled emergency landings, bad publicity, workers comp claims and maintenance and ground time.

"There are some changes. It's slow," she says.

Weather

AccuWeather.com

Shown are today's noon positions of weather systems and precipitation. Temperature bands are highs for the day.

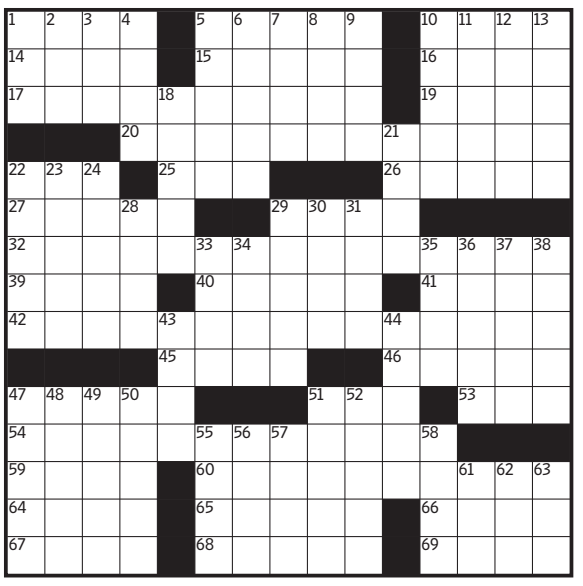


Global Forecasts

s...sunny; pc... partly cloudy; c...cloudy; sh...showers; t...t'storms; r...rain; sf...snow flurries; sn...snow; i...ice

City	Today Hi	Today Lo	Today W	Tomorrow Hi	Tomorrow Lo	Tomorrow W
Amsterdam	23	13	pc	26	16	pc
Anchorage	20	10	s	16	9	c
Athens	29	20	s	30	19	s
Atlanta	29	19	pc	29	20	pc
Baghdad	37	20	s	37	22	s
Baltimore	26	13	s	26	16	pc
Bangkok	34	27	pc	34	26	pc
Beijing	30	15	s	24	13	sh
Berlin	22	9	s	25	14	s
Bogota	19	10	c	19	10	c
Boise	24	12	pc	27	13	pc
Boston	24	12	pc	21	13	c
Brussels	25	14	pc	27	15	pc
Buenos Aires	15	4	s	16	8	s
Cairo	32	19	s	33	20	s
Calgary	23	10	pc	20	9	sh
Caracas	31	26	pc	31	26	pc
Charlotte	30	17	s	31	19	pc
Chicago	26	13	pc	27	17	t
Dallas	30	22	t	31	22	c
Denver	27	12	pc	28	12	c
Detroit	24	12	s	25	13	t
Dubai	41	29	s	41	29	s
Dublin	17	10	sh	17	8	sh
Edinburgh	18	11	sh	17	9	sh
Frankfurt	26	14	pc	29	17	s
Geneva	24	14	t	26	14	pc
Hanoi	38	29	pc	39	29	pc
Havana	32	23	pc	31	22	pc
Hong Kong	32	28	t	31	26	t
Honolulu	29	23	c	29	23	pc
Houston	30	23	t	31	23	t
Istanbul	25	20	pc	27	19	t
Jakarta	31	25	c	31	24	c
Johannesburg	20	4	s	20	4	s
Kansas City	26	18	t	30	19	t
Las Vegas	35	22	s	36	24	s
Lima	22	17	c	23	17	pc
London	24	12	pc	23	12	t
Los Angeles	24	15	pc	27	17	pc
Madrid	32	19	pc	32	18	s
Manila	33	28	t	33	28	t
Melbourne	14	6	c	14	7	s
Mexico City	23	14	t	25	14	pc
Miami	32	26	pc	31	26	sh
Milan	30	16	t	30	16	s
Minneapolis	26	16	pc	28	19	t
Monterrey	31	20	pc	32	21	pc
Montreal	16	7	sh	18	9	sh
Moscow	15	5	pc	9	3	sh
Mumbai	33	29	pc	33	29	pc
Nashville	30	18	pc	31	20	pc
New Delhi	38	28	pc	40	28	pc
New Orleans	28	22	t	28	23	t
New York City	25	16	s	26	16	pc
Omaha	27	19	pc	32	20	t
Orlando	31	21	t	30	20	t
Ottawa	16	6	c	18	7	c
Paris	28	17	pc	27	16	pc
Philadelphia	26	14	s	27	19	pc
Phoenix	38	23	s	39	25	s
Pittsburgh	23	12	pc	24	14	t
Port-au-Prince	34	22	pc	34	23	pc
Portland, Ore.	21	12	c	22	11	c
Rio de Janeiro	28	20	t	24	19	pc
Riyadh	42	25	s	42	27	s
Rome	26	14	s	26	15	s
Salt Lake City	30	17	s	28	15	s
San Diego	22	16	pc	22	17	pc
San Francisco	20	12	pc	20	11	pc
San Juan	31	25	sh	31	26	sh
Santiago	18	6	s	18	6	pc
Santo Domingo	31	23	t	32	23	pc
Sao Paulo	21	10	r	19	11	s
Seattle	20	12	sh	20	10	sh
Seoul	25	14	pc	25	13	pc
Shanghai	32	22	t	29	19	pc
Singapore	31	27	pc	31	27	pc
Stockholm	15	4	sh	14	4	pc
Sydney	17	11	s	18	12	s
Taipei	35	27	c	28	23	r
Tehran	34	19	s	34	18	s
Tel Aviv	25	19	s	26	19	s
Tokyo	25	19	sh	28	18	s
Toronto	20	10	pc	20	8	pc
Vancouver	18	10	c	18	11	sh
Washington, D.C.	27	16	s	27	18	pc
Zurich	25	13	t	26	14	pc

The WSJ Daily Crossword | Edited by Mike Shenk



IN A PINCH | By Adam T. Cobb

Across

1 It means nothing
5 The "band" in "The Adventure of the Speckled Band"
10 Olympus Mons location
14 Like balsamic vinegar
15 Line of work
16 MBA prerequisite
17 Like Nobel Prize medals
19 Show shifter
20 *Justice with a shredded side?
22 Test setting
25 Digital communication method: Abbr.
26 Rap entourage
27 Expect
29 Bro
32 *Spaghettified, grammatically speaking?
39 On
40 Village leader
41 Boxer biter
42 *Baroque masterpiece inspired by rye and semolina?
45 Bob Dylan's "The Man ___"
46 Patient's portion
47 "The Thunderer" composer
51 Place for mil. mail
53 Issuer of double-dashed IDs
54 *Jackson Pollock's favorite dessert?
59 Impedimenta
60 Stock
64 Where the Indus flows
65 Benefit
66 "What ___ for Love" ("A Chorus Line" song)
67 Outlook button
68 "___ say..." ("Alas...")
69 Take each of the starred answers with a grain of it

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2 One might need massaging
3 Rev.'s bailiwick
4 Track figures
5 Calypso's father
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8 Prime minister between Churchill and Macmillan
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18 Metal in Montana's motto
21 Kuwait was one of its founding members
22 Rhythmically splash against
23 Teeming
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TECHNOLOGY: SAMSUNG DELAYS U.S. DEBUT OF ITS VOICE-ACTIVATED VIRTUAL ASSISTANT B4

BUSINESS & FINANCE

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THE WALL STREET JOURNAL.

Thursday, June 1, 2017 | B1

Euro vs. Dollar 1.1234 ▲ 0.42% **FTSE 100** 7519.95 ▼ 0.09% **Gold** 1272.00 ▲ 0.78% **WTI crude** 48.32 ▼ 2.70% **German Bund** yield 0.307% **10-Year Treasury** yield 2.198%

German Business Frets About U.S.

A political war of words between Berlin and Washington is increasingly unsettling German executives who fear it could be bad for business.

*By **Patricia Kowsmann** in Frankfurt, **Anton Troianovski** and **Bertrand Benoit** in Berlin*

In remarks widely interpreted as critical of U.S. President Donald Trump, German Chancellor Angela Merkel said in a speech on Sunday that Europe could no longer completely rely on old allies. Mr. Trump snapped back on Tuesday, describing Germany's trade surplus with the U.S. in a tweet as "very bad for U.S."

The exchange followed meetings in Europe last week between Mr. Trump and other world leaders in which U.S. and European officials said the president sharply criticized German exports to his country.

Fearing a damaging trade dispute, ordinarily soft-spoken representatives of German industry shed their diplomatic reserve this week to warn about the danger to both sides.

"The U.S. would be shooting itself in the foot if it were to isolate itself," said Anton Börner, president of the BGA federation of German exporters. "Any attempt to restrict trade would conjure up a global growth crisis, which would massively damage the U.S. economy."

On Monday, Dieter Kempf, president of the influential BDI federation of German industry, slammed waning U.S. support for free trade, saying: "The U.S. has maneuvered itself onto the sidelines."

German-U.S. trade flows are among the largest in the world between any two countries.

LUKE SHARRETT/BLOOMBERG NEWS

BMW has touted the jobs it provides at its plant in South Carolina.

While China upstaged France and the U.S. as Germany's biggest trade partner last year, according to Germany's Federal Statistics Office, the U.S. remains the world's biggest buyer of German goods, with imports worth €106.9 billion ($119.9 billion) in 2016.

In a smaller domestic market where consumption and investment have been tepid for years, German companies rely heavily on exports to feed profit. Punitive tariffs or other U.S. moves to curb German exports could wreak havoc on the German economy.

U.S. officials have denied Mr. Trump's criticism of Germany reflected skepticism about free trade in general. Rather, they say he is concerned that other nations enjoy an unfair advantage when exporting into the open American market, while not giving U.S. companies the same access to theirs.

In his talks with European Union leaders in Brussels last week, Mr. Trump "emphasized the importance of reciprocity in trade and commerce," Gary Cohn, the president's top economic adviser, and national-security adviser H.R. McMaster wrote in a Wall Street Journal opinion article on Tuesday.

Please see SPAT page B2

Female CEOs Outearn Males

By Joann S. Lublin

Women in command of America's biggest businesses are reaping rich rewards.

In an unusual reversal of the gender pay gap, female chief executives at some of the largest U.S. companies repeatedly outearn their male counterparts. Last year, 21 female CEOs received a median compensation package of $13.8 million, compared with the $11.6 million median for 382 male chiefs, according to a Wall Street Journal analysis of **S&P 500** leaders who held the job a full year.

Women in the corner office at the biggest American firms made more money than men in six of the past seven years, though the gap has narrowed since 2014. The trend reflects strong performances by S&P 500 businesses run by women—and the fact that superstar women tend to land such top jobs, according to executive-pay and leadership experts.

"Boards don't want to shortchange their female CEO in today's environment, when pay equality is such an issue," said Robin Ferracone, head of **Farient Advisors** LLC, which advises board compensation committees.

The total number of women running S&P 500 companies held steady from the previous year's analysis at 28, including seven women who retired or held the job less than a year, and remains at roughly 5% of the total. But for the first time in the Journal study's 28-year history, three of the 10 highest-paid executives in the overall sample are women.

They are Meg Whitman at **Hewlett Packard Enterprise** Co., Virginia "Ginni" Rometty at **International Business Machines** Corp. and Indra Nooyi at **PepsiCo** Inc.

Most of the 21 female leaders advanced into their roles within a company rather than getting recruited. "These women must be exceptional" because so few reach the corner office, said Heidi Hartman, president of the Institute for Women's Policy Research.

S&P 500 businesses now run by women generated a median total shareholder return of 18.4% in 2016, compared with 15.7% for those commanded by men. Returns at female-led firms outperformed male-run companies in three of the previous five years. Total shareholder return measures changes in a company's stock price and dividend payments.

"The board of a company with excellent shareholder returns and operational results likely will reward the CEO

Please see CEO page B2

PERSONAL TECH
By Geoffrey A. Fowler

How Not To Expose Yourself Online

You wouldn't walk naked through Times Square. Stop being naked online.

Your laptop and that smartphone grafted to your hand are double agents. What you look at, where you go and even what you say can be used to paint a portrait of you that leaves you as exposed as the day you were born. Much of Silicon Valley wants you to think the price of using the internet is letting them data-mine your life.

This is a beginner's guide to fighting back.

It starts with a golden rule: When the product is free, that means you are the product. Your privacy is the cost of using a free social network, free tax prep or free photo storage.

Defending your privacy doesn't have to mean throwing away your phone, quitting Facebook or wearing a tinfoil hat. It is about making informed choices on what you share with whom—and blocking or lying when you feel they want too much.

Start by dedicating an hour to work through this checklist. You'll find Quick Fixes below, but for Deeper Dives and handy links, find this column at *wsj.com/tech*.

Share Less

Why It Matters: Take a lesson from Kim Kardashian, who was robbed in Paris last year after posting her whereabouts on social media: The less you put out there, the fewer chances it might be used against you. Don't simply accept the defaults for sharing your information with people—or advertisers.

Quick Fix: Besides posting less needlessly revealing information, you should locate Facebook and Google's "privacy checkup" tools. Facebook's lets you adjust post visibility, app activity (some of which you might want to delete) and basic personal details. Google's My Account checkup lets you manage what you share on YouTube and the Photos app, and whether Google saves your web activity, voice commands and locations.

Quick Fix: Most smartphones don't have simple privacy checkups. (Get on it, Apple and Android!) So do it yourself by deleting apps you no longer use, then looking through your phone's

Please see FOWLER page B4

PATRICIA DE MELO MOREIRA/AGENCE FRANCE-PRESSE/GETTY IMAGES

Visitors have poured into Portugal. Tourism makes up 6.4% of GDP, the most on record. Here, a scene near the coast in the south.

Portugal Emerges as a Bond Star

Debt yields fall as local economy thrives and French vote eases European political fear

The rally in eurozone bonds has a surprising star: Portugal.

Investors have been rushing into eurozone debt of late, lured by a mix of buoy-

*By **Jeannette Neumann** in Lisbon and **Jon Sindreu** in London*

ant economic data and relaxation of political risk. And Portugal, among the European Union's smallest members and one that suffered through a bruising bailout six years ago, has benefited from the flood of capital flowing to Europe's periphery.

Yields on Portuguese 10-year debt closed at 3.033% Wednesday, at eight-month lows. That is a sharp reversal from the 4.3% reached in February, when borrowing costs rose on fears the French would elect anti-EU candidate Marine Le Pen as president. Instead, the April 23 victory of Emmanuel Macron in the first round of the election sparked a relief rally across Europe.

Money flowing into Portuguese equity funds has rocketed since, figures by EPFR Global show, much more than elsewhere in the eurozone. Portuguese 10-year yields have also led the fall and dropped 0.7 percentage point, compared with 0.1 percentage point for Italian yields. Yields decline as bond prices rise. Only Greek yields have fallen more, but for a different reason: expectations that international creditors will eventually unlock new bailout funds.

Bond investors have been further cheered by data showing that the three-year economic recovery in Portugal, where 10-year borrowing costs rose above 16% at the height of the sovereign-debt crisis in 2012, is accelerating. Portugal's economy expanded by an estimated 2.8% year over year in the first quarter, the fastest pace in nearly a decade. Annual growth is expected to continue but ease to an average of about 1% to 1.5% in the medium term, according to Moody's Investors Service.

"The facts would suggest you are past the point of greatest grief," says Steven Andrew—a fund manager at M&G Investments, a £265 billion ($341 billion) asset manager. He was long cautious about Portugal but turned into an enthusiastic buyer earlier this year.

Portugal remains, however, one of Europe's weakest links. Only credit-rating firm DBRS Ltd. considers the country's debt to be investment grade. Without at least one investment-grade rating, Portugal would lose access to the Euro-

Please see BONDS page B2

Investors Wake Up to Possible U.K. Election Risks

By Christopher Whittall And Mike Bird

The pound fluctuated Wednesday as opinion polls gave mixed messages on next week's U.K. general election, heralding the return of politics as the crucial driver of British markets.

Sterling fell by as much as 0.5% to below $1.28 after a poll showed the ruling Conservative Party might not win a Parliamentary majority—a scenario few had previously contemplated. The pound then rebounded to $1.2901 in late European afternoon trade, a gain of 0.3% on the day, after another survey indicated Prime Minister Theresa May's party has a commanding lead.

Investors still anticipate a win for Mrs. May, but are pondering what was previously unthinkable: an unconvincing victory for the incumbent government. Analysts are scrambling to churn out research on election scenarios that were until recently all but ruled out.

"The assumption of markets when the election was called was that she'd get a big majority," said Samuel Tombs, chief U.K. economist at Pantheon Macroeconomics. "That assumption is clearly starting to be challenged."

Investors sent the pound more than 2% higher in April when Mrs. May called the vote, with investors betting she would win a sizable majority that would strengthen her hand in negotiations over Britain's exit from the European Union.

But the Labour Party has crept up in recent polls. Its leader, Jeremy Corbyn, is considered to be the party's most

Please see VOTE page B2

TOBY MELVILLE/REUTERS

Labour Party leader Jeremy Corbyn, left, and U.K. Prime Minister Theresa May seen in November.

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SPAT

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"Simply put, America will treat others as they treat us."

To guard against protectionist moves by Washington, German officials and industrialists have been trying to educate the Trump administration about German contributions to the U.S. economy. They hit on the fact that German companies in the U.S. employ about 672,000 people and have invested more than $300 billion in the country.

During Ms. Merkel's visit to the U.S. capital in March, BMW Chief Executive Harald Krüger told Mr. Trump that the U.S. was his company's "second home," with a South Carolina plant that employs 9,000 people and has spent $200 million in training its workers. "We are proud as we are the biggest net exporter of vehicles in the U.S.," Mr. Krüger told Mr. Trump, who went on to call BMW's plant "incredible."

BMW's chief told Mr. Trump that the U.S. is his firm's 'second home.'

Others point to the large share of capital goods in Germany's U.S. exports—machines and robots they say are vital to American factories.

"With tiring regularity, Germany is criticized for its trade and current account surpluses," Carl Martin Welcker, president of a trade group for capital-goods manufacturers, said last week. "But Germany's industry is not exporting problems, it's delivering competitiveness."

Before Mr. Trump's tweet, German officials had thought that they were making progress on trade policy in talks with Washington. German Economics Minister Brigitte Zypries, who met with U.S. Commerce Secretary Wilbur Ross on a visit to the U.S. last week, said Mr. Ross didn't criticize the German trade surplus in the meeting.

But some officials say their meetings with U.S. counterparts have shown that Germany's lucrative stream of exports into the world's biggest economy needs defending.

"It's evident that isolation is bad for everyone," a senior German Economics Ministry official, Berend Diekmann, said at a conference in Berlin on Tuesday. "But it seems it's a bit less evident for some people in the Trump administration."

Meanwhile, German officials have maintained that Berlin can do little to tame the country's large trade surplus because it reflects German industry's competitiveness and exchange rates that are subject to the policies of the European Central Bank. "California's trade balance with China is no more a subject of discussion than the German trade balance with the U.S. should be," the Economics Ministry said in a recently published document.

VOTE

Continued from the prior page

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.

"If we get a Labour win or hung Parliament [in which no party wins enough seats to a form a government], I think we're in for some volatility," said Paul Markham, a portfolio manager at Newton Investment Management.

Analysts say Mrs. May needs a large majority to face down restive lawmakers in her own party who are calling for a swift and clean exit from the EU. Investors would prefer the U.K. to stay close to the bloc—its largest trading partner—and for changes to trading and other arrangements to be staggered.

Investment banks have issued a slew of reports on how markets might react to different election scenarios, although many investors are wary of second-guessing, given polls failed to predict the result of Britain's 2015 general election, the Brexit vote in June and Donald Trump's November victory in the U.S.

The market moves that followed the U.K.'s vote to leave the EU and the U.S. election wrong-footed some investors, too. Stock markets swiftly bounced back following the Brexit vote, while an overnight slide in S&P 500 futures following Mr. Trump's victory turned into a sharp rally once stock markets opened.

Sterling movements are particularly relevant for the FTSE 100, whose component companies generate around 70% of their revenues overseas. A weaker pound tends to make those earnings more valuable and has helped push the U.K.'s benchmark stock index to record closes in recent days.

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BUSINESS & FINANCE

You're Getting a Master's in What?

By Kelsey Gee

To court a generation of M.B.A.-skeptics, business schools are creating narrowly tailored degree programs designed to help young professionals hone their skills for specific industries and job functions.

BUSINESS EDUCATION

At Villanova University, students can earn a master's in church management. An M.B.A. program at the University of Minnesota's Carlson School of Management is restricted to current and former congressional staffers. At Indiana University's Kelley School of Business, National Football League players can enroll in a program designed to help them transition to new careers. And starting next spring, students at New York University's Stern School of Business will embark on a one-year program in fashion and luxury-goods management.

As enrollment in general management programs across the U.S. declines, universities have augmented their graduate offerings with shorter, more specialized courses, while making the traditional M.B.A. more flexible for students with full-time jobs. Enrollment in specialized graduate business programs doubled from 2006 to 2016, according to a survey of 334 schools by the Association to Advance Collegiate Schools of Business, which oversees hundreds of such programs to ensure they meet educational standards.

JACKIE MOLLOY FOR THE WALL STREET JOURNAL

Kim Corfman, academic director of NYU Stern fashion-focused program.

"The traditional, two-year M.B.A. is a loss leader now for most business schools," said Brian Cameron, the associate dean for professional master's programs at Pennsylvania State University's Smeal College of Business. He estimates that a new course can cost the university around $500,000 to design and implement, even for programs that run exclusively online. Specialized programs like supply-chain management and marketing analytics are now a significant source of the business school's income, he said.

"With freezes on further increases in tuition, these specialized programs are the only mechanism that universities have to generate incremental revenue," he said. While tuition costs across graduate-degree programs have steadily increased in the past decade, some schools like Smeal have worked to hold prices steady, and others like Arizona State University's W.P. Carey School have experimented with offering their M.B.A. free of charge.

While the most popular specialty programs offer degrees in areas like finance, accounting and marketing, deans say the trend toward greater specialization will persist, driven by demand from young professionals for skill-based education and growing competition from for-profit online schools and computer-coding boot camps.

Andy Rudd, a 28-year-old former product manager at New York City-based startup Dataminr, decided to enroll in the one-year technology-focused M.B.A. at Cornell University's SC Johnson College of Business this spring.

Mr. Rudd will attend classes on Cornell's new technology campus, a two-million-square-foot site on Roosevelt Island in New York City slated to open Aug. 1. His courses will cover topics such as startup finance and digital marketing, some of which are also available to students in the school's graduate programs in engineering and law.

Villanova University's business school never offered a full-time M.B.A, but strategic partnerships with the Archdiocese of New York and other cities and strong student demand have helped its master's in church management program balloon from seven students to 64 in the past four years. Tuition for the two-year program is $28,800.

Kim Corfman, a professor of marketing and academic director of NYU Stern's new fashion-focused program, says the new degree is a good fit for the school, given classes like "Luxury Marketing" and "Next Generation Fashion" that the school already offered to M.B.A. students. At roughly $96,000 for tuition and fees, the program is a less costly investment for students than Stern's $138,000 two-year M.B.A.

CEO

Continued from the prior page

more, regardless of gender,'' said Irv Becker, an executive-pay specialist for Hay Group, a unit of recruiters Korn/Ferry International.

At HP Enterprise, which posted a total return of about 55%, Ms. Whitman earned $35.6 million during the year ended Oct. 31. The technology giant emerged from Hewlett-Packard Co.'s 2015 split into two businesses. The CEO made double the $17.1 million she earned a year earlier while running the combined company.

Ms. Whitman's latest package included a special equity grant tied to the debut of HP Enterprise. Aside from such one-time items, "Meg's target compensation has remained unchanged over the past three years,'' a company spokeswoman said, describing part of her package.

Mylan NV had the lowest one-year return among women-led concerns, posting minus 29%. The drugmaker faced a furor over hefty price increases for its lifesaving EpiPen. Longtime CEO Heather Bresch received $13.8 million last year, down from $18.9 million the previous year.

DAVID PAUL MORRIS/BLOOMBERG NEWS; RICHARD DREW/ASSOCIATED PRESS; PAUL MORSE FOR THE WALL STREET JOURNAL

From left, IBM chief Virginia Rometty, Hewlett Packard Enterprise's Meg Whitman and PepsiCo's Indra Nooyi were three of the 10 highest paid chief executives in 2016.

"We place a clear emphasis on variable, performance-based compensation,'' with about two-thirds of Ms. Bresch's 2016 annual target compensation tied to performance, Mylan's proxy statement said. Directors also cited its share price's appreciation during the past five, 10 and 15 years.

Mylan declined to comment further.

Certain female chiefs earned hefty pay packages because they're trying to transform their employers. "Turnaround CEOs always get a premium because a turnaround is hard,'' said Jan Koors, a senior managing director for Pearl Meyer, a compensation consultancy.

As their pay packages reach the highest tier, some female CEOs are coming under additional shareholder scrutiny. Consider Ms. Rometty. IBM's leader is trying to offset waning older businesses with younger ones such as cloud computing, but revenue fell for the 20th consecutive quarter during this year's first three months.

IBM paid Ms. Rometty $32.7 million last year, up from $19.8 million a year earlier. Her 2016 package included 1.5 million stock options, which she can't fully exercise unless IBM's stock price increases as much as 25%, according to its proxy.

But Ms. Rometty can keep those options for 10 years. "There's very little downside risk,'' said Aeisha Mastagni, a portfolio manager for California State Teachers' Retirement System, which owns 2.2 million IBM shares. "It's not like she has been underpaid under her tenure as CEO.''

Many IBM shareholders consider Ms. Rometty overpaid. About 46% of votes cast at this spring's annual meeting opposed the company's executive pay practices. That represents a record level of IBM investor opposition for a "say-on-pay" vote. The nonbinding referendum began in 2011.

Directors will review results of the 2017 shareholder votes "as they do every year,'' an IBM spokesman said.

BONDS

Continued from the prior page

pean Central Bank's bond-buying program. Moody's and the two other major credit-rating firms each rate Portugal's debt in junk territory because of the country's high government debt and weak banking sector.

Despite the hurdles to a deeper economic recovery, business owners such as shoe designer Luis Onofre say they are feeling the nascent optimism in Portugal. The country's bailout years were "a dark period," Mr. Onofre said, but "the clouds have gone away."

Visitors have poured into Portugal, fearful of terrorist attacks in France, Turkey and Egypt. Tourism now makes up 6.4% of gross domestic product, the highest on record and far above the 4.6% level reached in 2011, according to data from the World Travel & Tourism Council.

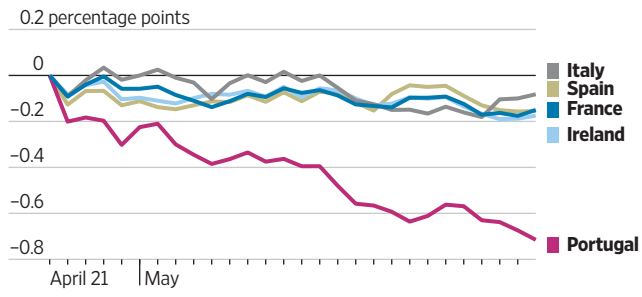
That has given Mr. Onofre, 46 years old, the confidence to open a store that bears his name in Porto, a city famous for its sweet wine. An existing shop on Lisbon's main fashion strip, Avenida da Liberdade, where he sells high-end men's and women's shoes made in two factories in Portugal, is thriving.

Portugal isn't the only country benefiting from the rush to peripheral bonds amid a sense that Europe is putting years of economic and political turmoil behind it. Spain, among Europe's fastest-growing major economies, has become a poster child for the eurozone recovery.

A Standout on the Periphery

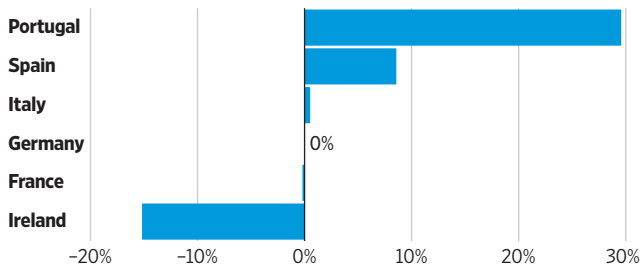
Portugal has led a recent slide in bond yields...

Change in yields on 10-year government debt since first round of French election



...and cash is pouring into stocks.

Flows of money into eurozone equity funds*



*Net flows as a share of the assets managed by these funds
Sources: Tradeweb (yields); EPFR (flows)

THE WALL STREET JOURNAL.

Portugal hasn't been long on optimism in recent years. A debt bubble and rampant public spending—Portugal's budget deficit was nearly 10% of GDP in 2010—forced the country to take a €78 billion ($87 billion) international rescue package in 2011. It is recovering from the double-dip recession that followed the bailout.

Now, its budget deficit is down to 2% of GDP, while business and consumer optimism is at levels last reached in 2001. A coalition between the Socialists and other leftist parties including Communists—an alliance so unlikely that it was dubbed "geringonça," or "contraption," when it was formed in late 2015—has governed well, business executives and investors say.

Real-estate prices in cities such as Lisbon and Porto are on the rise. This week, Portugal requested EU permission to repay ahead of schedule about €10 billion in bailout funds to the International Monetary Fund.

But doubts remain about whether the country has made enough structural changes to ensure a deep and durable recovery—a reminder that the Europe's peripheral economies remain vulnerable.

Portugal's debt-to-GDP ratio is the highest in the EU after Greece and Italy and will likely remain above 125% in the coming years. And unlike neighboring Spain, Portugal didn't do a deep cleanup of its banking system. Bad loans make up 17% of total lending.

"You see all this bullishness around you," said Nuno Vilaça, partner at advisory investment boutique Raven Capital in Lisbon. But, he added, "there is a long way to go in the financial sector and in the industrial sector."

Such weaknesses leave Portugal vulnerable when the ECB pulls back on its extremely loose monetary policy, which investors expect to happen next year. Portuguese paper could come under more pressure if the central bank slows its monthly purchases of bonds, said Patrick O'Donnell, senior investment manager at Aberdeen Asset Management, which oversees more than £308 billion. "Small markets are much more dependent" on the ECB, he added.

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Pricey Burgers Harder to Swallow

Some meals hit $13, causing diners in U.S. to rethink appetite for fanciest toppings

By Julie Jargon

The once-humble hamburger has gotten too fancy for its own good.

As the number of outlets serving "better" burgers—featuring nontraditional toppings and artisan buns—has skyrocketed over the past decade in the U.S., so has the average burger tab, turning some customers off.

THE NEW LUNCH

Brian Cockerline, a 20-year-old Rutgers University student, used to go to Five Guys for a burger once a week in South Plainfield, N.J. With fries and a drink, his tab was about $13. Now, he is cooking burgers at home instead.

"I like Five Guys but I can buy ground beef and one onion and get pretty close to the same burger for half the cost," said Mr. Cockerline, who rarely goes to Five Guys anymore. "A hamburger, to me, is not a luxury," he said.

Five Guys declined to comment.

Lunch traffic to quick-serve hamburger restaurants dropped 5% last year—the biggest year-over-year decline that market-research firm NPD Group Inc. has recorded.

"It's not sustainable for them to expect people to show up and spend $13 on a burger on a consistent basis," said Kurt Kane, chief concept and marketing officer at **Wendy's** Co., which is among the fast-food burger chains engaged in an intense price war to attract and keep their core, budget-conscious customers. Wendy's has a deal of four items for $4.

Mr. Cockerline now mostly goes to Wendy's when he is too busy to cook—because he can't make a meal any cheaper than $4, he said.

CANDICE CHOI/ASSOCIATED PRESS

As several hamburger rivals serve more expensive fare, the Wendy's chain offers four items for $4.

The average lunch burger check—including fries and a beverage—has risen 22% since the financial crisis to $5.83, with a 4% increase last year alone, according to NPD.

Choices used to be limited to fast-food chains such as **McDonald's** Corp. and **Restaurant Brands International** Inc.'s Burger King, diners, or sit-down chains that served a range of other menu items. In the 2000s, quick-serve restaurants such as **Shake Shack** Inc., **Smashburger Master** LLC and **BurgerFi International** LLC, specializing in making bigger burgers with fresh ingredients, began popping up.

The number of such outlets has nearly quadrupled in the U.S. since 2005 to more than 2,700, according to restaurant consultancy Technomic Inc.

Today, the fast-food and fast-casual burger business is estimated at $82 billion in sales, says Technomic.

With so much competition and only so many ways to differentiate a burger, upstarts have been coming out with evermore gourmet ingredients, such as Wagyu beef, roasted garlic aioli and truffled arugula, which have raised the bar for burgers overall—and their price tag.

All restaurant tabs have climbed in recent years as labor costs have risen largely because of state and local minimum-wage increases. The cost of eating out—especially when cooking at home has gotten cheaper—is a key reason burger chains are seeing less foot traffic, NPD restaurant analyst Bonnie Riggs said.

Many burger places also have been placing a premium on their food. Those places have found they can beef up profits by charging extra for additional toppings.

"We've had a good 10% increase in average check over the last couple of years," said Andrew Wiederhorn, chief executive of **Fatburger North America** Inc. "Menu price increases are a piece of that, but 60% of it is from premium offerings we've added to the menu, like fried egg."

A basic hamburger at the Los Angeles-based chain starts at $5.94, but after adding bacon and chili, it is $8.14. With fries and a drink, the combo totals $13.37.

The Habit Restaurants Inc. has raised overall menu prices in response to rising labor costs and has added new, higher-priced items such as a Portabella Charburger, which at $4.75 costs $1.40 more than the original Charburger. With fries and a medium drink, it comes to $8.75.

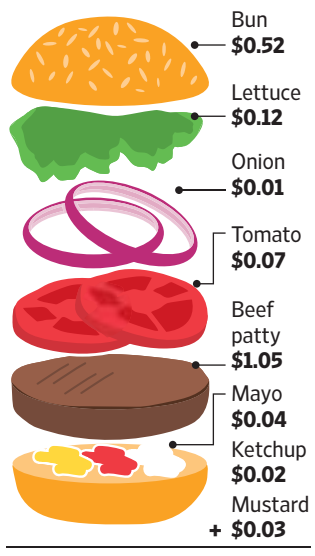
Some traditional fast-food chains have been struggling to attract customers who have migrated to places serving more gourmet food. McDonald's recently adopted a back-to-basics approach after years of chasing health-minded customers with products such as salads and fruit smoothies. It had neglected its burgers and recently found that only one in five millennials had ever tried its signature Big Mac.

The burger giant has been trying to improve the quality of its burgers by adjusting temperatures and cook times to deliver hotter, fresher burgers. Next year, it plans to make its Quarter Pounders with fresh, instead of frozen, beef.

Burger King's deals include two cheeseburgers, a small order of fries and a small drink for $3.29 at participating restaurants in the U.S. McDonald's has experimented with a number of value meals, such as two items for $5. Wendy's created its four-for-$4 menu because it found that, on average, people only have $4 to $6 to spend on lunch each day.

Anatomy of a Burger

Burgers at restaurants are sold on average at a price nearly 400% higher than the cost of ingredients.



Total burger cost = $1.86
Average restaurant cost = $9.00

Source: Plate IQ
THE WALL STREET JOURNAL.

Big Tanker Firms Talk Possible Merger

By Costas Paris

Frontline Ltd., the tanker company owned by Norwegian billionaire John Fredriksen, is in talks to buy or merge with U.S.-listed **Gener8 Maritime** Inc., people with knowledge of the matter said.

The deal would create the world's biggest tanker fleet, with 43 very large crude carriers in operation. One person familiar with the matter said the talks were progressing, but there was no guarantee a deal would be reached.

Mr. Fredriksen told The Wall Street Journal on Tuesday that the company would likely drop a monthslong campaign to buy Oslo-based rival **DHT Holdings** Inc. after an improved offer of $765 million was rejected. He said he was looking instead at buying another operator that ran at least 20 very large crude carriers, known as VLCCs. Gener8 operates 23 such vessels.

The value of the possible deal isn't known, but Gener8 has a market capitalization of $407 million. Frontline has a market value of about $950 million.

Frontline reported a first-quarter net profit of $28 million on Tuesday.

Chief Executive Robert Macleod said the company's focus was on buying ships or businesses, rather than boosting its order book.

Industry players say consolidation in the supertanker sector is a must to attract funds from institutional investors.

Supertankers that move the world's oil are mostly owned by national oil companies in the Middle East, Asian conglomerates, and Greek and Norwegian shipowners. Supertankers often change hands among owners, but outright mergers are rare.

New York Times Plans Editing-Staff Buyouts

By Lukas I. Alpert

New York Times Co. is initiating a round of buyouts of its editing staff and is eliminating its public-editor position as part of the broader restructuring of its news operations.

The company said Wednesday that the move isn't simply about cutting costs but is part of its efforts to reorient its newsroom away from the declining print business.

No specific target has been set for the number of reductions being sought, but if not enough people step forward, the company said it would have to resort to layoffs.

At the same time, Times executives said they are looking to hire an additional 100 reporters using the money saved from the buyouts plus gains made from a spike in digital subscriptions fueled by interest in the new administration of President Donald Trump. In the first quarter, the media company had record subscriber growth, with the addition of 308,000 digital news subscribers.

"Our goal is to significantly shift the balance of editors to reporters at The Times, giving us more on-the-ground journalists developing original work than ever before," Executive Editor Dean Baquet and Managing Editor Joseph Kahn wrote in a memo to staff.

In a regulatory filing, the company said it expects to record costs of $17 million to $23 million for the workforce reduction.

The Times said it is also eliminating the role of its public editor. Liz Spayd, who has served as public editor since July, will leave the paper on Friday after a rocky tenure in which she was criticized for pieces she wrote on false balance, reporters posting on Twitter and the paper's sports coverage, among other topics.

The position was created in 2003 to serve as a representative for readers after a plagiarism scandal, but Publisher Arthur Sulzberger Jr. said the demands of the role had evolved beyond what a single person could do.

Mylan Pay Plans Draw Flak

By Joann S. Lublin

A group of institutional investors unhappy over high executive pay at **Mylan** NV are taking aim at six board members at the EpiPen maker.

Four major pension funds launched a campaign late Tuesday urging fellow Mylan shareholders to oppose the reelection of Chairman Robert J. Coury and five other directors at the company's June 22 annual meeting. Mr. Coury, Mylan's former chief executive, received nearly $100 million in 2016, when the company ignited a public furor over hefty price increases for its lifesaving allergy medicine.

Mr. Coury's pay package, among the largest disclosed for 2016, included a termination benefit of $22.3 million. He switched from executive chairman to nonemployee chairman last year. For his current role, Mr. Coury gets a cash retainer of $1.8 million a year along with other rewards.

"Mylan's board reached new lows in corporate stewardship in 2016, when it agreed to make extraordinary and egregious payments in 2016 and over the next five years" to Mr. Coury, the pension funds wrote in a letter to shareholders.

Mylan directors "designed executive compensation programs to drive continued execution against our strategy" and aligned the compensation "with company performance and long-term shareholder value creation," a spokeswoman said.

New York City and New York State pension funds plus the California State Teachers' Retirement System and PGGM, a Dutch pension fund, signed the letter. The investors own about 4.3 million shares of Mylan, which represents less than 1% of its shares outstanding.

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Legal Notices

BANKRUPTCIES

UNITED STATES BANKRUPTCY COURT SOUTHERN DISTRICT OF TEXAS HOUSTON DIVISION

In re:	:	**Chapter 11**
EMAS CHIYODA SUBSEA LIMITED, et al.,	:	**Case No. 17-31146 (MI)**
Debtors.[1]	:	**(Jointly Administered)**

NOTICE OF ORDER APPROVING (I) ADEQUACY OF THE DISCLOSURE STATEMENT AND NOTICE OF THE DISCLOSURE STATEMENT HEARING, (II) HEARING DATE TO CONSIDER CONFIRMATION OF THE PLAN AND PROCEDURES FOR FILING OBJECTIONS TO THE PLAN, (III) DEADLINES RELATED TO SOLICITATION AND CONFIRMATION, (IV) SOLICITATION PROCEDURES FOR CONFIRMATION OF THE PLAN AND THE FORM OF VARIOUS BALLOTS AND NOTICES IN CONNECTION THEREWITH, AND (V) VOTING AND GENERAL TABULATION PROCEDURES

TO ALL HOLDERS OF CLAIMS AND INTEREST AND PARTIES IN INTEREST:

1. Approval of the Disclosure Statement and the Solicitation Procedures. On May 25, 2017, the United States Bankruptcy Court for the Southern District of Texas (the "Bankruptcy Court") entered the Order Approving (I) Adequacy of the Disclosure Statement and Notice of the Disclosure Statement Hearing, (II) Hearing Date to Consider Confirmation of the Plan and Procedures for Filing Objections to the Plan, (III) Solicitation Agent and Deadlines Related to Solicitation and Confirmation, (IV) Solicitation Procedures for Confirmation of the Plan and the Form of Various Ballots and Notices in Connection Therewith, and (V) Voting and General Tabulation Procedures [Docket No. [455] (the "Disclosure Statement Order") that, among other things, (i) approved the adequacy of the Third Amended Disclosure Statement with Respect to the Third Amended Joint Chapter 11 Plan of Reorganization of Certain Affiliated Debtors of EMAS CHIYODA Subsea Limited [Docket No. 447] (as may be amended from time to time including all exhibits and supplements thereto, the "Disclosure Statement") and (ii) authorized the above-captioned debtors and debtors in possession (the "Debtors" or the "Company") to solicit acceptances or rejections of the Third Amended Joint Chapter 11 Plan of Reorganization of Certain Affiliated Debtors of EMAS CHIYODA Subsea Limited [Docket No. 446] (as may be amended from time to time including all exhibits and supplements thereto, the "Plan") from the Holders of Impaired Claims who are entitled to vote on the Plan.[2]

2. Classes Entitled to Vote. Only Holders of Claims in Classes 1G through 3G and Classes 5G through 8G are entitled to vote to accept or reject the Plan, subject to the solicitation procedures (the "Solicitation Procedures") attached to the Disclosure Statement Order. Holders of unclassified Claims, including DIP Facility Claims, Administrative Claims, Professional Claims, and Priority Tax Claims, and of Claims and Interests in Classes 1A through 8A, 8B, 6C, 7D, 1E through 8E, and 1F through 8F are unimpaired and are presumed to have accepted the Plan. Holders of Claims and Interests in Classes 1H through 8H, 1I through 8I, and 1J through 8J will receive no distribution and receive no property under the Plan and are deemed to have rejected the Plan.

3. Voting Record Date. The record date for determining (i) creditors and interest holders entitled to receive Solicitation Packages and other notices and (ii) creditors entitled to vote to accept or reject the Plan is May 24, 2017 (the "Voting Record Date").

4. Voting Deadline. The deadline by which Ballots for accepting or rejecting the Plan must be received by Epiq Bankruptcy Solutions, LLC (the "Solicitation Agent") to be counted is **June 23, 2017, at 4:00 p.m. (Prevailing Central Time)** (the "Voting Deadline").

5. Confirmation Objection Procedures and Deadline. Objections to the confirmation of the Plan (each, a "Confirmation Objection") must (i) be made in writing; (ii) comply with the Bankruptcy Code, the Bankruptcy Rules, and the Bankruptcy Local Rules; (iii) set forth the name and address of the objector and the nature and amount of any claim or interest asserted by the objector against or in the Debtors, their estates, or their property; (iv) state with particularity the legal and factual bases for the objection; (v) be filed with the Bankruptcy Court no later than **June 23, 2017 at 4:00 p.m. (Prevailing Central Time)** (the "Confirmation Objection Deadline"); provided, however, that the Confirmation Objection Deadline shall be **June 26, 2017 at 4:00 p.m. (Prevailing Central Time)** solely with respect to Confirmation Objections relating to the financial feasibility of Newco. Plan Confirmation Objections that are not timely filed shall not be considered by this Court and shall be overruled.

6. Confirmation Hearing. Under the Disclosure Statement Order, a hearing (the "Confirmation Hearing") will be held before the Honorable Marvin Isgur, United States Bankruptcy Judge, in the United States Bankruptcy Court for the Southern District of Texas, 515 Rusk Street, Courtroom 404, Houston, Texas 77002, on **June 29, 2017 at 9:00 a.m. (Prevailing Central Time)** or as soon thereafter as counsel can be heard, to consider the entry of an order confirming the Plan within the meaning of Bankruptcy Code section 1129. The Confirmation Hearing may be continued from time to time by way of announcement of such continuance in open court, without further notice to parties in interest.

7. Allowance of Claims for Voting Purposes. A Holder of a Claim not entitled to vote on the Plan because the claim is a filed claim that was subject to a pending objection (each such claim, a "Disputed Claim") shall be permitted to vote such claim (or to vote such claim in an amount other than the amount set forth in the Schedules) only if one of the following shall have occurred with respect to such claim at least five Business Days prior to the Voting Deadline (the "Voting Resolution Event Deadline"): (i) an order is entered by the Bankruptcy Court allowing such Disputed Claim pursuant to Bankruptcy Code section 502(b), after notice and a hearing; (ii) a creditor files with the Bankruptcy Court a motion for an order under Bankruptcy Rule 3018(a) temporarily allowing such Disputed Claim in a different amount only for purposes of voting to accept or reject the Plan (a "Rule 3018(a) Motion") that is ultimately approved by the Bankruptcy Court after notice and a hearing; (iii) a stipulation or other agreement is executed between the Holder of the Disputed Claim and the Debtors resolving such objection and allowing the Holder of such Disputed Claim to vote its Claim in an agreed upon amount; (iv) a stipulation or other agreement is executed between the Holder of the Disputed Claim and the Debtors temporarily allowing the Holder of such Disputed Claim to vote its Claim in an agreed upon amount; or (v) the pending objection to the Disputed Claim is voluntarily withdrawn by the Debtors or overruled by the Bankruptcy Court (each, a "Resolution Event").

Rule 3018(a) Motions must (i) be made in writing; (ii) comply with the Bankruptcy Code, the Bankruptcy Rules, and the Bankruptcy Local Rules; (iii) set forth the name of the party asserting the Rule 3018(a) Motion; (iv) state with particularity the legal and factual bases for the Rule 3018(a) Motion; (v) be set for hearing at the Confirmation Hearing; and (vi) be served so as to be received by the Notice Parties no later than the Voting Resolution Event Deadline.

No later than two (2) Business Days after a Resolution Event, the Solicitation Agent shall distribute a Ballot and a pre-addressed, postage pre-paid envelope to the relevant Holder of the Disputed Claim, which must be returned to the Solicitation Agent by no later than the Voting Deadline (unless the Debtors extend the deadline to facilitate a reasonable opportunity for such Creditor to vote upon the Plan).

In the event that the Debtors and the Holder of the Disputed Claim are unable to resolve any issues raised by the Rule 3018(a) Motion prior to the Confirmation Hearing, (i) the Debtors may object to the Rule 3018(a) Motion at the Confirmation Hearing (without filing a written objection); (ii) the Solicitation Agent shall inform the Bankruptcy Court at or prior to the Confirmation Hearing whether including such provisional Ballot would affect the outcome of the voting to accept or reject the Plan in the relevant class in which the provisional Ballot was cast; and (iv) the Bankruptcy Court then shall determine whether the provisional Ballot should be counted as vote on the Plan.

8. Discharge, Release, Injunction, and Exculpation Language in the Plan. YOU ARE ADVISED TO CAREFULLY REVIEW AND CONSIDER THE PLAN, INCLUDING THE DISCHARGE, RELEASE, INJUNCTION, AND EXCULPATION PROVISIONS SET FORTH IN ARTICLE XI OF THE PLAN, AS YOUR RIGHTS MAY BE AFFECTED. THE TEXT OF THE DISCHARGE, RELEASE, INJUNCTION, AND EXCULPATION PROVISIONS OF THE PLAN ARE SET FORTH BELOW.

(a) Article 11.2. Discharge of Certain of the Plan Debtors. Pursuant to Bankruptcy Code section 1141(d), except as otherwise specifically provided in the Plan or the Confirmation Order, and effective as of the Effective Date: (a) the distributions and rights that are provided in the Plan, if any, and the treatment of all Claims and Interests shall be in exchange for and in complete satisfaction, discharge, and release of all Claims and Causes of Action (whether known or unknown, including any interest accrued on such Claims from and after the Petition Date) against, liabilities of, Liens on, obligations of, rights against, and Interests in the Plan Debtors (other than Marine Base Opco Debtor) or any of their assets or properties, regardless of whether any property shall have been distributed or retained under the Plan on account of such Claims, rights, and Interests, including, but not limited to, Claims and Interests that arose before the Effective Date and all debts of the kind specified in Bankruptcy Code sections 502(g), 502(h), or 502(i), in each case whether or not (i) a Proof of Claim or Interest based upon such Claim, debt, right, or Interest is filed or deemed filed under Bankruptcy Code section 501, (ii) a Claim or Interest based upon such Claim, debt, right, or Interest is allowed under Bankruptcy Code section 502, or (iii) the Holder of such a Claim, right, or Interest accepted the Plan; (b) the Plan shall bind all Holders of Claims and Interests notwithstanding whether any such Holders failed to vote to accept or reject this Plan or voted to reject the Plan; (c) all Claims and Interests shall be satisfied, discharged, and released in full, and the Plan Debtors' (other than Marine Base Opco Debtor's) liability with respect thereto shall be extinguished completely, including any liability of the kind specified under Bankruptcy Code section 502(g); and (d) all Entities shall be precluded from asserting against the Plan Debtors (other than Marine Base Opco Debtor), the Estates, their successors and assigns, and their assets and properties any other Claims or Interests based upon any documents, instruments, or any act or omission, transaction, or other activity of any kind or nature that occurred prior to the Effective Date. The Confirmation Order shall be a judicial determination of the discharge of all Claims against and Interests in the Plan Debtors (other than Marine Base Opco Debtor), subject to the occurrence of the Effective Date.

(b) Article 11.5 Release by Plan Debtors. Pursuant to Bankruptcy Code section 1123(b), as of the Effective Date, the Plan Debtors and their Estates, and each of their respective current and former Affiliates shall be deemed to have conclusively, absolutely, unconditionally, irrevocably, and forever released, waived, and discharged the Released Parties from any and all Claims, Interests, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities whatsoever, including any derivative Claims, asserted or capable of being asserted on behalf of the Plan Debtors and their Estates, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity, or otherwise, that such Entity would have been legally entitled to assert (whether individually or collectively), based on or in any way relating to, or in any manner arising from, in whole or in part, the Plan Debtors, the operation of the Plan Debtors prior to, on, or after the Petition Date, the Plan Debtors' restructuring, the Chapter 11 Cases, the DIP Facility, the purchase, sale, or rescission of the purchase or sale of any security of the Plan Debtors, provided under any applicable law, rule, or regulation, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in the Plan, the restructuring of Claims and Interests prior to or in the Chapter 11 Cases, the negotiation, formulation, or preparation of the DIP Credit Agreement, the Plan, the Disclosure Statement, the Plan Support Agreement, the Plan Supplement, any other Plan Transaction Document, or related agreements, instruments, exhibits, or other documents, or upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date of the Plan, other than Claims or liabilities arising out of or relating to any act or omission of a Released Party that constitutes fraud, willful misconduct or gross negligence as determined by a Final Order. Notwithstanding anything to the contrary in the foregoing, the release set forth above does not release any post-Effective Date obligations of any party under this Plan or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement this Plan.

For the avoidance of doubt, nothing in Section 11.5 of the Plan shall in any way affect the operation of Section 11.2 of the Plan, under Bankruptcy Code section 1141(d).

(c) Article 11.6. Release by Holders of Claims and Interests. As of the Effective Date, the Releasing Parties shall be deemed to have conclusively, absolutely, unconditionally, irrevocably, and forever released, waived, and discharged the Plan Debtors, their Estates, non-Debtor Affiliates, and the Released Parties from any and all Claims, Interests, obligations, rights, suits, damages, Causes of Action, remedies, and liabilities whatsoever, including any derivative Claims, asserted or capable of being asserted, whether known or unknown, foreseen or unforeseen, existing or hereinafter arising, in law, equity, or otherwise, that such Entity would have been legally entitled to assert (whether individually or collectively), based on or in any way relating to, or in any manner arising from, in whole or in part, the Debtors, the operation of the Debtors prior to, on, or after the Petition Date, the Debtors' restructuring, the Chapter 11 Cases, the DIP Facility, the purchase, sale, or rescission of the purchase or sale of any security of the Debtors or the Plan Debtors provided under any applicable law, rule, or regulation, the subject matter of, or the transactions or events giving rise to, any Claim or Interest that is treated in this Plan, the restructuring of Claims and Interests prior to or in the Chapter 11 Cases, the negotiation, formulation, or preparation of the DIP Credit Agreement, the Plan, the Disclosure Statement, the Plan Support Agreement, the Plan Supplement, any other Plan Transaction Document, or related agreements, instruments, exhibits, or other documents, upon any other act or omission, transaction, agreement, event, or other occurrence taking place on or before the Effective Date of this Plan, other than Claims or liabilities arising out of or relating to any act or omission of a Released Party that constitutes willful misconduct or gross negligence as determined by a Final Order. Notwithstanding anything to the contrary in the foregoing, the release set forth above does not release any post-Effective Date obligations of any party under this Plan or any document, instrument, or agreement (including those set forth in the Plan Supplement) executed to implement this Plan.

For the avoidance of doubt, except as expressly provided in the Plan, nothing in Section 11.6 of the Plan shall in any way affect the operation of Section 11.2 of the Plan, under Bankruptcy Code section 1141(d). Furthermore, the Constellation Lenders, DNB, and DBS shall not grant, or be deemed to have granted, any release, waiver or discharge of Claims against the Constellation Debtor under Section 11.6 of the Plan unless and until the Effective Date as to the Plan for the Constellation Debtor has occurred.

(d) Article 11.7. Exculpation and Limitation of Liability. The Exculpated Parties shall neither have, nor incur any liability to any Entity for any Exculpated Claim; provided, however, that the foregoing "exculpation" shall have no effect on the liability of any Entity that results from any such act or omission that is determined in a Final Order to have constituted gross negligence or willful misconduct; provided, further, that no Exculpated Party shall be exculpated under Section 11.7 of the Plan for any Exculpated Claim against the Constellation Debtor related to the Plan for the Constellation Debtor or any sale of the Constellation Vessel unless and until the Effective Date as to the Plan for the Constellation Debtor has occurred.

The Exculpated Parties have, and upon Confirmation shall be deemed to have, participated in good faith and in compliance with the applicable provisions of the Bankruptcy Code, and, therefore, are not and shall not be liable at any time for the violations of any applicable law, rule, or regulation governing the solicitation of acceptances or rejections of this Plan or such distributions made under the Plan.

(e) Article 11.9. Injunction. The satisfaction, release, and discharge under Article XI of the Plan shall act as an injunction, from and after the Effective Date, against any Entity (a) commencing or continuing in any manner or in any place, any action, employment of process, or other proceeding; (b) enforcing, attaching, collecting, or recovering in any manner any judgment, award, decree, or order; (c) creating, perfecting, or enforcing any Lien or encumbrance, in each case with respect to any Claim, Interest, or Cause of Action satisfied, released or to be released, exculpated or to be exculpated, or discharged under the Plan or pursuant to the Confirmation Order and to the fullest extent authorized or provided by the Bankruptcy Code, including to the extent provided for or authorized by sections 524 and 1141 thereof; provided, however, that nothing contained herein shall preclude such Entities from exercising their rights pursuant to and consistent with the terms of the Plan or the Confirmation Order.

You Are Advised To Carefully Review And Consider The Plan As Your Rights might be Affected.

9. Access to Documents and Inquiries. Copies of the Disclosure Statement, the Plan, the Disclosure Statement Order, and all documents filed in the Chapter 11 Cases may be accessed through the Debtors' restructuring information website, http://dm.epiq11.com/ECS. The applicable Ballots shall be sent to parties entitled to vote in paper form along with this Confirmation Hearing Notice. If you have questions regarding this Confirmation Hearing Notice or the procedures and requirements for voting on the Plan and/or for objecting to the Plan, you may contact the Solicitation Agent by: (i) e-mail tabulation@epiqsystems.com and reference EMAS CHIYODA in the subject line or (b) by telephone at (844) 616-6629, within the U.S. or Canada, or (503) 597-5538, outside of the U.S. or Canada.

[1]The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's tax identification number and jurisdiction of formation are as follows: EMAS CHIYODA Subsea Limited (UK) (3187); EMAS Chiyoda Subsea Inc. (Delaware) (7884); EMAS CHIYODA Subsea Marine Base LLC (Texas) (5974); Lewek Falcon Shipping Pte. Ltd. (Singapore) (041E); EMAS CHIYODA Marine Base Holding Co., LLC (Texas) (7463); EMAS Chiyoda Subsea Services Pte. Ltd. (Singapore) (333Z); EMAS-AMC Pte. Ltd. (Singapore) (0442); EMAS Saudi Arabia Ltd. (Saudi Arabia) (0669); Lewek Constellation Pte. Ltd. (Singapore) (376E); EMAS CHIYODA ROV Pte. Ltd. (Singapore) (049M); EMAS CHIYODA Subsea Services B.V. (Netherlands) (4073); EMAS CHIYODA Subsea Services (UK) Limited (Scotland) (3187); EMAS CHIYODA Subsea Services LLC (Delaware) (1728); EMAS CHIYODA Subsea (Thailand) Co., Ltd. (Thailand) (1011); Gallatin Marine Management, LLC (Delaware) (8989). The address of the Debtors' U.S. headquarters is 825 Town & Country Ln, Suite 1500, Houston, TX 77024.

[2]Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Plan, the Disclosure Statement, or the Disclosure Statement Order, as applicable.

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China Regulates Online Security

By Alyssa Abkowitz

BEIJING—China's new cybersecurity law goes into force Thursday amid confusion among some foreign technology companies about how it will affect their operations.

The law, adopted late last year, requires security reviews of technology products supplied to the Chinese government and critical industries. Foreign business groups claim its requirements could give Chinese firms an unfair competitive edge as the law's broad reach grants Chinese authorities the ability to block a product or service.

Some companies are having a hard time assessing the impact because Chinese government authorities are still working on the specific regulations to implement the law, which is written vaguely.

Some companies are having a hard time assessing the impact of the new law.

For example, specific measures to comply with the law's mandates for data storage and the protection of user information are still being "perfected," a Cyberspace Administration of China spokesperson said during a news conference, a transcript of which it posted on its website Wednesday.

In the weeks leading up to June 1, Chinese authorities also introduced new provisions, such as the implementation of criminal sanctions if companies breach or ignore data-protection laws, and a requirement that firms gain consent before using cookies in China, according to law firm DLA Piper.

As a result, some companies in China have said they aren't entirely sure how they are supposed to implement the law.

"Some requirements are new and so far stipulated in vague terms that likely will be supplemented over time," said Paul McKenzie, managing partner at the Beijing office of law firm Morrison Foerster LLP.

Citing these questions, trade groups representing U.S., European and Asian companies have called on China to delay implementation of the law.

At the news conference, however, the Cyberspace Administration spokesperson said that wouldn't happen, declaring that the "legal implementation of network management is entirely within the scope of national sovereignty."

—Eva Dou contributed to this article

Samsung Delays a Rollout in U.S.

Bixby virtual assistant struggles with English and likely won't hit the market until late June

By Timothy W. Martin

SEOUL—The English-language version of **Samsung Electronics** Co.'s new voice-activated virtual assistant likely won't make its debut in the U.S. until at least late June, according to people familiar with the matter, more than two months after the launch of the South Korean technology company's latest high-end smartphone.

Samsung officials had aimed internally for a late May U.S. rollout of Bixby, the Galaxy S8's artificial-intelligence service, The Wall Street Journal reported in April.

A company spokesman said at the time that Bixby would be ready in the U.S. by "later this spring," without specifying a date.

But the English-language Bixby is still weeks away from being finished, according to people familiar with the matter, though no ultimate decision has been made on timing. Recent internal tests of the service have revealed the voice-activated assistant is struggling to comprehend English syntax and grammar, one of the people said.

Bixby, akin to **Apple** Inc.'s Siri, is an artificial-intelligence service used to field tasks. Samsung has made the feature a selling point of the Galaxy S8, which hit shelves April 21 and is Samsung's most closely watched product launch in years after last year's global recall of the Galaxy Note 7.

"Bixby Voice benefits from time to further enhance natural language understanding, and we are currently growing our user testing in the U.S. to prepare for launch," a spokeswoman for Samsung said in an email, adding that other elements of the virtual assistant, such as image-recognition features, were already available.

The Galaxy S8 won strong reviews for its physical design. In its home market, Samsung has sold one million Galaxy S8 handsets in 37 days—reaching that figure in half as many days as it took the prior year's device, the company spokeswoman said. That phone, the Galaxy S7, eventually became the company's best-selling smartphone.

Samsung didn't provide updated U.S. sales figures, though mobile chief D.J. Koh said in mid-April that preorders in the U.S. for the new handset had surpassed those during the prior year for the Galaxy S7.

Virtual assistants aren't a significant hit with smartphone users. Just 9% of consumers use artificial-intelligence services such as Siri or Bixby on a regular basis, with 50% saying they had no interest or knowledge in digital assistants, according to Ovum, a market-research firm that surveyed 4,000 consumers in Asia, the U.K. and U.S. during April and May.

Silicon Valley, nonetheless, is betting big on artificial-intelligence software that often incorporates voice activation or recognition. The success of Amazon.com Inc.'s Echo speaker last year showed that consumers were open to talking to devices, accelerating the tech industry's battle to dominate the web-connected smart home. Smartphones are the fulcrum of these digital ecosystems, as many services are controlled by handsets.

There were 3.5 billion active devices—smartphones, televisions, tablets and other gadgets—using so-called native virtual digital assistants in 2016, meaning they are preinstalled, not downloaded, onto products, according to Ovum. By 2021, the number is likely to reach 7.5 billion, exceeding the U.S. Census Bureau's projections for that year's world population, Ovum said.

In 2021, **Alphabet** Inc.'s Google Assistant is likely to capture about 23% market share, Ovum estimates, followed by Samsung's Bixby at 15%, Apple's Siri at 13% and Amazon's Alexa at 4%. "Digital assistants are important for consumer loyalty in the future because they will eventually be used more," said Ronan de Renesse, Ovum's practice leader for consumer technology.

It is unclear whether Bixby's delayed launch will curb Galaxy S8 sales appreciably, according to analysts.

YONHAP NEWS/NEWSCOM/ZUMA PRESS

Samsung originally sought a late May U.S. debut for the Galaxy S8 smartphone's Bixby service.

FOWLER

Continued from page B1

privacy settings. Some apps afford unnecessary access to sensitive information such as contacts and location. Uber, for one, overreaches by asking to track your whereabouts at all times.

Block Your Browser

Why It Matters: Web browsers not only download your favorite cat videos and tech columns, but also invisible trackers. (Trackers are common across many sites, including wsj.com.)

Quick Fix: Use a tracker-blocking browser plug in. They look inside the code on webpages for known tracking or snoopy behavior. These aren't necessarily about blocking ads, just stopping tracking you didn't consent to.

I use a free one for Chrome and Firefox called Privacy Badger, built by the nonprofit Electronic Frontier Foundation. If Privacy Badger breaks websites you use often (by blocking essential elements along with ad trackers), consider the free Disconnect.Me or Abine Blur.

Ask to Remove Data

Why It Matters: There is already a lot of information about you on people-search, data-broker and social-media sites. The tricky part is websites are often protected by the freedom of speech, so you have to ask to get your information taken down.

Quick Fix: Photos of you posted by Facebook friends are one of the social network's biggest privacy loopholes. But you have the power to remove your name from a photo posted by somebody else. Pull up the photo, tap the menu then "remove tag." Tap "I don't like this photo" to request it be taken down entirely.

Quick Fix: Opt out of people search and data brokers. Many, including FamilyTreeNow.com and Spokeo, will remove records if you ask. Just don't reveal more info than you have to when requesting data removal.

Deeper Dive: You can pay someone else to help remove your information from hundreds of sites. Subscription services include Abine's DeleteMe and the newer PrivacyMate. Your information can pop back up as public documents are released, so you may not want to cancel your service after the initial scrub.

RICHARD BORGE

Use Pseudonyms

Why It Matters: Many sites and services don't actually need your real name, birth date or email address—so don't give it to them.

Quick Fix: Security pros I know list their birthdays as Jan. 1. Make an email address or two you use just for junkie websites. Or make up a pseudonym, particularly if you want to comment on politics and don't want it traced back to your employer. (It worked for Alexander Hamilton.) Many parents also use code names for their children in social-media posts.

Cloak Yourself

Why It Matters: Someone with access to your internet connection could spy on you.

Quick Fix: Your biggest risk is at a public Wi-Fi hot spot, like at the airport, where hackers might lurk. A virtual private network (VPN) encrypts and reroutes all your laptop or phone traffic, making it harder for snoops. Security and privacy advocates I know like F-Secure Freedome, the pricey but easy-to-use VyprVPN by GoldenFrog and London Trust Media's Private Internet Access.

You may even want to use a VPN at home. The Federal Communications Commission raised ire recently by changing its rules to allow your internet service provider to track you and make money from the data, like Facebook. But I don't recommend using a VPN at home yet, because it can slow down your connection and may not play well with streaming services like Netflix.

Toshiba Takes Step To Hasten Unit's Sale

By Mayumi Negishi

TOKYO—Fighting to survive, **Toshiba** Corp. made a legal concession to U.S. company **Western Digital** Corp. in a bid to accelerate the sale of the Japanese technology giant's lucrative memory-chip unit.

Toshiba, whose flash-memory clients include **Apple** Inc. and **Nintendo** Co., said it would keep part of the unit's assets in-house, which it said would prevent Western Digital from carrying out its threat to block a sale of the unit to a third party.

Such claims "are now moot," Toshiba's lawyers said in a letter dated Wednesday to Western Digital's lawyers.

A Western Digital spokesman said he couldn't immediately comment.

The sale could bring in $20 billion or more, analysts have said. That would cover losses at Toshiba's nuclear affiliate, **Westinghouse Electric** Co., which filed for chapter 11 bankruptcy protection in March. Toshiba's banks have urged it to complete the sale quickly, and the company has said it hopes to secure a buyer by the end of June.

Toshiba's chip business includes a joint venture originally concluded with SanDisk Corp. Western Digital took over SanDisk's stake when it acquired SanDisk last year. It says it has the right to block any effort by Toshiba to sell its chip unit because of what it describes as its rights under Toshiba's contracts with SanDisk.

Toshiba said that even if those rights exist—a point it disputes—they would be triggered only by a sale of the assets that Toshiba now says it will hold onto.

Western Digital earlier this month sought arbitration to prevent a sale of Toshiba's chip business. In addition, Western Digital has threatened to sue Toshiba's banks and potential bidders for the business, Toshiba's lawyers said in the letter.

Besides Western Digital, bidders for Toshiba's chip unit include Foxconn Technology Group of Taiwan, SK Hynix Inc. of South Korea and U.S.-based Broadcom Ltd. Toshiba is the world's No. 2 flash-memory maker after South Korea's Samsung Electronics Co.

Toshiba said earlier Wednesday that it won't be able to win auditors' approval for its earnings results for the year ended in March by its annual shareholders' meeting on June 28.

BUSINESS WATCH

BOEING

Jet Maker Finds Ex-Im Bank Option

Boeing Co. has sealed a deal for Italy's export-credit agency to provide an initial $1.25 billion a year in guarantees for jetliner sales, in part to fill the void left by the U.S. Export-Import Bank.

Airlines use guarantees from export-credit agencies to secure cheaper commercial funding, but the U.S. Ex-Im has been closed to deals valued at more than $10 million since July 2015 as some lawmakers blocked the appointment of a new board.

During the height of the financial crisis, export-credit agencies supported as much as 30% of commercial aircraft deliveries. The total has fallen to less than 5% as Ex-Im remained on the sidelines and agencies in the U.K., Germany and France that back Airbus SE deals also halted new business because of a probe into alleged corruption.

While U.S. President Donald Trump has in recent weeks reversed his prior opposition to the Ex-Im, sales supported by overseas agencies would provide additional options for Boeing customers that find it tough to secure commercial finance.

The new pact with Italy's Sace SpA is the first between Boeing and an overseas export-credit agency and provides a template for the company to secure similar deals with other countries that supply large parts of its jetliners, said Jon Byron, a financier at Apple Bank.

Boeing declined to comment on any pending agreements with other agencies but said the Sace deal provided an alternative for some customers, even as the company continues to push for Ex-Im to be reopened for large deals.

—Doug Cameron

GENERAL ELECTRIC

EU Approves Deal For Baker Hughes

General Electric Co. on Wednesday won European Union unconditional approval to combine its oil-and-gas business with **Baker Hughes** Inc. because the transaction wouldn't harm competition in Europe, regulators said.

Announced last October, the GE and Baker Hughes combination would create a company with more than $32 billion in revenue that could cut costs to better compete with rivals such as **Schlumberger** Ltd. to provide equipment and services to oil rigs and wells.

The merger would come after a difficult period in the oil-and-gas business. Crude prices, which plunged to $30 a barrel last year from more than $100 in 2014, have rebounded to around $50 recently.

—Natalia Drozdiak

MICHAEL KORS HOLDINGS

Handbag Seller Plans To Shut Some Stores

Michael Kors Holdings Ltd. said Wednesday that it would close 100 to 125 of its full-priced retail stores amid increasing pressure from deep discounting across the industry.

The luxury-handbag seller said the closures of its full-price retail stores would occur over the next two years.

It expects to record a charge of $125 million. Kors operated around 800 retail locations at the end of 2016, though it is unclear how many were full-priced stores.

The company is also raising prices to compensate for lower foot traffic, with plans to increase the average transaction size by 10% over time.

—Imani Moise and Suzanne Kapner

LESLIE WONG/REX SHUTTERSTOCK/ZUMA PRESS

Michael Kors said it plans to raise prices to compensate for the lower foot traffic at its stores.

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EU Takes Referee Role on Brexit

Securities watchdog steps in as nations compete for financial firms leaving U.K.

By Julia-Ambra Verlaine

CHRIS RATCLIFFE/BLOOMBERG NEWS

Europe's securities watchdog said financial firms exiting London, above, must be held to the same supervisory standard across the EU.

BRUSSELS—The European Union's securities watchdog is moving to prevent national governments from using differences in regulations across the bloc to lure business forced to relocate from London because of Brexit.

The Paris-based European Securities and Markets Authority on Wednesday released nonbinding guidelines for national regulators on handling financial firms moving from the U.K. to stay in the EU's single market.

The guidelines address a growing conflict: competition among the remaining 27 EU countries to lure banks, asset managers and insurers in a bid to bolster local economies and amplify national prestige.

"The EU 27 have a shared interest in building a common approach to dealing with relocating firms," said ESMA Chairman Steven Maijoor. He said firms moving from the City of London need to be subject to the same standards of supervision across the bloc to avoid regulatory competition among remaining member states.

ESMA set out nine guidelines for national authorities to apply before granting licenses to firms seeking to relocate. Under the conditions, ESMA warned that obtaining authorization takes time and urged companies to start the process "as early as possible."

One concern among EU regulators is that U.K. firms will set up shell or "letterbox" entities on the Continent to retain market access. ESMA said so-called delegation arrangements—in which firms could keep substantial business in the U.K.—had to be strictly supervised.

As such, the watchdog calls for national supervisors to scrutinize the number of staff located in branches and to reject requests where the majority of business would be handled outside of the EU.

ESMA said companies should expect to relocate executives, and that authorities should ensure such senior managers "work there to a degree proportionate to their envisaged role, if not on a full-time basis."

Since March, Valdis Dombrovskis, the EU financial services chief, has expressed concern over divisions and suspicion among the EU 27 as they compete to lure business.

The bidding war among countries to host the London-based European Banking Authority, the bloc's top financial regulator, is one example of continental competition for the spoils of Brexit.

EU officials said they have heard criticisms from some EU countries that others were offering lax enforcement of rules to make their jurisdictions more attractive.

In response, ESMA warned national authorities against handing out licenses "where the activity carried out indicates clearly that the entity has opted for the legal system of a member state for the purpose of evading the stricter standards in force in another member state."

While the guidelines are nonbinding and not enforceable, ESMA said it would undertake peer reviews of national authorities, and initiate investigations of possible breaches. The watchdog also plans to create a forum where national authorities share information on businesses looking to move to the bloc.

The ESMA guidelines are in line with the European Central Bank. ECB executive board member Sabine Lautenschläger said in March that the bank's supervisory arm wouldn't accept empty shell companies.

Barclays To Reduce Africa Unit Holdings

By Max Colchester

Barclays PLC said it would sell a large chunk of its African unit after regulators signed off on the long-awaited deal.

The U.K.-based bank said Wednesday that it would cut its stake in Barclays Africa Group Ltd. to about 28% from 50.1%. The share sale is expected to generate £1.6 billion ($2.1 billion), which should ease capital concerns swirling around the lender. South African pension fund Public Investment Corp. (SOC) Ltd. will be an anchor investor in the sale, which is under way, the bank said.

In 2016, Chief Executive Jes Staley pledged to end Barclays's century-long presence in Africa to drum up funds that could be redeployed to other parts of the franchise.

The bank said it was now targeting holding a 15% stake in Barclays Africa.

The bank spent the past few months locked in negotiations with regulators to get approval to shed part of its African stake. The bank said it was now targeting holding a 15% stake in Barclays Africa.

The sale offers some reprieve for Mr. Staley, who is being probed by U.K. regulators over his attempts to silence a Barclays whistleblower. Barclays is expected to announce soon that it will close its noncore division, which houses the bank's unwanted assets, a move the executive says shows that the turnaround at Barclays is nearly complete.

Mr. Staley decided to shed Barclays's African business in part because regulators make the large bank hold extra capital against the unit. A smaller, less risky bank wouldn't have to do this. Barclays also estimates that a U.K. tax on bank balance sheets means it would pay an extra £200 million in levies by 2021 to keep its African unit on its books.

Once Barclays is a minority owner of Barclays Africa it can deconsolidate the unit from its accounts and get regulatory clearance not to hold capital against it. Outside its 12-country Africa unit, Barclays also has owned a lender in Egypt, which it sold. It still controls a Zimbabwean bank.

FINANCE WATCH

ALLIED IRISH BANKS

Government Tees Up Sale of a Stake

The Irish government will sell one-quarter of its stake in **Allied Irish Banks** PLC in what is expected to be one of the biggest European bank listings of the last decade.

The Irish government owns 99.9% of AIB after pumping nearly €21 billion ($23.4 billion) into the lender during the financial crisis.

The sale of the first chunk of government shares is expected to raise around €3 billion. In a statement late Tuesday, the Irish finance ministry said AIB would be listed on the Irish and London exchanges.

AIB was one of a number of Irish lenders that were rescued at huge cost to Irish taxpayers when a bloated property market popped, leading to the near collapse of the Irish banking system. Even after the AIB stake sale, the Irish state will continue to own large interests in other banks including in Permanent TSB and Bank of Ireland PLC.

The decision to sell the stake was in part spurred by resurgent interest in European banks. Investors have piled back into the sector, encouraged by ideas that regulatory pressures are easing and policies that have kept interest rates ultralow are ending.

AIB has been profitable for three years. At the end of 2016, the bank paid its first dividend for eight years, bolstered by the strong performance of the Irish economy. *—Max Colchester*

AIDAN CRAWLEY/BLOOMBERG NEWS

Ireland bailed out Allied Irish Banks during the financial crisis.

MALAYSIA

RHB and AMMB Consider a Merger

Malaysia's **RHB Bank** Bhd. and **AMMB Holdings** Bhd., the country's fourth- and sixth-largest lenders in terms of assets, respectively, are considering a merger that will create Malaysia's third-largest banking group, say people close to the deal.

Both banks said Wednesday evening that their shares would be suspended from trading on Malaysia's stock exchange Thursday morning pending the release of a "material announcement."

RHB and AMMB are planning to announce that they have obtained the green light to start merger talks from Malaysian banking authorities, the people said. The banks didn't respond to requests for comments.

—Yantoultra Ngui and P.R. Venkat

DEUTSCHE BANK

Fed Fines Lender Over Laundering

The Federal Reserve fined **Deutsche Bank** AG $41 million for "unsafe and unsound" anti-money-laundering practices on Tuesday.

The Fed said that Deutsche Bank's U.S. banking operations had failed to maintain an effective program to comply with anti-money-laundering laws.

"We are committed to implementing every remediation measure referenced in the Fed's order and to meeting their expectations," a bank spokesman said. *—Gabriel T. Rubin*

Taubman Accedes to Activist Pressure

By Esther Fung

JEFF GOLDBERG

Taubman Centers agreed to hold annual elections for directors.

Luxury mall landlord **Taubman Centers** Inc. said it has agreed to hold annual elections for directors, days before an annual meeting in which it faces a proxy fight from an activist investor.

The move came after influential proxy-advisory firms Institutional Shareholder Services Inc. and Glass Lewis & Co. last week expressed concerns about Taubman's corporate-governance record. The firms also endorsed the two nominees for Taubman's board proposed by the activist hedge fund **Land & Buildings Investment Management** LLC.

"Our shareholders have made a convincing case to us that the board can and should move faster in enhancing Taubman's corporate governance by pursuing accelerated board refreshment and moving forward with transitioning to annual elections for directors," said Taubman Centers' lead director Myron E. Ullman III in a Tuesday news release. He added that these moves will be taken before the 2018 annual meeting.

Land & Buildings, which owns 1.2% of Taubman, has proposed replacing Taubman Chief Executive Robert Taubman and Mr. Ullman with Jonathan Litt, founder and chief investment officer of Land & Buildings, and Charles Elson, a corporate governance expert from the University of Delaware.

Voting results will be announced at the annual meeting on June 1.

Taubman Centers' latest announcement "to de-stagger the board two days before the annual meeting and 10 years after more than 85% of common shareholders voted for this measure is too little too late and fails to address deeply embedded issues with Taubman's governance structure," said Mr. Litt.

The proxy advisory firms highlighted that Taubman hadn't implemented shareholders' proposals in 2007 and 2008 to de-stagger the board. Glass Lewis said the board had acted in a manner that was contrary to the interests of common shareholders, including implementing a dual-class voting structure through the issuance of preferred stock that misaligned economic interests and voting power, to the benefit of the Taubman family.

"We view the Taubman board as an old-style board in need of further change and refreshment beyond the largely cosmetic and reactive changes it has made to date," said Glass Lewis in its recommendation.

Taubman Centers said earlier it believes the advisory firms have erred by basing their recommendations on factors such as how it rejected a hostile takeover attempt 15 years ago, rather than on the firm's track record of performance.

China Fund Near Logicor Buy

By Peter Grant

China's sovereign-wealth fund is in advanced talks to purchase a European warehouse company from **Blackstone Group** LP in a €12 billion ($13.4 billion) deal that would underscore the strength of the industrial real-estate sector.

China Investment Corp. could complete the deal to buy **Logicor** from the private-equity giant within days, according to people familiar with the matter. Nothing has been signed and the deal could still fall apart, the people said.

Blackstone has been marketing Logicor this year while gearing up to sell the company in an initial public offering if it couldn't get its price in a private deal. Other private bidders for Logicor included three Singapore institutions: **Mapletree Investments**, **Temasek Holdings** Pte. Ltd. and GIC, Singapore's sovereign-wealth fund, according to a person familiar with the matter.

The advanced talks with China Investment Corp., or CIC, were reported earlier by Estates Gazette, a real-estate trade publication.

Warehouses and distribution centers have become one of the hottest classes of commercial property recently, thanks partly to the growth of online retail. Demand for industrial space has grown among a wide range of companies eager to be able to increase the speed of deliveries to consumers.

Blackstone made several early bets on the sector that have paid off. The firm began building a U.S. logistics property company named IndCor Properties in 2010. Four years later, Blackstone sold it to GIC for $8.1 billion.

In Europe, Blackstone began accumulating warehouses and distribution centers under the Logicor name in 2012. That company grew to operate more than 630 properties.

CIC, which was formed in 2007 as a way for China to diversify its foreign-exchange holdings, has been steadily increasing its appetite for foreign real estate and other businesses. The fund has more than $200 billion in foreign assets and, in the past, has relied heavily on outside asset managers, including Blackstone, to make many of its foreign investments.

In May, CIC opened a New York office, replacing what had been its only overseas representative office in Toronto. In an interview with The Wall Street Journal, CIC President Tu Guangshao said CIC is considering investments in U.S. projects such as highways, rail lines and high-tech manufacturing plants.

CIC often invests with a consortium of other investors. If it winds up buying Logicor, it would be a particularly large deal for the fund to do by itself.

—Lingling Wei contributed to this article.

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FUND NAME	GF	AT	LB	NAV 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									
CAM-GTF Limited		OT	OT	MUS 05/26	USD	307234.10	1.7	8.6	-4.5

For information about listing your funds, please contact: Freda Fung tel: +852 2831 2504; email: freda.fung@wsj.com

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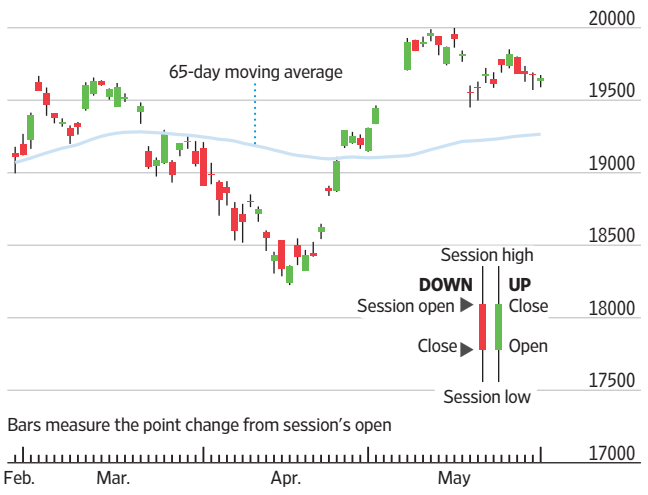
MARKETS DIGEST

Nikkei 225 Index

19650.57 ▼27.28, or 0.14%

High, low, open and close for each trading day of the past three months.

Year-to-date		▲2.81%
52-wk high/low	19961.55	14952.02
All-time high	38915.87	12/29/89



STOXX 600 Index

389.99 ▼0.51, or 0.13%

High, low, open and close for each trading day of the past three months.

Year-to-date		▲7.90%
52-wk high/low	396.45	308.75
All-time high	414.06	4/15/15

S&P 500 Index

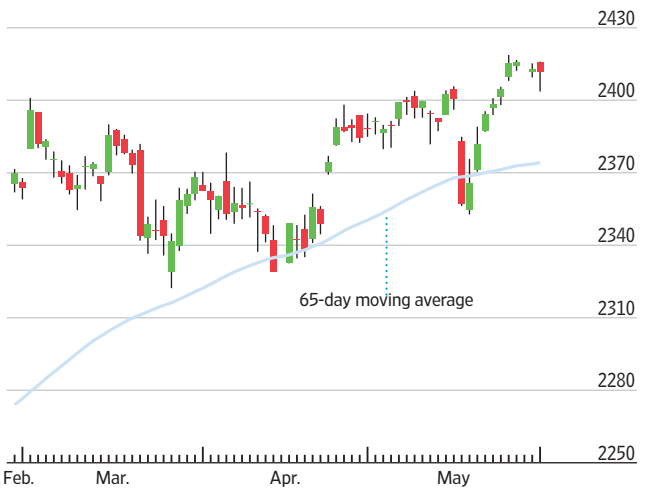
Data as of 4 p.m. New York time

2411.80 ▼1.11, or 0.05%

High, low, open and close for each trading day of the past three months.

	Last	Year ago
Trailing P/E ratio	23.94	24.04
P/E estimate *	19.15	17.75
Dividend yield	1.95	2.19
All-time high:	2415.82, 05/26/17	

Weekly P/E data based on as-reported earnings from Birinyi Associates Inc.



International Stock Indexes

Data as of 4 p.m. New York time

Region/Country	Index	Latest Close	Latest NetChg	Latest % chg	52-Week Range Low	52-Week Range Close	52-Week Range High	YTD % chg
World	**The Global Dow**	2757.99	–2.86	–0.10	2193.75		2773.08	9.1
	MSCI EAFE	1887.74	4.42	0.23	1471.88		1956.39	10.0
	MSCI EM USD	1005.90	–5.87	–0.58	691.21		1044.05	26.7
Americas	**DJ Americas**	578.41	–0.39	–0.07	480.90		580.46	7.0
Brazil	**Sao Paulo Bovespa**	62750.47	–1211.79	–1.89	48066.67		69487.58	4.2
Canada	**S&P/TSX Comp**	15339.27	–33.08	–0.22	13609.58		15943.09	0.3
Mexico	**IPC All-Share**	48794.58	–483.37	–0.98	43902.25		50154.33	6.9
Chile	**Santiago IPSA**	3686.44	–39.09	–1.049	2998.64		3786.05	14.4
U.S.	**DJIA**	21008.65	–20.82	–0.10	17063.08		21169.11	6.3
	Nasdaq Composite	6198.52	–4.67	–0.08	4574.25		6221.99	15.1
	S&P 500	2411.80	–1.11	–0.05	1991.68		2418.71	7.7
	CBOE Volatility	10.74	0.36	3.47	9.56		26.72	–23.5
EMEA	**Stoxx Europe 600**	389.99	–0.51	–0.13	308.75		396.45	7.9
	Stoxx Europe 50	3219.26	–1.31	–0.04	2626.52		3279.71	6.9
Austria	**ATX**	3123.54	–36.73	–1.16	1981.93		3211.08	19.3
Belgium	**Bel-20**	3888.32	–2.52	–0.06	3127.94		4055.96	7.8
France	**CAC 40**	5283.63	–22.31	–0.42	3955.98		5442.10	8.7
Germany	**DAX**	12615.06	16.38	0.13	9214.10		12841.66	9.9
Greece	**ATG**	775.24	–0.78	–0.10	517.10		800.08	20.4
Hungary	**BUX**	34551.90	230.76	0.67	25126.36		34975.81	8.0
Israel	**Tel Aviv**	1419.36	...	Closed	1372.23		1490.23	–3.5
Italy	**FTSE MIB**	20731.68	–82.80	–0.40	15017.42		21828.77	7.8
Netherlands	**AEX**	524.07	–1.64	–0.31	409.23		537.84	8.5
Poland	**WIG**	60092.07	–252.51	–0.42	42812.99		62666.49	16.1
Russia	**RTS Index**	1053.30	–21.51	–2.00	874.88		1196.99	–8.6
Spain	**IBEX 35**	10880.00	3.10	0.03	7579.80		11184.40	16.3
Sweden	**SX All Share**	588.46	0.19	0.03	443.66		593.34	10.1
Switzerland	**Swiss Market**	9016.64	9.10	0.10	7475.54		9136.95	9.7
South Africa	**Johannesburg All Share**	53562.57	–595.47	–1.10	48935.90		54716.53	5.7
Turkey	**BIST 100**	97541.58	193.95	0.20	70426.16		98794.90	24.8
U.K.	**FTSE 100**	7519.95	–6.56	–0.09	5788.74		7586.45	5.3
Asia-Pacific	**DJ Asia-Pacific TSM**	1604.32	–1.32	–0.08	1308.52		1608.94	12.8
Australia	**S&P/ASX 200**	5724.60	6.70	0.12	5103.30		5956.50	1.0
China	**Shanghai Composite**	3117.18	7.12	0.23	2833.07		3288.97	0.4
Hong Kong	**Hang Seng**	25660.65	–40.98	–0.16	20038.42		25701.63	16.6
India	**S&P BSE Sensex**	31145.80	–13.60	–0.04	25765.14		31159.40	17.0
Japan	**Nikkei Stock Avg**	19650.57	–27.28	–0.14	14952.02		19961.55	2.8
Singapore	**Straits Times**	3210.82	6.03	0.19	2729.85		3271.11	11.5
South Korea	**Kospi**	2347.38	3.70	0.16	1925.24		2355.30	15.8
Taiwan	**Weighted**	10040.72	–61.23	–0.61	8458.87		10108.49	8.5

Source: SIX Financial Information;WSJ Market Data Group

Global government bonds

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

Coupon	Country/ Maturity, in years	Yield	Spread Over Treasurys, in basis points: Latest	Previous	Month Ago	Year ago	Yield: Previous	Month ago	Year ago
5.250	**Australia** 2	**1.564**	**27.8**	28.8	40.0	**80.1**	**1.574**	1.666	**1.680**
4.750	10	**2.397**	**19.9**	19.3	30.7	**46.9**	**2.402**	2.589	**2.317**
3.000	**Belgium** 2	**-0.577**	**-186.3**	-185.5	-182.2	**-139.9**	**-0.569**	-0.556	**-0.520**
0.800	10	**0.650**	**-154.8**	-155.7	-149.9	**-148.2**	**0.652**	0.782	**0.366**
0.000	**France** 2	**-0.508**	**-179.4**	-177.3	-172.2	**-130.2**	**-0.488**	-0.457	**-0.423**
1.000	10	**0.728**	**-147.0**	-147.9	-144.1	**-136.1**	**0.730**	0.841	**0.487**
0.000	**Germany** 2	**-0.740**	**-202.6**	-201.9	-199.3	**-138.6**	**-0.733**	-0.727	**-0.507**
0.250	10	**0.307**	**-189.0**	-191.6	-195.9	**-170.6**	**0.293**	0.323	**0.142**
0.300	**Italy** 2	**-0.173**	**-145.9**	-144.6	-134.8	**-95.4**	**-0.160**	-0.082	**-0.075**
2.200	10	**2.187**	**-1.0**	-3.4	0.1	**-48.4**	**2.175**	2.282	**1.364**
0.100	**Japan** 2	**-0.159**	**-144.5**	-145.2	-147.9	**-111.8**	**-0.166**	-0.213	**-0.239**
0.100	10	**0.045**	**-215.3**	-216.9	-226.7	**-196.5**	**0.040**	0.014	**-0.117**
4.000	**Netherlands** 2	**-0.657**	**-194.2**	-193.4	-192.5	**-142.0**	**-0.648**	-0.659	**-0.541**
0.750	10	**0.511**	**-168.6**	-169.5	-173.2	**-161.8**	**0.514**	0.549	**0.230**
4.750	**Portugal** 2	**0.226**	**-105.9**	-106.8	-90.3	**-66.7**	**0.218**	0.363	**0.212**
4.125	10	**3.041**	**84.3**	88.7	124.6	**120.5**	**3.096**	3.528	**3.053**
2.750	**Spain** 2	**-0.295**	**-158.1**	-159.2	-151.0	**-98.3**	**-0.306**	-0.244	**-0.104**
1.500	10	**1.521**	**-67.7**	-68.5	-64.6	**-36.6**	**1.524**	1.635	**1.482**
4.250	**Sweden** 2	**-0.714**	**-200.0**	-199.7	-194.1	**-130.7**	**-0.711**	-0.675	**-0.428**
1.000	10	**0.465**	**-173.2**	-171.1	-171.4	**-108.1**	**0.498**	0.567	**0.767**
1.750	**U.K.** 2	**0.133**	**-115.3**	-119.9	-119.2	**-44.9**	**0.087**	0.074	**0.430**
4.250	10	**1.051**	**-114.7**	-121.1	-119.3	**-42.0**	**0.998**	1.088	**1.428**
1.250	**U.S.** 2	**1.286**	**...**	...	...	**...**	**1.286**	1.266	**0.879**
2.375	10	**2.198**	**...**	...	...	**...**	**2.209**	2.281	**1.848**

Commodities

Prices of futures contracts with the most open interest 3:30 p.m. New York time

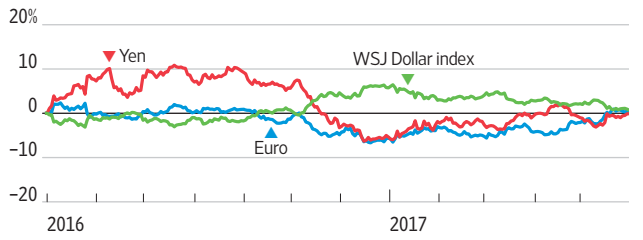
EXCHANGE LEGEND: CBOT: Chicago Board of Trade; **CME:** Chicago Mercantile Exchange; **ICE-US:** ICE Futures U.S.; **MDEX:** Bursa Malaysia Derivatives Berhad; **TCE:** Tokyo Commodity Exchange; **COMEX:** Commodity Exchange; **LME:** London Metal Exchange; **NYMEX:** New York Mercantile Exchange; **ICE-EU:** ICE Futures Europe. *Data as of 5/30/2017

Commodity	Exchange	Last price	One-Day Change: Net	Percentage	Year high	Year low
Corn (cents/bu.)	CBOT	371.50	4.50	1.23%	393.75	360.75
Soybeans (cents/bu.)	CBOT	916.00	3.25	0.36	1,092.50	909.50
Wheat (cents/bu.)	CBOT	429.75	0.25	0.06	488.75	416.00
Live cattle (cents/lb.)	CME	121.850	2.000	1.67	127.500	99.400
Cocoa ($/ton)	ICE-US	2,042	5	0.25	2,270	1,756
Coffee (cents/lb.)	ICE-US	128.95	-3.15	-2.38%	161.55	127.15
Sugar (cents/lb.)	ICE-US	14.86	-0.16	-1.07	20.81	14.73
Cotton (cents/lb.)	ICE-US	72.62	-0.13	-0.18	75.72	69.81
Robusta coffee ($/ton)	ICE-EU	1989.00	-21.00	-1.04	2,283.00	1,871.00
Copper ($/lb.)	COMEX	2.5835	0.0195	0.76	2.8400	2.4725
Gold ($/troy oz.)	COMEX	1273.90	8.20	0.65	1,300.30	1,155.00
Silver ($/troy oz.)	COMEX	17.330	-0.097	-0.56	18.725	16.060
Aluminum ($/mt)*	LME	1,943.50	-10.00	-0.51	1,972.00	1,688.50
Tin ($/mt)*	LME	20,425.00	70.00	0.34	21,225.00	18,760.00
Copper ($/mt)*	LME	5,630.00	-59.00	-1.04	6,156.00	5,491.00
Lead ($/mt)*	LME	2,119.00	21.00	1.00	2,445.00	2,022.00
Zinc ($/mt)*	LME	2,639.00	9.00	0.34	2,958.50	2,470.00
Nickel ($/mt)*	LME	9,070.00	25.00	0.28	11,095.00	8,980.00
Rubber (Y.01/ton)	TCE	202.50	-5.20	-2.50	n.a.	n.a.
Palm oil (MYR/mt)	MDEX	2,497.00	-7.00	-0.28	2,790.00	2,421.00
Crude oil ($/bbl.)	NYMEX	48.15	-1.51	-3.04	58.15	44.13
NY Harbor ULSD ($/gal.)	NYMEX	1.5141	-0.0394	-2.54	1.7901	1.3846
RBOB gasoline ($/gal.)	NYMEX	1.5929	-0.0314	-1.93	1.8859	1.4543
Natural gas ($/mmBtu)	NYMEX	3.072	-0.073	-2.32	3.5770	2.8880
Brent crude ($/bbl.)	ICE-EU	50.59	-1.65	-3.16	60.21	46.98
Gas oil ($/ton)	ICE-EU	447.25	-10.00	-2.19	529.00	415.75

Sources: SIX Financial Information; WSJ Market Data Group

Currencies

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



London close on May 31

Country/currency	Wed in US$	Wed per US$	US$ vs, YTD chg (%)
Americas			
Argentina peso-a	0.0619	16.1448	1.7
Brazil real	0.3081	3.2460	–0.3
Canada dollar	0.7408	1.3500	0.4
Chile peso	0.001489	671.70	0.3
Colombia peso	0.0003427	2918.17	–2.8
Ecuador US dollar-f	1	1	unch
Mexico peso-a	0.0536	18.6736	–9.9
Peru sol	0.3057	3.2708	–2.4
Uruguay peso-e	0.0354	28.240	–3.8
Venezuela bolivar	0.098981	10.10	1.1
Asia-Pacific			
Australia dollar	0.7439	1.3443	–3.2
China yuan	0.1467	6.8174	–1.8
Hong Kong dollar	0.1283	7.7935	0.5
India rupee	0.0155	64.4967	–5.1
Indonesia rupiah	0.0000752	13306	–1.6
Japan yen	0.009030	110.74	–5.4
Kazakhstan tenge	0.003198	312.73	–6.3
Macau pataca	0.1247	8.0208	1.3
Malaysia ringgit-c	0.2331	4.2908	–4.4
New Zealand dollar	0.7100	1.4085	–2.5
Pakistan rupee	0.0095	104.825	0.4
Philippines peso	0.0201	49.794	0.4
Singapore dollar	0.7228	1.3835	–4.4
South Korea won	0.0008930	1119.85	–7.3
Sri Lanka rupee	0.0065449	152.79	2.9
Taiwan dollar	0.03317	30.145	–7.1
Thailand baht	0.02937	34.050	–4.9
Europe			
Bulgaria lev	0.5744	1.7409	–6.3
Croatia kuna	0.1514	6.603	–7.9
Euro zone euro	1.1234	0.8902	–6.4
Czech Rep. koruna-b	0.0426	23.457	–8.7
Denmark krone	0.1510	6.6228	–6.3
Hungary forint	0.003642	274.57	–6.7
Iceland krona	0.010098	99.03	–12.3
Norway krone	0.1186	8.4329	–2.4
Poland zloty	0.2685	3.7245	–11.0
Russia ruble-d	0.01762	56.765	–7.3
Sweden krona	0.1152	8.6818	–4.7
Switzerland franc	1.0325	0.9685	–4.9
Turkey lira	0.2833	3.5303	0.2
Ukraine hryvnia	0.0380	26.3125	–2.8
U.K. pound	1.2895	0.7755	–4.3
Middle East/Africa			
Bahrain dinar	2.6518	0.3771	–0.02
Egypt pound-a	0.0552	18.1030	–0.2
Israel shekel	0.2823	3.5427	–7.9
Kuwait dinar	3.2933	0.3036	–0.6
Oman sul rial	2.5976	0.3850	0.003
Qatar rial	0.2746	3.641	0.03
Saudi Arabia riyal	0.2666	3.7505	–0.01
South Africa rand	0.0759	13.1735	–3.8

	Close	Net Chg	% Chg	YTD % Chg
WSJ Dollar Index	88.52	–0.19	–0.22	–4.75

Sources: Tullett Prebon, WSJ Market Data Group

Cross rates

London close on May 31

	USD	GBP	CHF	JPY	HKD	EUR	CDN	AUD
Australia	1.3443	1.7336	1.3881	0.0121	0.1725	1.5100	0.9958	...
Canada	1.3500	1.7408	1.3937	0.0122	0.1732	1.5164	...	1.0042
Euro	0.8902	1.1480	0.9192	0.0080	0.1142	...	0.6595	0.6623
Hong Kong	7.7935	10.0487	8.0468	0.0704	...	8.7539	5.7731	5.7975
Japan	110.7390	142.8100	114.3500	...	14.2100	124.4000	82.0400	82.3800
Switzerland	0.9685	1.2490	...	0.0087	0.1243	1.0880	0.7175	0.7205
U.K.	0.7755	...	0.8006	0.0070	0.0995	0.8712	0.5745	0.5769
U.S.	...	1.2895	1.0325	0.0090	0.1283	1.1234	0.7408	0.7439

Source: Tullett Prebon

Key Rates

	Latest	52 wks ago
Libor		
One month	**1.06033%**	0.46955%
Three month	**1.21000**	0.68130
Six month	**1.41878**	0.98540
One year	**1.72372**	1.32840
Euro Libor		
One month	**-0.40214%**	-0.35500%
Three month	**-0.37000**	-0.28114
Six month	**-0.28571**	-0.16014
One year	**-0.16814**	-0.03043
Euribor		
One month	**-0.37400%**	-0.34900%
Three month	**-0.32900**	-0.26100
Six month	**-0.25400**	-0.15300
One year	**-0.13100**	-0.01800
Yen Libor		
One month	**-0.03243%**	-0.06343%
Three month	**-0.01579**	-0.03029
Six month	**0.02300**	-0.00829
One year	**0.12543**	0.08857
	Offer	Bid
Eurodollars		
One month	**1.1000%**	1.0000%
Three month	**1.2000**	1.1000
Six month	**1.3500**	1.2500
One year	**1.6000**	1.5000
	Latest	52 wks ago
Prime rates		
U.S.	**4.00%**	3.50%
Canada	**2.70**	2.70
Japan	**1.475**	1.475
Hong Kong	**5.00**	5.00
Policy rates		
ECB	**0.00%**	0.00%
Britain	**0.25**	0.50
Switzerland	**0.50**	0.50
Australia	**1.50**	1.75
U.S. discount	**1.50**	1.00
Fed-funds target	**0.75-1.00**	0.25-0.50
Call money	**2.75**	2.25
Overnight repurchase rates		
U.S.	**0.89%**	0.47%
Euro zone	**n.a.**	n.a.

Sources: WSJ Market Data Group, SIX Financial Information, Tullett

Top Stock Listings

4 p.m. New York time

Asia Titans

Cur	Stock	Sym	Last	% Chg	YTD% Chg
HK$	AIAGroup	1299	55.25	0.91	26.29
¥	AstellasPharma	4503	1398.50	-0.36	-13.86
AU$	AustNZBk	ANZ	28.01	0.39	-7.92
AU$	BHP	BHP	23.90	-0.42	-4.63
HK$	BankofChina	3988	3.90	...	13.37
HK$	CKHutchison	0001	101.60	-0.20	15.59
HK$	CNOOC	0883	8.90	-1.33	-8.25
AU$	CSL	CSL	129.29	-1.79	28.76
¥	Canon	7751	3780.00	-0.40	14.72
¥	CentralJapanRwy	9022	18135	-0.30	-5.69
HK$	ChinaConstructnBk	0939	6.44	-0.77	7.87
HK$	ChinaLifeInsurance	2628	25.60	...	26.73
HK$	ChinaMobile	0941	86.45	0.29	5.17
HK$	ChinaPetro&Chem	0386	6.39	0.31	16.18
AU$	CmwlthBkAust	CBA	79.65	0.26	-3.35
¥	EastJapanRailway	9020	10615	-0.79	5.10
¥	Fanuc	6954	21770	-0.05	9.87
¥	Hitachi	6501	668.70	-0.22	5.81
TW$	Hon Hai Precisn	2317	103.00	-1.44	22.33
¥	HondaMotor	7267	3117.00	1.43	-8.73
KRW	HyundaiMtr	005380	163000	-0.61	11.64
HK$	Ind&Comml	1398	5.21	0.19	12.04
¥	JapanTobacco	2914	4161.00	-0.88	8.25
¥	KDDI	9433	3066.00	0.13	3.60
¥	Mitsubishi	8058	2218.00	-0.67	-10.92
¥	MitsubishiElectric	6503	1527.00	-1.39	-6.29
¥	MitsubishiUFJFin	8306	690.90	-0.80	-4.07
¥	Mitsui	8031	1495.50	0.13	-6.94
¥	Mizuho Fin	8411	192.80	-1.23	-8.10
¥	NTTDoCoMo	9437	2717.00	-0.46	2.03
AU$	NatAustBnk	NAB	30.12	1.31	-1.79
¥	NipponTeleg	9432	5308.00	1.09	8.06
¥	NissanMotor	7201	1061.50	-1.21	-9.70
¥	Panasonic	6752	1420.50	1.83	19.42
HK$	PingAnInsofChina	2318	49.95	-0.79	28.74
$	RelianceIndsGDR	RIGD	41.25	-0.60	30.74
KRW	SamsungElectronics	005930	2235000	0.13	24.03
¥	Seven&I Hldgs	3382	4708.00	-0.72	5.73
¥	SoftBankGroup	9984	9003.00	0.26	15.94
¥	Sony	6758	4034.00	0.07	23.18
¥	Sumitomo Mitsui	8316	3974.00	-1.83	-10.90
HK$	SunHngKaiPrp	0016	115.30	0.09	17.65
TW$	TaiwanSemiMfg	2330	203.00	-1.93	11.85

Stoxx 50

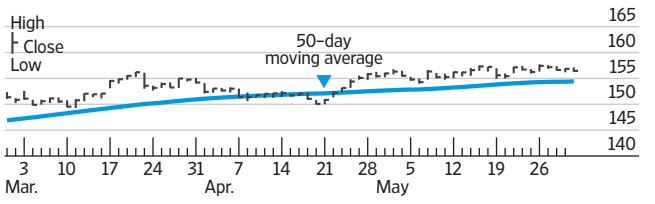
Cur	Stock	Sym	Last	% Chg	YTD% Chg
¥	TakedaPharm	4502	5707.00	-0.82	18.04
HK$	TencentHoldings	0700	267.60	-2.62	41.06
¥	TokioMarineHldg	8766	4700.00	0.56	-2.00
¥	ToyotaMtr	7203	5932.00	-0.82	-13.75
AU$	Wesfarmers	WES	42.70	1.14	1.33
AU$	WestpacBanking	WBC	30.50	0.56	-6.44
AU$	Woolworths	WOW	26.05	0.73	8.09
CHF	ABB	ABBN	24.33	0.08	13.27
€	ASMLHolding	ASML	117.50	-1.30	10.17
€	AXA	CS	23.74	0.11	-1.02
€	AirLiquide	AI	108.50	-0.37	2.70
€	Allianz	ALV	170.90	0.03	8.85
€	AB InBev	ABI	103.85	-0.29	3.28
£	AstraZeneca	AZN	5234.00	0.36	17.95
€	BASF	BAS	83.84	-0.39	-5.06
€	BNP Paribas	BNP	62.82	-1.23	3.75
£	BT Group	BT.A	309.55	0.23	-15.63
€	BancoBilVizAr	BBVA	7.28	-1.06	14.70
€	BancoSantander	SAN	5.78	-0.34	16.58
£	Barclays	BARC	210.00	0.38	-6.02
€	Bayer	BAYN	118.10	1.37	19.14
£	BP	BP.	466.70	-1.14	-8.42
£	BritishAmTob	BATS	5530.00	0.53	19.66
€	Daimler	DAI	64.61	-0.90	-8.64
€	DeutscheTelekom	DTE	17.73	-0.31	8.38
£	Diageo	DGE	2327.00	0.17	10.28
€	ENI	ENI	14.09	-1.61	-8.92
£	GlaxoSmithKline	GSK	1703.50	1.82	9.06
£	HSBC Hldgs	HSBA	675.60	0.06	2.85
€	INGGroep	INGA	14.89	-0.27	11.37
£	ImperialBrands	IMB	3629.00	0.60	2.44
€	IntesaSanpaolo	ISP	2.55	-0.16	5.03
€	LVMHMoetHennessy	MC	227.15	0.20	25.22
£	LloydsBankingGroup	LLOY	70.59	-0.75	12.93
€	LOreal	OR	190.45	0.45	9.83
£	NationalGrid	NG.	1089.50	0.05	4.95
CHF	Nestle	NESN	82.65	0.36	13.14
CHF	Novartis	NOVN	79.30	0.89	7.02
DKK	NovoNordiskB	NOVO-B	281.40	0.21	10.48
£	Prudential	PRU	1736.00	-0.23	6.67
£	ReckittBenckiser	RB.	7938.00	0.15	15.28
£	RioTinto	RIO	3102.50	-2.53	-1.77
CHF	RocheHldgctf	ROG	265.80	-0.34	14.27

DJIA

Cur	Stock	Sym	Last	% Chg	YTD% Chg
£	RoyDtchShell A	RDSA	2100.00	-0.71	-6.35
€	SAP	SAP	95.44	0.36	15.25
€	Sanofi	SAN	88.17	0.70	14.66
€	SchneiderElectric	SU	68.56	-0.39	3.71
€	Siemens	SIE	127.05	0.51	8.78
CHF	Syngenta	SYNN	463.00	0.06	15.03
€	Telefonica	TEF	9.95	-0.26	12.83
€	Total	FP	47.27	-0.60	-2.01
CHF	UBSGroup	UBSG	15.40	-1.72	-3.45
€	Unilever	UNA	50.70	0.52	29.62
£	Unilever	ULVR	4331.50	0.50	31.56
€	Vinci	DG	77.73	1.55	20.14
£	VodafoneGroup	VOD	231.50	1.03	15.84
CHF	ZurichInsurance	ZURN	284.70	0.60	1.53
$	AmericanExpress	AXP	76.94	-0.19	3.86
$	Apple	AAPL	152.76	-0.59	31.89
$	Boeing	BA	187.80	0.49	20.63
$	Caterpillar	CAT	105.47	...	13.73
$	Chevron	CVX	103.49	-0.55	-12.07
$	CiscoSystems	CSCO	31.53	-0.47	4.33
$	Coca-Cola	KO	45.51	0.18	9.77
$	Disney	DIS	107.92	-0.39	3.55
$	DuPont	DD	78.91	1.58	7.51
$	ExxonMobil	XOM	80.51	-0.73	-10.80
$	GeneralElec	GE	27.38	0.07	-13.35
$	GoldmanSachs	GS	211.15	-3.33	-11.82
$	HomeDepot	HD	153.51	-0.24	14.49
$	Intel	INTC	36.11	-0.19	-0.44
$	IBM	IBM	152.57	0.55	-8.08
$	JPMorganChase	JPM	82.15	-2.09	-4.80
$	J&J	JNJ	128.22	0.87	11.29
$	McDonalds	MCD	150.89	0.64	23.96
$	Merck	MRK	65.11	0.35	10.60
$	Microsoft	MSFT	69.84	-0.81	12.39
$	Nike	NKE	52.99	0.13	4.25
$	Pfizer	PFE	32.65	1.62	0.52
$	Procter&Gamble	PG	88.09	0.79	4.77
$	3M	MMM	204.30	0.92	14.41
$	Travelers	TRV	124.82	0.88	1.96
$	UnitedTech	UTX	121.28	0.01	10.64
$	UnitedHealth	UNH	175.15	-0.82	9.44
$	Visa	V	95.22	0.53	22.05
$	Verizon	VZ	46.64	0.95	-12.63
$	Wal-Mart	WMT	78.59	0.56	13.70

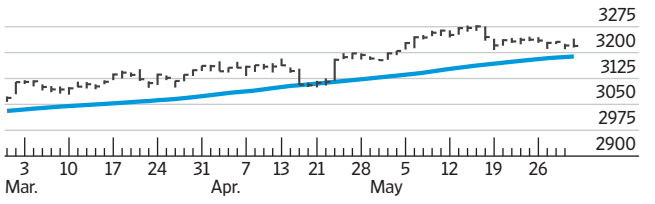
Asia Titans 50

Last: **156.46** ▼ 0.38, or 0.24% YTD ▲ **11.0%**



Stoxx 50

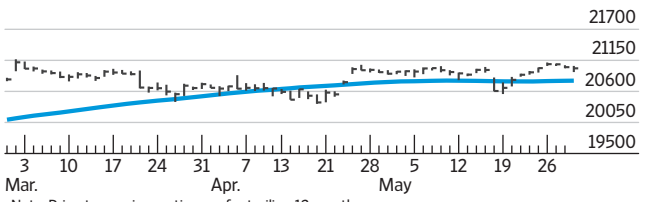
Last: **3219.26** ▼ 1.31, or 0.04% YTD ▲ **6.9%**



Dow Jones Industrial Average

P/E: 20

Last: **21008.65** ▼ 20.82, or 0.10% YTD ▲ **6.3%**



Note: Price-to-earnings ratios are for trailing 12 months
Sources: WSJ Market Data Group; Birinyi Associates

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MIKE SEGAR/REUTERS

Marianne Lake, chief financial officer at J.P. Morgan Chase & Co., said second-quarter trading is down about 15% from a year ago.

Big Banks Hit Trading Wall

After a strong first quarter, J.P. Morgan and Bank of America cite slumping revenue

By Christina Rexrode And Emily Glazer

Executives at the two biggest U.S. banks signaled that second-quarter trading is weakening, bringing to a halt a string of strong quarters that have boosted bank results.

J.P. Morgan Chase & Co. Chief Financial Officer Marianne Lake said at an industry conference on Wednesday that the bank's second-quarter trading is down about 15% compared with a year ago.

Bank of America Corp. Chief Executive Brian Moynihan, speaking at a separate conference, said his bank's second-quarter trading revenue will be down slightly from a year ago. Neither gave specific predictions for the second quarter.

Bank stocks fell following the comments. Shares of J.P. Morgan and Bank of America were down more than 2%. Stock in **Goldman Sachs Group** Inc., which is more dependent on trading, fell more than 3%. Goldman, too, in recent days has faced criticism over the purchase by its asset-management arm of Venezuelan bonds, leading critics of the government to charge the firm was propping up President Nicolás Maduro.

Goldman doesn't generally give intraquarter business updates, and co-President David Solomon declined to do so when he presented at an industry conference Wednesday. He did say "volatility and client activities, which were more subdued in the first quarter, have continued in comparable fashion in the second quarter." Goldman was alone among big banks in turning in a weak first-quarter trading result.

Last year's trading results across the industry were unusual. The year started with a slow first quarter, which is typically the most active, then picked up steam. That was because of unexpected political developments, including the U.K.'s vote to exit from the European Union in June and the U.S. presidential election that Donald Trump won in November.

"Last year...we thought the world had ended, and then the second quarter turned out to be robust, especially June," Mr. Moynihan said.

Brisker trading continued through subsequent quarters into the first three months of 2017. That turnaround helped stop a yearslong decline in fixed-income trading activity, buoying hopes that the worst had finally passed for big, Wall Street banks.

Executives aren't sounding alarms, though, that the second quarter will herald a reversal of that progress. Ms. Lake noted it is normal for second-quarter trading revenue to decline after the typical, seasonal first-quarter surge.

At the same time, market volatility has been at historically low levels in the second quarter in many markets. That signals lower activity, which can also depress revenue.

While the second quarter will show weakness, Mr. Moynihan said Bank of America's first-half trading revenue would be up 3% or 4% compared with a year ago. That is because first-quarter results were strong.

J.P. Morgan's trading revenue climbed 15% in 2016, and Bank of America's rose 5%. Both banks' trading revenue also rose in the first quarter.

—Liz Hoffman contributed to this article.

Europe Stocks Slip As Inflation Falls

By Sara Sjolin

European stock markets closed mostly lower Wednesday, as investors assessed a sharper-than-expected fall in eurozone inflation and digested the latest bout of uncertainty surrounding the U.K. election.

WEDNESDAY'S MARKETS

The Stoxx Europe 600 index edged down 0.1% to end at 389.99, for a fifth consecutive session of losses. On Tuesday, the benchmark fell 0.2% as bank stocks declined on concerns over a potential early election in Italy. For the month, however, the Stoxx 600 gained 0.7%.

In the U.S., the Dow Jones Industrial Average fell 20.82 points, or 0.1%, to 21008.65 on Wednesday. The S&P 500 and the Nasdaq Composite both declined less than 0.1%.

Declines in bank stocks pressured major indexes as executives at J.P. Morgan Chase and Bank of America signaled that second-quarter trading was weakening, after a series of strong quarters that have boosted bank results.

Financial stocks in the S&P 500 fell 1.3%, deepening their losses for the month, while the KBW Nasdaq Bank Index of large U.S. commercial lenders shed 1.7% by late afternoon.

Overall, U.S. stocks climbed in May as upbeat first-quarter corporate earnings and signs of a steadying global economy helped offset sliding commodity prices and political turbulence in Washington.

In Europe, investors were watching the latest developments in the U.K. ahead of the country's general election next week.

In London, the FTSE 100 index ended 0.1% lower at 7519.95. France's CAC 40 fell 0.4% to 5283.63, and Germany's DAX 30 rose 0.1% to 12615.06.

Eurozone inflation for May slid to 1.4% from 1.9% in April, missing forecasts of a 1.5% reading. Meanwhile, unemployment in the currency area dropped to 9.3% in April from 9.4% in March. Analysts had expected the joblessness rate to stay at 9.4%, according to FactSet.

Germany's unemployment rate fell to a new low of 5.7% in May, from 5.8% in April.

The euro was largely unmoved after the reports, fetching $1.1179, compared with $1.1178 ahead of the data. Later in the session, the shared currency jumped to $1.1235, compared with $1.1187 late Tuesday in New York.

In corporate news, shares of Ericsson AB jumped 4.5% after reports activist investor Cevian Capital has bought a $1 billion stake in the Swedish telecom-equipment maker.

Shares of Metro lost 2.6%. The German retailer said it swung to an operating loss in the second quarter.

Tesco gave up 0.9% after data on U.K. supermarkets showed the grocer's market share fell to 27.8% in the 12 weeks to May 21, from 28.3%.

The yield on the 10-year U.S. Treasury note was at 2.198%, according to Tradeweb, compared to 2.282% at the end of April. Yields fall as bond prices rise.

WOLFGANG RATTAY/REUTERS

Shares of Metro fell 2.6%.

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MARKETS

In India, Paytm Hits Mobile Pay Dirt

App picks up users and merchants as consumers seek cashless alternatives

By Corinne Abrams And Newley Purnell

MUMBAI—India's second-most-valuable startup, the mobile-payments app **Paytm**, has a new target after proving itself more popular than credit cards.

"We're competing with cash," said Madhur Deora, Paytm's chief financial officer. "In India, we're not competing with cards."

The company's boast isn't a stretch, given India's crackdown on cash over the past six months has left citizens and merchants searching for cashless payment alternatives. Paytm has seized the opportunity and become the market leader through timely partnerships, simplifying the app's process and dispatching an army of up to 10,000 trainers to reach out to the tiny shops that dominate the Indian economy.

The results have been impressive. Five million merchants in India accept payments using Paytm, five times the number that accept credit cards, Mr. Deora said. In addition, Paytm has 225 million mobile wallet customers, more than Snapchat's 166 million daily active users world-wide and four times as many as rival mobile-payment competitors MobiKwik and FreeCharge, which each have 55 million users.

RUPAK DE CHOWDHURI/REUTERS

Paytm's finance chief says five million merchants in India accept the mobile-payment app.

While Paytm is the market leader now, challenges exist. Samsung Pay has launched in India, and the messenger service WhatsApp is exploring adding a payment option for its 200 million users in India. The government also has created a mobile-payments system, which allows users to transfer money easily between bank accounts. Plus, Paytm's recent growth could flatten as India's monetary system stabilizes.

Nonetheless, Paytm's rapid rise has attracted investors. In May, the company received a $1.4 billion investment from SoftBank Group Corp., one of the first investments by the Japanese company's $100 billion Vision Fund, the world's largest tech fund. The funding boosted the app's valuation to more than $7 billion and put it behind only online retailer Flipkart, valued at $11.6 billion in April, among startups in India.

Paytm's previous investors included Chinese e-commerce company Alibaba Group Holding Ltd., which shared lessons on how to deal with a billion-person market, like how to engineer an app so it can withstand an avalanche of new users. Other early backers were Intel Corp.'s Intel Capital and Taiwanese chip-design company MediaTek Inc.

The company's success has garnered popularity for its founder, Vijay Shekhar Sharma, a charismatic 38-year-old who has been building businesses since he was in college and was listed this year as India's youngest billionaire by Forbes India magazine.

He has put a priority on flexibility and speed, even avoiding giving top executives specific job titles so they can be moved from one part of the business to another easily.

Though he has been good at getting capital and expertise out of his investors, he has kept tight control of his company, said Satish Meena, senior forecast analyst at **Forrester Research**. "He decides what direction [the company] will take," not its investors, he said.

Paytm, launched by One97 Communications in 2010, started as a mobile-recharge and bill payments service and expanded to cover everything from paying electricity bills to buying movie tickets and groceries or transferring money owed to a friend.

The company began to separate from its competitors when Uber Technologies Inc. arrived in India. As the ride-hailing company was beginning to expand in 2014, India's central bank put restrictions on how it could accept credit-card payments. Paytm offered Uber a solution: Use the Paytm mobile wallet to get around the problem. By joining forces with Uber, the company reached a new group of tech-savvy consumers.

Paytm doesn't disclose revenue figures but has said it isn't profitable at this point, choosing to continue to invest in expansion. The company has invested close to $600 million over the past two years to acquire new vendors, a move that has set it apart from competitors such as MobiKwik and FreeCharge, analysts said.

A big break came late last year when India canceled 86% of currency in circulation in an effort to cut corruption and bring more people into the tax net by forcing them to use less cash.

The day after Prime Minister Narendra Modi made the surprise announcement, Paytm took out full-page newspaper ads congratulating him on "the boldest decision in the financial history of independent India!"

—Debiprasad Nayak contributed to this article.

Yuan Soars as Traders Suspect Beijing's Invisible Hand

By Saumya Vaishampayan

HONG KONG—China's currency surged to its highest level against the U.S. dollar in six months in offshore markets, a move some traders ascribed to Chinese central-bank intervention meant to warn investors off betting against the yuan following Moody's downgrade of Chinese government debt last week.

The yuan rose as high as 6.7677 per U.S. dollar on Wednesday in the offshore market, centered in Hong Kong, its strongest intraday level since Nov. 4, according to Wind Info. That marked a gain of 0.8% from its level late Tuesday. The yuan also rose in the tightly controlled onshore market, ending 0.6% higher from its Friday close of 6.8210 to the dollar. The onshore market was closed for national holidays on Monday and Tuesday.

A sharp rise in the cost for banks to borrow the yuan short term in Hong Kong was a key driver of the currency's surge, traders and analysts said. The overnight yuan borrowing rate soared to 21.08% on Wednesday from 5.35% on Monday, according to the Hong Kong-based Treasury Markets Association.

Traders said the People's Bank of China likely intervened in the offshore market last week, with some state-owned Chinese banks refraining from lending out yuan in Hong Kong, driving borrowing costs higher. The central bank didn't respond to a request for comment.

Speculation about such intervention swirled again on Wednesday.

Alex Wolf, senior emerging-markets economist at Standard Life Investments in Hong Kong, was among those who said the Chinese central bank was probably behind the rise in borrowing costs.

"There is really no other reason you'd have a spike in yuan-funding costs," he said. "The only way they can really manage the offshore rate is through squeezing liquidity, since it is more market-based."

The cost of borrowing the yuan in Hong Kong has surged periodically over the past 18 months, each time helping to push the yuan up against the dollar. Higher short-term borrowing costs make it more expensive for investors to short, or bet on a decline in, the yuan, which often forces them to buy back yuan and sell dollars as they give up on those bets.

The suspected intervention by the Chinese central bank comes after ratings firm Moody's Investors Service last week downgraded China's credit rating.

HEARD ON THE STREET

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Why Venezuelan Debt Could Pay

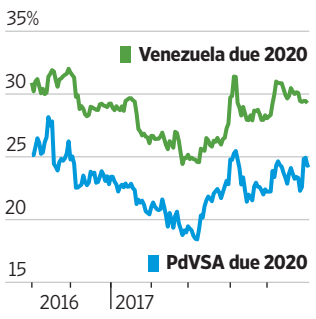
Goldman Sachs's asset-management arm is catching heat for buying up nearly $3 billion worth of bonds issued by Venezuela's state-owned oil company at a knockdown price. Given the negative vibes, why do highbrow investors buy such junk-grade bonds in the first place?

Bonds such as those issued by Venezuelan oil giant **Petróleos de Venezuela** SA, or PdVSA, are among the most commonly traded in the emerging-markets world. Such debt is popular in part because it usually comes with an implicit—or even explicit—government guarantee, giving investors a measure of reassurance.

It's also hard to avoid. State-owned oil companies, with their heavy capital spending, are big bond issuers. PdVSA and other fellow state-owned oil giants, such as Brazil's Petrobras and Mexico's Pemex, account for 80% of quasi-sovereign emerging-market bonds, according to Barclays analysts. Because trading in these bonds is so liquid, investors aren't afraid to buy them up even when the companies—as they do periodically—become involved in political scandals. Last week, amid more turmoil in Brazil, $2.55 billion of Petrobras bonds changed hands, some of the highest trading volumes in emerging markets.

Government Gap

Yield on government bonds versus PdVSA bonds



Sources: Thomson Reuters; Bloomberg (photo)
THE WALL STREET JOURNAL.

A Petróleos de Venezuela gas station in Caracas

Trading such debt can be lucrative short term. Venezuela's government debt was the best-performing in the high-yield emerging-market sovereign-bond universe last week, with an 8.39% total return; PdVSA's returned 11.03% over the same period.

PdVSA's bonds trade with a lower yield than Venezuela's sovereign debt, in part because the company owns the rights to most of the country's oil reserves.

There is opportunity for huge long-term gain too. Many analysts reckon Venezuela could eventually be forced into a debt restructuring that would include PdVSA's debt, which accounts for half of the country's foreign debt. The company's bondholders could face a long, painful fight: PdVSA's bond prospectuses note that outside bondholders would be subordinated to company employees in such circumstances. Still, patience can pay off. Paul Singer's hedge fund Elliot Management raked in an almost 400% gain after holding out for 15 years after an Argentinian sovereign-debt default. PdVSA's bonds, like Argentina's, don't have clauses that would force a deal on investors, but most Venezuelan government bonds do. Such sovereign-debt restructuring can help governments presiding over collapsing economies use credit more efficiently.

Goldman Sachs Asset Management might offend some with its opportunism. Still, trading of debt such as PdVSA's is commonplace in secondary markets. By trading or holding such debt, fund managers usually aren't directly funding governments themselves. And if their actions eventually lead to countries like Venezuela getting their finances in better order they might—whisper it softly—even have a positive impact. *—Anjani Trivedi*

OVERHEARD

The drone business can be turbulent even for those companies that aren't making drones.

Ask **Ambarella**. Shares of the chip maker that designs the high-definition image processors that are key components in camera-bearing quadcopters fell sharply on Tuesday and again Wednesday. An analyst downgraded the stock, citing the belief that drone giant **DJI** went with another chip for its Spark drone unveiled last week.

As the undisputed drone market leader, DJI is believed to be one of Ambarella's largest customers. Such concentration brings risk.

Ambarella already had projected a drop in drone revenue, citing difficult comparisons resulting from the timing of new product launches.

The Spark's compact size and low price relative to other consumer camera drones will likely make the drone a top seller—and the air even thinner around those companies that aren't named DJI.

A New Plan To Resurrect Ericsson

The crisis facing Swedish telecom giant **Ericsson** has two faces: a difficult market and little faith in management's ability to deal with it.

The arrival of Europe's largest activist fund manager on the shareholder register won't help with the first problem, but it does ease the second. With about €15 billion ($16.7 billion) under management, **Cevian Capital** plays a soft activist game, taking big positions in underperforming European industrial groups, obtaining board representation and then pushing behind the scenes for operational improvements.

The firm's $1 billion bet on Ericsson follows this playbook. Last year, profits in the core networks business collapsed as mobile operators wound down 4G investment programs. The old boss, Hans Vestberg, resigned in July 2016.

His successor, Börje Ekholm, thinks Ericsson needs to slim down and reinvest in its core business. Cevian agrees, but it wants to make sure the changes happen.

Under Swedish law, Cevian can use its status as the third-largest shareholder by number of votes to gain a seat on the nomination committee that controls board appointments. Investors showed their approval by sending the shares up 4.5% Wednesday.

Those piggybacking on the firm's activism should be warned: Outside of the U.S., where the government has all but blocked Huawei for security reasons, competition to sell mobile-networking gear is fierce. The advent of 5G some time after 2020 could spark another wave of investment by carriers. But with long-term prospects grim, it will all be about timing the exit.

—Stephen Wilmot

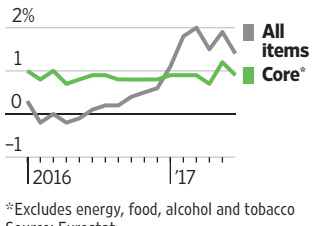
Growth but No Inflation Will Keep ECB Chugging Along

Mario Draghi justifies the European Central Bank's ultraloose policy by pointing to the wide divergence between growth, of which there is plenty, and inflation, of which there isn't. Fresh data out Wednesday fit that stance well, meaning next week's ECB meeting will signal small tweaks in direction at best.

First, the good news. Eurozone unemployment fell to 9.3% in April, its lowest since March 2009 and down nearly a full percentage point from a year earlier. Combined with buoyant indicators of sentiment and eurozone growth running near 2% annualized, well above potential, the outlook for the currency bloc's economy looks promising.

Hard Core

Eurozone consumer prices, change from a year earlier



*Excludes energy, food, alcohol and tobacco
Source: Eurostat
THE WALL STREET JOURNAL.

Up to a point. Inflation undershot expectations in May. Headline inflation fell to 1.4% from 1.9% a month earlier, with "core" inflation—excluding energy, food, alcohol and tobacco—down to 0.9%. With distortions related to swings in the oil price and the timing of Easter unwinding, there is little sign yet of inflation meeting the ECB's criteria that a rise be self-sustaining and persistent, rather than transitory before it shifts policy significantly.

All this means the central bank is likely to stick to the status quo, for the most part. The ECB has pushed back against calls for it to move away from its continued bond purchases and negative interest rates. It could, however, tweak its guidance on future action, which still indicates that the ECB could loosen policy further. Revised guidance would itself signal confidence in the growth outlook. Markets aren't expecting the ECB to do more, so removing that option shouldn't come as any surprise and shouldn't cause an unwanted tightening of financial conditions.

The inflation trend suggests that Mr. Draghi will continue to stress that the ECB can't take any risks by tightening prematurely. The threat of deflation may have receded, but until core inflation shows some sign of sustained upward movement, the ECB won't be rushing for the QE exit.

The ECB will face greater pressure later this year as its bond purchases eat into the stock of available assets, particularly in Germany. At some point, the bank will need to reduce the pace of purchases. Still, if there is a change in the ECB's communications next week, expect a small step, not a giant leap.

—Richard Barley