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What's News

Business & Finance

Russia's sale last year of a Rone-fifth stake in Rosneft to Qatar had an unusual buyback provision that made the deal function as an emergency loan to Moscow. **A1**

◆ **Santander acquired** Spanish rival Banco Popular for a nominal €1 after the ECB determined the lender was near collapse. **B1**

◆ **The U.S. is on track** to double oil exports this year, making it a disruptive new force in global markets. **B1**

◆ **The EU will propose** stricter rules to let European airlines challenge perceived unfair competition from overseas rivals. **B2**

◆ **Some three million** potential first-time home buyers have been shut out of the U.S. market in the past decade, a new study said. **A7**

◆ **The shipping industry** is showing signs of recovery, industry executives and analysts said. **wsj.com**

◆ **Blackstone has closed** an \$8.9 billion fund that will focus on European commercial real estate. **B5**

◆ **South Korea's Lotte** plans to take orders for an IPO of its Malaysian petrochemical business. **B5**

◆ **The ECB should wind** down its bond purchases in 2018 and raise a key interest rate, the OECD said. **A5**

World-Wide

◆ **Comey felt** Trump was trying to establish "a patronage relationship" with him during a January meeting and later asked that he back off a probe of Flynn, according to written testimony by the ex-FBI director. **A1, A6**

◆ **An attack in Tehran** claimed by Islamic State targeted Iran's parliament and the shrine of revolutionary leader Khomeini, leaving at least 13 dead. **A3**

◆ **The Sunni extremists** have taken responsibility for at least seven attacks worldwide since mid-May in an effort to project power as they lose territory. **A1**

◆ **U.K. pollsters agree** the commanding lead once held by May's Conservatives has shrunk dramatically but differ on the size of the gap. **A1**

◆ **British officials raised** the death toll in the London car-and-knife rampage to eight after recovering a body from the Thames. **A4**

◆ **Germany and Turkey** made a show of support for Qatar after Saudi Arabia and other countries severed ties with the emirate. **A3**

◆ **Turkey detained** the local head of Amnesty International on suspicion of links with terror groups. **A5**

◆ **Remains found** in Morocco are the oldest known specimens of the human species, scientists said. **A3**

Inside

TRAVEL A12
Even Elite Fliers Find Fewer Perks

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Comey: Trump Requested Loyalty

Fired FBI director plans to testify about private talks with the president before his dismissal

By DEL QUENTIN WILBER

Former FBI Director James Comey said he felt President Donald Trump was trying to establish "a patronage relationship" with him during a dinner meeting in January at which he sought Mr. Comey's loyalty, according to Mr. Comey's prepared congressional testimony released Wednesday.

In another encounter, this one in February, Mr. Comey recalled that Mr. Trump asked him to back off the investigation into former national security adviser Mike Flynn, who had resigned under pressure a day earlier for having misled Vice President Mike Pence about the nature of his conversations with a Russian diplomat.

"I hope you can see your way clear to letting this go," Mr. Trump told Mr. Comey, according to Mr. Comey's prepared testimony. "He is a good guy."

Mr. Comey said he agreed that Mr. Flynn was a good guy but declined to say whether he

◆ **Greg Ip: President could use more economic advice..... A2**
◆ **Hearing probes officials' discussions with Trump... A6**
◆ **Ex-Justice official is picked to head FBI..... A6**

would drop the investigation.

Mr. Trump has previously denied that he asked Mr. Comey to end the FBI's probe of Mr. Flynn.

In a highly anticipated appearance, Mr. Comey is scheduled to testify Thursday before the Senate Intelligence Committee. The panel posted Mr.

Comey's seven-page opening statement on its website Wednesday.

White House spokeswoman Sarah Huckabee Sanders, asked about Mr. Comey's prepared testimony, said she wasn't aware if Mr. Trump had "had a chance to review any of the specific details of that testimony."

Asked whether Mr. Trump stands by earlier statements that he didn't ask Mr. Comey for loyalty and didn't ask him to drop the investigation into Mr. Flynn, Ms. Sanders said, "I can't imagine the president not standing by his own statement," but referred questions to Mr.

Trump's outside counsel.

The Federal Bureau of Investigation is probing Russia's alleged interference in the 2016 presidential campaign and whether associates of Mr. Trump colluded with Moscow. Mr. Trump has denied any collusion, and the Russian government has said it didn't meddle in the U.S. election.

On several occasions, according to Mr. Comey's prepared testimony, Mr. Comey assured the president that the FBI didn't have an "active counterintelligence investigation" into him.

—Rebecca Ballhaus
contributed to this article.

Terrorists Strike Tehran in Rare Assault



REACHING OUT: A boy is evacuated during an attack on Iran's parliament complex. At least 13 were killed across two attacks in the capital. **A3**

HOW APPLE'S SIRI LOST ITS EDGE

Nimble competitors developed voice-powered products for the home

By TRIPP MICKLE

In late 2014, members of Apple Inc.'s Siri team arrived at an Amazon.com Inc. event thinking they were ahead of the competition.

Apple's three-year-old product had gained popularity for its ability to handle calendar appointments, text messaging and a few other simple tasks based on voice commands. Siri had no real competitors.

The outlook quickly changed as the team watched Amazon's video showing off a small, voice-controlled speaker that could play music, order products and search the web. It demonstrated Amazon had figured out how to isolate voices from background noise and have a digital assistant respond to requests from a distance—abilities Siri hadn't yet mastered.

"People at Apple's anxiety level went up a notch," said a former member of Apple's Siri team who was there that night.

Today, Apple is playing catch-up in a product category it invented, increasing worries about whether the technology giant has lost some of its innovation edge.

On Monday Apple announced HomePod, a home speaker powered by Siri that will start selling in December. The device will perform Siri functions such as dimming lights and setting reminders, though Apple touted it mainly as an advanced home-stereo system with superior audio quality. It spent years developing it.

Apple also unveiled planned upgrades to

Please see **APPLE** page **A8**

◆ **Chinese phones take on Apple..... B1**

Found in Moscow's Flea Markets: Bargain-Hunting Cubans

* * *

They fly 13 hours seeking items to sell in a Communist island still starved of goods

By ANATOLY KURMANAEV
AND SIRANUSH SHAROYAN

MOSCOW—Sometimes the wheels of history turn slowly. The hottest shopping destination for Cubans is not across the water in Miami. It's Moscow, 6,000 miles away.

Tougher U.S. border control and rising remittance income from relatives abroad have led to a recent surge of Cuban travel to Russia, the only major country that still doesn't ask islanders for a visa. Cuban shoppers don't take the daily 13-hour Aeroflot flight, a legacy of the Soviet-era alliance, to see the Kremlin or the Red Square. They bring back bags of jeans, haberdashery and car parts to a Communist island starved of consumer goods.

"The Cubans are flooding in without speaking a word of Russian just to stock up," said Ricardo Trieto, a Russian-educated Cuban engineer who now translates for compatriot shoppers in Moscow's flea markets. "It's very profitable: Whatever you buy here you can sell it for more at home."

The U.S. trade embargo with Cuba remains in place despite the fact that President Barack Obama loosened restrictions for Americans to travel to Cuba last year and opened a U.S. Embassy in Havana in 2015 after more than half a century of severed ties. President Donald Trump has said he would roll back Mr. Obama's Cuban initiatives. All of this has

Please see **CUBA** page **A8**

U.K. Election Tests Polling Companies

Britons go to the polls on Thursday to cast their vote in an uncertain election, with pollsters agreeing only on one thing: that the command-

By Jason Douglas in London and Jo Craven McGinty in New York

ing lead enjoyed by the Conservative Party of Prime Minister Theresa May has shrunk dramatically during the six-week campaign.

Just as this election has tested Mrs. May's leadership, so it is testing Britain's polling firms.

Opinion polls published by a dozen or so firms in the final days before voting have shown

a wide variation in the size of the Conservative lead, from 1 or 2 percentage points over the main opposition Labour Party to an 11-point gap.

Quirks of Britain's Parliamentary system mean that such discrepancies present an unusual range of possible outcomes at Thursday's election.

Mrs. May could return with the big majority in Parliament she says will strengthen her hand in coming Brexit talks with Brussels. She could limp back into government much diminished. Or the Conservatives could lose enough seats

Please see **POLL** page **A4**

◆ **Some investors see good in potential Labour win..... B8**

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#1

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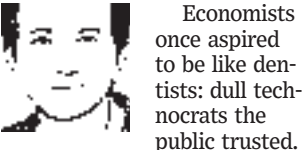
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Source: IDC "Worldwide SaaS Enterprise Applications Market Shares, 2015: The Top 15 by Buyer Size," doc #US41913816, Dec. 2016; Table 4. For the purposes of this report, SaaS enterprise applications include the following application markets: CRM, engineering, ERP, operations and manufacturing, and SCM. Copyright © 2017, Oracle and/or its affiliates. All rights reserved.

WORLD NEWS

CAPITAL ACCOUNT | By Greg Ip

Trump Could Use More Advice on Economics



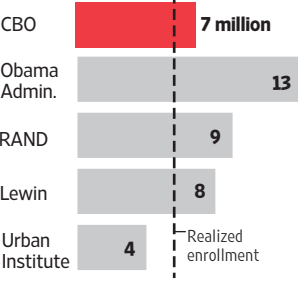
Economists once aspired to be like dentists: dull technocrats the public trusted. The last decade has been unkind to those hopes. Economists didn't predict the financial crisis or miserable growth that followed. Britons ignored their entreaties to stay in the European Union. And in Donald Trump, the U.S. has a president who routinely says things economists consider flat out wrong: trade deficits are bad, unemployment statistics can't be trusted, the U.S. is the world's highest taxed country. The low point came last week when Mr. Trump's budget director said the Congressional Budget Office, whose economists provide nonpartisan advice on legislation, had outlived its usefulness. Better, Mick Mulvaney said, for opponents of legislation to supply their studies and advocates to supply their own. "And if it works, they would get re-elected and if it doesn't, they don't." Mr. Mulvaney's critique would be more convincing if the administration had put forth its own estimates of the economic effects of its proposals. It hasn't. Its failure to ac-

count for the trade-offs of tax cuts (bigger deficits) or reduced subsidies for health care (more uninsured) are one reason Mr. Trump's agenda is moving so slowly. The bigger problem with his criticism is that it miscasts the role of economists. It isn't to provide pinpoint forecasts. Forecasts will be wrong more often than right. But they provide a benchmark to test proposals based on theory and evidence rather than instinct or unproven ideological priors. "Informed analysis will sometimes be wrong, but I'd rather bet on informed analysis than ignorant guesses," says Douglas Elmendorf, who ran the CBO from 2009 to 2015 and oversaw its original estimates of the Affordable Care Act. No good business leader would undertake a major investment having listened only to internal advocates. For similar reasons Congress decided in the 1970s it was too dependent on the president to evaluate legislation. Wanting an independent arbiter, it created the CBO. Critics often point to times its forecasts went wrong. Yet if this were evidence of systematic bias, the CBO would

Hits and Misses

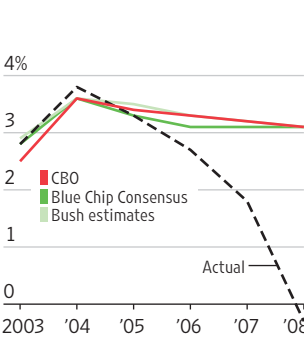
The Congressional Budget Office was closer to the mark than others on Obamacare exchange enrollment. It was too optimistic on growth and too pessimistic on revenue after George Bush's 2003 tax cuts.

ACA subsidized exchange enrollment in 2014, as estimated in 2010

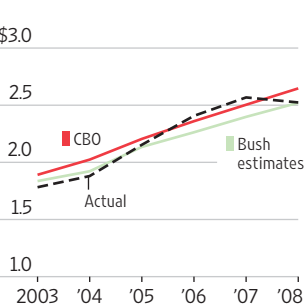


Sources: Commonwealth Fund, Sherry Glied, Anupama Arora & Claudia Solis-Roman (ACA enrollment); Office of Management and Budget, Congressional Budget Office (2003 forecasts, tax revenue)

GDP growth estimates, 2003



Federal revenue estimates 2003, in trillions of dollars



THE WALL STREET JOURNAL.

tend to err in the same direction and more than other analysts, and it doesn't. When George W. Bush cut tax rates in 2003, his administration predicted economic growth would average 3.3% through 2008 while the CBO and the private sector both predicted 3.2%. It averaged only 2.3%. Its estimate that year of federal tax revenue through 2008 was high; the White House estimate was low. While the CBO in 2010 overestimated how many people would join Obamacare's health insurance exchanges by 2014, the White

House and two prominent private outfits overestimated by more, according to a 2015 study commissioned by the Commonwealth Fund, a foundation that promotes health-care access. Yuval Levin, a scholar at the Ethics and Public Policy Center, says the CBO overestimated how many people would be motivated by penalties for lacking health insurance. It also underestimated benefits of competition. But these misses, he notes, stemmed from its conceptual approach, not political bias.

The White House's usual response to a forecast it doesn't agree with is to provide its own, prepared by its own economists, typically on the Council of Economic Advisers. As presidential appointees they will naturally gravitate toward evidence favorable to the White House, but professional scruples limit how far that can sway findings. That discipline has been lacking in Mr. Trump's administration. When Mr. Trump announced last week he was pulling out of the Paris climate accord, he cited

not internal research on the economic harms of the deal, but a private study commissioned by two groups critical of greenhouse-gas regulation. His budget two weeks ago was noteworthy for both forecasting 3% growth, much faster than what independent analysts think plausible, and the absence of any detailed analysis of how it will be achieved. Administration officials then contradicted each other on whether tax cuts would be financed with other tax increases.

This may reflect the absence of economists in its hallways. That may be changing. The president nominated Kevin Hassett, an economist at the American Enterprise Institute, to chair his CEA. The prospect has heartened economists from both parties, some of whom wrote a letter Monday endorsing his nomination. His reputation is no guarantee Mr. Trump will listen to his findings, any more than he would heed Defense Secretary Jim Mattis, who enjoys similar support. But, says Mr. Elmendorf: "I sleep better knowing James Mattis is defense secretary and I will sleep better if Kevin Hassett is confirmed as CEA chair."

STAKE

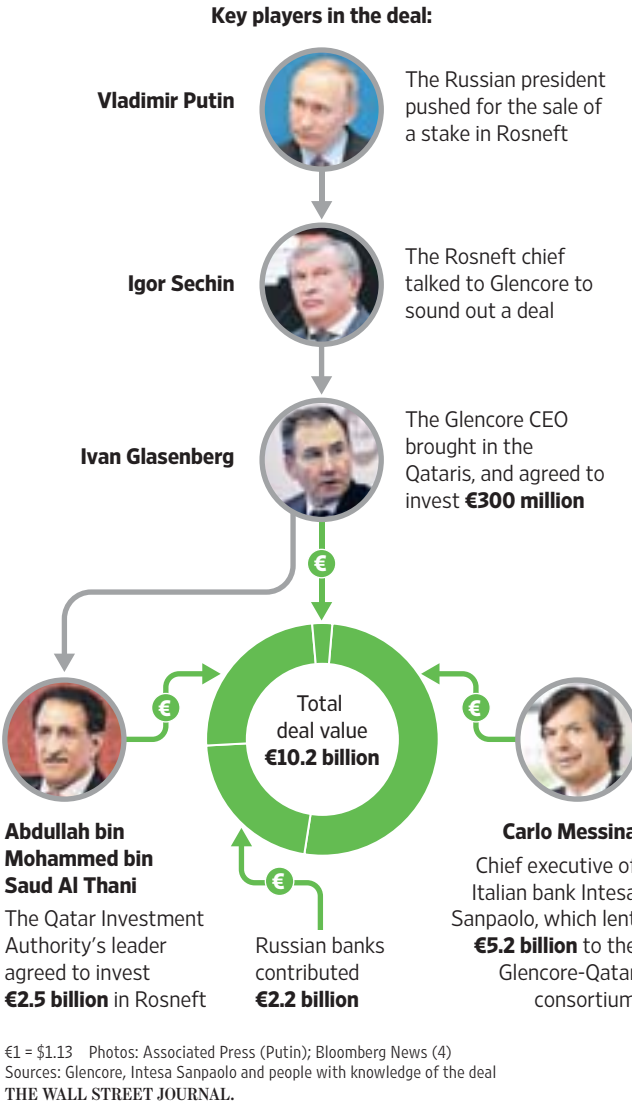
Continued from Page One
loan to help Moscow through a budget squeeze.

Moscow agreed with Qatar that Russia would buy back at least a portion of the stake from the rich Persian Gulf emirate, the people said. The Qatar Investment Authority and Glencore, the Swiss-based commodities giant, formed a partnership to buy the 19.5% stake in Russia's energy jewel at a time when Mr. Putin's government needed cash. The people with knowledge of the deal say the buyback arrangement was negotiated with involvement from Mr. Putin and the emir of Qatar, Sheikh Tamim bin Hamad Al Thani. Russia and Qatar saw it as an opportunity to build a bridge between countries that had taken opposing sides in the Syrian war, the people said. One of the people said the buyback would happen in the next 10 years. Kremlin spokesman Dmitry Peskov said he didn't agree with the characterization of the deal as an emergency loan. He didn't respond to further questions. Glencore and the Qatar Investment Authority said the deal's contract contained no right for Russia to buy back Rosneft shares from the consortium they created. "The transaction did not include an option or agreement for Rosneft, Rosneftgaz or the Russian state to buy the stake or parts of the stake acquired by the consortium," Glencore said. "The consortium alone controls the future ownership of these shares," the Qatar Invest-

ment Authority said through a London public-relations firm. Rosneft, the world's largest listed oil producer, is traded publicly in Moscow, but it isn't easy to buy and sell large pieces of the company because it remains majority-owned by the Russian state and is an instrument of economic power for Mr. Putin. The people familiar with the deal said a time-limited structure and a buyback agreement for the deal worked for both Qatar and Russia. Qatar wanted its Rosneft stake to be temporary, the people said. The emirate believes it will profit from selling the shares back to Russia at a later date, the people said, betting that oil prices will rise and push up Rosneft's share price. Qatar saw the political benefits of giving Russia access to quick cash as a sort of loan to address a budget deficit that had widened due to lower oil prices, the people said. After the deal, a range of talks opened between Russian and Qatari businesses on a scale not seen before, Russian news agencies have reported. For Russia, a temporary deal was also preferred by Igor Sechin, a Putin confidante who runs Rosneft and its parent company Rosneftgaz, one of the people said. Until the deal with Qatar and Glencore, Mr. Sechin had publicly opposed privatizing any more of Rosneft, which is already 20% owned by BP PLC. That ownership slice came about when BP sold its share of Russian oil company TNK-BP in exchange for the piece of Rosneft, and cash. According to people familiar with the matter, Mr. Sechin approached Glencore

Cast of a Deal

A €10.2 billion (\$11.5 billion) deal for a 19.5% stake in Russia's largest oil company, Rosneft, has many layers of complexity. In a sign of the deal's importance, three executives were awarded one of Russia's top honors for foreigners—the Order of Friendship.



about a deal under pressure from Mr. Putin, who needed to raise cash during a 2016 budget crunch, when oil

prices fell to 12-year lows. Russia's federal budget relies on the oil-and-gas industry for about a third of its reve-

nue. Glencore executives said the stake was too big for it alone, the people said, so the company brought in its biggest investor, the Qatar Investment Authority. When the deal was announced in December, Mr. Putin denied it was done "because we lack money for particular budget expenditure items." He said at a news conference that Glencore and Qatar would "improve the management quality" of Rosneft. The deal was called the largest-ever foreign investment in a Russian company. Shares in Rosneft rallied around 20% higher in the four weeks following the deal's announcement on Dec. 7. Those gains have been erased, with the share price down about 25% since the start of the year. Russia has since pushed Glencore and Qatar to find other investors to demonstrate the foreign interest in the Rosneft stake, sparking talks with companies and sovereign wealth funds, according to people familiar with the matter. Glencore shares rose after the December announcement, partly because the deal enables the company to trade 220,000 barrels a day of Rosneft crude for five years—a lucrative piece of Russian market share. Subsequent public disclosures have revealed parts of the deal's complex structure. Glencore says it put up only €300 million (\$338 million) in equity for its stake, not the more than €5 billion implied by taking half a 19.5% piece of Rosneft valued at more than €10 billion. Qatar's investment totaled only about €2.5 billion, Glencore said. In an unusual arrangement,

the rest of the financing was provided by Russian banks, which contributed €2.2 billion, and Italian bank Intesa Sanpaolo SpA, which lent €5.2 billion to the Glencore-Qatar consortium, according to a Dec. 10 new release issued by Glencore. The financing is "non-recourse," Glencore said in the release, meaning the lenders couldn't pursue Glencore and the Qatar Investment Authority if they weren't repaid. An Intesa spokesman said the loan to the Qatar-Glencore partnership "is covered by a robust package of guarantees." Intesa is trying to spread the risk of its loan by syndicating it to other banks, but a person familiar with the matter said the bank hasn't yet found willing takers. Under the deal, the Rosneft shares aren't held directly by Glencore and Qatar but by a U.K. limited liability partnership, according to British corporate records. If there is an option for Rosneftgaz or Rosneft to buy back a stake, then such a LLP entity is exempt from having to pay capital-gains taxes, said Sergey Vakhrameev, a Zurich-based portfolio manager of GL Asset Management, which invests on behalf of private clients, family offices and funds. After the deal was announced, Mr. Putin awarded one of Russia's top honors for foreigners—the Order of Friendship—to Qatar Investment Authority's chief executive, Sheikh Abdullah bin Mohammed bin Saud Al-Thani, Intesa's chief executive, Carlo Messina, and Glencore's chief executive, Ivan Glasenberg. —Giovanni Legorano, James Marson and Scott Patterson contributed to this article.

ISIS

Continued from Page One
ers around the world, according to Western and Arab diplomats who monitor the group. Horrific, headline-grabbing attacks still have the power to stir sympathizers, they said. "For supporters, they need the organization itself to demonstrate its power so they are inspired to act themselves," said a senior U.S. official monitoring Islamic State. No direct links to the militant group have been established in the recent attacks, and it is unclear if the carnage was orchestrated and directed by Islamic State, if the group's propaganda has inspired far-flung supporters to action, or if the group is laying claim to mayhem sown by others. The spurt of violence over the past few weeks, however, has coincided with Islamic State losing its grip on its main power centers in Syria and Iraq, and a call for action by the group in late May. "As the organization is put under more pressure in Raqqa

and Mosul, they'll launch more attacks in the West," the senior U.S. official said. "The question is: Do they have the ability and the networks available to them?" The official said that European security forces have made progress unraveling terror networks there. Western officials have long warned that Islamic State would increase attacks abroad to offset the damage inflicted to its image as it loses territory. The European Union police agency said last year that as Islamic State is weakened in Syria and Iraq, foreign fighters might try to enter the EU at a higher rate, echoing statements by European officials. Wednesday's attack in Iran came a day after U.S.-backed

forces began an assault on Raqqa—the de facto capital of a self-proclaimed caliphate that spanned Syria and Iraq and was once the size of Belgium. The Pentagon estimates there are fewer than 1,000 Islamic State militants still in Raqqa, which was once the group's main population center and inhabited by Syrian, Iraqi and foreign fighters. At its peak, ISIS commanded some 25,000 fighters in both countries. The iron grip with which Islamic State once ruled the city and its residents has loosened as the group's fighters struggle to hold on to territory. Current and former Raqqa residents have described a leadership in chaos, meting out fewer brutal punishments as residents break more of the group's strict rules. A U.S.-backed Iraqi offensive, meanwhile, has been painstakingly routing the militants from Mosul over the past eight months. The militants are now cornered in a narrow strip of the city. Islamic State has responded to offensives by calling for attacks wherever and however

possible, no matter how rudimentary. Former spokesman Abu Mohammed Al Adnani, before his death in a U.S. airstrike in August, was known to encourage followers to strike in the West with methods including running people over or hitting them with a rock. In London on Saturday, the attackers used a vehicle to mow down victims—a tactic also used in London in March, in Berlin in December and in the French city of Nice in July 2016. Vehicular attacks allow plotters to move under the radar of security

has fostered outsourcing, helping companies replace or forgo U.S. workers in favor of lower-paid foreign workers. That sentence was garbled in a Finance & Markets article on Wednesday about the accounting industry's lobbying efforts aimed at making it easier for foreign accountants to work in the U.S. The first name of Peter Meehan, a co-founder of Newman's Own Organics, was incorrectly given as Paul in an article about Paul Newman's Rolex watch in the June/July edition of WSJ. Magazine.

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WORLD NEWS

ISIS Claims Assault on Iran's Parliament

At least 13 killed by gunmen and suicide bombers in attack on legislature and a shrine

Suspected Islamic State gunmen struck the Iranian capital on Wednesday, killing 13 people and targeting two symbolic pillars of the regime: the parliament complex and the shrine of the Iranian revolution's founding father, Ayatollah Ruhollah Khomeini.

By Aresu Egbali in Tehran, Iran, Farnaz Fassihi in New York and Asa Fitch in Dubai

The attacks are the first that Islamic State, a Sunni extremist group, has claimed in predominantly Shiite Iran, and they brought a struggle between the two main branches of Islam to the heart of the country for the first time after decades of proxy battles in other Middle Eastern countries. Iran and Sunni-led Saudi Arabia are vying for regional influence.

If confirmed as Islamic State attacks, they would show the group is still capable of sophisticated foreign operations despite mounting military pressure on its home bases in Syria and Iraq.

Islamic State claimed responsibility for the attacks through its official Amaq news agency, which published a video purportedly filmed inside the parliament complex during the attack, but the extent of its involvement—if any—couldn't be im-



Iranian forces take cover during an attack on the parliament complex in Tehran. Islamic State claimed responsibility for the attack.

mediately verified.

The two attacks unfolded miles apart. Three attackers approached the parliament complex in the center of Tehran at 10:15 a.m. and pretended to have a meeting with lawmakers, the Revolutionary Guards said.

The attackers shot and killed the security guard at the entrance door and opened fire on civilians waiting to see their representatives, the guards said.

The terrorists then clashed with security forces protecting lawmakers and took up positions on a floor of offices, where they killed employees, said the guards, who are responsible for

parliamentary security.

Revolutionary Guards special forces entered the parliament and within an hour contained the threat and killed all three terrorists, the guards said.

The other attack on Wednesday took place at a shrine near Tehran that contains the remains of Iran's 1979 revolutionary leader, state television said.

Two attackers tried to enter the shrine but security forces became suspicious and tried to stop them, said Hossein Zolfaghari, the deputy interior minister for military and security.

One blew himself up in the courtyard of the shrine and the second was targeted by secu-

rity forces, said Mr. Zolfaghari. A worker was killed and three security guards were wounded, state television said.

At least 13 people were killed and 42 wounded in the assaults, according to the Interior Ministry.

The U.S. condemned the attacks. "We express our condolences to the victims and their families and send our thoughts and prayers to the people of Iran," State Department spokeswoman Heather Nauert said. "The depravity of terrorism has no place in a peaceful, civilized world."

The U.S. has no diplomatic relations with Iran and has designated Tehran a state

sponsor of terrorism.

Sunni countries such as Qatar and the United Arab Emirates also condemned the attacks.

Questions remain about how the attackers planned and carried out a sophisticated attack on two of Iran's most secure sites. Visitors to the parliament are thoroughly searched and typically not allowed to take personal belongings inside, including even a pen. The attackers who entered the parliament had AK-47 rifles, grenades and suicide vests.

The Revolutionary Guards indicated that Saudi Arabia had a hand in the attacks, without providing evidence. "We will

not leave any bloodshed unanswered," the guards said.

Saudi Foreign Minister Adel al-Jubeir dismissed the accusation and called Iran "the number one state sponsor of terrorism" and a destabilizing force in the region.

Until Wednesday, Iran had largely shielded itself from terrorist attacks by Sunni extremist groups like Islamic State, which regards Shiites as apostates, relying on tight monitoring by its security forces and frequent arrests of people suspected of terrorist plots.

Last October, security forces said they arrested 11 people suspected of planning Islamic State suicide bombings, seizing large amounts of explosives. Another major terrorist plot was disrupted last June, according to state media.

The latest attacks, however, exposed a raft of new security challenges for Iran. They may dent public confidence in the government of recently re-elected President Hassan Rouhani and his ability to keep Iran free of the scourge of Sunni radicalism.

The attacks also raise questions about Iran's justification for its military involvement in Syria and Iraq—a presence that has cost billions of dollars to sustain. Iran's Supreme Leader Ayatollah Ali Khamenei has said Iran's Revolutionary Guards must battle Islamic State and other Sunni extremists in places like Syria to prevent them from penetrating Iran's borders.

—Nour Alakraa, Maria Abi-Habib, Felicia Schwartz and Bertrand Benoit contributed to this article.

Qatar Finds Support in Dispute With Gulf Neighbors

Germany and Turkey made a show of support for Qatar, weighing in on a regional crisis that is beginning to drive a wedge between the U.S. and some of its closest allies.

Saudi Arabia and countries including the United Arab Emirates, Bahrain and Egypt on Monday abruptly severed

By Andrea Thomas in Berlin, Margherita Stancati in Doha, Qatar, and Margaret Coker in Istanbul

diplomatic ties with Qatar, citing the country's alleged support for religious extremism and its ties to Islamist groups like Egypt's Muslim Brotherhood and Hamas, which rules the Gaza Strip.

In a meeting with his Saudi counterpart in Berlin, German Foreign Minister Sigmar Gabriel called on Saudi Arabia and others to help de-escalate the

crisis, saying cooperation is necessary to fight Islamic State.

"We made clear that we in Germany and in Europe have a great interest for the situation in the Gulf region not to escalate," Mr. Gabriel said. "It's clear that we can only win the fight against Islamic State when we stand side-by-side in the anti-IS coalition."

Like Germany, Turkey—another close ally of both the U.S. and Qatar—has criticized the hard-line stance of Saudi Arabia and other Gulf countries against Qatar. The country's ruling party moved up a scheduled vote on legislation allowing the deployment of hundreds of Turkish troops to Qatar, a decision seen as a strong symbol of its ties to the country.

The diplomatic rupture pits neighboring countries allied with the West against each other, complicating shared efforts to combat Islamic State in Syria and Iraq. Qatar is home to



Qatar Emir Sheikh Tamim bin Hamad Al Thani, left, and Turkey President Recep Tayyip Erdogan in February.

America's largest military base in the Middle East, from where U.S. forces oversee the international air bombing campaign against the extremist group.

The positions of Germany and Turkey are at odds with that of U.S. President Donald Trump, who in a series of

messages on Twitter on Tuesday sided with Saudi Arabia, the U.A.E. and others, appearing to take credit for the move, which he said was aimed at countering extremist ideology and terror financing.

Mr. Trump's comments contradicted statements made by

other top administration officials who called for dialogue, causing confusion on U.S. policy. A U.S. State Department official said Wednesday that America's ties with Qatar remain strong and that it hopes the crisis will soon be resolved.

Turkey, which like Qatar

sees itself as supporting moderate Islamic political parties in the wider region, is seeking to mediate between the opposite sides, as are Kuwait and Oman.

Last month, Turkish and Qatari generals finalized a military base agreement under which up to 600 Turkish troops would be deployed to Doha. The troops' mission would be to help train Qatar soldiers with mine-clearing and other nonlethal tactics.

Mr. Gabriel spoke after meeting his Saudi counterpart, Adel al Jubeir. Addressing the press, the Saudi foreign minister reiterated Riyadh's position, saying Qatar had supported extremist organizations for years and failed to cooperate with its neighbors.

Qatar has dismissed all allegations against it as baseless and called for dialogue to resolve the dispute.

—Yeliz Candemir and Zeke Turner contributed to this article.

Earliest Human Specimens Unearthed

By ROBERT LEE HOTZ

The bones of ancient hunters unearthed in Morocco are the oldest known specimens of the human species, potentially pushing back the clock on the origin of modern Homo sapiens, scientists said.

Found among stone tools and the ashes of ancient campfires, the remains date from about 300,000 years ago, a time when the Sahara was green and several early human species roamed the world, the scientists said. That makes them about 100,000 years older than any other fossils of Homo sapiens—the species to which all people today belong.

"These dates were a big wow," anthropologist Jean-Jacques Hublin said on Wednesday at the Max Planck Institute for Evolutionary Biology in Leipzig, Germany. He led an international team of scientists who reported the discovery in Nature. "This material represents the very roots of our species—the very oldest Homo sapiens found in Africa or anywhere."

Until now, most researchers believed that modern humankind emerged gradually from a population centered in East Africa around 200,000 years ago. Previous discoveries of early Homo sapiens fossils have been concentrated at sites in Ethiopia.

The fossil discovery at Jebel Irhoud near Marrakesh



Some of the Middle Stone Age tools found in Morocco

in North Africa, however, suggests that early humans had already spread across most of Africa by then.

"What's really neat about this discovery is that you now have evidence of modern

Homo sapiens across Africa, about as far from sites in East Africa as you can get," said anthropologist Bernard Wood at George Washington University's Center for the Advanced Study of Human Paleobiology, who wasn't involved in the find.

As early experiments in the human form, these ancestors had quite modern-looking facial features, but relatively primitive skulls, suggesting that the cognitive capacities of modern brains had yet to take shape, the scientists said.

Their faces were likely so contemporary in appearance that they might pass unnoticed on a crowded city sidewalk, although they might need to wear a hat to disguise their skull's elongated shape, Dr. Hublin said.



Mr. Hublin, right, holds the casting of a skull found in Morocco.

Such combinations of traits, though, blur the differences that distinguish one human ancestor and another, making it hard for scholars to classify species accurately. In fact, several early human species, such as Neanderthals, were so closely related to Homo sapiens that they could all interbreed, modern genetic evidence shows.

But several independent experts said they agreed that the fossils most likely belonged to Homo sapiens.

The scientists found bones of three adults, a teenager and a child mixed in with sharpened flint tools and the butchered bones of gazelles and zebras, suggesting that a hunting party had camped there. Fires had scorched the tools and that proved key to determining the age of the find.

The researchers tested the tools using a technique called thermoluminescence dating, which reveals how much time has elapsed since an object has been heated.

They also dated tooth enamel from a fossil jaw using electron spin resonance, which can measure the residual radiation that has built up since a material formed.

"It leads us to conclude that 300,000 years old is the best age for these fossils," said Daniel Richter at the Max Planck Institute, who conducted the dating studies.

A large advertisement for Mikimoto. It features a close-up of a woman's face and neck. She is wearing a white, textured top and a large, elegant pearl necklace. The Mikimoto logo is prominently displayed in the center, with the tagline "The Originator of Cultured Pearls. Since 1893." below it. The background is a soft, out-of-focus outdoor setting.

WORLD NEWS

EU Unveils New Funding For Defense

By LAURENCE NORMAN
AND JULIAN E. BARNES

BRUSSELS—Fresh on the heels of President Donald Trump’s call for allies to increase military spending, the European Union announced €500 million (\$563 million) in funding by 2020 for a new program to unify its fractured defense market and jointly develop advanced weapons systems.

European officials hope Wednesday’s initiative, in the works long before Mr. Trump’s exhortation, will benefit from his push for European governments to spend more on defense. It may also help to blunt criticism from Washington.

The history of attempts to unify Europe’s defense industry and military-acquisition programs is littered with expensive failures. Defense analysts say national governments have repeatedly sought to direct limited resources to local

companies.

This time, the thinking is relatively modest. The EU will use the fund to co-finance several projects ranging from €500 million to €1 billion to develop a new generation of weaponry.

European countries spend relatively little on military research. EU members, excluding the U.K., which is departing, together devote roughly €5 billion annually to military research and development.

The Pentagon, in contrast, spends roughly \$80 billion annually to develop new equipment. Mr. Trump in May used a meeting of North Atlantic Treaty Organization leaders to blast allies for insufficient military spending that he said unfairly burdened U.S. taxpayers.

While European diplomats were surprised by Mr. Trump’s hectoring tone, most accept that defense outlays must increase. Germany plans an 8% increase this year, but many



CHRISTOF STACHE/AGENCE FRANCE-PRESSE/GETTY IMAGES

EU countries, which spend relatively little of their budgets on military research, plan to invest more to develop advanced weapons systems.

analysts say even that won’t close the gap. Jointly funded projects could help direct increased spending to needed European capabilities such as drones, cyber and robotics, officials and analysts say.

The U.S. has pushed Europe to buy American weaponry, but European officials want spending to support EU companies.

Prior European multinational defense programs have foundered, run over budget or failed to deliver capabilities on time.

“It is the classic difficulty in a multinational program,” said Douglas Barrie, a defense analyst at the London-based International Institute for Strategic Studies. “Too many chefs, not enough bottle washers.”

The new defense fund eschews the traditional approach to defense cooperation, driven by giant projects such as the Eurofighter combat jet or multinational conglomerates such as Europe’s Airbus SE. Instead, it will offer a cash boost to smaller defense-focused firms across the EU that are willing to cooperate. The goal is to

convert ideas and research into actual defense equipment.

Under the program, EU funds must be matched by national governments who commit to buy the weaponry developed under the initiative. The aim is to deliver €2.5 billion in overall European defense spending. More EU funding is expected after 2020.

ECB Critic Eases Tone Before Race for Bank’s Top Job

By TOM FAIRLESS

FRANKFURT — Jens Weidmann, the German central-bank chief who made his name by loudly attacking the European Central Bank’s crisis-fighting efforts, has become a quiet defender of the ECB against its German critics.

The shift has been subtle. Mr. Weidmann still criticizes the bank’s radical stimulus measures. But his tone has softened as evidence accumulates that the ECB’s policies are working—and as the race to become the institution’s next president approaches.

“There is currently no doubt that an expansionary monetary policy stance is appropriate,” Mr. Weidmann said in a speech in late May, while suggesting he might not agree with his colleagues on the details.

Only five years ago, he was boasting of clashes with fellow policy makers, and comparing easy-money policies to drugs and alcohol.

As ECB officials gather Wednesday and Thursday in Estonia, what was once a bitter argument over the bank’s far-reaching monetary stimulus is expected instead to be a pragmatic discussion about whether to start reducing it.

Mr. Weidmann declined to be interviewed for this article.

ECB President Mario Draghi’s term ends in 2019. The jockeying to succeed him is likely to begin after Germany’s national elections in September. The presidency is determined by a vote of eurozone leaders.

Mr. Weidmann has been carefully noncommittal. “I make a point of never taking part in speculation on such issues,” he said in an interview in May, responding to whether he might be the next ECB chief.

But German Chancellor Angela Merkel and her finance minister, Wolfgang Schäuble, are reportedly prepared to push for him, on the basis that no German has led the ECB, which is based in Frankfurt, in



ANDREW MEDGHI/ASSOCIATED PRESS

Jens Weidmann, head of the Bundesbank, has exhibited a newfound amity with the ECB, which no German has ever led.

its nearly 20-year history.

Mr. Weidmann has been careful not to alienate his German constituency. While he has cooled his fiery rhetoric, he continues to criticize policies viewed with deep distrust in Germany, such as govern-

ment-bond purchases.

Despite his unpopularity in some European capitals, Mr. Weidmann would have a strong claim for the top job. Germany is the region’s anchor economy, and the ECB was modeled on the Bundes-

bank. Mr. Weidmann’s predecessor, Axel Weber, was widely seen as the front-runner before he pulled out of the race, a decision that infuriated Ms. Merkel. Crucially, only a minority of eurozone governments have required bailouts—or come close. Many others are sympathetic to at least some German concerns.

With a rapprochement between the ECB and its most important shareholder, the Bundesbank, the bank could stand a better chance of winning acceptance in Germany for some of its policies. And, as the ECB navigates an exit from its stimulus, it would stand a better chance of avoiding a public fight that could confuse investors and rattle financial markets.

Mr. Weidmann’s colleagues on the ECB’s governing council are relieved about his new approach. Many had grown exasperated, complaining, usually in private, that Mr. Weidmann rejected anticrisis measures

while proposing no alternatives

Still, the Bundesbank chief’s newfound amity with the ECB is raising some concerns back home. Germans revere their conservative central bank for cementing the nation’s post-war rebound. Much of Germany’s political and economic establishment thinks the ECB’s ultralow interest rates punish German savers while taking the pressure off sluggish European economies such as France and Italy to make changes.

“I fear that Mr. Weidmann has softened his opposition,” said Jörg Krämer, chief economist at Commerzbank in Frankfurt.

Nor is it clear that a mere shift in tone will be enough to win around Mr. Weidmann’s critics in southern Europe. When the ECB’s Mr. Draghi repeatedly complained in public about colleagues saying “Nein zu Allem”—German for “No to everything”—it was clear whom he meant. The Italian hasn’t made that jibe recently, though.



Debris from Saturday’s attack in Borough Market, London, remained in the street on Wednesday.

MARKUS SCHREIBER/ASSOCIATED PRESS

London Attack Death Toll Rises

LONDON—Authorities on Wednesday raised the death toll in the weekend car-and-knife rampage to eight after recovering a body from the Thames.

By Michael Amon,
Jon Sindreu
and Georgi Kantchev

Police didn’t identify the body, but said they informed the next of kin of Xavier Thomas, a 45-year-old French national who disappeared after the attack, of the discovery.

In the Saturday night attack, three men mowed down pedestrians in a van on London Bridge before slashing their way through a nearby area of bars and restaurants in an eight-minute rampage. The assailants were shot and killed by police.

Mr. Thomas’s family and police had called for information after he went missing the night of the attack. Witness

statements suggested Mr. Thomas may have been struck down by the attackers’ van and thrown into the river, police have said.

The body was found Tuesday night at 7:45 p.m. in London near Limehouse, a riverside section of London downstream from the bridge attack.

The discovery came as more information emerged about those who died in Saturday’s attack.

Police said Wednesday the victims included Sara Zelenak, a 21-year-old Australian living and working in London.

Family members confirmed the death of Ignacio Echeverría, a 39-year-old Spanish national who has been hailed as a hero for trying to fight off the attackers with his skateboard.

“My brother Ignacio tried to stop some terrorists and lost his life trying to save others,” said his sister, Isabel

Echeverría, in a Facebook post. “Igna, we love you and we’ll never forget you.”

French President Emmanuel Macron said that three French nationals have died. “France has paid heavily in these attacks,” he said.

Mr. Macron didn’t name the victims. A French police official has said they include a 27-year-old man from Normandy named Alexandre. Friends and family said two other French victims were missing: Mr. Thomas and Sebastien Belanger, 36, a chef at London restaurant Coq d’Argent.

Investigators are working to piece together a picture of the lead-up to the attack. Authorities had been warned about at least two of the attackers but weren’t actively monitoring them, raising questions about the country’s security gaps.

—Jenny Gross and Lara O’Reilly contributed to this article.

POLL

Continued from page A1

to give other parties the chance to club together and govern instead.

The reason for the variation in the polls: Faulty predictions ahead of the previous election in 2015 prodded the polling industry in the U.K. to overhaul the arcane methods they employ to divine public opinion.

In the U.K., it is these adjustments that are generating the mixed signals clouding the election result, pollsters say.

“This is an experimental election in many ways for pollsters,” said Jon Cohen, chief research officer for Survey-

Monkey, which conducts online polls in the U.S. and U.K.

Mrs. May called a snap election April 18 at a time when opinion polls gave her center-right Conservatives an advantage of around 20 percentage points on average over the main opposition Labour Party, led by veteran left winger Jeremy Corbyn.

The prime minister’s lead has narrowed sharply since the race began, with the average Conservative lead shrinking to around 8 points on Tuesday, according to a Wall Street Journal analysis.

Pollsters say the slip reflects a lackluster Conservative campaign and a better-than-expected reception for Labour, which has been more successful than the government at

picking up wavering voters.

Terror attacks in Manchester and London shocked the country and colored the parties’ campaigns, though they don’t appear to have significantly altered voting intentions.

No poll has yet given Labour an outright lead.

That polling average conceals a wide variation among different pollsters’ estimates of Mrs. May’s advantage.

Even small differences in party vote shares in the U.K. can have hard-to-predict effects when it comes to forming a new Parliament, thanks to an electoral system that tends to reward big parties at the expense of smaller ones and those with concentrated geographical support at the expense of those with

more diffuse backing.

Driving the discrepancy, pollsters say, are differences in how firms predict voter turnout, a response in part to an earlier error exposed by the 2015 election.

Prime Minister Theresa May’s lead has narrowed sharply since the race began.

Pollsters had been quizzing too many younger political nerds, many of who lean toward Labour, and too few older and less-engaged voters, who tend to favor the

Conservatives, said Patrick Sturgis, a statistics expert at the University of Southampton who led the industry-sponsored review into the 2015 polling fiasco.

The result was that polls in 2015 understated Conservative support. To fix the problem, firms broadly have taken two approaches.

Some made an extra effort to make their panels more representative of the wider population, while others have worked harder to weight their findings to reflect voting patterns among different groups of people.

Polling firm YouGov has tended to show Labour closing the gap on the Conservatives, with a poll June 2 giving a 3-point lead to the government.

Since 2015, it has focused primarily on broadening the sample of voters it questions, said Anthony Wells, YouGov director of political and social research. “We have thrown everything at trying to recruit people who are less interested in politics,” he said.

Martin Boon, director at ICM, has focused more on gauging turnout, and said he believes rival firms’ polls are overstating the likelihood that younger and poorer voters, who lean toward Labour, will turn up to vote. His polls have tended to show a larger Conservative lead, with the latest putting the Conservatives 11 points ahead of Labour.

“We will see on Friday morning if we are right,” Mr. Boon said.

WORLD NEWS

Turkey Detains Local Chief of Amnesty

Human-rights group says he was among 23 lawyers picked up for alleged terror ties

By NED LEVIN

ISTANBUL—The head of Amnesty International’s Turkey branch has been detained along with nearly two dozen other lawyers on suspicion of links with a terror organization, in a continuing crackdown in the country.

Taner Kilic, who has chaired the global human-rights organization’s Turkey branch since 2014, and 22 other lawyers were picked up on suspicion of using an encrypted telephone chat app that Turkish intelligence says was a primary communication tool for followers of Fethullah Gulen, according to Amnesty International. Turkey blames the U.S.-based cleric for last year’s failed military coup attempt, while Mr. Gulen has denied any involvement.

Mr. Kilic was scheduled to be interviewed by counterterrorism police in the coastal city of Izmir, where he was detained on Tuesday, Amnesty said. The lawyer, who has served on Amnesty’s board for various periods since 2002, is neither a member nor a sup-



ADEM ALTAN/AGENCE FRANCE-PRESSE/GETTY IMAGES

Riot police on Wednesday blocked protesters in Ankara demonstrating in support of two hunger strikers taken into custody in May.

porter of the Gulen movement, and in fact has been a critic of it, said Gauri van Gulik, Amnesty International’s deputy director for Europe and Central Asia.

“The fact that Turkey’s postcoup purge has now dragged the chair of Amnesty International Turkey into its web is further proof of just how far it has gone and just how arbitrary it has become,” said Amnesty International’s

Secretary-General Salil Shetty. Turkey’s Interior Ministry didn’t respond to a request to comment.

The move against the lawyers is part of a larger crackdown in Turkey that started after the violent, but failed, attempt to overthrow the government in July 2016. Since then, Turkey has been under a state of emergency, and roughly 50,000 people have been arrested and

150,000 others purged from their civil-service jobs.

Turkey says the actions are necessary to defend against a terrorist group, which is how the government classifies Mr. Gulen’s organization.

Amnesty, as well as many other human-rights groups, political opposition parties and foreign governments, have condemned the crackdown as arbitrary and in violation of human rights.

Numerous people detained since last summer are alleged to have used the encrypted messaging app ByLock. The app was popular among followers of Mr. Gulen, Turkish officials say, and the act of downloading the app has been grounds for detention, arrest as well as prosecution.

Mr. Kilic was able to communicate with colleagues and his lawyer while police searched his office Tuesday. In

those conversations, he told them that he has never had ByLock on his phone and had never heard of the app before it became commonly mentioned in the media in connection with Mr. Gulen’s organization, according to Ms. van Gulik. Mr. Kilic also said he didn’t know the 22 other lawyers detained Tuesday, Ms. van Gulik said.

In addition to his work with Amnesty International Turkey, Mr. Kilic was a commercial lawyer who has also specialized in refugee law, Ms. van Gulik said.

Mr. Kilic’s detention doesn’t appear to be connected to Amnesty International’s work, the organization said. Its Turkey branch has about 40 full-time employees around the country working in coordination with headquarters in London, in addition to Amnesty International’s separate research and advocacy in the country, Ms. van Gulik said.

A report issued by Amnesty International last month on public-sector workers purged by the government after the coup attempt found that “the absence of individualized evidence has facilitated arbitrary dismissals on the grounds of score-settling, political affiliations, or even personal conflicts.”

—Yeliz Candemir contributed to this article.

Russian Catholics Seek Pope’s Nod Berlin to Move Base Out of Turkey

By FRANCIS X. ROCCA

ROME—A group of Russian Catholics is demanding greater recognition from Pope Francis, saying the Vatican appeases Moscow and threatens the group’s very existence.

Leaders of the Russian Byzantine Catholic Church, with fewer than 30,000 members world-wide, are meeting in Italy this week in their first such synod in a century.

On the agenda is a long-standing request for their own bishop and resources for training their own clergy.

Church leaders say the pope has ignored their appeals as he pursues closer ties with the Russian Orthodox Church, which is dominant in the country.

“The survival of the Russian Catholic Church is what’s at stake,” said the Rev. Lawrence Cross, a Russian Catholic priest based near Melbourne, Australia. “One of the essential things we need for our survival, like any church or any family, is a father.”

Archbishop Cyril Vasil’, secretary of the Vatican’s Congregation for the Oriental Churches, said his office was aware of the Russian Catholics’ meeting but declined to comment.

The complaints of the Russian Byzantine Catholic Church echo those of other groups who feel Pope Francis is willing to sacrifice their well-being for the sake of other priorities.

Catholics in Ukraine accuse the pope of playing down Russian aggression toward their country in order to placate the Russian Orthodox Church, which has criticized Ukrainian Catholics’ opposition to Russia-backed separatists.



GREGORIO BORGIA/ PRESS POOL

Pope Francis with Russian Orthodox Patriarch Kirill in February

Russian President Vladimir Putin has cultivated a close relationship with the Orthodox Church as part of a nationalist campaign.

And some members of China’s underground Catholic Church, who have remained loyal to Rome through more than half a century of persecution, worry the pope will betray their fidelity in pursuit of a deal with Beijing and the government-controlled official Catholic Church there.

The Vatican has sought stronger links with the Eastern Orthodox churches since the 1962-65 Second Vatican Council, working toward ending a schism that dates to the 11th century.

Pope Francis has made closer ties with the Russian Orthodox, who represent about two-thirds of the world’s 250 million Orthodox Christians, an especially urgent priority in light of increasing persecution of Christians around the world.

In 2016, Pope Francis became the first pope to meet a patriarch of Moscow.

Amid that outreach, Rus-

sian Byzantine Catholics have felt particularly neglected. The election of Pope Francis, who had a record of supporting Eastern Catholics in his native Argentina, raised hopes that he would do likewise as pope. But those hopes, including a desire for a Russian Byzantine Catholic bishop, have been dashed.

The Moscow Patriarchate tolerates the presence of a Catholic hierarchy to minister to ethnic Germans and Poles in Russia, said the Rev. Ronald Roberson, an adviser on ecumenical matters to the U.S. Catholic bishops’ conference.

“But if Rome were to appoint someone to lead ethnic Russian Catholics, the Russian Orthodox would go berserk,” he said.

Even as the pope meets frequently with Orthodox clergy at the Vatican, appeals from Russian Byzantine Catholics to meet with Pope Francis have gone unanswered, Father Cross said.

“Francis has let us down,” said Father Cross. “We’ve just been left out in the cold.”

Virtually all of the world’s

1.3 billion Catholics belong to the Latin—or Western—Church.

A fraction, meanwhile, belong to about two dozen Eastern Catholic Churches, which regard the pope as their ultimate authority but have their own rituals, laws and traditions.

The Russian Byzantine Catholic Church is one of the smallest of these churches.

It celebrates a liturgy identical to that of the Russian Orthodox and seeks to serve as a bridge across the thousand-year gap between Catholicism and Orthodoxy.

Yet its relationship with both sides is troubled. Russian Catholics suffered and died alongside Orthodox Christians under the Soviet regime.

Yet the Orthodox Patriarchate of Moscow regards the Russian Byzantine Catholic Church, like other Eastern Catholic churches, as a vehicle for luring members of its flock to Rome.

The overwhelming majority of the roughly 919,000 Catholics in the Russian Federation today are Latin Catholics, mostly ethnic Germans and Poles, Father Roberson said.

The tiny numbers of Russian Byzantine Catholics inside Russia operate under the wing of a Latin rite bishop in Siberia.

Most Russian Byzantine Catholics today live outside the Russian Federation, with communities throughout the West.

St. Michael’s Chapel in lower Manhattan, founded in 1936, attracted a small but dedicated congregation that at one time included Dorothy Day, founder of the Catholic Worker movement, and the poet-monk Thomas Merton.

By ZEKE TURNER

BERLIN—Germany said its air force contingent engaged in the campaign against Islamic State would leave Turkey after Ankara refused to allow German lawmakers access to the troops, in an escalation of tension between the North Atlantic Treaty Organization allies.

Defense Minister Ursula von der Leyen said Chancellor Angela Merkel’s cabinet on Wednesday approved her proposal to relocate the more than 250 troops to an air base in Jordan from Incirlik Air Base in southern Turkey, a launchpad used since last year by German forces to fly reconnaissance and refueling missions in support of the U.S.-led coalition fighting Islamic State in Syria and Iraq.

“We have a parliament-led army and it goes without saying lawmakers need to visit the servicemen and women,” Ms. von der Leyen said in an interview with German radio.

While the move means Germany will stop flying reconnaissance and refueling missions during the relocation, defense experts said they think the country’s modest contribution to the anti-Islamic State coalition means the dispute is unlikely to undermine the campaign. But it marks an admission of failure by Berlin, which has gone out of its way to appease Ankara in talks between Ms. Merkel and Turkish President Recep Tayyip Erdogan in Brussels in May and between the president and German Foreign Minister Sigmar Gabriel in Turkey this week.

Despite mounting domestic pressure to toughen her line

against a regime seen here as autocratic, Ms. Merkel has been reluctant to damage ties with Ankara, which is working with the EU on keeping a flow of refugees from the Middle East to Europe in check.

But a succession of diplomatic spats centered on Mr. Erdogan’s crackdown on domestic opponents have sent the relationship to a historic low. After Turkey’s decision to block German lawmakers from visiting German troops in Incirlik in recent weeks, Ms. Merkel yielded to demands from parliament that the troops be withdrawn.

Germany will have to transfer Tornado jets, a refueling aircraft, and thousands of tons of equipment from Incirlik to Jordan’s Muwaffaq Salti Air Base, according to Ms. von der Leyen. She said coalition partners would be asked to help cover Germany’s operational responsibilities during the move. The relocation is expected to take up to three months.

Until they can construct their own infrastructure, German troops will be able to use barracks belonging to the U.S., Belgium and the Netherlands at the new base, Ms. von der Leyen said.

The move won’t affect Germany’s troops at the NATO base in Konya, Turkey, which the Turkish government has allowed lawmakers to visit.

Turkey’s ban on visits to Incirlik began last summer after German lawmakers voted to label Ottoman Turks’ killing of more than a million Armenians about 100 years ago as genocide. In September, Turkey briefly lifted the ban.

WORLD WATCH

EUROZONE

ECB Urged to Taper Stimulus in 2018

The European Central Bank should wind down its bond purchases in 2018 and raise one of its key interest rates by the end of that year, the Organization for Economic Cooperation and Development said Wednesday.

The research body also cut its economic growth forecasts for the U.S. this year and next, saying stimulative measures it had expected would likely be implemented later than it had previously anticipated.

The OECD’s call came as part of its twice yearly report on the outlook for the global economy, in which it raised its growth forecasts for the eurozone this year and next. By contrast, it lowered its forecast for the U.S. economy, and now expects growth this year of 2.1%, down from 2.4% in March. It also cut its projection for 2018 to 2.4% from 2.8%.

—Paul Hannon

CHINA

Beijing Laments U.S. ‘Cold War Mentality’

China pushed back against a Pentagon warning about the Chinese military’s growing ambitions outside Asia, calling the U.S. report “irresponsible” and saying China’s defense policy was aimed at safeguarding its sovereignty.

In a report on the Chinese military published Tuesday, the U.S. Defense Department said China’s military, the People’s Liberation Army, was likely to try to expand its operations outside the region, while strengthening its ability to defend expansive territorial claims closer to home.

“China’s defense is for safeguarding China’s independence, sovereignty and territorial integrity,” Foreign Ministry spokeswoman Hua Chunying said. Criticizing the U.S. for maintaining a “Cold War mentality,” Ms. Hua said the Pentagon report was written “without regard for the facts.”

—Josh Chin

Australians Cut Spending as Borrowing Rises

By JAMES GLYNN

SYDNEY—Data analyst Ben Reid recently took out a 25-year loan on a home outside Sydney despite a frothy housing market in Australia, believing in the market’s staying power. Payments on the \$500,000 mortgage will consume about half his take-home pay.

“I’d like a new car in the next couple of years but not sure where that cash will come from,” said Mr. Reid, who is married with a 2-year-old son.

Big personal debts and spending worries like Mr. Reid’s are a gathering storm over Australia’s economy, threatening a 25-year streak without recession.

Growth rose an anemic 0.3% in the first quarter, Australia’s statistics bureau said on Wednesday, putting annual growth on track to be the weakest since September 2009.



STEVEN SAPHORE/REUTERS

Household debt has surged. Above, a financial ad in Sydney

Consumer spending has helped to cushion a deep downturn in mining investment when commodity prices slumped a few years ago.

Consumption accounts for more than half of Australian GDP growth, of which nearly a third is retail sales.

But much of that spending is from borrowed money

rather than from savings or higher wages. Australia’s savings rate fell to 4.7% in the first quarter, a 10-year low.

As a result, Australian household debt has risen to a record 212% of income, according to the latest available data from the Organization for Economic Cooperation and Development. That is the fourth-

highest globally after Norway, the Netherlands, and Denmark, and higher than the U.S. peak of 143% just before the 2007 global financial crisis.

Now, as consumers bump up against the limits of their credit, that debt is biting into their spending, economists say.

Retail sales in Australia have fallen or been flat for three of the past five months, the worst conditions in years. Wage growth is the lowest on record, according to government data going back nearly two decades.

“Australia is decoupling further from the global recovery, with the consumer facing a cash flow and credit crunch,” Morgan Stanley analysts said this week.

At a policy meeting on Tuesday, Australia’s central bank said it was concerned that poor wage growth is crimping consumer spending and said that scenario is likely to persist.

U.S. NEWS

Hearing Probes Discussions With Trump

Intelligence officials decline to testify about talks with president, frustrating lawmakers

By BYRON TAU

WASHINGTON—Two top U.S. intelligence officials declined to offer specifics on any conversations with President Donald Trump or to rebut media reports that he had asked them to intervene in investigations into whether his associates colluded with Russia to influence the 2016 election.

Speaking before the Senate Intelligence Committee on Wednesday, Director of National Intelligence Dan Coats and National Security Agency Director Mike Rogers both said they hadn't ever felt pressured or ordered by Mr. Trump to help end an investigation focused on campaign associates. But they also wouldn't answer questions on whether they had been asked to influence a continuing probe or asked to say anything that they knew to be untrue.

The Washington Post reported on Tuesday that Mr. Trump had asked Mr. Coats to help stop a probe into his former national security adviser, Mike Flynn. The Post also reported last month that both Messrs. Coats and Rogers were asked to issue statements exonerating Mr. Trump and his associates from any collusion with Russia.

"In the three-plus years that



Federal officials—Andrew McCabe, Rod Rosenstein, Dan Coats, Mike Rogers, from left to right—testified on Capitol Hill on Wednesday.

I have been the director of the National Security Agency, to the best of my recollection, I have never been directed to do anything I believe to be illegal, immoral, unethical or inappropriate," Mr. Rogers testified. "And to the best of my recollection, during that same period of service, I do not recall ever feeling pressured."

Mr. Coats said similarly that

he hadn't felt pressured "to intervene or interfere in any way in shaping intelligence in a political way or in relationship to an ongoing investigation."

But in a later exchange with Sen. Marco Rubio (R., Fla.), the men didn't answer whether they had been asked by the president to influence an investigation.

"What I'm not willing to do

is to share what I think is confidential information that ought to be protected in an open hearing," Mr. Coats said.

"I am asking whether or not you have ever been asked by anyone to influence an ongoing investigation," Mr. Rubio replied.

"I understand, but I'm just not going to go down that road in a public forum," Mr. Coats

said, adding that he would be willing to meet with Robert Mueller, who is the special counsel overseeing the federal investigation into alleged Russian interference in last year's election.

At the same hearing, two top Justice Department officials—Andrew McCabe, acting director of the Federal Bureau of Investigation, and Rod Rosenstein,

deputy attorney general—declined to offer testimony about Mr. Trump's dismissal of James Comey as FBI director, saying that they didn't want to testify on a matter that could be part of a federal investigation.

Mr. Comey was fired last month as the FBI was investigating whether Mr. Trump's associates colluded with Moscow. His dismissal sparked the appointment of Mr. Mueller to oversee the probe and give it independence from the political leadership of the Justice Department.

Russian officials have denied the government meddled in the U.S. election, and Mr. Trump has denied any collusion.

Sen. Angus King of Maine, who isn't affiliated with any party, pressed Messrs. Coats and Rogers on why they were declining to answer questions about what exactly Mr. Trump asked them to do with regard to the Russia probe.

When Mr. King asked whether the White House was invoking executive privilege over the conversations they had with the president, the intelligence officials said no. Mr. King then asked why they were declining to answer. Mr. Rogers said he felt it was inappropriate. "What you feel isn't relevant," Mr. King said. The senator said the witnesses had no legal basis—in the absence of executive privilege being invoked by the White House—to decline to answer the questions.

—Paul Sonne
contributed to this article.

Five Inquiries on Russia and 2016 Election

By BYRON TAU

There are at least five investigations that directly affect President Donald Trump and his associates. Most are looking into questions about whether Russia interfered in the election, while others are investigating Mr. Trump's actions in office concerning the Russia probes—including his firing of James Comey as FBI director.

Here is the state of play of each investigation.

Leader: Special counsel Robert Mueller

Scope: The FBI, under the supervision of Mr. Mueller, is conducting a counterintelligence investigation into whether there was any collusion between Mr. Trump or his associates and Russian officials. He has also taken over separate investigations of whether any of Mr. Trump's associates committed crimes unrelated to Russian coordination, such as violations of tax law or lobbying restrictions. Mr. Mueller will also need to decide whether to investigate questions about Mr. Trump's dismissal of Mr. Comey.

Actions: Grand jury subpoenas have been issued to associates of Mr. Trump as part of the investigation. Unlike the congressional investigations, the FBI's probe is looking into possible criminal violations.



Special counsel Robert Mueller, pictured in 2013, was a longtime director of the FBI.

Leader: Sen. Richard Burr (R., N.C.)

Top Democrat: Sen. Mark Warner (D., Va.)

Scope: The Senate Intelligence Committee is conducting an investigation into whether Russia intervened in the election and whether anyone from Mr. Trump's campaign colluded with Russia.

Actions: The panel has been conducting public and closed-door hearings on the issue.

Leaders: Rep. Mike Conaway (R., Texas) and Rep.

Devin Nunes (R., Calif.)

Top Democrat: Rep. Adam Schiff (D., Calif.)

Scope: Like its Senate counterpart, the House Intelligence Committee is conducting an investigation into whether Russia intervened in the election and whether anyone from Mr. Trump's campaign colluded with Russia. But the panel is also investigating whether handling of sensitive intelligence involving Trump associates by Obama administration officials was improper. The committee has been

plagued by partisan infighting—with its chairman, Mr. Nunes, stepping aside as leader of the Russian investigation in order to fight claims that he had mishandled classified information, something he denies.

Actions: The panel has been conducting both public and closed-door hearings on the issue and aims to write an authoritative public report.

Leader: Sen. Chuck Grassley (R., Iowa)

Top Democrat: Sen. Dianne

Feinstein (D., Calif.)

Scope: The Judiciary Committee has jurisdiction over federal law enforcement. A subcommittee has held a public hearing on the matter of Russian interference, inviting two Obama administration officials to testify publicly. And the bipartisan leadership of the panel has been pressing the FBI for more information about Mr. Comey's firing. Mr. Comey has agreed to appear before the Senate Intelligence Committee but hasn't committed to appear before Judiciary.

Actions: Judiciary has been conducting public hearings and closed-door meetings on issues around Mr. Comey's dismissal and the Russia probe.

Leader: Rep. Jason Chaffetz (R., Utah)

Top Democrat: Rep. Elijah Cummings (D., Md.)

Scope: The House Oversight Committee has jurisdiction over waste, fraud and abuse within the federal government. It has been probing several issues related to Mr. Trump—including whether his business empire poses conflicts of interests, questions about Mr. Comey's firing and issues related to the firing of former national security adviser Mike Flynn.

Actions: The panel has been requesting and reviewing documents. Hearings are possible.

Russians Call U.S. Paranoid

By NATHAN HODGE

MOSCOW—"Russophobia" has become the buzzword of Russia's political elite.

Ahead of testimony by former FBI Director James Comey, Kremlin officials and ordinary Russians say Washington is in the grip of anti-Russian hysteria that has poisoned any chance of better U.S.-Russia ties.

Mr. Comey is expected to face questions Thursday from lawmakers over whether President Donald Trump tried to influence the Federal Bureau of Investigation's probe into alleged Russian meddling in the 2016 U.S. election.

Russia has denied involvement in attempts to influence U.S. and European elections. But Russian President Vladimir Putin last week suggested that "patriotic" Russian hackers may have been involved in the breach of Democratic National Committee servers last year, a statement some observers viewed as a roundabout admission of Russian involvement.

"The other team lost," Mr. Putin said, referring to the Democratic Party's result in the election. "They are reluctant to acknowledge the mistake. They do not want to admit that they did not get it, that they miscalculated. It is easier to say, 'We are not to blame. The Russians are to blame. They interfered in our election, but we are good.'"

The U.S. intelligence community released a report earlier this year that claimed Mr. Putin directed a campaign aimed at influencing the outcome of the election in favor of Mr. Trump. Those claims received renewed attention this week after the arrest of a U.S. government contractor in connection with the leak of a National Security Agency document that concluded Russian spies hacked computers of a U.S. company to steal information on voting systems.

Talk of Russophobia is part of a larger official Russian narrative of encirclement: The political elites of the U.S. and its Western allies want a weak and supine Russia, the reasoning goes. And they deliberately stir up popular hostility toward Russia. Mr. Trump has frequently expressed admiration for Mr. Putin. But expectations of a rapprochement between Moscow and Washington have faded amid investigations into ties between Russia and members of Mr. Trump's inner circle.

Ex-Justice Official Is Picked for FBI Post

By REBECCA BALLHAUS

President Donald Trump plans to nominate former Assistant Attorney General Chris Wray to serve as the next director of the Federal Bureau of Investigation, the president wrote on Twitter Wednesday morning.

Mr. Wray, a former senior U.S. Justice Department official who has since served as a white-collar defense lawyer, met with Mr. Trump late last month at the White House for an interview. "I will be nominating Christopher A. Wray, a man of impeccable credentials, to be the new Director of the FBI," Mr. Trump wrote on Twitter. "Details to follow."

Once officially nominated, Mr. Wray will need Senate confirmation. The FBI director is appointed to a single 10-year term, but can be removed by the president.

The selection of Mr. Wray caps a monthlong search that began in May after Mr. Trump fired then-FBI Director James Comey. Mr. Trump's pick comes one day before Mr. Comey is scheduled to testify before a Senate panel, where

he is expected to discuss the circumstances surrounding his dismissal.

Sen. Mark Warner of Virginia, the top Democrat on the Senate Intelligence Committee—which will interview Mr. Comey on Thursday—told CBS in an interview Wednesday morning that he found the timing of Mr. Trump's new FBI pick suspect. "Clearly this is an effort by the president to try to distract attention from our hearings today and tomorrow," Mr. Warner said.

A White House spokeswoman didn't respond to a request to comment. The White House hasn't issued an official statement on Mr. Wray's selection, aside from the GOP president's tweet from his personal Twitter account.

Mr. Wray has represented New Jersey Gov. Chris Christie, a Republican and a top Trump ally, in the 2013 George Washington Bridge lane-closure controversy. While Mr. Christie was considered for some key posts in the administration, Mr. Trump ultimately asked him to lead a commission on opioid addiction after



Chris Wray

firing him from his role as head of the presidential transition team. The selection of Mr. Christie's personal attorney suggests the governor still has the president's ear.

Mr. Wray started his career as an assistant U.S. attorney in Atlanta before joining the Justice Department's leadership as a senior aide to Deputy Attorney General Larry Thompson in 2001. He led the Justice Department's criminal division from 2003 through 2005, serving under then-Attorney General John Ashcroft, as well as

Mr. Comey, who at the time was deputy attorney general.

Mr. Comey was a firm supporter of Mr. Wray, writing to the Senate Judiciary Committee to support his nomination to the Justice Department.

"The president has found someone who is not only whip-smart, hardworking and possesses indispensable experience as a line prosecutor," Mr. Comey wrote in 2003. "The president has chosen wisely in deciding upon a governmental version of hockey's substitution on the fly. The stakes are too high to have it otherwise."

A graduate of Yale Law School, Mr. Wray was a lawyer at King & Spalding in Atlanta before joining the Justice Department. He returned to the firm as a partner in 2005.

Also at King & Spalding is the independent ethics adviser the Trump Organization tapped this year to approve certain company transactions. Some ethics experts have accused Mr. Trump, who retains ownership of the company, of not taking appropriate steps to distance himself from his business, which is now run by

the president's two adult sons.

Over the last month, several contenders for the FBI post withdrew themselves from consideration, including former Democratic and independent Sen. Joe Lieberman of Connecticut, whom an administration official had described as Mr. Trump's top choice, and Sen. John Cornyn (R., Texas). Mr. Wray's selection was praised by members of the legal and ethics community. Norm Eisen, who served as ethics counsel to former President Barack Obama, tweeted that Mr. Wray was a "good choice," writing he was "very fair" in his work on the Justice Department's task force investigating Enron Corp. "I endorse," Mr. Eisen wrote.

Mr. Wray would join an FBI that is facing questions about the president's confidence in the Justice Department. Attorney General Jeff Sessions recently offered to resign over tension with the president in connection with Mr. Sessions' decision to recuse himself from the investigation into alleged Russian meddling in last year's election.

U.S. NEWS

President Slams ACA In Ohio Talk

President Donald Trump declared the Affordable Care Act a “horrendous” disaster, and called on Republican senators to push through their own

By Louise Radnofsky, Stephanie Armour and Kristina Peterson

health-care legislation, in an Ohio speech Wednesday where he sought to capitalize on the state’s insurance market woes.

“Obamacare is in a total death spiral, and the problems will only get worse if Congress fails to act,” Mr. Trump said on landing in Cincinnati, flanked by two families that the White House has called victims of the law.

Mr. Trump’s tarmac health-care remarks were added late to his schedule in Ohio, apparently after reports Tuesday that **Anthem Inc.** was pulling out of the insurance exchange created there by the Affordable Care Act for next year. The move will likely leave at least 18 Ohio counties with no plans to buy under the health law.

Supporters of the 2010 health law say insurance mar-

kets are struggling not because of Obamacare but because Mr. Trump has sabotaged them by creating a state of uncertainty over their future. “If President Trump wants to know who created these victims, he should look in the mirror,” said Protect Our Care Campaign Director Leslie Dach, a former official in President Barack Obama’s administration.

Mr. Trump’s comments came on the heels of lawmakers’ return to Washington on Monday, and a White House visit with GOP congressional leaders on Tuesday in which the president said he was confident Senate Majority Leader Mitch McConnell (R., Ky.) could “get a bill across the finish line this summer” that would overturn much of the 2010 health law and enact Republican measures in its place.

Mr. McConnell took the first procedural step toward bringing health-care legislation to a vote on Wednesday. However, a lunch of Republican senators on Tuesday yielded no immediate consensus on the major sticking point, the future of the Medic-



President Donald Trump greeting a family whose insurance premiums rose under the Affordable Care Act on Wednesday in Cincinnati.

aid federal-state health program for the poor that is a particularly divisive issue for Republican-dominated states.

Still, some strategists said they remained optimistic as long as GOP senators hadn’t declared an impasse. And lawmakers and lobbyists said they were starting to see signs of consensus among Republicans on other issues, such as whether insurers should be required to sell coverage to everyone at the same price regardless of medical history. The party can afford no

more than two defections among its 52 senators to pass a health-care bill along party lines. To get a health-care bill without Democrats, Republicans are using a budget process that spares them from having to get 60 votes but that also carries with it particular parliamentary limitations and a deadline to complete the work if the party wants to move on to a tax overhaul.

In the bruising battle to pass a GOP health bill in the House, which Mr. Trump referred to Tuesday as “a very,

very long and difficult negotiation,” the president reserved much of his aggressive sales tactics toward the end of the fight to lock in votes.

At the same time, he also appeared in battleground states to exhort wavering lawmakers to support the bill, the vice president taped a series of radio interviews in specific local markets with the same purpose, and the administration has also pledged to give its backing to GOP lawmakers who help the bill pass.

Mr. Trump’s visit to Ohio

takes him to the state of GOP Sen. Rob Portman, a key figure in the Senate working group on health-care legislation, and one of two men tasked in particular with resolving the Medicaid issue.

But the Ohio trip became more relevant after the Anthem news, which was first reported in The Wall Street Journal on Tuesday. The White House has planned for weeks to harness particular states’ insurance-market woes to help lift the GOP’s health-care measure over hurdles.

Lawmakers Push Back on Air-Control Plan Settlement Change Is Ordered

By Andy Pasztor and Natalie Andrews

The White House bid to privatize the nation’s air-traffic control system is facing deep skepticism, both from a divided industry and on Capitol Hill, where Democrats are widely opposed to the plan and Republicans are concerned about its impact on airports in less populous areas.

Transportation Secretary Elaine Chao tried to rev up support Wednesday by offering assurances that rural communities won’t be short-changed, and that airport towers at small airports operated by contractors will be protected from cutbacks under the proposed system. “I’m very concerned about access for rural America,” she told the Senate Commerce Committee, but said those areas are “most hurt by the status quo.”

Reflecting the extent of opposition in the Senate, GOP Sen. Roger Wicker of Mississippi said “this is a tough sell” for rural lawmakers. Sen. Bill Nelson of Florida, the panel’s top Democrat, said reviving the debate over traffic-control privatization “distracts from



A control tower at New York’s Kennedy Airport. The White House is pushing to privatize the nation’s air-traffic control system.

legitimate matters that must be addressed,” including additional consumer protections for passengers.

Passage of an air-traffic control revamp would require a dramatic pullback by political forces arrayed against it, according to lawmakers, congressional staffers and industry officials.

The proposal’s prospects are further clouded by Congress’s present focus on health care—and lawmakers’ uncertainty about why President

Donald Trump opted to put air-traffic control atop his infrastructure agenda.

“I don’t know what the theory was in this becoming such a significant component of the infrastructure plan,” said Sen. Jerry Moran (R., Kan.). A member of the Commerce Committee, which oversees the Federal Aviation Administration, Mr. Moran said that except for the largest urban areas, stripping traffic control from the FAA would “significantly diminish the op-

portunity for air service to most communities across the country.”

Many Republican lawmakers dismissed the privatization issue as premature, since there isn’t any specific White House plan on the table.

Similar legislation was approved on a partisan vote by the House Transportation Committee last year, though it died before reaching the House floor and was never seriously considered by the Senate.

Sen. John Thune, the South Dakota Republican who chairs the Commerce Committee, intends again this year to move an FAA reauthorization bill without an air-traffic revamp, according to one person familiar with the details.

Unlike in 2016, this year there is an administration putting its political capital behind the idea. Proponents argue that shifting traffic-control responsibilities to a private, nonprofit corporation run by a board representing a broad variety of stakeholders would lead to faster and more efficient modernization. The proposed entity would be funded by user fees and could raise capital in the bond market.

Rising impatience with the FAA’s uncertain finances and the slow, troubled modernization has prompted most major U.S. carriers and the Business Roundtable, a group of chief executives, to support the White House proposal. Also on board are several unions representing airline pilots and a traveler-advocacy group. The union representing some 10,500 controllers, stung by a staffing crisis due in part to erratic FAA appropriations, said it shares the administration’s commitment to modernization and will review the legislation to see whether it protects its members.

By contrast, groups representing operators of business aircraft, along with associations representing private pilots and manufacturers of small planes, have come out strongly against the concept, concerned that the plan would give commercial airlines too much power, unduly raise user fees and isolate small and rural communities, whose airports could get less funding for improvements under a private system.

—Susan Carey contributed to this article.

Millions Shut Out of Home Deals

By Laura Kusisto

Roughly three million potential first-time home buyers have been shut out of the market over the past decade, according to a new study, suggesting the market’s recovery of the past few years could have been stronger.

Tight lending standards and acute shortages of affordable housing in many markets have lessened the pool of potential buyers, particularly among young people, reducing a key component of housing demand.

First-time buyers are a critical area of focus for housing economists in part because they drive new demand for housing. They often serve as buyers of starter homes, allowing those homeowners to trade up.

“They provide that greater mobility to the overall housing market. Without first-time buyers the market becomes much more stagnant and less dynamic,” said Lawrence Yun, chief economist at the National Association of Realtors.

In all, the number of first-time U.S. home buyers averaged 1.5 million a year over the past decade, compared with the historical average of 1.8 million, according to a new study to be released Thursday by Genworth Mortgage Insurance that examines mortgage data from Fannie Mae, Freddie Mac, the Federal Housing Ad-

ministration, Veterans Affairs and other sources. The study looked at data going back to 1994 and defined first-time buyers as anyone who hasn’t owned a home in the last three years.

Lackluster demand for homeownership among younger people has been one of the main factors holding back the housing recovery. Many young people have been delaying buy-

So far this year, first-time buyers represented about 38% of the market.

ing homes because of tight credit, student loans and rising rents that have made it hard to save for down payments.

“What’s been missing is confidence,” said Sam Khater, deputy chief economist at CoreLogic Inc.

But that is starting to change. So far this year, first-time buyers represented about 38% of the market, greater than the historical average of 35%, according to Genworth. Some two million first-timers purchased homes last year, or 37% of the market.

“We’ve had a very strong surge in first-time home buyers,” said Tian Liu, chief econ-

omist at Genworth.

A number of factors are propelling first-time buyers into the market. Many are entering their 30s, marrying and having children, and need more space than they can get by renting.

Credit also appears to be loosening. According to Genworth, about 78% of first-time buyers are using low-down-payment loans, compared with the historical average of 73%.

Economists said a wave of first-time buyers is likely coming over the next decade, as a large cohort in their mid-20s begin to buy homes.

“As we’re seeing millennials age into homeownership, there’s a huge tailwind coming,” said Nela Richardson, chief economist at Redfin.

To cater to rising demand from first-timers, home builders are starting to build less expensive homes after years of focusing mainly on the upper end of the market.

U.S. homes got smaller last year for the first time since the recession. The median size of a new single-family home slipped 2% to 2,422 square feet in 2016, according to Census Bureau data released last week.

While that is a small adjustment, it is the first time since 2009 and only the third time in the past 20 years it has fallen.

—Jeffrey Sparshott contributed to this article.

U.S. WATCH

LABOR DEPARTMENT

Joint-Employment Guidance Withdrawn

The Labor Department began taking steps Wednesday to roll back high-profile policies put in place by the prior administration.

Labor Secretary Alexander Acosta said the department would withdraw Obama-era guidance that broadened the definition of when multiple employers could be responsible for the same worker, and told members of Congress the department would begin rewriting overtime regulations within weeks.

The rollback of 2015 and 2016 informal guidance on joint employment and independent contractors was welcome news for some businesses, particularly franchised brands and those employing contractors on a large scale, that had said the prior guidance had opened them up to additional liability. Union-backed worker advocates decried “symbolic steps to attack workers.”

Under the earlier guidance, for example, a company could more easily be found to be jointly responsible for labor-law violations committed by a contracting firm.

The guidance applied to only a portion of labor law, including enforcement of overtime rules and the federal minimum wage. A related matter of joint employment that concerns union organizing and other issues

wasn’t affected by the rollback because those rules fall under the jurisdiction of the National Labor Relations Board, not the department.

The department said on Wednesday the removal of the guidance doesn’t change the legal responsibilities of employers. Rather, it changes which firms could be considered the legal employer of a worker.

—Eric Morath

PHILANTHROPY

MIT Gets \$140 Million Pledge From Donor

The Massachusetts Institute of Technology announced that it had received a \$140 million pledge from an alumnus of the school—with no name, and no strings attached.

An unrestricted gift of that size is rare in higher education, as donors often want a say in how their dollars are spent. Unrestricted donations can be used for things like facilities upkeep, as well as to pursue early-state scientific research.

In the past, MIT has put unrestricted funds toward online learning and Alzheimer’s research, as well as scholarships.

MIT said in a news release Wednesday that it would “invest in daring, high-risk ideas; address some of the world’s most urgent challenges; and sustain support for students, faculty, and the physical campus.”

—Melissa Korn

IN DEPTH

APPLE

Continued from Page One
Siri for the fall that will enable it to translate English phrases into five languages and to learn from users to deliver personalized suggestions for web surfing, messaging and other apps.

Apple will enter the home-speaker market a distant third, at best. Amazon, which has been selling its Echo speaker for 2½ years, last month unveiled a device, also powered by the Alexa voice assistant, that includes a camera and a display for video calling. And it has partnered with companies to put Alexa into Ford Motor Co. cars, LG Electronics Inc. refrigerators, and General Electric Co. lamps.

Alphabet Inc., which debuted its Google Assistant-based speaker last October, said last month it would make its voice product available through an app on iPhones. Microsoft Corp. in May unveiled a speaker for its voice robot, Cortana, and Samsung Electronics Co. is expected to install its planned Bixby assistant on home appliances.

Siri has remained largely a feature of the iPhone, although it is also available on a handful of other Apple devices, including the Apple Watch. Siri's capabilities have advanced incrementally, with functions matched or exceeded by those of rival systems. Several independent studies have shown Siri is less accurate than Alexa or Google Assistant in responding to user queries.

Some former executives, close observers and even devoted customers say Apple's innovative power appears to be waning, stymied by a lack of urgency and difficulty bringing ideas to fruition. In nearly six years under CEO Tim Cook, Apple's stock has soared but the company hasn't delivered a breakthrough product on par with the hits under late founder Steve Jobs, which included the iPod, iPhone and iPad.

One reason could be the iPhone itself, one of the most successful consumer products in history. It accounts for most of Apple's sales and dominates much of the company's focus, which former executives say has inhibited the company's ability to develop products untethered from the phone, as rivals did with their brand-new voice-activated devices.

"Siri is a textbook of leading on something in tech and then losing an edge despite having all the money and the talent and sitting in Silicon Valley," said Holger Mueller, a principal analyst Constellation Research, a technology research and advisory firm.

Apple's supporters say it often has entered categories after rivals and assumed a commanding position. And Apple says the pace of its innovation has only accelerated. The company has tripled research-and-development spending over the past five years to \$10 billion annually. It is working on a range of projects, including an autonomous driving system, that could become hits if they come to market. Apple notes that Siri, through its presence on the iPhone, is in the pockets of hundreds of millions of users globally—far more than any rival's voice assistant.

"We're very happy with where the company is from an innovation standpoint," Eddy Cue, the Apple senior vice president whose portfolio includes Siri, said in an interview before Monday's announcements, which also

included augmented reality for developers and more-powerful Macs. "It's part of our DNA." The race to develop digital assistants is one of the biggest areas of competition in the tech industry today. Industry executives say these products, powered by increasingly effective artificial-intelligence algorithms, are revolutionizing computing much like the PC and smartphone, leading to a future where computers will converse with humans, recall previous conversations and provide personalized responses without buttons or touchscreens.

Siri was one of Mr. Jobs's last major new products. He became a fan in 2010 when it was launched by a small startup as a digital-assistant app for iPhones. In 30 phone calls over 45 days, he persuaded its founders to sell, according to Gary Morgenthaler, a Siri investor. He then pushed them to fine-tune a handful of features that would work flawlessly across millions of iPhones in multiple languages.

Touted as "the best feature" of the iPhone 4s in 2011 by Apple marketing chief Phil Schiller, Siri converted words to text and interpreted their meaning to describe the weather or make calendar appointments and helped fuel a 73% increase in iPhone shipments in its first year. A day after the announcement, Mr. Jobs died.

In the years since, former Siri team members say, progress has been slowed by a failure to set ambitious goals, shifting strategies and a culture that prioritizes user privacy—making it difficult to personalize and improve the product. The project also has suffered from the departures of key team members, some of whom went to competitors.

About a year after Mr. Jobs's death, Apple hired Bill Stasiar, an Amazon search executive, to oversee Siri. Mr. Stasiar studied artificial intelligence at Massachusetts Institute of Technology, but his expertise was in search rather than speech or language. This led some members of the Siri team to believe he didn't fully appreciate the product's origi-



Apple's stock has soared under CEO Tim Cook, but critics see a lack of innovation. Below, a prototype of the new HomePod.

Cheyer and Dag Kittlaus left the team, citing personal reasons. They started a competing company, Viv Labs, to make a voice-based system available to third-party developers. Roughly a half dozen other members of the team followed. Samsung bought Viv last year for about \$215 million.

In 2014, Apple moved Siri to a machine-learning system that used algorithms to improve its performance. Mr. Cue compared the new system to a brain transplant, saying it made Siri more versatile, allowing it to field requests no matter their phrasing. For example, it could answer both "Give me yesterday's Yankees score" and "What was yesterday's Yankees score?"

"The key about things like Siri is to make it not feel like something you have to think about," Mr. Cue said. Apple said Siri's error rate was cut in half.

Around the same time, Amazon introduced Alexa and its Echo speaker. The company pioneered a new category, blanket-ing television with quirky ads

says more than 375 million of its devices access Siri each month across 21 languages, and that Siri fields nearly two billion requests a week. In the U.S. alone, it has 70 million unique users weekly. By comparison, Amazon's Alexa is available only in German and English, and Google Assistant is available only in seven languages.

At the same time, the iPhone so dominates internal focus that Apple largely abandoned the original Siri team's vision for an assistant that would go beyond calendar appointments and text messaging.

Instead, Apple added languages, added a male voice to Siri's original female voice, and allowed users to verbally create reminders while reading an article or viewing something on the iPhone. Apple and other large companies "tend to make improvements at the margin," said Larry Gillick, a former Siri speech scientist who serves as chief technology officer at a startup, Semantic Machines.

Amazon and Google, which introduced its own assistant in 2016, also enjoyed advantages over Siri because they had more data from their robust search engines to train their assistants and less-restrictive privacy policies than Apple, former Siri employees said.

Apple protects user privacy by randomly tagging Siri searches and keeping the data tagged for only six months, unlike Google and Amazon, which keep data until users ask for it to be discarded. The practice has complicated efforts to improve Siri because Apple relinquished control of data before it could be used to gauge the impact of software tweaks, former Siri engineers said.

"You're hamstring," said Jason Douglas, a former member of the Siri search team. "The iTunes store has great data but the scale of it is not Google or Amazon."

Mr. Cue said Apple often uses generic data rather than user data to train its systems and has the ability to improve Siri's performance for individual users with information kept on their iPhones.

After Siri's brain transplant, plans to improve Siri's conversational ability stalled. Apple tasked Alex Acero, an expert in language processing, with combining two rival teams: speech recognition and natural language. The first involves adapting software to recognize spoken words, and the second involves interpreting those words. Following an ex-



JUSTIN SULLIVAN/GETTY IMAGES (2)

ecutive-level power struggle, the project was transferred to another leader without expertise in the field, said Chuck Wooters, who was on the speech-recognition team.

The change disillusioned some speech-recognition experts. One left for Google and another for Amazon, said Mr. Wooters, who also departed and joined the Semantic startup, which is developing technology to make virtual assistants more conversational.

Apple declined to comment. Mr. Acero, who still works on Siri, didn't return requests for comment.

Other employees were discouraged by the reluctance to allow third-party apps to employ Siri. Apple added the ability to use Fandango to buy movie tickets in 2013, but Mr. Stasiar tabled a plan to extend Siri's abilities to more apps, two former employees said. By the time the project moved forward two years later, Apple had reduced the number of new commands developers would be able to use, a former engineer said.

Last June, Apple unveiled about 150 new commands, called intents, for Siri at its annual developer's conference. It opened Siri to about seven types of apps, including payment and ride-sharing apps such as Venmo and Uber. By comparison, Amazon's Alexa allows developers to create custom commands, which it calls skills, and some 12,000 have been created, allowing users to order coffee, start a guided meditation or check their bank balance.

The limited scope of Siri's commands disappointed many developers, said Brian Roemmele, a developer who attended the announcement. "People went from being happy and excited to sitting in workshops and realizing, 'I can't use it,'" he said. "Some went back to that attitude: Siri's always going to be dumb. They moved on to de-

veloping for Google and Alexa."

Mr. Cue said Apple chose to open Siri to apps that people use frequently and make it versatile enough to understand requests said in a variety of ways. "These are things you do every day and use all the time," he said.

Apple on Monday announced developers would be able to use Siri for four more types of apps, including notes and bank accounts.

Siri's capabilities have lagged behind those of rivals elsewhere, as well. In tests across 5,000 different questions, it answered accurately 62% of the time, lagging the roughly 90% accuracy rate of Google Assistant and Amazon's Alexa, according to Stone Temple, a digital marketing firm.

A separate study by Loup Ventures, a market-research firm, shows Siri performs better than rivals on core iPhone functions, so-called command-related queries—making calendar appointments, placing phone calls, sending text messages—but doesn't do as well answering questions from the web.

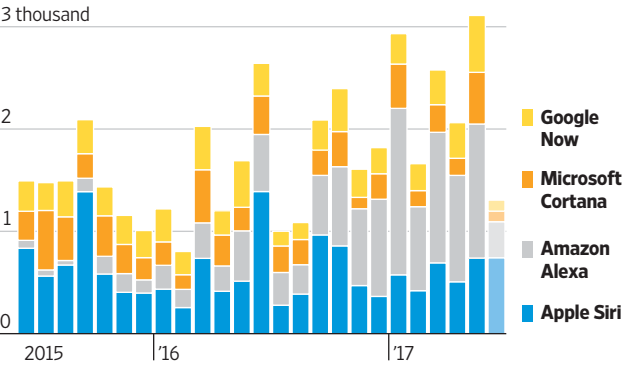
Apple has tried to close the gap through acquisitions. In 2015, it purchased VocalIQ, a Cambridge, England-based startup that designed a system to improve a virtual assistant's conversational ability.

The plan was to feed Apple's data through the system to make Siri more conversational, a former engineer said, allowing a user to ask for a nearby coffee shop and subsequently narrow the list by asking for one with Wi-Fi.

Google Assistant has begun to offer those conversational capabilities, but Siri hasn't made that advance. "I don't think anyone does an A+ on conversation," said Mr. Cue. "It's a challenging problem and there's a lot of work to be done in that area. It will get a lot better and needs to get a lot better."

Talking Points

Mentions of digital assistants in the news



Note: Through June 6 Source: Factiva THE WALL STREET JOURNAL.

The iPhone, in many ways a huge advantage, became an impediment to Siri.

nal vision: to expand beyond the iPhone to third-party apps.

To make Siri available to additional apps—so users, for instance, could check their bank balance or order a car service—Apple needed to create a platform and coding tools that allows developers to integrate the virtual assistant into apps for the iPad, iPhone or Apple Watch. It did so in 2016.

Apple declined to make Mr. Stasiar available for an interview. He didn't respond to emails seeking comment.

Siri co-founders Adam

featuring Alec Baldwin. It sold an estimated 11 million home speakers in two years.

The device's popularity caught Apple off guard. It was designed to not only play music and answer questions but also control light switches and other home appliances, a concept Apple had introduced through a software system called HomeKit that allows developers to design thermostats and door locks that could be controlled by Siri.

The iPhone, in many ways a huge advantage, was also becoming an impediment. Apple

CUBA

Continued from Page One
helped revive a very Cold War-sounding trading relationship between Russia and Cuba.

Consider the need for car parts in Cuba. Given the U.S. trade embargo, most cars in Cuba are either American-made cars from the 1950s or Soviet-era jalopies. The square-shaped models of Ladas and Nivas all but disappeared from Moscow's streets years ago.

In Cuba, they are still going strong. Well, when they don't break down and need new parts, the shortage of which can produce some spectacular profits.

In Moscow, a 1980 Moskvich—another boxy offering from the Soviet era—might fetch around \$500. In embargoed Cuba, it can go for as much as \$14,000, Cuban taxi drivers say, fueling a

booming cottage industry specializing in cannibalized car parts for the Caribbean island.

At the sprawling Yuznii Port used-car market in southern Moscow, traders say up to 40% of the business comes from Cuban shoppers. "We would've gone broke without them," said trader Timur Muradian.

On a gray winter morning, a dozen Cubans dressed in ill-fitting beanie hats and gray puffer jackets walked around the market's metal containers filled with rusty car parts. Several extra layers of clothing and skin darker than most locals easily gave them away to traders, who wooed them with shouts of "hola, amigo."

"I can buy anything I want here; it's unbelievable," said Alejandro, who flew from Havana for the first time to buy tractor parts.

Waving hands and typing into calculators with frozen fingers, the Cubans haggled

over prices in the thousands of dollars for heaps of what most locals would consider useless scrap.

"They buy up everything for Russian cars and tractors by weight, without even looking at what parts and models they are for," said Mr. Muradian. "Whatever it is, they'll be able to sell it at a profit at home."

A typical group of Cubans spends \$3,000 to \$7,000 in the market, stall owners say. These are astronomical sums for residents of an island where the average wage is \$25 a month.

Back in Cuba, whole villages chip in to send an envoy on shopping trips to Moscow, often using remittances from relatives in Miami or Madrid. Residents of the Rodas village in Cuba's central sugar belt said their cane would rot in the fields without an annual trip to Moscow to buy parts for their 1970s Soviet tractors.

Some of the workers in this

cottage trading industry are part of the tens of thousands of Cubans who went to the former Soviet Union as students. They studied engineering, medicine and science and returned to develop their Communist homeland. But when the Soviet Union and its subsidies collapsed in 1991, they often found themselves working as waiters and security guards for minimum wage.

Soviet-educated Cuban engineer Raul Curo came back to live in Russia several years ago. He bought a taxi and became part of Moscow's booming Cuban expatriate community, servicing shoppers from the island. Mr. Curo meets Cubans in the airport and drives them around the city's flea markets, helping to translate and haggle.

"Everyone loves Cubans here. It's been like this since Khrushchev," Mr. Curo said, referring to the Soviet leader who risked nuclear Armaged-

don by striking an alliance with Cuba in the 1960s and deploying missiles there.

During the low season, translator Mr. Trieto makes money giving Spanish lessons to Azerbaijani and Armenian stall owners in the city's flea markets. Others make ends meet giving salsa lessons in Moscow night spots such as Old Havana.

Most Cuban shoppers come to Moscow for about a week and spend whole days trawling the city's flea markets to collect the 260 pounds worth of goods they are allowed on the plane for a fee.

They borrow boots and winter jackets from friends and family and sleep on double-bunks in crammed Soviet-era apartments owned by Cuban expatriates.

"I've never been this cold in my life, but I'm getting used to it," said shopper Abelito. He said his first purchase was the warmest jacket he could find on

the entire 150 acres of the Sadovod flea market.

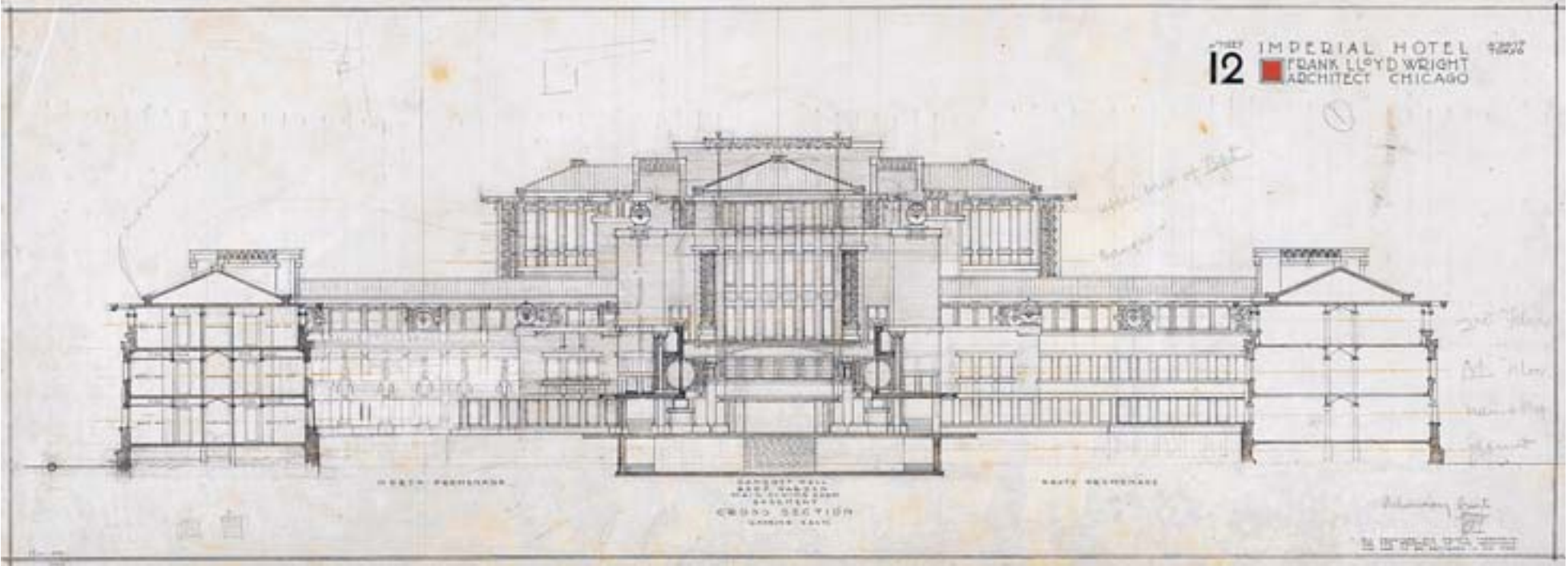
At the entrance of Lyublino's budget Moskva shopping center is a Cuban canteen adorned with pictures of the island's lush rolling hills and a photo of President Vladimir Putin with the late Cuban leader Fidel Castro. The Cuban cook serves up cheap homemade dishes of rice, beans and shredded pork.

The shopping center offers a translation service for Cuban groups and Cuban immigrants work in the center's cheap jewelry stalls. An Azerbaijani stall owner haggled in broken Spanish with a group of Cubans over a stack of jeans on a recent visit.

"They basically live in the bazaar," said taxi driver Mr. Curo of his compatriot shoppers. "They came, they bought up, and they left. In a couple of months, they are back."

—Dmitry Filonov contributed to this article.

LIFE & ARTS



BY JULIE V. IOVINE

New York
SIX DECADES after his death, Frank Lloyd Wright is still the most famous architect in America—a publishing house favorite despite library shelves already sagging with thousands of Wright-themed tomes, and the name most often invoked by members of the public asked to recall any architect.

And so the prospect of a major exhibition at the Museum of Modern Art celebrating the architect's sesquicentennial would not necessarily generate much excitement among architects and architecture buffs. And one bearing the title "Frank Lloyd Wright at 150: Unpacking the Archive" might even induce a bit of dread, particularly in light of the fact that some 500,000 pieces of paper are said to be in the archive, now jointly owned by MoMA and Columbia University.

But that would be a mistake. "Unpacking the Archive" is not only an illuminating cross-section of items underpinning the creation of major architectural works, but also a glimpse into MoMA's evolving approach to exhibitions—by taking an oblique, selective approach rather than surveying major milestones.

In reconfigured third-floor galleries atop the refurbished and extended Bauhaus staircase—the completed first phase of the museum's ambitious Diller Scofidio + Renfro expansion (details of what comes next were announced last week)—a team of guest historians and in-house curators have been let loose in the archive under the direction of Barry Bergdoll, a MoMA curator in the department of architecture and design and a Columbia University art history professor, and Jennifer Gray, a project research assistant at the museum. Each was asked to pick one or more artifacts from the archive and build a story, an argument or revelation around the selection.

The result is not a show that will trace Wright's career or explain his masterworks, as such exhibitions often do. It does, however, succeed at pumping some vitality back into a reputation bleached of urgency by overexposure to Robie House silk ties, Coonley Playhouse stained-glass coasters and other Wright-themed merchandise. Mr. Bergdoll has called the 12 sections "Madeleine mo-

Frank Lloyd Wright Seen Afresh



ments" in that they aim to unleash, as did Proust's sugary nibble, a few vivid new impressions of this most thoroughly examined genius.

The exhibition is organized along a central spine where an appetizer portion of Wright's greatest and weirdest hits is featured. It ranges from the famous richly hued, below-the-falls perspective of Fallingwater with which Wright seduced his client, Edgar Kaufmann Jr., into approving a daring cantilever design whose construction details had not yet been figured out to a pencil sketch of the wacky Gordon Strong Automobile Objective and Planetarium Project (1924-25), a gigantic roadside whirligig. But there are also surprises, specifically the Meteor Crater Inn project (1948), a faceted stone tower shooting off-kilter over the crater's edge in Arizona that could have been designed by an upstart architect today.

Rooms branching off this central



gallery neatly contain the 12 "stories" triggered by archive objects. In one, we can examine the contents of a presentation record—Wright's own commemorative portfolio of photos and plans—of one of the architect's most ambitious projects:

Architect Frank Lloyd Wright, left, and his designs for the Gordon Strong Automobile Objective and Planetarium Project (1924-25), above, and the Imperial Hotel, Tokyo (1913-23), top

the Imperial Hotel (1913-23) in Tokyo. It is a particularly rare find as it represents a complete record of the finished building as Wright himself never saw it. The hotel famously survived the Great Kanto Earthquake of 1923 but was subsequently demolished in winter 1967/68. The photos and plans in the album (with Wright's name misspelled on the cover) attest to the hotel's grandiosity. One black-and-white image, showing snow on a tree in a courtyard, seems composed to suggest the woodblock prints of the 19th-century artist Hiroshige, a Wright hero. Nearby, a site plan marks the spot from which Wright wanted every photo taken.

Another section analyzes Wright's distinctively stylized drawings. Created by staffers in his office, there are some 55,000 in the archive. Janet Parks of Columbia's Avery Library was able to identify the hand of Marion Mahony, one of the first licensed female architects in the U.S., on some of the famous Prairie House drawings that remain among his finest. Wright himself, it seems, liked to add the bushes and greenery around the edges.

There are interesting polemics, as in Princeton professor Spyros Papapetros's contention that Wright embedded ornament so deeply into his designs not only to make the whole sublimely organic but also to make sure that clients would not be able to eliminate expensive details. Mr. Bergdoll shows how Wright cooked up the notorious Mile-High supertower in the 1950s as a press stunt in Chicago to upstage the imperious modernist Mies van der Rohe, who the 89-year-old Wright thought was stealing his thunder. But in a section on Wright's landscapes based on some rare plans for plantings—including for the Darwin Martin House in Buffalo—the argument that his admixtures of indigenous and exotic plants suggests "ongoing horticultural debates tied up with larger issues surrounding race, immigration, and belonging" sounds like a revisionist stretch.

Other sections draw a bead on a model for a farm-to-market concept; a 1928 rendering for a rural school project for African-American children; Wright's ideas about prefabricated building systems; and the architect's attraction to circles as the ultimate harmonious form.

For all his extreme popularity, Wright is not a hot topic among contemporary scholars, and architecture students rarely look hard past his early Prairie Houses. This show shakes things up. In short explanatory videos attached to each gallery (for once, well worth watching), the various historians—many not even Wright scholars—share the details of their explorations with a palpable sense of excitement. Their enthusiasm is rightly contagious.

Frank Lloyd Wright at 150: Unpacking the Archive
Museum of Modern Art, June 12-Oct. 1

Ms. Iovine reviews architecture for the Journal.

THE MUSEUM OF MODERN ART/AVERY ARCHITECTURAL & FINE ARTS LIBRARY, COLUMBIA UNIVERSITY, NEW YORK (3)

ART

TAKASHI MURAKAMI TAKES OVER CHICAGO

BY ELLEN GAMERMAN

TAKASHI MURAKAMI'S Tokyo studio is bustling with staff 24 hours a day, seven days a week. Judging by the artist's latest show—his first major museum retrospective in a decade—there is plenty to do.

Yesterday the Museum of Contemporary Art Chicago opened "Takashi Murakami: The Octopus Eats Its Own Leg," featuring the Japanese artist's work from 1982 to the present. Some pieces Mr. Murakami created for the exhibit are so new, the show's organizer didn't learn their titles until days before the opening.

The 55-year-old Mr. Murakami is known for colorful works filled with gleefully distorted eyeballs, smiling daisies, snarling ogres and other psychedelic images. He is famously savvy about commerce and has collaborated with companies such as Louis Vuitton and celebrities including Kanye West.

For the Chicago exhibit, he designed an octopus-like character and dressed up as the

creature for some promotional events.

The walls of the show's final gallery are covered with 45 panels filled with Mr. Murakami's anime-inspired figures. Such immersive installations captivate viewers—and their cellphones. In Washington, the Hirshhorn Museum and Sculpture Garden's show, "Yayoi Kusama: Infinity Mirrors," attracted the institution's largest crowds in 40 years. The exhibit, which engulfed visitors in dazzling rooms, went viral. A hashtag for the show reached 91 million Twitter and Instagram accounts.

The Chicago exhibit is one of the artist's many projects. Mr. Murakami's company, Kaikai Kiki, employs about 270 people in Japan and the U.S. Its locations in Tokyo, Saitama, Kyoto, Sapporo, New York and Seattle handle animation, film post-production and art production.

Mr. Murakami, whose retrospective coincides with the Chicago museum's 50th anniversary, mixes cherubic characters with darker subtexts, like the atomic bomb in the form of happy-go-lucky mushrooms. Lately, he has focused on the aftermath of Japan's



Mr. Murakami covered the walls of the final gallery of his Chicago exhibit with one massive work.

devastating 2011 tsunami and earthquake, with craggy Buddhist monks and strange monsters in his candy-colored canvases, said MCA chief curator Michael Darling.

In the coming weeks, Mr. Murakami's art will be hard to miss around Chicago. The

show's octopus character and Mr. Murakami's smiling flowers will appear on lamppost banners and on the museum's exterior. The exhibit runs through Sept. 24 before traveling next year to Vancouver and Fort Worth, Texas.

MCA CHICAGO

OPINION

REVIEW & OUTLOOK

Qatar’s Reckoning

The rift between Qatar and four of America’s Sunni-Arab allies led by Saudi Arabia broke into the open this week. On Tuesday Riyadh closed ground routes to Qatar, and the Saudis and others blocked Qatari vessels and aircraft from their waters and airspace, all but isolating the tiny Persian Gulf monarchy. President Trump seemed to signal support for the diplomatic blockade on—where else?—Twitter. This is an overdue reckoning for Qatar, albeit with some risk to Western interests.

On Monday Bahrain, Egypt, the Saudis and the United Arab Emirates suspended diplomatic ties with the Qataris. The Saudis spoke for the other three when they accused Doha of “financing, adopting and sheltering extremists,” and they are right. For years the Qataris have maintained a two-faced policy toward the West, their Arab neighbors and the various Islamist movements that threaten Middle East stability.

Qatar hosts a U.S. military base that is crucial to American operations against jihadists including Islamic State. The base is also a guarantor of the tiny country’s independence, against the Saudis as well as Iran, with which Doha shares a natural-gas field in the Gulf.

At the same time the Qataris have supported the Islamist groups that seek to overthrow established regimes. Al Jazeera, the Qataris’ popular television network, provides a platform to Yusuf al-Qaradawi, a leading Islamist ideologue who has praised Hitler for carrying out “divine punishment” against the Jews.

Fellow Arab states are fed up with the Gulf monarchy’s mischief.

Qatar has also funded and provided a refuge to leaders of the Palestinian terror group Hamas, and it financed Islamist militias in Libya after the fall of Moammar Gadhafi. Qatari individuals and charities fund the Syrian branch of al Qaeda, according to the U.S. State Department, and the Qatari state is open about its support for the Muslim Brotherhood.

It isn’t clear what triggered this week’s rupture, which some attribute to a recent ransom payment of \$1 billion to an Iranian-backed militia that had kidnapped prominent Qataris in Iraq. Others point to Mr. Trump’s tough anti-Islamist rhetoric during his visit to Riyadh last month. The Saudis may have interpreted Mr. Trump’s speech as a green light to confront Qatar after eight years during which his predecessor looked the other way. Mr. Trump bolstered that conclusion with a tweet Tuesday: “During my recent trip to the Middle East I stated that there can no longer be funding of Radical Ideology. Leaders pointed to Qatar—look!”

Mr. Trump can’t seem to resist giving himself credit for everything. But the goal of U.S. policy now should be to restore Arab unity to forge a common front against Sunni radicals and Iranian imperialism. The aim of the current pressure shouldn’t be to permanently isolate Doha but to bring its conduct into line with what is expected of a Western ally. The diplomatic brawl has put Qatar on notice that it must stop supporting radicals, but the country will be an even larger problem if it joins arms with Iran.

Islamic State Targets Iran

Islamic State claimed credit for a coordinated attack on Iranian government targets Wednesday morning that killed at least 12 people. We’re reminded of the warning about those who live by the sword.

Discussion of security vulnerabilities is taboo in the Islamic Republic, and the details are likely to remain murky. Several assailants infiltrated the Majlis, Iran’s Parliament, and opened fire before security forces neutralized them. A suicide bomber also struck outside the mausoleum of regime founder Ruhollah Khomeini.

No act of terrorism is justified, including these, but the irony is hard to miss. Kho-

meini’s followers pioneered many of the tactics deployed by today’s Islamists, Sunni and Shiite. These range from hostage-taking as statecraft, to behemoth suicide bombs like the one that killed 241 U.S. service members in Beirut in 1983, to the Iranian-made improvised explosive devices that wreaked havoc on American forces in Iraq after 2003, to *fatwas* issued against blasphemous novelists and cartoonists.

Having unleashed those murderous techniques on the world—and justified their use for years—Iran now finds itself a target of the same. That’s a tragedy for ordinary Iranians who, already victimized by their regime, are now at risk from its enemies.

The Tehran regime pioneered the use of terrorism as statecraft.

The ‘Private’ Jim Comey

The media are pitching James Comey’s Thursday testimony as the biggest since Watergate, and the former FBI director may provide high Trumpian drama. Let’s hope Congress also challenges Mr. Comey on matters he’d rather not talk about.

The politically savvy Mr. Comey has a knack for speaking in congenial forums such as the clubby Senate Intelligence Committee he’ll address Thursday. By contrast he is refusing to appear before the Senate Judiciary Committee—where he came under a grilling in May, days before he was fired—though there is no bar to him testifying more than once.

Circa News is also reporting (and we have confirmed) that Mr. Comey is refusing to answer seven questions sent to him in a letter from Judiciary on May 26. The bipartisan request is from Republican Chairman Chuck Grassley and ranking Democrat Dianne Feinstein, as well as the chairman and ranking Member of the Judiciary Subcommittee on Crime and Terrorism.

The questions are aimed at discovering how the contents of Mr. Comey’s famous “memo” to himself came to be splashed across the press. This still-private memo reportedly says President Trump asked Mr. Comey to back off an investigation into former National Security Adviser Michael Flynn, and its contents surfaced in the New York Times not long after Mr. Comey was fired—courtesy of an unidentified Comey “associate.”

The Judiciary letter asks if Mr. Comey created other memos about interactions with Justice Department officials or Mr. Trump; if he shared the contents of his memos with people inside or outside the Justice Department; if he retained copies of the memos, and if so to turn them over to the committee.

Some good questions the former FBI chief prefers not to answer.

We’re told Mr. Comey replied via email that he didn’t have to answer the questions because he is now a “private citizen.” But that same private citizen will be opining in front of a national television audience before a committee investigating serious questions of law and intelligence. Mr. Comey shouldn’t be able to pick and choose which of

his memos he sends to Congress and which he can keep for his memoirs. If Mr. Comey wrote those memos while FBI director, as his talkative pals claim, the memos are government work product and he has a duty to provide them to investigators.

The “private citizen” excuse is useful in that it exposes that Mr. Comey’s main goal will be providing testimony against Mr. Trump while reviving his own reputation. Tip for Thursday viewing: Notice if Mr. Comey answers questions selectively, ducking those he doesn’t like behind the cover of Robert Mueller’s special-counsel investigation.

The Intelligence Committee shouldn’t let him get away with it. If Mr. Comey wants a public stage to tell his side of the Trump story, fair enough. But he should also be required to provide actual copies of his memos (if they exist), disclose with whom he shared them, and where they are now stored. He should also tell the country if Mr. Trump was a target of the Russia investigation while he supervised it at the FBI.

Oh, and someone should also ask Mr. Comey if it’s true, as the Washington Post has reported, that the FBI probe of Hillary Clinton’s emails was triggered by a phony document provided by Russian intelligence. The point of this Congressional oversight is to help the public understand how Russia tried to meddle with American democracy, and Mr. Comey’s duty didn’t end with his dismissal.

Are You Sitting Down?

These pages have been reporting on the intellectual decline of American higher education, but maybe all is not lost. One near-miraculous sign of life is the appointment of constitutional-law professor John Manning as the next dean of Harvard Law School.

Mr. Manning, who joined the law-school faculty in 2004, takes over a post on July 1 that is typically held by a liberal, most notably by current Supreme Court Justice Elena Kagan. He is a well-known expert on administrative law and statutory interpretation who doesn’t hide his jurisprudential conservatism.

The new dean has served two stints at the

John Manning, the new dean of Harvard Law, is a conservative.

Justice Department and clerked for Justice Antonin Scalia, as well as Judge Robert Bork on the D.C. Circuit Court of Appeals. Following that distinguished tutelage, Mr. Manning has become one of the premier textualists in the legal academy, meaning that he emphasizes the importance of lawyers and judges reading and interpreting the plain text

of a law.

Mr. Manning has been deputy dean and perhaps his competence in that role made him a natural choice for promotion. But in an academy that usually treats conservatives like the walking dead, credit Harvard for promoting on merit regardless of ideology.

Who’s Conspiracy Mongering Now?



BUSINESS WORLD
By Holman W. Jenkins, Jr.

The president who tweeted last week to complain about his “covfe” last year ran a campaign. Whatever you like to believe about certain Trump companions and their conversations with Russian persons, nothing about it suggested an organization capable of participating in an arch conspiracy with a foreign intelligence agency. The campaign was a typically disorganized, free-form, low-budget Trump production. People came and went with head-spinning speed while having distressingly little effect on the candidate.

That’s why the storm that is getting ready to break may have a lot less to do with Trump collusion than you think. U.S. House Intelligence Committee subpoenas name three former Obama officials related to the “unmasking” of Americans captured in the vast electronic trawl supposedly undertaken purely for foreign-intelligence purposes.

One subpoena concerns former United Nations Ambassador Samantha Power, with no intelligence responsibilities but personally close to President Obama. Why?

This comes amid a report from America’s Foreign Intelligence Surveillance Court about a pattern of Obama violations of the privacy of Americans “incidentally” caught up in foreign surveillance. We already know of one unmasking illegally leaked to the press for political purposes, Mike Flynn.

More important, we know one case of foreign intelligence seen by U.S. officials turning out to be a Russian plant, i.e., the fake document concerning Hillary Clinton that prompted James Comey’s intervention in the campaign.

So add two questions to the list. Did Obama officials use allegations about Trump-Russia connections as an excuse to abuse intelligence collection for political purposes, and how much intelligence that caught their interest was actually fake intelligence planted by Russia? The obvious case being the scurrilous Trump dossier that was widely circulated internally and leaked to the media.

You can doubt his perspicacity, but Mr. Trump’s view of Russia is far from inexplicable, and voters got a full blast of it during the campaign. Vladimir Putin walks all over the U.S. because our leaders are weak. Russia relations were a specific case of the general Trumpian pitch. He is a strong leader who, with his amazing personality, would transform bad situations into good ones.

Improved relations with Russia have been the aim of every president since the collapse of the Berlin Wall, and indeed every president since FDR.

Presidents and presidents-elect have been using secret emissaries and back channels forever.

If the Trump campaign directed or

LETTERS TO THE EDITOR

Leaving Paris: Good Move or Terrible Error?

Your editorial “Trump Bids Paris Adieu” (June 5) refers to our research to draw what we consider to be the exact wrong conclusion about the importance of the Paris agreement to addressing climate change.

With full implementation of the nationally determined contributions that countries submitted in Paris, it is true that the world likely would still experience an unacceptable rise in global average temperature by 2100; but Paris is nevertheless a vital early step in a longer journey.

Full implementation of the agreement likely would reduce the temperature increase substantially, on the order of one degree Celsius compared with business as usual, according to several analyses.

This may not sound like a lot, but consider that temperatures have risen about one degree since the preindustrial age, and in that time we’ve seen retreats of mountain glaciers and accelerated sea-level rise. The 10 warmest years since 1880 all occurred in the past 19 years.

More importantly, the Paris agreement provides a mechanism for countries to regularly revisit their contributions and ratchet up their ambitions over time. That the Paris agreement doesn’t do enough today to address climate change is a reason to stick with it and strengthen it—not abandon it. Paris provides an unprecedented framework for global cooperation on this serious threat. In our view, U.S. withdrawal from it is a grave mistake.

RON PRINN, Sc.D.
JOHN REILLY, Ph.D.

Co-directors, Joint Program on the Science and Policy of Global Change, Massachusetts Institute of Technology Cambridge, Mass.

Affluent countries are wealthy enough to afford air conditioners as the planet warms. The “get rich enough to not care” view ignores that the environmental cost is borne by the poorest populations. Pulling out of the Paris agreement increases the environmental cost on those coun-

cooperated in illegal acts by Russia, that would be collusion in the sense of contributing to a crime. If Mr. Flynn promised privately what Mr. Trump was saying publicly, that he would seek better relations with Russia, as a deliberate inducement to encourage Russian meddling in the race, most of us would consider that an impeachable offense.

But unable to substantiate any such allegation, the media reach for an error so bad it has a name—the equivocation fallacy. Thus Jared Kushner is accused of, *after the election*, trying to “collude” with Russia in settling the Syrian war—the ad absurdum case of trying to make those seven letters, c-o-l-l-u-d-e, substitute for proof of something nefarious.

Every presidency is a mixed bag, but today’s intelligence follies cross a Rubicon.

The qualifications for president are light and Mr. Trump meets them all. He’s a natural-born U.S. citizen of the requisite age. He received a majority of the electoral vote. U.S. voters are entitled to elect someone whom their fellow citizens consider an idiot, and may even have good reason for doing so since every election is a binary choice between X and Y.

Let’s also recognize that the U.S. voter has hit very few home runs in 228 years. Presidents are a mixed bag—always. Even Obama idolaters by now should be rethinking how he spent his first two years, which ended up throwing away the last six and helped bring Mr. Trump to power (ironically, thanks to many frustrated “hope and change” Obama voters in the Midwest).

And certainly nothing about Sarbanes-Oxley, the Medicare drug benefit, the Iraq war, or the Department of Homeland Security makes us particularly long for George W. Bush.

Mr. Trump is many things, but he’s not an idiot. He has a deep, instinctive understanding of New York political, real estate and media culture, and, like many presidents, now is struggling to apply his mostly irrelevant knowledge to a job he is poorly prepared for. He still strikes us as a good bet not to finish his term—his age, his temperament, the antisynergy between his business interests and his White House life, the latter not helped by his classy in-laws.

But unless you think everything was hunky dory, or unless you’re a member of the class for whom his status is a threat to your status, his election was exactly what you want in a democracy, a timely message from the electorate to the class of people who make it their profession to try to lead us. Never mind what fairer-minded historians write, even liberal ones will say the seminal fact of Mr. Trump’s time was how quickly his critics sank to his conspiracy-mongering level and worse.

TIM BULAT
Yardley, Pa.

In your editorial “Paris Climate Discord” (June 2) you imply that Germany is an example of a failed climate-change abatement program because its emission rate increased in the past two years while its electricity cost has risen greatly.

Yes, Germany’s emissions were about 0.7% higher in 2016 than in 2014, but that’s in the context of its dramatic 27% net emission decrease between 1990 and 2016.

RILEY NEWMAN
Irvine, Calif.

The environmental denier is ceding U.S. leadership in the world. No more will other countries follow America’s lead, or even agree to cooperate with it, having seen that at any time its president can pull out, rescind and cancel its agreed-upon responsibilities.

The U.S. is losing the competition to lead the next technological revolution, that of sustainable energy production. China now leads in solar, Denmark in wind and the Netherlands in tides. America leads in turning backward and inward.

As our planet’s temperature increases, we will suffer more destruction from hurricanes, floods, drought and fires. Instead of creating productive jobs by committing to sustainable energy, we will require jobs to clean up debris, fight fires, build seawalls and bury victims.

BRUCE JOFFE
Piedmont, Calif.

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

OPINION

Greece's Creditors Undermine Reform

By Yannis Palaiologos

Another meeting of euro-zone finance ministers is coming up next week, with no solution expected to the perennial Greek problem. Athens went into the previous summit on May 22 having voted for another round of austerity, including pension cuts worth 1% of gross domestic product and new revenue worth a further 1% of GDP from the lowering of the tax-free income threshold. Prime Minister Alexis Tsipras had promised that the measures would secure a deal on debt relief, which would open the way for Greece's inclusion in the European Central Bank's asset-purchase program, or quantitative easing, and would signal to investors the country's return to normality. The deal failed to materialize, and is unlikely to at the June 15 meeting. A compromise between the International Monetary Fund, which has made debt relief a condition for joining the Greek program, and Germany,

Athens is backsliding on promises to overhaul its economy, but austerity is making the politics harder.

the chief naysayer, was rejected by Greece at the May 22 meeting as offering too few specifics. Germany's finance minister, Wolfgang Schäuble, insists that debt isn't the real problem in Greece. It is, instead, an economy with structural weaknesses stemming from a clientelist political system. There's a lot to be said for this argument. Witness recent developments in the country. On the day of the failed eurogroup meeting last month, it was revealed that Ivan Savvidis, a Russian-Greek tycoon who owns a string



Alexis Tsipras, left, and Angela Merkel during the European Union summit in Brussels on March 10.

of businesses and a football club in Greece, had purchased a 19.6% stake in Mega channel. Mega is a private television station, for years the country's most-watched. Owned until recently by some of Greece's top oligarchs, it is mired in debt and was on the verge of bankruptcy. Mr. Savvidis boasted in an interview in early May that he was sure to gain control of one of the main TV stations "within the month." Bank executives told Kathimerini newspaper that they were placed under pressure from the government to greenlight the Mega transaction. Mr. Savvidis, in the same interview, praised Mr. Tsipras, drawing comparisons to Vladimir Putin as a way of complimenting the prime minister. He also savaged the leader of the opposition, Kyriakos Mitsotakis, for, among other things, opposing a bill that would relieve Mr. Savvidis of the obligation to pay a €38 million (\$42.8 million) fine imposed on another of Mr. Savvidis's companies, the tobacco producer SEKAP, for cigarette smuggling. The fine was incurred before Mr. Savvidis bought the company. The Russian-Greek businessman, formerly a member both of the Russian Duma and Mr. Putin's party, is

also a party to the joint venture that was recently declared the preferred bidder for a 67% stake in the port of Thessaloniki, Greece's second-largest after Piraeus. Meanwhile, Mr. Tsipras has been trying to shore up support by pushing for tens of thousands of employees on short-term contracts to be placed on the government's permanent payroll. He has restricted the autonomy of private schools from the regulatory reach of the Ministry of Education and has introduced a bill to do the same thing to universities while also reinstating the powers of student politicians to participate in their governance. He has stood back while ministers and lower-level officials place roadblocks on important investments such as the Hellenikon project, which would see private residences, offices, recreational facilities and even a large park and casino built on the Athenian coastline. In its doomed effort to retain government control of the energy industry, the Syriza-led coalition government has also reduced PPC, the state-owned electricity company, to dire financial straits. What is equally worrying is that New Democracy, the center-right op-

position, is doing little to prove that it has overcome its own statist, clientelist past. Mr. Mitsotakis has the right instincts on policy, but he has been timid in imposing his views on a largely unreconstructed party. What emerges is a more restrained version of old-style Greek opposition politics—promising growth and tax cuts without specifying where the painful offsetting spending cuts will fall. On the critical issue of combating *diaploki* (government-business collusion), furthermore, it's far from clear that New Democracy is committed to a true rupture from traditional crony-capitalist practices and not merely seeking to replace Syriza's preferred bidders with its own. But here's what Mr. Schäuble is blind to: He doesn't acknowledge the role played by Greece's creditors, above all his own government, in perpetuating this state of affairs. Crushing austerity, born of the European creditors' unwillingness to acknowledge the obvious unsustainability of Greece's debt, deepened and prolonged the Greek crisis and undermined necessary structural reforms, and their proponents, in the eyes of the Greek public. This myopic stance, dictated by domestic political calculations in creditor countries, led to the rise of Syriza and the disastrous negotiations that nearly led Greece out of the eurozone. Now, having brought Mr. Tsipras completely to heel, Germany and its allies continue to choke off its recovery and threaten another liquidity crunch. Whether it is the hubris of the victor or plain political cowardice, it is unworthy of those who claim to be Europe's leaders—and who face the arduous task of rebuilding the euro's legitimacy, after a period of unprecedented turbulence. Mr. Palaiologos is a journalist at the Kathimerini newspaper in Athens and the author of "The Thirteenth Labour of Hercules" (Portobello Books).

A Turning Point for Trumpinology

A headline in Politico Monday read: "Trump national security team blindsided by NATO speech." If this report is correct, President Trump left his top team—national-security adviser H.R. McMaster, Defense Secretary Jim Mattis and Secretary of State Rex Tillerson—in the dark regarding his May 25 speech at the North Atlantic Treaty Organization headquarters in Brussels. All three officials, Politico reports, believed the president's address would explicitly affirm his commitment to Article 5 of the NATO treaty, which states that an attack on one ally is an attack on all. Only when Mr. Trump began speaking did they realize he had removed the crucial sentence, reportedly with encouragement from chief strategist Steve Bannon. The article's author, Susan Glasser, remarks that the episode represents "a significant moment of rupture inside the Trump administration": The president withheld information from his top advisers and then forced them to offer "awkward, unconvincing, after-the-fact claims that the speech really did amount to a commitment they knew it did not make." I have talked with veteran national-security scholars and officials who regard this as a turning point in their assessment of the administration. Until now they believed Mr. Trump's experienced advisers would be able to run American foreign policy along more or less conventional postwar lines, even if the president's rhetoric veered from time to time in a nationalist direction. They no longer believe this. Instead, they say, his *modus operandi* will be transactional. The true north of his compass points to Mr. Bannon's truculent, aggressive nationalism.

In this context, it is especially troubling that Mr. McMaster and Gary Cohn, the head of the National Economic Council, teamed up to publish a startling defense of Mr. Trump's crockery-breaking European tour. "The president embarked on his first foreign trip," they wrote, "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." Lest the reader conclude that the authors regard this as a disagreeable reality, they declare: "Rather than deny this elemental nature of international affairs, we embrace it." Hooray for the war of all against all! Messrs. McMaster and Cohn are attacking a straw man. There is a lot of daylight between Hobbes and Kant. Anarchy is not the only alternative to World Federalism. Even if an all-encompassing global community doesn't exist, smaller subcommunities do, because regimes matter. Political scientists have shown that democracies are unlikely to wage war against one another. The core proposition of America's foreign policy for decades has been that democracies have something in common that mutes their

antagonism toward one another and shapes a shared outlook on which to base mutual endeavors. NATO's persistence in the face of changing circumstances offers evidence for this proposition, as does interdemocratic cooperation on a host of international issues. Many thought a strong staff could steady the ship of state. No longer. "At every stop in our journey," Messrs. McMaster and Cohn continue, "we delivered a clear message to our friends and partners: Where our interests align, we are open to working together." The implication is that where they do not, we aren't. I cannot imagine a blunter articulation of the transactional myopia that shapes this administration's policies. What about doing the right thing for its own sake, as President George W. Bush did when he placed America's moral authority and material resources behind the global struggle against AIDS? Worse, Messrs. McMaster and Cohn tacitly presuppose a pinched,

shortsighted understanding of American interests. This week marks the 70th anniversary of the Marshall Plan. If Mr. Trump had been president after World War II, the U.S. wouldn't have offered such assistance to a struggling Europe. Why spend the equivalent of \$130 billion in today's dollars to give Europeans a hand up? Why not retreat across the Atlantic and leave them to their fate? President Truman and Secretary of State George Marshall had learned the answer to these questions from Franklin Roosevelt: In the long run, the U.S. won't survive as an island of democracy in a sea of autocracy. If Americans cherish not only their prosperity but also their institutions, they need allies who share their principles. This is an example of what Alexis de Tocqueville termed "self-interest rightly understood." By contrast, Mr. Trump embraces self-interest wrongly understood, and his enablers, who surely know better, are helping him peddle this poison as medicine. Yes, NATO partners should contribute more to the common defense. But even if they paid nothing, a free and democratic Europe would still serve the interests of the U.S.

The Left Celebrates a Terrorist—Again

By Jillian Kay Melchior

When the fourth bomb exploded in lower Manhattan on New Year's Eve 1982, Detective Richard Pastorella took shrapnel from his stomach to his scalp. It blinded him, maimed his right hand, left him nearly deaf. Surgeons used 22 titanium screws to hold together his ruined face. "When my granddaughters present me with crayon drawings and are pleased to show them to me, I have to pretend that I can see them and enjoy

their effort," Detective Pastorella later testified. "I have sacrificed my pride, my dignity and will never be free." Now the leader of the terrorists who maimed him is free. President Obama granted Oscar López Rivera clemency in January. This weekend he will march in New York's Puerto Rican Day Parade. López Rivera was the "prime recruiter" for the terrorist group FALN, as well as "a key trainer in bombing, sabotage, and other techniques of guerrilla warfare," according to his presentencing report. From 1974 to 1983, his group carried out more than 130 bombings, killing six. He has shown little remorse. Last month he insisted that "colonized people" have the right to use "all methods within reach, including force." The Puerto Rican Day Parade had originally designated López Rivera its first-ever National Freedom Hero. After massive backlash, organizers tried to save face. He stepped down from his "formal role," they announced, but will still march. So may the city's far-left political elite. Although both of the state's U.S. senators said they wouldn't march, Mayor Bill de Blasio was willing to do so even when the terrorist was the official parade honoree. His office called the uproar "needless controversy." City Council Speaker Melissa Mark-Viverito overtly supported López Rivera. That's part of a broader trend: Over the past year, the far left has repeatedly venerated terrorists and

murderers. Take Rasmea Odeh. In 1969 her group, the Popular Front for the Liberation of Palestine, murdered two college students by planting a bomb in a box of sweets in a Jerusalem grocery. Odeh awaits deportation after lying about her terrorism conviction on U.S. immigration papers. According to the feminist website Jezebel, she "epitomizes the progressive left movement and exemplifies the women to whom we should be listening." The Women's March gave Odeh a prominent role as it orchestrated the Day Without Women strike. She has also gone on the campus speaking circuit. Another leftist cause célèbre: Leonard Peltier, serving a life sentence for murdering two FBI agents at the Pine Ridge Indian Reservation in South Dakota in 1975. He and other assailants ambushed the men, riddling their cars with at least 125 bullets. As one agent lay wounded and another tried to surrender, Peltier shot both point-blank. The Standing Rock alliance of environmentalists, Hollywood progressives and Native American activists have fought for Peltier's release, portraying his conviction as a legacy of the 1890 Wounded Knee massacre. The progressive media insists that it's conservatives who are violence-prone—especially in the era of Trump. But it's the left that champions monsters like Oscar López Rivera, Rasmea Odeh and Leonard Peltier. Ms. Melchior is Heat Street's political editor.

America's Missing Inspectors General

By Joseph E. Schmitz

The promises contained in the Trump campaign's "Contract With the American Voter" began with "restoring honesty and accountability, and bringing change to Washington" and ended with a pledge to "drain the swamp and reduce the corrupting influence of special interests on our politics." Now that he's president, Donald Trump has an opportunity to make good on these pledges by filling 12 vacant inspector-general spots at federal agencies including the Defense and Energy departments, Central Intelligence Agency, National Security Agency, and Office of the Director of National Intelligence. The Inspector General Act of 1978 mandates that inspectors general at cabinet-level agencies "shall be appointed by the President, by and with the advice and consent of the Senate, without regard to political affiliation and solely on the basis of integrity and demonstrated ability in accounting, auditing, financial analysis, law, management analysis, public administration, or investigations." Currently 34 of the federal government's 73 inspectors general require appointment by the president. The rest—typically at federal offices—are appointed by the agencies themselves. According to the Project on Government Oversight, the Interior Department has been without a permanent inspector general since Feb. 23, 2009. The vacancy at the CIA dates to Jan. 31, 2015. Inspector-general vacancies in the intelligence agencies can be "very, very damaging," to quote former CIA Director John Brennan's recent testimony about Washington's "culture of leaks." Many of the current vacancies are at least in part the fault of Senate Democrats and anti-Trump Republicans, who have deliberately slowed the confirmation process in order to hurt the president. In the absence of fully vetted, Senate-confirmed appointees, acting inspectors general are charged with monitoring vast, occasionally recalcitrant federal bureaucracies. Often viewed as temporary and toothless, acting inspectors general typically don't have the enforcement clout necessary to investigate misdeeds and root out corruption. In 2012, Sen. Charles Grassley (R., Iowa), issued a statement critical of the Obama administration's reliance on acting inspectors general rather than fully vetted and Senate-confirmed ones: "Even the best acting inspector general lacks the standing to make lasting changes needed to improve his or her office." That was nine months before the attack on a diplomatic compound in Benghazi, Libya. The U.S. State Department's office of inspector general had warned then-Secretary of State Hillary Clinton about the compound's vulnerability, to no avail. In fact, there was no Senate-confirmed inspector general at State during Mrs. Clinton's entire scandal-marred tenure as secretary. In order for inspectors general to do their jobs as required by statute—that is, to conduct audits and investigations that identify waste, fraud and abuse in government—they need to be backed up by the sense of permanence that Senate confirmation provides. Mr. Trump needs to focus his administration on recruiting, training, and retaining the best inspectors general. By law that task falls to the deputy director for management at the Office of Management and Budget. This senior OMB official also serves as the executive chairman of the Council of the Inspectors General on Integrity and Efficiency. In this role, the OMB deputy director for management can and should establish a leadership-driven system for hiring and retaining the best inspectors general. Reining in politically motivated inspectors general who leak sensitive investigatory findings in order to promote their own agendas should also be a priority. As ex officio leader of the entire inspector-general community, the OMB deputy director for management should also provide dynamic leadership. Unfortunately, a Senate-confirmed appointee has yet to be named. As a result, the inspector-general community is leaderless. In this era of rampant leaks, "resistance" and "deep state" abuses of power, Senate-confirmed inspectors general and proactive leadership from the top are needed more than ever. These essential government watchdogs ought to be front and center in carrying out President Trump's pledge to drain the swamp. Mr. Schmitz served as Defense Department inspector general from 2002 to 2005 and is now a partner at the law firm of Schmitz & Socarras LLP.

LIFE & ARTS

THE MIDDLE SEAT | By Scott McCartney

Even Elite Fliers Find Fewer Airline Perks

Flying 100,000 miles a year on one carrier won't guarantee regular upgrades to business or first class anymore

THE DECLINE in airline amenities that has vexed consumers in the back of the plane is now hitting elite frequent fliers, too.

Some of the big carriers' best customers complain that perks have been whittled away. Delta used to give its top-tier frequent fliers free club membership, but now offers that as a choice in a bundle of options. United paid Global Entry fees for top customers three years, but stopped in 2015. And the most important loyalty benefit—an upgrade—has gotten much rarer because airlines are selling more first- and business-class seats, auctioning them off, and in some cases shrinking those cabins and reducing legroom there as well.

"The loyalty is gone," says Peter Boer, a consultant to technology companies. He now buys business-class and first-class tickets on different airlines for his travelers, since he can't get an upgrade from American, where he's a lifetime platinum member.

Even "systemwide upgrades," the golden ticket for travelers that used to let you instantly upgrade any flight, are becoming harder to use, elite-level frequent fliers say. Systemwide upgrades are earned by travelers who spend heavily with airlines and fly more than 100,000 miles a year, or hit a mile-stone like 2 million lifetime miles. They used to get you confirmed upgrades when you bought your ticket.

With United, you can't buy the cheapest ticket for international trips and use systemwide upgrade certificates. You must spend more for a coach ticket and then wait, not knowing if the upgrade will clear. If it doesn't come through, you paid more for your coach seat than necessary.



ROB WILSON

On American, the available inventory of seats for systemwide upgrades has shrunk. That means waiting until departure on many flights to see if you'll get a cushier seat.

Mark Kovac, a Dallas-based business consultant who is a member of American's highest loyalty tier, invitation-only Concierge Key, bought coach tickets last fall for a family summer trip to London. He was told seats weren't available then to use his systemwide upgrades—the first time that had happened to him.

When he complained, American told him the airline's predictive models are blocking upgrades more often so premium seats are available to sell close to departure. "It is true that until a few years back, systemwide upgrades would, more often than not, get cleared at the time of booking. However, that

is not the case now," a customer service representative at American's AAdvantage program wrote.

To Mr. Kovac, that erases a big benefit. "This is probably the biggest, most noticeable thing they've changed," he says. "I used to want to save these for something special. Now I just use them whenever I can."

Mr. Kovac and his family did get upgraded shortly before the overnight flight to London on Friday, but his children, ages 10, 8 and 6, were spread around the cabin, he says.

American says it has improved its international premium cabins and seen an increase in paid demand. "We continue to refine our systems to reflect the demand for the product while still providing as much availability as possible to our elite members," a spokeswoman says.

Frequent fliers say they understand airlines' desire to sell premium seats rather than give them away, but upgrades used to be considered a necessary investment in loyalty. Frequent travelers essentially paid for those seats in advance by buying expensive tickets trip after trip.

In January, American also chopped how many systemwide upgrades it gave out to 100,000-mile-a-year executive platinum members. Each year executive platinum members used to get eight SWUs. This year that was cut to four, with the opportunity to earn two for reaching 150,000 miles and two more at 200,000 miles.

Gary Leff, co-founder of the frequent-flier community InsideFlyer, says top travelers are complaining a lot about American lately because the airline is making

changes after its merger with US Airways. American was considered the most generous for top customers, because Delta and United had already weakened some perks, he says. Now there are few major differences between the three big airlines, Mr. Leff says.

Delta says the percentage of passengers in first class who paid to sit there used to be around 10%, but by next year will hit 70%. Airlines offer more first-class sales and discounted seats and push affordable upgrades by email and kiosk.

To placate their best customers stuck in coach, American and United now give them the small consolation of a free cocktail and food item for sale onboard.

A bigger upgrade issue looms for top-tier travelers: How "premium economy" cabins will impact upgrades on international flights. Premium economy—usually a separate cabin with more leg-

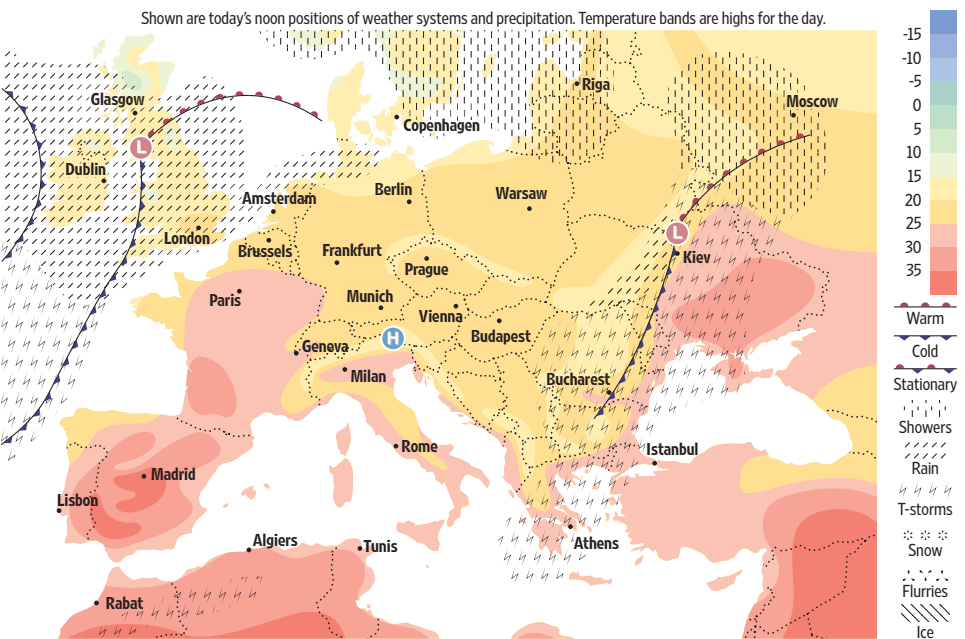
room, wider seats and upgraded food compared with coach—has been a big hit on international airlines, priced several hundred dollars above coach tickets but several thousand below business class.

American is rolling out its version now. Delta says its premium economy will launch in the fall. United says it is taking steps toward premium economy, too.

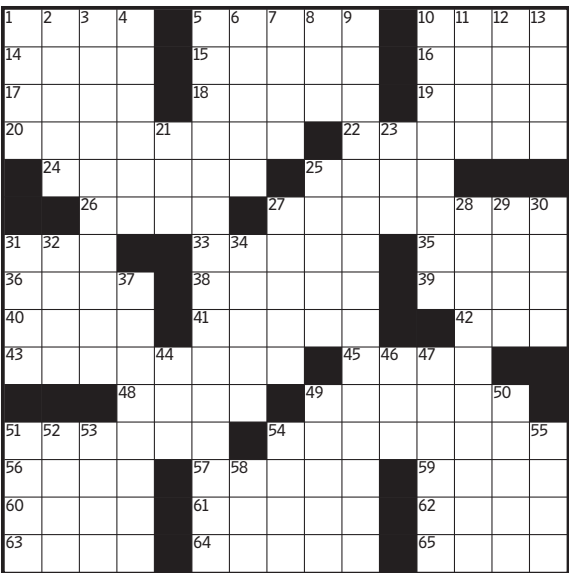
The catch: On many international airlines, upgrades move you up one cabin. So instead of jumping from coach to business, an upgrade from economy moves you to premium economy. To get to business class you have to buy a premium economy ticket. "It reduces the value of the upgrade," Mr. Leff says.

U.S. airlines have yet to say what their upgrade policy will be on flights with premium economy.

Weather



The WSJ Daily Crossword | Edited by Mike Shenk



CLOCKING IN | By Colin Gale

- | | | |
|--|---|---|
| Across | 22 Emmy-winning PBS series of 1980 | 41 Eliciting gasps, perhaps |
| 1 Montenegro's capital was named for him until 1992 | 24 Spruces | 42 Take to court |
| 5 Company that introduced the Hula Hoop and Super Ball | 25 Car ad abbr. | 43 Peacock, notably |
| 10 Free cash? | 26 Course | 45 Improvised style |
| 14 Mouse target | 27 Darling visitor | 48 Grassy expanses |
| 15 Epitome of machismo | 31 Six-pack makeup | 49 Daze |
| 16 Triceps attachment | 33 Role that earned Patti LuPone her first Tony | 51 Guy, informally |
| 17 Scruff | 35 Name on West Coast stations | 54 Ramstein and others |
| 18 Aster family flower | 36 Jury service, e.g. | 56 Six-Day War weapons |
| 19 Inner workings | 38 DJ's creations | 57 Hint of hue |
| 20 They stretch from Cuba to Trinidad | 39 Crowdsourced review site | 59 Bud |
| | 40 Brand advertised as "Wonderfilled" | 60 With 63-Across, what (in abbreviated form) has been added to the long Down answers |

► Solve this puzzle online and discuss it at WSJ.com/Puzzles.

- | | |
|--|---|
| 61 Banks of Chicago | 23 Target of refinement |
| 62 Pumper part | 25 Poetry class topic |
| 63 See 60-Across | 27 They made "Up" |
| 64 Distributed | 28 Place to buy magic wares? |
| 65 Foil's kin | 29 Nonprofit org. since 1920 |
| Down | 30 Informal denial |
| 1 "Bob's Burgers" daughter | 31 Commotions |
| 2 Defeatist's cry | 32 Baskin of Baskin-Robbins |
| 3 Source of the best racetrack advice? | 34 Gambling and drinking, e.g. |
| 4 "People of the Standing Stone" | 37 "Just wait!" |
| 5 Sewing begun on a skirt's edge, and not just part of it? | 44 Old Navy purchase |
| 6 Spells | 46 Little lion |
| 7 Iowa State setting | 47 Attack chopper |
| 8 Have permission to | 49 House Stark's grey direwolf or House Lannister's golden lion |
| 9 Where all the blissful people live? | 50 Not just scrap |
| 10 Raid, e.g. | 51 Fool (around) |
| 11 School supporter, often | 52 Opera's Pinza |
| 12 Fascinated by | 53 Describe |
| 13 Highland girl | 54 Visitor to King Mongkut |
| 21 Blotto | 55 Hook helper |
| | 58 Hot state |

Previous Puzzle's Solution



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Thursday, June 8, 2017 | B1

Euro vs. Dollar 1.1233 ▼ 0.40%

FTSE100 7478.62 ▼ 0.62%

Gold 1290.10 ▼ 0.33%

WTI crude 45.72 ▼ 5.13%

German Bund yield 0.269%

10-Year Treasury yield 2.180%

Santander Buys Ailing Rival Bank

By JEANNETTE NEUMANN

MADRID—Banco Santander SA has acquired Spanish rival Banco Popular Español SA in an overnight auction for the nominal amount of €1 (\$1.13) after the European Central Bank determined the ailing lender was near collapse.

The rescue of Banco Popular marks a swift and decisive response by the European Union to stop the downward spiral of Spain's most troubled big bank and provides a test of Europe's banking rules enacted after the financial crisis.

While the Spanish banking sector is largely healthy, Banco Popular has proved a weak link. The lender's balance sheet is weighed down by about €37 billion in bad loans accumulated since the

country's real-estate boom went bust.

The sale of Banco Popular also marks the first major move by the Single Resolution Board, the European body charged with dealing with failing banks and ensuring that taxpayer money doesn't go to bailing out troubled lenders.

Instead, shareholders and junior debtholders are in line for losses, along with holders of contingent convertible debt, also known as CoCos, which European authorities have encouraged banks to issue in recent years.

Lenders across the region, including Banco Popular, have used this kind of debt to raise billions of euros of capital. The securities pay coupons like bonds, but convert to shares if the bank's capital



Banco Popular was bought for €1, precluding a taxpayer bailout.

ratios sink below a certain level, thus making them the first bondholders to be wiped out in a bank failure. Analysts said the rescue could

lead investors to demand greater premiums on bonds issued by European banks struggling with soured loans or low provisions.

The Single Resolution Board's initiative in Spain follows criticism that Italy last month sidestepped Europe's new rules by using a loophole to approve the injection of public money into troubled lender Banca Monte dei Paschi di Siena SpA.

Banco Popular has been floundering for months, though in recent weeks its crisis deepened as investors became concerned it wouldn't be able to sell assets, raise capital or find a buyer.

Like other troubled lenders in Italy, Portugal, Greece and elsewhere in Europe, the bank hasn't been able to generate strong enough profits to help

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◆ **Heard on the Street: Spain's lessons for Italy** B8

Chinese Phones Take On Apple

By LIZA LIN AND DAN STRUMPF

SHENZHEN, China—The top player in Africa's fast-growing smartphone market isn't Apple Inc. or Samsung Electronics Co. It is Transsion Holdings Ltd., an obscure Chinese manufacturer that won customers by offering handsets with features targeted to local markets.

Transsion—whose products are sold under the Tecno, itel and Infinix brand names—developed handsets with two SIM-card slots after research showed people were carrying additional cards to avoid making out-of-network calls to save money. It also optimized its cameras to better highlight the features of people with dark skin tones.

"We didn't want to bring what we had," said Arif Chowdhury, Transsion's vice president. "We wanted to bring what customers need."

That kind of thinking partly explains how Chinese manufacturers managed to snare more than 40% of the global smartphone market in the first quarter of 2017, double what they had five years ago, according to industry researcher IDC. Meanwhile, Samsung's and Apple's share of the global market has begun to slip, down 3.5 percentage points last year.

The other answer can be found in the Pearl River Delta, China's southern tech corridor. With few exceptions, notably Beijing-based Xiaomi Corp., most of the more than 20 Chinese smartphone makers are there, a region rich in the technical know-how and manufacturing infrastructure.

Shenzhen is home to Huawei Technologies Co., ZTE Corp. and Transsion. BKK Electronics Corp., the parent owner of the popular Oppo and Vivo smartphone makers, and TCL Corp. are both less than 60 miles to the north.

It is a volatile market, as shown by Xiaomi's fall from the No. 1 Chinese phone maker in 2015 to the No. 5 position last year. The fight is all about staying competitive in pricing and features, and Shenzhen is the battleground.

Once known as little more than a hub of contract manufacturing for Western technology giants, the region has given birth to an array of domestic upstarts by marrying low-cost production and high-tech engineering.

"The impression that Chinese companies are not good at innovation was accurate three years ago but not anymore," said Li Dongsheng, chairman of TCL, whose smartphones are ranked in the top five in the U.S.

Oppo, China's largest smartphone maker by market share last year, started producing phones eight years ago that were notable only for simple design flourishes such as a camera molded into the shape of a smile. Today, its biggest selling points include a "beautify" function that smooths and brightens users' selfies and a fast-charging battery.

"We do customer channel

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INSIDE



EUROPE TO TOUGHEN AIRLINE RULES

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HEARD ON THE STREET

By Charley Grant

Musk Cuts Both Ways At Tesla

Tesla Inc. is one of the hottest stocks on the planet, thanks to investor belief

in Elon Musk. Paradoxically, that might be the biggest risk investors face.

Take the events at Tuesday's annual meeting, for instance. In response to a question about what the company CEO and chairman does in his time away from work, Mr. Musk said, in part, "Sometimes go crazy on Twitter. You know, sort of, red wine, vintage record player, some Ambien, magic! Magic happens." The assembled crowd burst into laughter.

Investors certainly are laughing all the way to the bank at the moment. Tesla's shares are up by about two-thirds just this year, propelling Tesla to a significantly larger market value than more-established and profit-

Elon Musk's vision is far and away the main reason to own Tesla's shares.

able General Motors or Ford Motor. The Model 3 mass-market sedan is due to enter production next month, and the stock's many short sellers are under significant pressure. Shares were up another 1.5% by late Wednesday.

This is a good time for investors to understand that belief in Mr. Musk's vision, not traditional financial measures, is far and away the main reason to own the stock.

Tesla loses money consistently and analysts covering the stock have lately been slashing profit projections. For example, analyst consensus called for \$6.26 a share in 2018 adjusted profit a year ago, according to FactSet. Now, analyst consensus calls for a similar loss of 89 cents. A similar pattern can be observed out to 2020, but investors clearly don't mind.

Therein lies the danger. The stock depends on Mr. Musk working his magic. And while the audience treated those comments like a joke, Ambien, a powerful treatment for insomnia, isn't something to chuckle about. "Do not use with alcohol," warns the Food and Drug Administration. The FDA further warns that "sleep-driving" is "more likely to occur when Ambien is taken with alcohol."

The stock now trades at 79 times the 2019 earnings estimate. At that price, Mr. Musk's utterances should be keeping shareholders up at night.



NBA star LeBron James is a co-founder of Uninterrupted, a prime example of the disruptive forces pressing on traditional sports outlets.

Pro Athletes Find Own Media Voice

Entertainment startup Uninterrupted helps players reach audiences more directly with shows

By BEN COHEN

BURBANK, Calif.—Cleveland Cavaliers forward Richard Jefferson received a text message recently from a number he didn't recognize.

"I'm going to f—ing kill your podcast!!!!" it read.

The sender was Golden State Warriors forward Draymond Green, who had just found out that Mr. Jefferson's show about the Cavaliers was more popular than his own podcast. "I'm going to destroy you bro," Mr. Green wrote. "Bad!"

Messrs. Jefferson and Green are on either side of a basketball rivalry that has returned

to the NBA Finals for the third year in a row. They're also battling to lure listeners to their shows.

That's where their competition ends and their role in turning the sports business upside down begins. Mr. Jefferson's and Mr. Green's shows belong to a network owned by Uninterrupted, a media startup founded by Cleveland star LeBron James and his business partner Maverick Carter, and backed by more than \$15 million from Time Warner Inc.'s Warner Bros. studio and Turner Sports unit.

It's the latest evolution of a movement in which athletes,

celebrities and other public figures are using social media and other technology to control their images and communicate directly with the public. In the process, they are loosening traditional media's grip on the way sports is delivered and consumed. Mr. James, Mr. Carter and their partners are betting some of the most compelling sports content in the shifting entertainment landscape will be created by the athletes themselves.

"This is their media company," Mr. Carter said in an interview from his office inside a set house on the Warner Bros. studio lot. "This is the place

they can come and tell the stories they want."

Uninterrupted's multimedia offerings include full-length documentaries, web series and a growing podcast network. Some of its shows have been licensed by traditional media outlets such as Fox Sports, which broadcast an Uninterrupted documentary about a mixed martial-arts fighter. Shows also appear on YouTube, Instagram and Uninterrupted's own website.

The company is another potentially disruptive force at a time when established media outlets are under pressure to

Please see MEDIA page B2

U.S. Oil Exports Reshape Global Markets

By LYNN COOK

American oil exports are emerging as a disruptive new force in global markets.

The U.S. exported 1 million barrels of oil a day during some months this year—double the pace of 2016—and is on track to average that amount for all of 2017, according to a Wall Street Journal analysis of data from the U.S. Energy Department and the International Trade Commission.

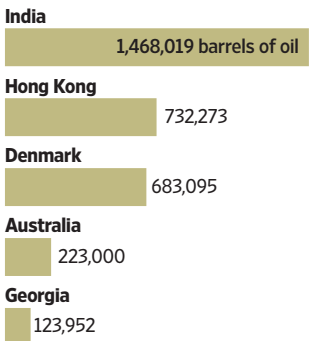
In another era, a domestic glut and low prices, currently hovering under \$50 a barrel, might have caused companies to slow the pace of drilling. But since Congress lifted a ban on oil exports at the end of 2015, shipments out of Texas and Louisiana have skyrocketed, taking the fruits of the U.S. fracking revolution to new markets.

"The glut of crude around the world, coupled with extremely low prices to rent oil

Pumped Up

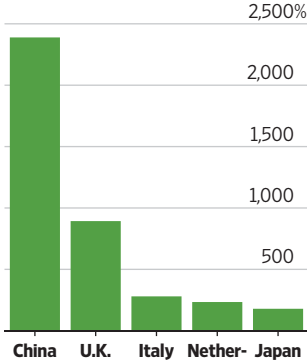
Surging U.S. oil exports are penetrating new markets and meeting increased demand from existing buyers.

Volume of oil bought by new importers in 2017



Note: Imports for January through April
Source: U.S. International Trade Commission

Year-on-year increase in oil imports from the U.S. among selected countries



THE WALL STREET JOURNAL.

tankers, is upending petroleum flows," said Kurt Barrow, vice president at consulting firm IHS Markit.

While U.S. exports make up just 1% of global oil volumes,

they are a new factor helping to tamp down prices and keep them between \$45 and \$55 a barrel. U.S. oil prices on Wednesday declined more than 4% to around \$46 a bar-

rel after weekly inventory data showed a surprise increase in stockpiles.

Exports represent a relief valve for U.S. drillers, who are ramping up production at a pace to surpass 10 million barrels a day, a new record, by next year if not sooner.

The U.S., which shipped more than 110 million barrels to foreign buyers from January to April, according to ITC data, is benefiting in part from a decision by the Organization of the Petroleum Exporting Countries to temporarily reduce output.

The U.S. still imports a lot of foreign crude, averaging 10 million barrels a day last year, because it is the world's No. 1 oil consumer. But that level has dropped sharply in recent years.

A major reason that U.S. exports are rising is that

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OIL

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 American crude has been selling at a discount of roughly \$2.50 a barrel to the international oil-price benchmark, Brent, for much of this year.

That spread makes it profitable to pay to transport U.S. oil to farther-flung locales. If U.S. oil's discount to Brent gets bigger, American shipments will grow. If it shrinks, less U.S. oil will flow overseas.

Another big reason for the increase in exports is so-called back-haul economics, said Mason Hamilton, an analyst with the Energy Department. Tankers carrying crude

China is stepping up imports of U.S. oil after its own output dropped last year.

from the Middle East to Texas used to unload and go home empty. Now U.S. oil can be loaded on those tankers and make a pit stop in Europe on their way back.

In late May, Occidental Petroleum Corp. successfully tested docking a supertanker that can hold more than 2 million barrels of crude. The test at its shipping terminal in the Port of Corpus Christi was part of a plan to eventually export bigger shipments from Texas to Asia and Europe.

The U.S. still ships out nine times more refined petroleum—like gasoline, diesel and propane—than it does raw crude oil. But that could start to change.

“It takes years to establish markets,” Mr. Hamilton said. “Refiners are protective of their refineries. They want a consistent quality stream—no mystery crudes—so they are testing it out.”

In 2013, 99% of the small trickle of oil that flowed out of the U.S. on special permits went to Canada. Since the lifting of the export ban, American oil has flowed to

more than 30 countries, with China, Colombia and the U.K. emerging as big buyers.

So far this year, Asian buyers have taken 39% of U.S. shipments as Canada's share has dropped to 30%, according to the latest federal data, which runs through April. European refiners have bought 22% and Latin America 9%.

China, the world's largest oil importer, traditionally gets more than half of its crude from OPEC members like Saudi Arabia, Angola and Iran. But China, which imported a record 8.6 million barrels a day in December 2016, is stepping up imports of U.S. oil, as well as crude from Brazil, after its own production dropped significantly last year, according to the Energy Department.

“We believe that more U.S. oil production will be needed to meet future global demand and offset production declines in China and Mexico during 2017 and 2018,” said Rob Thummel, managing director for Tortoise Advisors, an energy investment adviser with \$16.8 billion under management.

Since the start of this year, more oil routes have been forged between the U.S. and India, Hong Kong, Australia and Denmark. Even Georgia, sandwiched between big oil producers Russia and Azerbaijan on the Black Sea, took a shipment of U.S. crude in March. In some cases, experts believe countries are taking U.S. shipments to make a statement to their current suppliers: We have options.

Italy and the Netherlands, where the pipeline-linked Port of Rotterdam serves as a major gateway to Europe, are also emerging as destinations for U.S. crude. Royal Dutch Shell PLC, which operates the largest refinery in Europe in Rotterdam, is among the companies that have shipped U.S. crude to the Continent.

American crude's place in Europe remains relatively small, at just shy of 25 million barrels in the first four months of the year. But the exports are a challenge to Russia, which toppled the U.K. and Norway as the top oil exporter into the Netherlands 12 years ago.

BUSINESS & FINANCE



The EU's proposed rule changes come in the wake of allegations that Middle Eastern carriers benefit from unfair competition.

Europe to Toughen Airline Rules

The European Union will propose stricter rules on Thursday to allow the region's airlines to challenge perceived unfair competition from overseas rivals.

By Robert Wall in London and Daniel Michaels in Brussels

The move comes after repeated complaints by European and U.S. airlines that major Middle Eastern carriers such as **Emirates Airline**, **Qatar Airways** and **Etihad Airways** have grabbed market share by using state subsidies to offer heavily discounted tickets. The three airlines deny the charge.

The European Commission—the EU's executive wing—will unveil updates to its aviation policy that will allow member countries, airlines or the commission itself to challenge unfair competition—

prompted by charges that foreign carriers have exploited liberal EU rules. The bloc's current aviation policy was first published in late 2015.

“The rules we had up to now were almost unusable,” EU Commissioner for Transport Violeta Bulc said in an interview.

“We will have for the first time clear rules in the toolbox in case things go wrong. I hope I will never need to use them,” she added separately.

U.S. carriers, including American Airlines Group Inc., Delta Air Lines Inc. and United Continental Holdings Inc., have lobbied the Trump administration to curb the growth of airlines from the Persian Gulf. **Air France-KLM** SA and **Deutsche Lufthansa** AG are among the European carriers that have made similar complaints to their national governments and to the commission.

The EU's response comes at

a difficult time for Mideast airlines. Demand for air travel has been hit by low oil prices and a U.S. ban on the use of some electronics on inbound flights from some Middle East airports, including Dubai, Doha and Abu Dhabi.

Qatar's flag carrier is under further pressure amid a move by Saudi Arabia, the United Arab Emirates, Bahrain and Egypt to isolate the Qatari government. The U.A.E. closed all Qatar Airways offices in the country on Wednesday, one day after Saudi Arabia did the same. The countries have also blocked flights to and from Qatar.

The proposed EU legislation, which must be approved by the European Parliament and a body representing member states, comes as the bloc tries to negotiate far-reaching aviation agreements with countries such as the U.A.E. and Qatar, which would re-

place existing deals struck with individual EU states.

The commission is also trying to clarify longstanding airline ownership-and-control rules that limit foreign ownership to 49%.

Foreign investment in European carriers, including Etihad's 29.2% stake in **Air Berlin** PLC and a 49% holding in Alitalia before that airline entered bankruptcy protection, has raised questions over whether a minority owner may exert control over decision making. Etihad has said it works closely with its partners while complying with EU rules.

EU member states are responsible for ensuring investments in their airlines comply with the ownership-and control rules.

“We are trying to create legal certainty” for all, Ms. Bulc said, adding that the caps on foreign ownership of airlines wouldn't be lifted.

MEDIA

Continued from the prior page
 adapt to declining subscriptions for cable television. ESPN has lost more than 10 million subscribers in the past several years as customers have ditched the pay-TV bundle for streaming services. That cord-cutting was one of the reasons for a big round of layoffs in April.

Ventures like Uninterrupted are limited in their power to supplant traditional media because there is no substitute for live games. That is why fees to broadcast NBA and NFL games have risen even as other forms of entertainment have watched their audiences scatter. Under a deal that went into effect this season, Walt Disney Co., which owns ESPN, and Time Warner pay the NBA an average of about \$2.7 billion a year, roughly triple the sum of the previous agreement. That money also buys the broadcast partners special access to players like Messrs. James and Green.

But what more players have realized is that the leagues don't own their personalities and likenesses—and there are now more vehicles than ever to satisfy fans' craving for an unfiltered view and make money along the way.

“You don't have to go through the traditional gatekeepers to find an audience anymore,” said Tom Spock, a partner at Scalar Media and former NBC executive. “Anybody can distribute content now.”

Uninterrupted executives say they're not interested in supplanting the traditional media. They point to Mr. James as someone who remains accessible to reporters even if he could bypass them and reach millions of people



Uninterrupted co-founder Maverick Carter, left, and colleague Matt-Ross Miller in Burbank, Calif.

himself. It was in a news conference and ESPN interview last week—not in a tweet or an Uninterrupted video—that the NBA star made his first comments about Los Angeles police investigating a racial slur spray-painted on his home.

“Uninterrupted is not journalism and never will be,” said Adam Mendelsohn, a media strategist who advises Messrs. James and Carter. “Uninterrupted is entertainment and a way for athletes to connect in new, creative ways with fans.”

Such platforms are attracting investors' attention. The Players' Tribune, a website founded by former New York Yankee Derek Jeter that recently announced its own podcast network, said in January that it had completed a \$40 million fundraising round, bringing its total funding to \$60 million.

Uninterrupted was conceived in the immediate aftermath of Mr. James's decision to return to Cleveland in 2014.

He announced his move to the Miami Heat in 2010 with an ESPN special called “The Decision” that was widely criticized in part for its insensitivity to the fans he was leaving behind in Cleveland. But his return to Cleveland was better received in part because it was unveiled more thoughtfully in an essay co-written by Sports Illustrated writer Lee Jenkins.

Only hours later, on a private jet bound for the soccer World Cup in Brazil, Messrs. James and Carter started talking about the potential for a company based on that process. They wanted to connect professional athletes with professional writers, producers and directors who could help them say what they wanted to say.

The product of that conversation was Uninterrupted. The company soon struck a distribution deal with Bleacher Report, a website owned by Turner Sports, and it secured backing from Warner Bros. af-

ter an introduction by Paul Wachter, Mr. James's financial adviser and a Time Warner board member.

Athletes who develop shows through Uninterrupted get access to resources to produce, promote and distribute them. The company also gives athletes a cut of any revenue from sponsorships or licensing deals, though terms vary. The company declined to say which athletes own equity stakes.

Uninterrupted's buzziest release is a podcast that costs little to produce. The Cavaliers' show, Road Trippin', began independently and could have picked other podcast networks after its first episodes found an instant audience. Mr. Jefferson, who co-hosts the show with teammate Channing Frye, says he chose Uninterrupted in part because of his relationship with Mr. James. “He didn't have to pitch,” Mr. Jefferson said.

—Sara Germano contributed to this article.

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BANKS

Continued from the prior page
 shore up its balance sheet. Banco Popular's share price had plummeted more than 50% in the past week alone.

The ECB had become concerned about the deterioration of Banco Popular's finances, before determining on Tuesday “that the bank was failing or likely to fail,” according to a statement.

After recent attempts by Banco Popular to find a buyer in a private sale failed, EU banking authorities launched a

rapid-fire auction Tuesday night, with Santander emerging as the buyer early Wednesday morning, Santander Executive Chairman Ana Botin said. She declined to say how many other banks were involved in the auction.

One of the banks invited to the Tuesday auction was Spain's **Banco Bilbao Vizcaya Argentaria** SA, people familiar with the process said separately. But Spain's No. 2 bank by market value decided against bidding for Banco Popular, those people said.

The rescue imposed steep losses on junior bondholders and wiped out shareholders,

while senior bondholders were spared.

Questions remain over whether senior debtors will necessarily be off the hook in future bank rescues if a buyer isn't found, for instance, or if the rescued lender is in worse shape than Banco Popular.

The transaction also spared taxpayers, fulfilling a major objective of EU banking rules that were enacted after a number of European governments used public money to shore up teetering banks during the financial crisis.

A private solution for a teetering bank “is great news for Europe,” Ms. Botin said during

a news conference in Madrid.

Banco Santander's shares fell 0.9%, to €5.75, on Wednesday.

The combination of Banco Popular and Santander creates Spain's largest bank, with 17 million customers. Santander plans to raise €7 billion in a rights issue before the end of summer to fund a cleanup of Banco Popular's balance sheet.

Santander said the transaction is expected to generate a return on investment of 13% to 14% in 2020 and would boost earnings per share by 2019.

—Julia-Ambra Verlaïne and Ben Dummett contributed to this article.

BUSINESS NEWS



Penguin Random House is buying merchandise firm Out of Print.

Book Publisher Dons A T-Shirt Business

By JEFFREY A. TRACHTENBERG

The world’s largest consumer book publisher is jumping into the literary knick-knacks and T-shirt business.

Penguin Random House, majority owned by Bertelsmann SE, said Wednesday that it has acquired the literary merchandise company Out of Print for an undisclosed sum.

Out of Print licenses literary-themed works and illustrations from copyright holders to make hundreds of products, such as apparel, accessories, tote bags, mugs and scarfs, which it then sells at about 1,000 retail outlets.

The company also sells its products online. On its website, Out of Print says its current best sellers include a pair of yellow library card socks for \$10, a banned books matchbox set for \$8, an \$18 Nancy Drew tote bag, and a “When in Doubt, Go to the Library” Harry Potter women’s T-shirt for \$22.

“Much in the way that music stars, sports figures and other entertainers have T-shirts and other apparel and collectibles to connect with their fans in a commemorative

way, Out of Print has been doing that with books and authors,” said Stuart Applebaum, a spokesman for the publisher. “It’s a revenue stream for our authors, illustrators and for us. It’s also a way to further connect with readers and fans while building additional recognition for our books.”

Mr. Applebaum said that Out of Print will continue to license titles from all publishers.

In an interview, Todd Lawton, a co-founder of Out of Print, said that he and his partner, Jeff LeBlanc, launched the company in 2007 as a way for readers to make fashion statements they would feel good about.

“They want a souvenir from the reading experience and the ability to wear something on the street that makes a connection with another reader and starts a conversation,” he said.

Mr. Lawton, who said the business is profitable, said he and Mr. LeBlanc decided to sell in part because Penguin Random House will help them expand internationally. He added that both are staying with the company as managing directors.

By COSTAS PARIS
AND NIKHIL LOHADE

Three days into a diplomatic fallout between Qatar and its neighbors, container cargoes heading toward the tiny Arab nation are choked but crucial natural-gas exports haven’t been affected.

Qatar is the world’s largest exporter of liquefied natural gas, with a 30% market share. Brokers in London and Singapore said Qatari exports of LNG haven’t been disrupted by the rift and Qatar-flagged vessels continue to pass through the Suez Canal.

However, the container liners that supply Qatar with food, clothing and electronics aren’t accepting cargo to and from the country, with brokers saying the situation could intensify if relations between Qatar and its Persian Gulf neighbors aren’t normalized.

Saudi Arabia, Egypt, the United Arab Emirates and Bahrain on Monday severed rela-

tions with Qatar, accusing the nation of financing and harboring extremists. The Gulf states closed off air, sea and land routes, causing a rush on supermarkets in the Qatari capital of Doha and disrupting airline travel between the nations.

Qatar, with a population of about 2.3 million, imports 80% of its food requirements from neighbors like the U.A.E. and Saudi Arabia, according to traders. Food mostly arrives on container ships and trucks.

“Food supplies, and other products like medicine, clothes and shoes, are under siege with no container traffic and scores of trucks stuck in the border with Saudi Arabia,” a London shipping broker said. “Qatar has to figure out new supply chains if relations are not normalized over the next two weeks.”

Container shipping firms like **Maersk Line**, the world’s biggest boxship operator, use Dubai’s Jebel Ali transshipment hub to discharge Qatari-destined cargo, which is then forwarded

with smaller vessels to Doha. Jebel Ali is run by Dubai-based port operator DP World, which Tuesday said it is banning all “vessels destined or arriving from Qatar” until further notice.

“We expect disruptions to our Qatar services. The situation is very fluid. We have confirmation that we will not be able to move cargo to and from Qatar in and out of Jebel Ali,” a Maersk spokesman said. “We will notify our customers on alternatives as soon as possible.”

France’s **CMA CGM** and Hong Kong’s **Orient Overseas Container Lines** also have suspended bookings to the country. Geneva-based Mediterranean Shipping Co. said it is still accepting cargo but will follow restrictions arising from the diplomatic spat.

Qatar’s Ministry of Economy and Commerce said there was no reason to panic, noting the country has abundant strategic food reserves. By Tuesday afternoon and into Wednesday, crowds at a large supermarket

in central Doha had thinned, and supplies of water, fish and beef hadn’t run out as during the previous day. Qatar’s government also fixes the prices of essential grocery items, which has ensured no sudden price increases for consumers.

Container ships are still able to dock at Qatar’s own terminals, but most of the nation’s ports can’t accommodate big vessels. Qatar’s government has said it would continue to import goods by air and sea. Its only land border is with Saudi Arabia.

Qatar-flagged tankers and other ships aren’t banned from crossing the Suez Canal, allowing them access to European markets and beyond, despite Cairo’s move to cut relations with Doha. The brokers also said they aren’t aware of any major disruptions on oil exports moved on very large crude carriers.

—*Dahlia Kholail in Cairo, Margherita Stancati in Doha, Qatar, and Summer Said in Dubai contributed to this article.*

New York Times Names Operations Chief

By LUKAS I. ALPERT

New York Times Co. on Wednesday said it promoted its chief revenue officer, Meredith Kopit Levien, to the new role of chief operating officer amid a restructuring of the publisher’s digital business units that is part of a broader rethinking of news operations.

In addition to looking after consumer revenue and advertising, Ms. Kopit Levien will oversee the company’s product, design and audience-development teams in an effort to continue boosting digital revenue as print revenue declines. NYT Beta, the department that develops new products like the Cooking app, will also report to her.

The company said it was eliminating the position of executive vice president, product and technology, which had been held by Kinsey Wilson



FUTURE IMAGE/ZUMA PRESS

Meredith Kopit Levien was promoted from chief revenue officer.

since March 2015. Mr. Wilson won’t have a permanent role at the company but will serve as adviser, particularly in the continued development of the New York Times’ relationships with major digital platforms and its audio strategy, the company said.

Ms. Kopit Levien was appointed chief revenue officer in April 2015. Under her watch, the company has built its digital-only news subscriptions to nearly 2 million.

The New York Times reported a 6% rise in digital ad revenue to \$208.8 million in

2016 and has moved to aggressively expand its branded content unit, T-Brand Studios. The company reported a 16% year-over-year decline in print advertising revenue to \$371.9 million in the same period.

“We’ve seen striking success in digital in recent quarters, with remarkable growth in audiences, subscriber numbers and digital advertising revenue. But I believe we have the opportunity to move even faster by simplifying and streamlining decision-making and digital execution at the company,” said Chief Executive Mark Thompson.

The New York Times continues to implement the findings of its 2020 Report, published in January, that detailed a vision for the company’s digital future. Recent steps have included initiating a round of buyouts of editing staff to make way for hiring more reporters.

The Face of Real News

Jon Hilsenrath’s investigation into the economic workings of America’s heartland uncovered the brewing dissatisfaction that led to the election of Donald Trump.

Real journalists and real news from America’s most trusted newspaper.

WATCH HIS STORY AT WSJ.COM/JON

#TheFaceOfRealNews

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Transdev, Delphi in Self-Drive Venture

By CHESTER DAWSON

DETROIT—**Delphi Automotive** PLC said Wednesday it is joining with French bus and train operator Transdev to deploy a self-driving on-demand transportation service this year using the automotive supplier's automated driving technology.

The two companies said it would be the first self-driving vehicle service to operate on public roads in Europe, and that they are looking for additional pilot program sites in North America. The French projects target short-distance commutes to and from train stations.

The project showcases Delphi's system for automated braking and steering using multiples sensors as the company attempts to reinvent itself as a high-tech player in the development of next-generation vehicles.

"It really provides a clear pathway to commercialization," Glen De Vos, the company's chief technology officer, told reporters on a conference call. Delphi plans to make the core technology involved commercially available to other customers by 2019, he said.

Mr. De Vos declined to say how much Delphi will invest in the pilot programs and whether it expects to recoup those costs.

Transdev, a subsidiary of France's state-owned bank **Caisse des Dépôts**, plans to start the service later this year at a research campus south of Paris using a self-driving-capable shuttle bus equipped with Delphi's technology.

They will also collaborate on a similar program starting this year in the northern French town of Rouen in Normandy using a pair of Renault SA's ZOE compact electric vehicles, also with Delphi's self-driving system.

A technician will be present in the vehicles during the startup phase this year, but the companies expect to phase that out in 2018 once the service is tested and has met all regulatory requirements. "Our goal is not to have a driver in the vehicle as soon as possible," said Yann Leriche, Transdev's chief performance officer.

The Transdev partnership is the latest move by Delphi to stake a claim in the still embryonic market for self-driving vehicles. Last month, the company decided to split itself into two companies—one focused on advanced driving systems and the other on commodity components. Delphi's current senior management team plans to steer the as-yet-unnamed higher tech company, which they view as having more growth potential and long-term value than the traditional "metal-bending" operations that have long been its core business.

PHONES

Continued from page B1
checks and survey our large sales force to find out what consumers need and want from their phones, and try and innovate that way," said Alen Wu, Oppo's vice president and marketing director for its China market.

In 2016, Oppo sold more than three phones in China for every two sold by Apple. A year earlier, it was the other way around.

Now, Oppo is taking the same playbook overseas. In Southeast Asia and India, where Oppo found that consumers love taking selfies, they rolled out wide-angle camera lenses designed for group selfies. The Chinese vendor announced plans this year to expand its Indonesia factory, open one in India and push into the Middle East and North Africa.

Similarly, Huawei has streamlined its lineup of smartphones and has put greater emphasis on its phone cameras, including its own version of the depth effect pioneered by the iPhone 7 Plus—with the background blurred and foreground in focus—in a

Google Mapping Travels Outback

Maps app is extending to remote areas of the globe; elephants and camels help out

By MIKE CHERNEY

ULURU, Australia—Google is encountering some unusual challenges as it aims to capture eye-level imagery of the remotest parts of the globe for its mapping app.

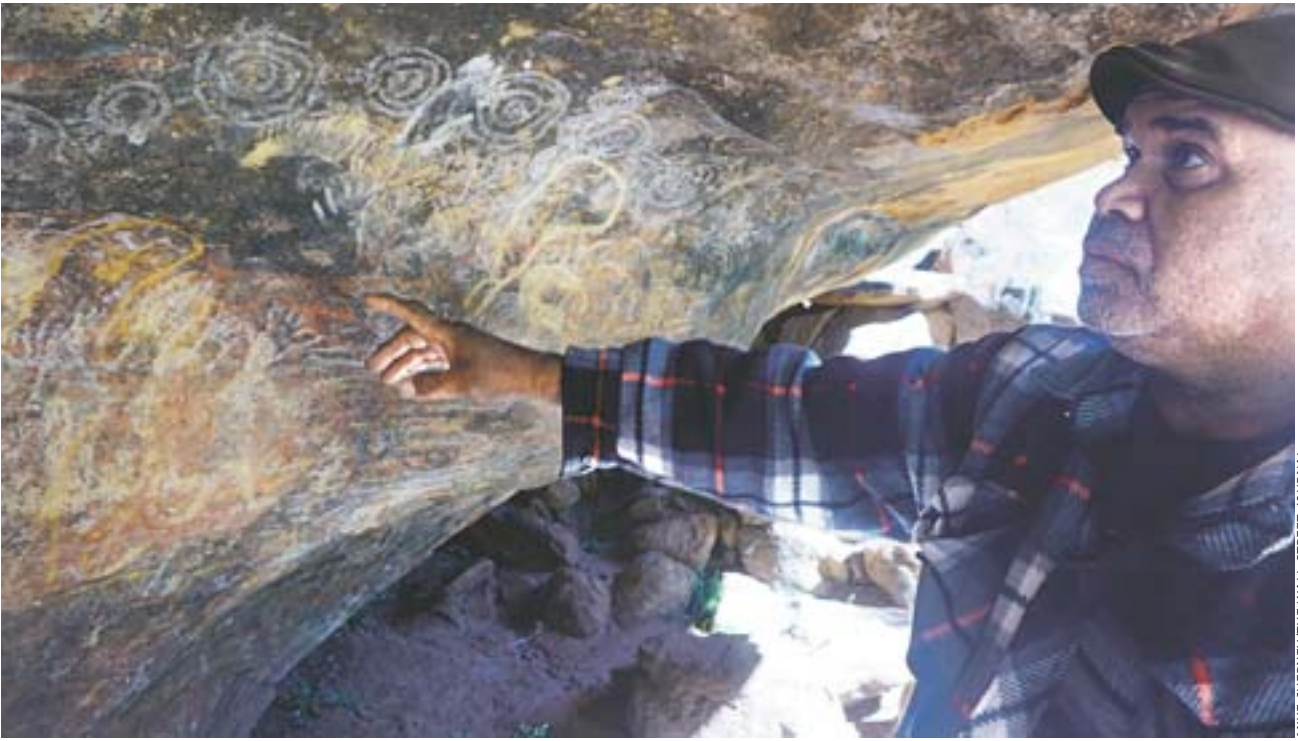
In a recent foray into the Australian outback, Google's amateur cartographers used a backpack to lug bulky camera equipment around Uluru, a popular tourist site also known as Ayers Rock. One hitch: they had to avoid photographing certain parts of the red rock formation that are especially sacred to the local Aboriginal people.

Having taken shots of many of the world's streets using cameras on vehicles, Google is moving to more difficult locations. On the South Pacific island of Vanuatu, where it captured images of a volcano, the company sought to photograph lava without any of its cameras falling in. And in Cambodia, monkeys destroyed its equipment.

The images are being used to enhance Street View, a component of the company's popular Google Maps app, as the company searches for new features that will entice users. Starting this month, users will be able to take a continuous virtual walk around much of Uluru.

Maps are becoming more important to the world's largest technology companies as they chase billions of advertising dollars and build a presence in the autonomous-vehicle industry. The value of ads in the U.S. that are based on a user's location will grow to \$32 billion by 2021 from \$12 billion in 2016, according to estimates from BIA/Kelsey, a media and advertising consulting firm. These location-targeted messages will take up 45% of the mobile-ad market by 2021, the firm said, up from 38% last year.

Google, a part of **Alphabet Inc.**, has been cautiously add-



Local Aboriginal leader Sammy Wilson discusses rock paintings in Uluru, Australia, which Google has been mapping out digitally.

ing advertising to Google Maps. Last year, it unveiled "promoted pins," location markers appearing in different colors for advertising certain businesses. The challenge for Google is integrating ads without cluttering the app.

Competitors in mapping include Apple Inc. and a host of other players, such as privately held Here Technologies, which is part-owned by German automakers Audi AG, BMW AG and Daimler AG. In the market for general consumers, Google has a clear lead. Google Maps was the fourth most popular mobile app overall in the U.S., while Apple Maps was the 12th most popular, according to a 2016 report from comScore.

On Monday, Apple said it would add to its Maps app the floor plans for airports and malls in such cities as Hong Kong, London and Chicago. It also is updating the app to show speed limits and lane navigation for drivers. The company hasn't said anything about extending its maps to remote locations.

While Here Technologies isn't focusing on cultural sites like Uluru in the way Google

is, it has a fleet of camera-equipped cars mapping roads in remote regions of the Philippines.

"Cars have been stuck in mud, cars have not been too successful in crossing creeks and rivers, and cars have been stuck in sand," said Brent Stafford, Here's Asia-Pacific director.

At Uluru, a roughly 2,800-kilometer drive northwest of Sydney in the central Australian desert, Google relied on amateur human cartographers. In other remote locations, animals were also enlisted. An elephant helped to map in Thailand, and a camel wore a camera pack in the United Arab Emirates.

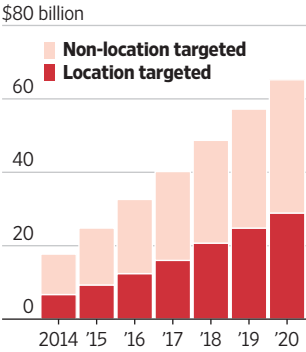
"This is not a case of driving up there in a four-wheel drive and just going off road," said Casey Whitelaw, engineering director for Google Maps in Sydney.

Google was approached by tourism officials from Australia's Northern Territory, where Uluru is located, to map the site. It also worked with Parks Australia, which operates the country's national parks, and the Aboriginal community near

Streetwise

Ads based on a user's location are expected to grow.

Estimated value of the U.S. mobile-advertising market



Source: BIA/Kelsey

THE WALL STREET JOURNAL.

Uluru. It is a spiritual site for Aboriginal Australians, and tourists flock to the red rock to see it change colors at sunrise and sunset.

"I hope it's not going to mean that people will look at it at home and think, 'Oh, OK, well I don't need to go to Uluru now,'" said Sammy Wilson, a local Aboriginal leader who also heads the board for Uluru's na-

tional park. "I hope that it will make them think about what more there is to learn and understand and appreciate from visiting here," he said, speaking through an interpreter in the Pitjantjatjara language.

Google was given a map showing those areas of Uluru deemed too sensitive to photograph. To explain the restriction, Mr. Wilson likened Uluru as a whole to a living room, a place to receive visitors, whereas particularly sacred areas around the rock are like a bedroom, a private area where visitors shouldn't go.

Analysts say that by adding more remote sites to its maps, Google is ensuring its consumers will continue to use its app, which offers opportunities to attract users to other company products. However, they also note the company's reputation for "moonshot" projects and public-minded goals like organizing the world's information.

Imaging places like a volcano "sounds like a very Google-y thing to do, even if that by itself is not something that can be commercialized," said Colin Sebastian, an analyst at Baird in San Francisco.

Alleged Theft of iPhone Data Tests New Chinese Law

BEIJING—A week after China's first cybersecurity law took effect, an investigation over the alleged theft and sale of iPhone users' information looked set to test how well **Apple Inc.** and other companies protect Chinese citizens' personal data.

The new law, approved in November, includes security reviews for equipment and data in strategic sectors and criminal sanctions for companies that breach or ignore data protection laws. Aimed at tightening state control over information and technology, it has been the subject of a regulatory tussle between Beijing and U.S. tech firms, concerned about disclosure and encryption.

Police in eastern China said they had detained 22 people,

including 20 from Apple "direct sales outlets" in China and companies Apple outsources services to. Police said those detained had used Apple's internal system to illegally obtain information associated with iPhone products like phone numbers, names and Apple IDs, and then sold the information.

A statement by police in Cangnan county in Zhejiang province gave no further information on the Apple outlets involved, or details on the two other people detained. Calls to the police's news department went unanswered.

The statement said the 22, who were detained May 3, charged from 10 yuan (\$1.50) to 180 yuan for each piece of information and that the total amount of money involved

was over 50 million yuan.

An Apple spokeswoman in China didn't respond to a request for comment.

China has long struggled to rein in a robust black market in personal information,

China has struggled to rein in a robust black market in personal information.

prompting one political activist last year to purchase and publish, in a form of protest, the private data of several Chinese tech CEOs, including Alibaba Group Holding Ltd. co-

founder Jack Ma. The activist showed evidence of one vendor offering to sell personal information ostensibly belonging to Chinese President Xi Jinping for 1,000 yuan.

A core aim of the cybersecurity law is to better protect individuals' private data, authorities have said.

iPhone users' information is highly prized on the black market because of the belief they are more affluent. Obtaining data such as a user's Apple ID could help hackers lock iPhones remotely and then demand payment to unlock it.

Ahead of the June 1 implementation of the cybersecurity law, foreign technology companies expressed concern, saying they were uncertain how it would affect their operations.

Specific measures to comply with the law's mandates on protection of personal information are still being worked out, according to the regulator, China's Cyberspace Administration.

Under earlier laws, companies have largely escaped punishment when employees used their access to internal computer systems to steal users' personal data, said Liu Chunquan, an intellectual property lawyer with Shanghai-based law firm Duan & Duan.

That has changed under the cybersecurity law, Mr. Liu said, with companies now potentially facing fines and other punishment by regulators unless they can prove their systems weren't to blame for leaks.

—Yang Jie and Josh Chin contributed to this article.

BUSINESS WATCH

HYUNDAI MOTOR

U.S. Sales Executive Exits Amid Declines

Hyundai Motor Co.'s top U.S. sales executive resigned, the latest departure in the Korean auto maker's top American ranks during a string of disappointing sales results.

Derrick Hatami, the auto maker's vice president of national sales in the U.S., departed Monday for a "position outside the company," a Hyundai spokesman said. Hyundai has immediately begun searching for a successor while Sam Brnovich, the auto maker's southern regional general manager, "will support the overall sales organization," the spokesman said.

Mr. Hatami's departure comes after Hyundai posted one of the industry's worst U.S. sales performances in May and months after the company's top American executive left. Dave Zuchowski headed Hyundai's U.S. operations for nearly three years before leaving in December amid stalling market share. Hyundai's U.S. sales plunged nearly 16% in May, and have fallen roughly 5% so far this year.

—Adrienne Roberts

SAMSUNG

Investment to Boost Production in India

Samsung Electronics Co. said it would invest about \$760 million to double its production capacity for mobile phones and refrigerators in India, a key market for the South Korean smartphone maker.

The expansion of its factory in Noida, located outside New Delhi, underscores the importance of the Indian market, where the smartphone maker is battling **Apple Inc.** and a handful of lower-cost handset makers.

—Timothy W. Martin and Newley Purnell

VOCUS

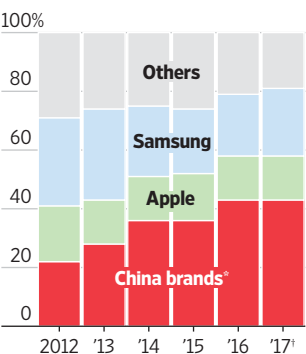
KKR Shows Interest In Telecom Company

Private-equity firm **KKR & Co.** has pitched a takeover offer for Australian's **Vocus Communications** Ltd. valued at about 2.18 billion Australian dollars, or US\$1.64 billion. Vocus said it received a preliminary and non-binding offer from KKR of A\$3.50 a share in cash.

—Robb M. Stewart

Chinese smartphone makers are gaining market share with competitive pricing and features.

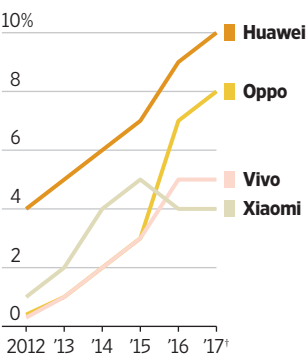
Global smartphone share by shipment



*Including more than 20 smartphone makers from China

Source: IDC

Share of major Chinese makers by shipment



†First quarter

THE WALL STREET JOURNAL.

FINANCE & MARKETS

Short Seller Stirs Up Hong Kong

Even before Carson Block speaks, stocks begin to swing; new target takes a hit

HONG KONG—Short sellers don't often achieve rock-star status. But in markets-obsessed Hong Kong, Muddy Waters' Carson Block comes close.

By Steven Russolillo, Jacky Wong and Joanne Chiu

Certainly, Mr. Block's visit to Asia's leading financial center has caused a stir in its stock market this week. Investors and companies were on tenterhooks after Mr. Block said on Tuesday he would announce his latest target at the Sohn Hong Kong investor conference Wednesday.

Even after Mr. Block revealed his next target—**Man Wah Holdings** Ltd., a Hong Kong-listed furniture maker—the whirlwind continued. Man Wah's shares slumped by as much as 15.4%, leading to a halt in its trading.

His impact, though, was arguably just as great on stocks he hasn't decided to target. Shares in companies that had fallen sharply the day before, as investors tried to guess who was on the Muddy Waters radar, suddenly surged back on Wednesday after Mr. Block finished speaking. **Tongda Group Holdings** Ltd., a maker of smartphone casings, rebounded 8.9%, after falling 10% the day before. Water supplier **China Water Affairs Group** Ltd. jumped 3.5% after it had dropped 9.4% on Tuesday.

The violent swings in some shares Tuesday and Wednesday illustrate the outsized impact on markets investors such as Mr. Block can generate. Short sellers like Muddy Waters borrow shares to sell



Carson Block's prescient calls on Chinese companies have made him a superstar at an annual Hong Kong investing conference.

them with the hopes of buying them back at a cheaper price later on, aiming to profit from a price decline.

Mr. Block's previous prescient calls on Chinese companies have made him a superstar at the annual Hong Kong edition of the Sohn conference, where a variety of market participants are given a short time slot to explain their latest big investing idea. On Wednesday, his every move was tracked by a mob of local reporters.

Mr. Block shot to fame in 2011 following his campaign against Chinese forestry company Sino-Forest Corp., which filed for bankruptcy the following year. Late last year, he announced he had short sold **China Huishan Dairy Holdings** Co., which operates the most dairy farms in China,

saying the company was worth "close to zero." In March, its shares fell 85% in a day and they have been halted since, with the company this week admitting it had lost track of most of its cash.

During Mr. Block's presentation Wednesday he showed slides of a sofa he said he had dismantled as part of his research. He claimed Man Wah had failed to disclose all of its debt and that there were inconsistencies in its taxes that are "a strong indicator of fraud."

A spokeswoman for Man Wah, a Hong Kong-based company valued at \$3.3 billion, said the company is aware of the Muddy Waters allegations and is looking into the matter. She said the company would issue a clarification statement in response to the claims. According

to its website, Man Wah mostly develops and produces household items like sofas and mattresses, selling into markets including the U.S. and Europe.

Proponents of short selling argue that a healthy amount of skepticism can be good for stock prices. But detractors say short sellers can sometimes unfairly push share prices lower simply by announcing a new target, whether such moves are warranted or not.

Some at the conference on Wednesday weren't swept up in the Muddy Waters mania.

"In a venue like this, speakers have 15 minutes to explain their trades and most of the time they can't get through all the information on each slide," said Yuriy Humber, managing director at Yuri Invest Research. In the case of Muddy

Waters, "you see people trading purely on the reputation of the speaker," he said.

Martin Wheatley, former chief executive of the Hong Kong Securities & Futures Commission, the local market regulator, kicked off the conference with a speech touting the benefits that short sellers bring to the market, as they encourage more transparency and better price discovery. He said Hong Kong had one of "the most robust short-selling systems in the world." Mr. Wheatley joined Oasis Management, a Hong Kong-based hedge fund, last month as an adviser.

"It's not very often that a regulator stands up and says short sellers are good for the market," Mr. Humber said. "That really says something about the environment here."

European Property Fund Is Raised

By PETER GRANT

Blackstone Group LP, one of the world's largest private real-estate investors, has closed a €7.8 billion (\$8.9 billion) fund that will focus on European commercial real estate, the biggest of its kind ever raised.

The fund will follow an "opportunistic" strategy, meaning it will typically buy riskier properties that need fixing up or repositioning. The goal is to deliver to investors double-digit returns. The fund could have about €24 billion worth of buying power because Blackstone often uses as much as 70% leverage when buying property. Blackstone overall has \$368 billion of assets under management, including \$102 billion of real estate.

Blackstone has been a major player in the European property market through years of political and financial upheaval. The firm has kept buying through Brexit, the Greek debt crisis and worries about the possible collapse of the euro, partly because prices fell below what it cost to replace the properties.

"There were a lot of negative headlines," said Jonathan Gray, Blackstone's head of real estate. But the firm believed it was being "appropriately compensated" for taking the risks because prices reflected the distress, he said.

Mr. Gray said it might become tougher finding investments for the new fund because other investors are becoming more bullish on Europe. "It may get a little bit harder than it was previously," he said.

FINANCE WATCH

ACCOUNTING

Fewer U.S. Firms Restate Results

The share of U.S. companies restating their results hit a six-year low in 2016, a sign that finance chiefs have strengthened their oversight of financial reporting in recent years.

Just 671 public companies disclosed they would need to re-issue or revise their financial filings last year, or 6.8% of the 9,831 companies, according to an upcoming annual study by Audit Analytics.

That is the lowest number of restatements in fifteen years and the lowest share since 2010, when 6.7% of companies disclosed they would need to restate financials. That year, 847 out of 12,713 listed companies told investors a restatement was needed.

—Tatyana Shumsky

REGULATION

SEC Picks a Chief To Oversee Funds

The Securities and Exchange Commission is poised to hire as its top mutual-fund regulator an attorney whose spouse is about to step down as chief lawyer for the industry's trade group, according to people familiar with the matter.

Dalia Blass is the leading candidate to run the SEC's division of investment management, the people said.

Ms. Blass's husband, David Blass, is the general counsel of the Investment Company Institute, a mutual-fund lobbying and research group.

Mr. Blass plans to leave the ICI this week. Simpson Thacher & Bartlett LLP, a law firm with many elite Wall Street clients, announced in May that Mr. Blass would join the firm as a partner.

Ms. Blass would still have to recuse herself from any decisions that specifically affect firms counseled by Simpson Thacher.

She also would have to step aside for one year on matters that directly affect her own former clients at Ropes & Gray LLP, the law firm where she has worked since September 2016.

An SEC spokesman didn't immediately respond to a request for comment.

—Dave Michaels

CURRENCY TRADING

World Bank Backs Effort to Cut Risks

The investment arm of the World Bank has backed a Wall Street startup working to cut a major risk for banks' trading desks.

International Finance Corp., a member of the **World Bank Group**, is investing \$3 million into LMRKTS LLC, a New York startup founded in 2012 by ex-traders to help banks to slash their financial exposure to one another, according to the companies.

LMRKTS is backed by a bevy of Wall Street veterans and financial experts, including former U.S. Treasury Secretary Lawrence Summers, who is an adviser.

The investment will help introduce LMRKTS, which has worked so far with big U.S. and European banks, to emerging-market banks, said Andi Dervishi, head of fintech investments at IFC.

—Telis Demos

Small Fund Is Big Winner

By LAURENCE FLETCHER

LONDON—A little-known portfolio run by one of London's biggest hedge-fund firms has become one of the sector's top performers this year.

At **Lansdowne Partners** LLP, which manages about \$19 billion in assets from its base in London's Mayfair district, the Princify fund has gained 13% this year, according to numbers sent to investors and reviewed by The Wall Street Journal.

Managed by Frenchman Samuel Joab, a former fund manager at BlueCrest Capital who focuses on forensic accounting of company balance sheets, the \$65 million Princify fund has profited from posi-

tions in bank stocks, support services firms and industrial companies.

The gain puts the fund—which largely consists of money from Mr. Joab and his family plus money from top Lansdowne executives—well ahead of an average 2.4% gain among hedge funds this year to May 26, according to Chicago-based data group HFR Inc.

That ranks it among the best-performing hedge funds globally in what is proving to be another challenging year for the sector, according to data compiled by the Journal.

The gains come as a boost for Lansdowne after its flagship Developed Markets fund, run by Peter Davies and Jonathan Regis, lost nearly 15%

last year, one of its worst calendar-year performances. This year that fund is up about 7%, according to figures sent to investors.

Named after a village in central France where Mr. Joab's family comes from, the Princify fund takes large, concentrated positions in European stocks.

The fund tends to bet on rising stocks more than falling shares and has benefited from a 7% rise in the Stoxx Europe 50 Index this year.

Mr. Joab also used price falls on investor nervousness surrounding the French presidential election to increase his positions in French stocks, which have also performed strongly, a person familiar with the matter said.

Lotte to Launch Unit's IPO

By P.R. VENKAT

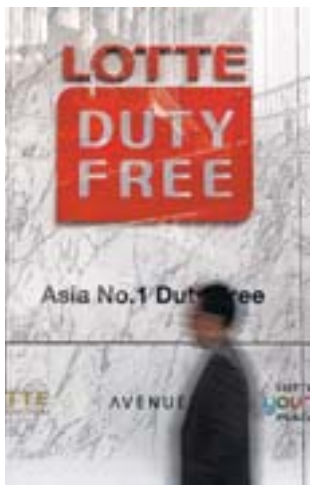
SINGAPORE—**Lotte Group**, South Korea's fifth-largest conglomerate, plans to take orders next week for an initial public offering of its Malaysian petrochemical unit that could raise as much as \$1.4 billion, people familiar with the process said Wednesday.

The South Korean company is looking to list its Malaysian subsidiary, **Lotte Chemical Titan**, by the end of this month.

People familiar with the process said four investors—including a Malaysian state-owned fund manager and private insurance companies—have agreed to take as much as 20% of the IPO.

A spokeswoman for Lotte Group said the company plans to launch its Malaysia IPO by July but declined to give further details.

Plans to list Lotte Chemical Titan were delayed last year



A Hotel Lotte duty-free store

after South Korean prosecutors charged the parent company's chairman and four of his family members with tax evasion and embezzlement. The chairman's sister was sentenced to three years in prison in January.

Lotte's troubles subse-

quently escalated when authorities in South Korea launched an investigation into alleged financial wrongdoing at the parent. In an October statement, Lotte apologized for "causing concern" and said it would cooperate with the investigation process.

The South Korean conglomerate has interests in duty-free stores, luxury hotels and insurance. It boasts annual sales of about \$74 billion and has been controlled by the Shin family since it was established in 1948.

Lotte Chemical is planning to sell 740.48 million shares; people familiar with the IPO process said the company intends sell the shares at a maximum price of 8 Malaysian ringgit (\$1.87) a share.

The Malaysia IPO market isn't a big one. The country's biggest IPO to date was in 2015, when power producer Malakoff Corp. Bhd. raised more than \$800 million.

Trafigura Profit Falls 22%

By SARAH MCFARLANE

Oil trader **Trafigura Group** Pte. Ltd.'s half-year profits fell sharply, suffering from a period of lower volatility in oil prices, even with a rise in traded volumes.

The privately held company reported a 22% fall in profit to \$471 million in the six-month period ended March 31.

Its oil-trading volumes rose during the period, however, with the firm expecting to exceed 5 million barrels a day in 2017, up from 4.3 million barrels the previous year.

Trafigura is the third-largest oil trader behind **Vitol Group** and **Glencore PLC**.

Tightening margins have meant these three companies have ramped up the amount of oil they trade to generate profits, growing their market share to the detriment of smaller companies.

Trafigura said its gross profit margin fell to 1.8% for the period, compared with 2.7% in the first six months of 2016. Oil prices were stuck within a particularly tight range in January and February, which limited trading opportunities.

"We can generate profit whatever the market circumstances, whether it's a flat market or volatile market, but obviously the quantum of the

profitability is higher if the market is volatile," said Christophe Salmon, chief financial officer at Trafigura.

Mr. Salmon added that the oil market was much more volatile in May, which would contribute to the company's second-half results.

The results showed a rebalancing between Trafigura's oil and metals businesses' contributions to gross profit, with oil now representing around 55%, down from representing around two-thirds in the first half of 2016.

This was due to both the weaker performance of oil and an improved performance in metals.

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

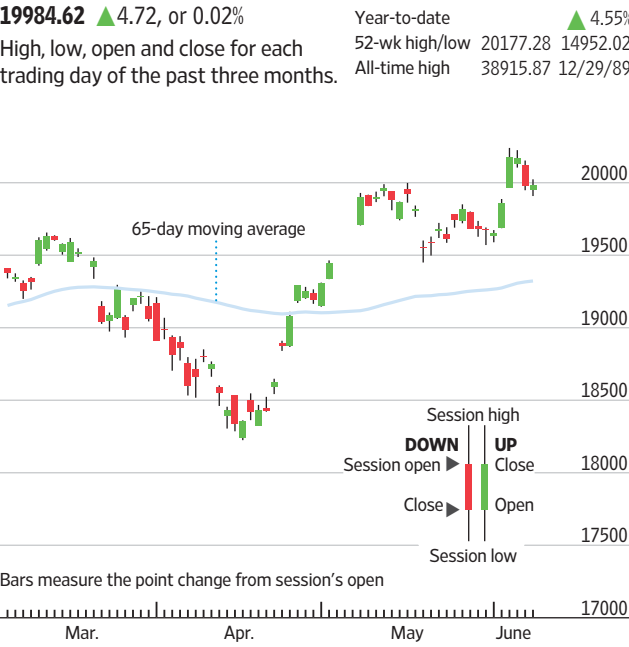
■ Chartered Asset Management Pte Ltd - Tel No: 65-6835-8866 Fax No: 65-6835-8865 Website: www.cam.sg Email: cam@cam.com.sg CAM-GIF Limited 01 01 MYS 06/02 USD 307280.21 1.7 11.1 -3.7

For information about listing your funds, please contact: Freda Fung tel: +852 2831 2504; email: freda.fung@wsj.com

MARKETS DIGEST

Nikkei 225 Index

19984.62 ▲4.72, or 0.02%
High, low, open and close for each trading day of the past three months.



STOXX 600 Index

389.18 ▼0.22, or 0.06%
High, low, open and close for each trading day of the past three months.



S&P 500 Index

2433.14 ▲3.81, or 0.16%
High, low, open and close for each trading day of the past three months.



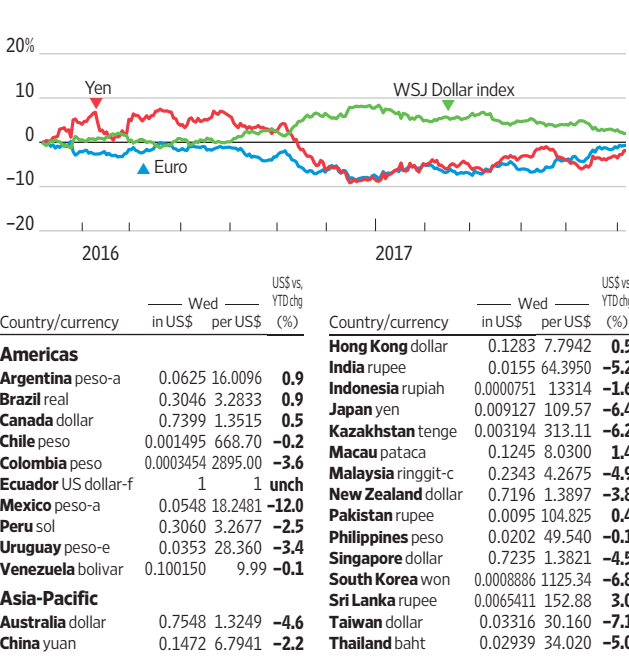
International Stock Indexes

Region/Country		Index	Close	Latest NetChg	% chg	Low	52-Week Range	High	YTD % chg
World		The Global Dow	2771.79	-3.49	-0.13	2193.75		2791.48	9.6
		MSCI EAFE	1899.88	-4.57	-0.24	1471.88		1956.39	10.7
		MSCI EM USD	1014.07	-1.82	-0.18	691.21		1044.05	27.7
Americas		DJ Americas	582.74	-0.21	-0.04	480.90		585.50	7.8
		Sao Paulo Bovespa	63063.14	108.45	0.17	48066.67		69487.58	4.7
		S&P/TSX Comp	15367.62	-96.94	-0.63	13609.58		15943.09	0.5
		IPC All-Share	49054.78	-163.84	-0.33	43902.25		50154.33	7.5
		Santiago IPSA	3716.25	-17.53	-0.47	2998.64		3786.05	15.3
U.S.		DJIA	21149.89	13.66	0.06	17063.08		21225.04	7.0
		Nasdaq Composite	6289.04	13.98	0.22	4574.25		6310.62	16.8
		S&P 500	2430.02	0.69	0.03	1991.68		2440.23	8.5
		CBOE Volatility	10.47	0.02	0.19	9.56		26.72	-25.4
EMEA		Stoxx Europe 600	389.18	-0.22	-0.06	308.75		396.45	7.7
		Stoxx Europe 50	3201.50	-9.97	-0.31	2626.52		3279.71	6.3
		ATX	3182.12	10.52	0.33	1981.93		3211.08	21.5
		Bel-20	3906.81	28.55	0.74	3127.94		4055.96	8.3
		CAC 40	5265.53	-3.69	-0.07	3955.98		5442.10	8.3
		DAX	12672.49	-17.63	-0.14	9214.10		12878.59	10.4
		ATG	774.29	-3.24	-0.42	517.10		800.08	20.3
		BUX	35021.75	94.76	0.27	25126.36		35160.95	9.4
		Tel Aviv	1427.42	3.52	0.25	1372.23		1490.23	-2.9
		FTSE MIB	20739.91	-20.10	-0.10	15017.42		21828.77	7.8
		AEX	523.10	1.39	0.27	409.23		537.84	8.3
		WIG	60752.25	28.78	0.05	42812.99		62666.49	17.4
		RTS Index	1034.31	-6.92	-0.66	884.83		1196.99	-10.2
		IBEX 35	10871.70	-8.00	-0.07	7579.80		11184.40	16.2
		SX All Share	591.77	1.21	0.21	443.66		594.67	10.7
Asia-Pacific		DJ Asia-Pacific TSM	1633.29	-0.57	-0.03	1308.52		1636.13	14.8
		S&P/ASX 200	5667.20	-0.30	-0.01	5103.30		5956.50	0.02
		Shanghai Composite	3140.32	38.20	1.23	2833.07		3288.97	1.2
		Hang Seng	25974.16	-22.98	-0.09	20038.42		25997.14	18.1
		S&P BSE Sensex	31271.28	80.72	0.26	25765.14		31309.49	17.4
		Nikkei Stock Avg	19984.62	4.72	0.02	14952.02		20177.28	4.6
		Straits Times	3230.49	-5.26	-0.16	2729.85		3271.11	12.1
		Kospi	2360.14	-8.48	-0.36	1925.24		2371.72	16.5
		Weighted	10209.99	3.81	0.04	8458.87		10226.84	10.3

Source: SIX Financial Information;WSJ Market Data Group

Currencies

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



London close on June 7

Country/currency	_____ Wed _____ in US\$ per US\$	US\$ vs. YTD chg (%)
Europe		
Bulgaria lev	0.5751 1.7388	-6.4
Croatia kuna	0.1517 6.590	-8.1
Euro zone euro	1.1233 0.8903	-6.3
Czech Rep. koruna-b	0.0426 23.449	-8.7
Denmark krone	0.1510 6.6227	-6.3
Hungary forint	0.003639 274.81	-6.6
Iceland krona	0.010126 98.76	-12.6
Norway krone	0.1177 8.4976	-1.7
Poland zloty	0.2671 3.7435	-10.6
Russia ruble-d	0.01755 56.993	-7.0
Sweden krona	0.1148 8.7072	-4.4
Switzerland franc	1.0350 0.9662	-5.2
Turkey lira	0.2812 3.5563	0.9
Ukraine hryvnia	0.0382 26.2005	-3.3
U.K. pound	1.2925 0.7737	-4.5
Middle East/Africa		
Bahrain dinar	2.6501 0.3774	0.05
Egypt pound-a	0.0551 18.1350	0.01
Israel shekel	0.2822 3.5435	-7.9
Kuwait dinar	3.2979 0.3032	-0.8
Oman sul rial	2.5974 0.3850	0.01
Qatar rial	0.2737 3.653	0.4
Saudi Arabia riyal	0.2666 3.7506	-0.003
South Africa rand	0.0778 12.8542	-6.1
WSJ Dollar Index		
	Close Net Chg % Chg YTD Chg	
	88.15 0.17 0.19	-5.15

Sources: Tullett Prebon, WSJ Market Data Group

Sources: Tullett Prebon,WSJ Market Data Group




Global government bonds

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

Country/			Spread Over Treasuries, in basis points					Yield	
Coupon	Maturity, in years	Yield	Latest	Previous	Month Ago	Year ago	Previous	Month ago	Year ago
5.250	Australia 2	1.609	29.5	26.9	40.9	86.1	1.571	1.719	1.649
4.750	10	2.394	21.2	23.6	30.6	48.9	2.383	2.658	2.207
3.000	Belgium 2	-0.598	-191.3	-190.2	-184.1	-130.6	-0.600	-0.531	-0.518
0.800	10	0.619	-156.3	-154.0	-154.4	-140.9	0.607	0.808	0.309
0.000	France 2	-0.519	-183.3	-183.8	-173.3	-122.6	-0.536	-0.423	-0.439
1.000	10	0.690	-149.2	-147.4	-151.0	-130.2	0.673	0.842	0.416
0.000	Germany 2	-0.739	-205.4	-206.3	-199.0	-133.2	-0.761	-0.680	-0.545
0.250	10	0.269	-191.3	-189.3	-193.2	-167.0	0.254	0.420	0.048
0.300	Italy 2	-0.250	-156.4	-154.3	-144.4	-84.1	-0.241	-0.134	-0.054
2.200	10	2.270	8.8	11.0	-18.4	-37.7	2.257	2.168	1.341
0.100	Japan 2	-0.115	-143.0	-144.3	-151.1	-103.3	-0.141	-0.201	-0.246
0.100	10	0.046	-213.6	-210.2	-233.2	-183.6	0.045	0.020	-0.118
4.000	Netherlands 2	-0.703	-201.7	-201.4	-190.5	-132.5	-0.712	-0.595	-0.537
0.750	10	0.483	-169.9	-167.6	-173.1	-155.5	0.471	0.621	0.162
4.750	Portugal 2	0.171	-114.4	-113.4	-98.0	-59.7	0.168	0.331	0.191
4.125	10	3.074	89.2	92.0	101.4	138.5	3.066	3.366	3.103
2.750	Spain 2	-0.281	-159.5	-159.1	-159.8	-90.0	-0.289	-0.288	-0.113
1.500	10	1.545	-63.7	-62.3	-80.3	-25.4	1.524	1.549	1.464
4.250	Sweden 2	-0.715	-202.9	-200.8	-192.9	-129.0	-0.706	-0.619	-0.503
1.000	10	0.411	-177.1	-171.8	-170.4	-109.6	0.429	0.648	0.622
1.750	U.K. 2	0.122	-119.2	-121.5	-116.6	-43.0	0.087	0.145	0.358
4.250	10	1.004	-117.8	-116.4	-123.5	-44.8	0.983	1.117	1.270
1.250	U.S. 2	1.314	...	...	...	...	1.302	1.310	0.787
2.375	10	2.182	...	...	...	...	2.147	2.352	1.718

Commodities

Prices of futures contracts with the most open interest 3:30 p.m. New York time

NYMEX: New York Mercantile Exchange ICE-EU: ICE Futures Europe Data as of 6/9/2017								
	Commodity	Exchange	Last price	Net	One-Day Change	Percentage	Year high	Year low
	Corn (cents/bu.)	CBOT	385.00	7.75	<div></div>	2.05%	393.75	360.75
	Soybeans (cents/bu.)	CBOT	930.25	6.75	<div></div>	0.73	1,092.50	909.50
	Wheat (cents/bu.)	CBOT	445.75	10.00	<div></div>	2.29	488.75	416.00
	Live cattle (cents/lb.)	CME	124.650	1.050	<div></div>	0.85	127.650	99.400
	Cocoa (\$/ton)	ICE-US	1,985	-12	<div></div>	-0.60%	2,281	1,767
	Coffee (cents/lb.)	ICE-US	126.00	0.45	<div></div>	0.36	161.55	125.25
	Sugar (cents/lb.)	ICE-US	14.18	0.20	<div></div>	1.43	20.81	13.63
	Cotton (cents/lb.)	ICE-US	72.70	0.18	<div></div>	0.25	75.72	69.81
	Robusta coffee (\$/ton)	ICE-EU	1975.00	-10.00	<div></div>	-0.50	2,283.00	1,871.00
	Copper (\$/lb.)	COMEX	2.5530	0.0060	<div></div>	0.24	2.8400	2.4725
	Gold (\$/troy oz.)	COMEX	1287.70	-9.80	<div></div>	-0.76	1,300.30	1,155.00
	Silver (\$/troy oz.)	COMEX	17.565	-0.145	<div></div>	-0.82	18.725	16.060
	Aluminum (\$/mt)*	LME	1,890.00	-27.50	<div></div>	-1.43	1,972.00	1,688.50
	Tin (\$/mt)*	LME	20,000.00	-150.00	<div></div>	-0.74	21,225.00	18,760.00
	Copper (\$/mt)*	LME	5,570.00	-46.00	<div></div>	-0.82	6,156.00	5,491.00
	Lead (\$/mt)*	LME	2,102.00	11.00	<div></div>	0.53	2,445.00	2,022.00
	Zinc (\$/mt)*	LME	2,495.00	9.50	<div></div>	0.38	2,958.50	2,470.00
	Nickel (\$/mt)*	LME	8,875.00	5.00	<div></div>	0.06	11,095.00	8,780.00
	Rubber (Y.01/ton)	TCE	185.50	-0.30	<div></div>	-0.16	n.a.	n.a.
	Palm oil (MYR/mt)	MDX	2,454.00	-45.00	<div></div>	-1.80	2,790.00	2,421.00
	Crude oil (\$/bbl.)	NYMEX	45.85	-2.34	<div></div>	-4.86	58.15	44.13
	NY Harbor ULSL (\$/gal)	NYMEX	1.4270	-0.0392	<div></div>	-2.67	1.7901	1.3846
	RBOB gasoline (\$/gal)	NYMEX	1.5020	-0.0525	<div></div>	-3.38	1.8859	1.4543
	Natural gas (\$/mmBtu)	NYMEX	3.014	-0.028	<div></div>	-0.92	3.5770	2.8880
	Brent crude (\$/bbl.)	ICE-EU	48.23	-1.89	<div></div>	-3.77	60.21	46.98
	Gas oil (\$/ton)	ICE-EU	422.75	-6.50	<div></div>	-1.51	529.00	415.75

FINANCE & MARKETS



Alibaba's shares have surged more than 40% this year following a series of strong quarterly results. Analysts say there is room to run.

China Tech Rally Has Bite

Tencent, Alibaba have risen even faster than highfliers in the U.S.; analysts stay upbeat

By STEVEN RUSSILLO

HONG KONG—If you thought the FANG trade in the U.S. had teeth, it pales in comparison to what is happening in Asia.

Facebook Inc., Amazon.com Inc., Netflix Inc. and Google parent Alphabet Inc., which make up the FANG acronym, have each gained more than 20% this year, propelled by strong earnings growth and overall investor enthusiasm for technology stocks. But Chinese tech giants Tencent Holdings Ltd. and Alibaba Group Holding Ltd. are motoring at an even faster pace. They have each surged more than 40% this year and hover around records.

Still, analysts and investors say these stocks have more room to rally. The companies are expanding rapidly, their business models are diversified beyond just pure tech

plays, and their share prices are cheaper than the FANG group.

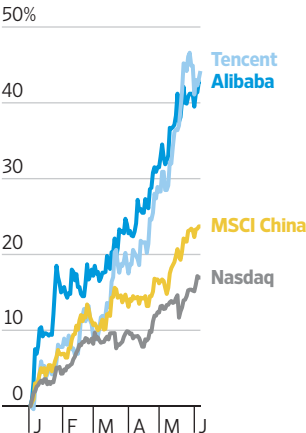
Tencent and Alibaba, which together make up one-fourth of the MSCI China Index by market capitalization, have helped push the index 24% higher this year, far outpacing U.S. benchmarks. The MSCI China Index, which includes mostly Chinese companies listed in Hong Kong and the U.S., is a vehicle for stock investors to gain exposure to China despite capital controls that limit direct foreign investment in domestic markets.

For now, analysts are only getting more optimistic about Tencent's and Alibaba's futures, thanks to strong earnings and revenue growth. More than 90% of analysts who cover both companies say they are a "buy"; neither company has a "sell" rating, according to FactSet. Based on 12-month price targets, these analysts forecast double-digit-percentage gains for both companies over the ensuing year.

"Fundamentals for these large-cap internet stocks have been pretty resilient," said

Upward Momentum

Share and index performance



Source: FactSet
THE WALL STREET JOURNAL.

John Choi, head of Hong Kong and China internet research at Daiwa Capital Markets. "The overall momentum is still very strong, and I think there is more to come."

Hong Kong-listed Tencent is the owner of China's largest social network, WeChat, and the world's largest videogame publisher by revenue. The company has a market capital-

ization of about \$330 billion, or roughly the size of Exxon Mobil Corp. It has been investing and forming partnerships outside of China, including a 5% stake in Elon Musk's Tesla Inc. Tencent logged \$171 billion in revenue last year. Analysts expect that to nearly double within two years, according to FactSet.

Caroline Yu Maurer, the Hong Kong-based head of Greater China equities at BNP Paribas Asset Management, which has a stake in both companies, said Tencent is benefiting from an increasing audience and sticky user base. WeChat had 938 million monthly active users in the first quarter, up 23% from a year earlier.

"If Tencent can show more signs of monetizing WeChat, it would only give investors even more confidence," Ms. Maurer said.

Alibaba, which is listed on the New York Stock Exchange, is the e-commerce company that runs popular online-shopping websites Taobao and Tmall. It has also surged to records, thanks to a string of strong quarterly results.

Energy Shares Fall In U.S. and Europe

By JON SINDREU
AND AARON KURILOFF

Declines in energy stocks pressured major U.S. and European indexes, while financial shares gained.

The Dow Jones Industrial Average rose 37.46 points, or 0.2%, to 21173.69. The S&P 500 added 0.2%, and the Nasdaq Composite gained 0.4%.

In Europe, the Stoxx Europe 600 slipped less than 0.1% to 389.18.

Shares of energy companies in the S&P 500 fell 1.7% by late afternoon as the price of oil slumped. U.S. crude lost 5.1% to \$45.72 a barrel after the U.S. Energy Information Administration reported that oil stockpiles rose for the first time in nine weeks. Gasoline inventories also rose, raising fears U.S. drivers won't use up a glut of crude and fuel over the summer.

Financial stocks in the S&P 500 rose 0.9% by late afternoon. Goldman Sachs added 0.6% and J.P. Morgan Chase rose 1.2%.

Stocks had slipped in recent sessions as investors waited for a series of scheduled events that have the potential to create big moves in global markets. Along with a policy decision from the European

Central Bank Thursday, former U.S. Federal Bureau of Investigation director James Comey is expected to testify in Washington. Early results for the U.K. general election will start coming in late that day, with the latest polls suggesting a tighter race than originally anticipated.

Some analysts and investors said signs of improvement in the global economy and corporate earnings will likely limit the impact of politics on markets in coming sessions.

"As long as earnings are strong and the economic backdrop good, I'm still cautiously optimistic," said Susan Bao, portfolio manager at J.P. Morgan Asset Management.

In Europe, bank shares gained after media reports that the ECB will lower its inflation forecast for 2019. Some investors saw the report as a sign that officials will strike a dovish tone in their long-awaited policy decision Thursday. Anticipation of continued central bank support typically pressures the euro. The ECB declined to comment.

The euro fell 0.2% against the U.S. dollar. European banks gained 0.7%.

In Asia, the Japanese Nikkei Stock Average and Australia's S&P/ASX 200 both were little changed, while the Shanghai Composite Index added 1.2%.



Oil tanks in Oklahoma. U.S. stockpiles rose more than expected.

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MARKETS

Some Investors Hope for a Labour Win

Fund managers say a Corbyn-led party would provide a softer landing for Brexit

Jeremy Corbyn is a self-described socialist who says he will raise taxes and nationalize industries if his Labour Party wins Thursday's U.K. election. Some investors hope he does win.

By Christopher Whittall, Alistair MacDonald and Jon Sindreu

The seemingly counterintuitive choice—markets typically welcome Conservative Party victories—says much about how Britain's vote to leave the European Union has upended the way investors view U.K. politics.


Many investors say that Brexit will turn out to be negative for the British economy, throwing up tariffs and obstacles to trade and hurting the country's large financial industry. Some fund managers argue that the Conservative Party's harder line on Brexit means that their investments, in the longer run, will do better if Mr. Corbyn's Labour Party wins or ends up leading a coalition government with pro-EU parties.

"If you see a Corbyn win, emotionally you'd see a big trade-off in the pound but afterwards it may stabilize and do a bit better if there is a sense Corbyn can negotiate a softer Brexit," said Mark Dowding, co-head of investment-grade debt at BlueBay Asset Management. "I think Corbyn would probably get an easier ride out of our European partners," he said.


Mr. Corbyn has made significant ground in polls, but most investors still believe that the Conservatives will win a majority. In mid-April, some polls gave the Conserva-

Sterling and the U.K. Election: It's Complicated


Here are four scenarios on how the election could shake out - and what that means for the pound.




Conservatives win big ...
... taking a majority of 50 seats or more




Impact: Pound gains 1%-2% against the dollar
Comment: Analysts believe a convincing Conservative victory would lead to a short-term sterling bounce, strengthening Prime Minister Theresa May's hand in Brexit negotiations.




Conservatives win small
Party keeps a small majority




Impact: Neutral to slight selloff in sterling
Comment: No increased Conservative majority, or their losing seats, would likely trigger a small sterling selloff, analysts say. That result could embolden Conservatives looking for a clean Brexit break. Recent narrowing in opinion polls, though, means a close result shouldn't surprise investors.




Hung parliament
Neither party wins a majority



Impact: Pound falls more than 1%
Comment: Most analysts predict a 1% to 2% decline, though some think the initial reaction could be even more dramatic. Still, sterling could recover over the medium term if the election leads to a coalition or minority government looking for a closer relationship with the EU than the Tories, they say.



Labour win
Party gains a majority



Impact: Pound falls more than 1%
Comment: Viewed as least likely by investors, this could spur a kneejerk selloff, analysts say. However, many believe the pound could recover if the government takes a less hardline stance on Brexit. A Labour pledge to spend £250 billion on infrastructure would also likely be inflationary and lead to a higher pound.

Source: staff reports

tives a lead of more than 20 points over the Labour Party. That has narrowed to 8 points, according to a Wall Street Journal average of opinion polls.

To be sure, a large Conservative majority also is viewed as being positive for markets. But that is also due, in part, to Brexit, because many investors believe a big win would shore up Prime Minister Theresa May's ability to push back against Conservative lawmakers who demand an immediate and complete break from Brussels.

Still, there are some investors who see a Labour victory in any iteration as being the worst option for markets. The party's election manifesto promises to increase income taxes on anyone earning over £80,000 (\$103,200) a year



Jeremy Corbyn's party has said it would nationalize Royal Mail.

while nationalizing the country's rail companies; water and energy utilities; and postal service provider, Royal Mail PLC. Mr. Corbyn also has no

government experience and is considered a maverick on foreign policy issues.

Given this, some analysts predict an immediate fall in

the pound should he win and big declines in U.K. shares, particularly utilities.

Labour's plans for increased fiscal spending could also send yields on U.K. government bonds higher if, as expected, it pushed up inflation, driving the Bank of England to nudge up interest rates earlier than expected. Yields rise when bond prices fall.

Sebastian Raedler, an equity strategist at Deutsche Bank AG, said not a single one of the analysts in his bank's equity research team say their sector would do well under a Labour government.

But if the ruling Conservatives lose the election, that reduces the "Brexit crash risk," said Mr. Raedler, whose bank believes that a Labour victory could be positive for sterling over the medium term follow-

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Europe Handles a Bank Failure

A eurozone-bank failure and markets don't shudder. Spain has shown Europe—especially Italy—how to deal with bad banks: **Banco Santander SA** will buy **Banco Popular Español SA** for a nominal €1 after Spain's resolution authority took control of the troubled lender and conducted a late-night auction on Tuesday.

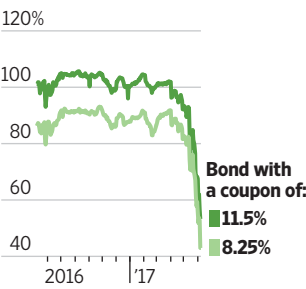
Santander investors don't get the rival group free. They must fund a €7 billion (\$7.9 billion) rights issue to bolster the combined group's balance sheet. The prize is that Santander becomes Spain's biggest bank with a 20% market share.

The deal isn't risk free, but the decision by Spanish authorities to effectively wipe out Popular's equity and junior debt gives Santander a cushion against more deterioration in Popular's bad assets. Also, Santander is promising that the investment will deliver a 13% to 14% return in 2020.

For those concerned about Europe-wide banking issues, Spain provides an important

Cliff Edge

Last traded price of Banco Popular's junior bonds as a percentage of face value



Sources: FactSet; Bloomberg News (photo) THE WALL STREET JOURNAL.

read through to Italy, which is wrestling with much bigger problems, though a straight comparison between the two is slightly unfair.

Banco Popular was the last truly troubled bank in Spain, and its slow-motion collapse this year hasn't hurt the stock and bonds of local rivals. In Italy, most banks carry lots of bad loans, and last year they were shunned by investors more or less equally.

Still, Tuesday night's swift



A branch of Banco Popular Español in Madrid

action in Spain shows that Europe's new regime for dealing with failing banks can function quickly and cleanly—even though it is the regime's hard rules on forcing bondholders to take losses that have complicated Italian efforts.

The first thing Santander will do is increase Popular's provisions against bad loans and seized property assets by €7.9 billion, which will bring total provisions

at Popular to 67% of the bad assets' original value. That compares with an average of 52% across other Spanish banks, according to Santander.

Santander will also target €500 million in savings focused on Popular's headquarters, which Santander expects to leave it with a cost-to-income ratio of 50% across the enlarged group, one of the best in Spain.

Santander's capital ratio will be more or less unchanged and still on target to be above 11% by 2018.

There is one final risk for investors, however: A group of shareholders who bought into Popular's last €2.5 billion rights issue in January 2016 is threatening to sue. That could yet prove costly for Santander, which has no extra protections or indemnities from Spanish authorities as part of its takeover.

The bank believes it has accounted for this risk. Santander investors will have to hold their noses and hope it has got that call right.

—Paul J. Davies

OVERHEARD

Another day, another bank raising its forecast for 10-year U.S. Treasury yields. HSBC, however, is sticking with doing things differently.

Higher yield forecasts were in vogue after U.S. President **Donald Trump's** election win last year. But Trump fever has faded. And even with the Federal Reserve apparently heading for a rate increase, the 10-year yield closed Tuesday at 2.15%, its lowest this year.

The striking thing about HSBC's end-2017 call is that at 1.9%, up 0.3 percentage point from its previous forecast, it is still well below current yields. The bank's strategists say this move just reflects higher short-dated yields constraining how far long-dated yields can fall; it is maintaining its view that the U.S. economy can't take significantly higher yields.

The average year-end forecast for 10-year yields is 2.8%, HSBC says, adding that of 59 forecasts compiled by Bloomberg it is the only one below 2% at the end of 2017. Lower for longer still has traction.

In Biotech, No News Is Bad News

Biotech stocks have a special need for catalysts. The relative absence of them of late should concern investors.

The American Society of Clinical Oncology annual meeting passed without much of a stir, at least from an investor's point of view.

There were exceptions like **Loxo Oncology**, whose shares rocketed 40% higher Monday after the company presented encouraging pre-clinical data. But that didn't translate into a broad stock rally—the S&P Biotechnology Select Industry Index essentially hadn't budged through Tuesday.

At first blush, that shouldn't be too concerning. The index is up 19% this year. But the lack of a stronger rally isn't something to dismiss altogether. The majority of stocks within the index aren't profitable, and depend heavily on positive sentiment to attract investors. Major medical meetings, like the recent ASCO one, are generally the best place to find such catalysts that attract investor interest.

Without such obvious factors on the horizon, biotech stocks are at risk for a reversal. Companies with obvious catalysts should continue to turn in a strong performance. **Vertex Pharmaceuticals**, the top-performing stock in the S&P 500 in 2017 as of Tuesday's close, will have hotly anticipated cystic fibrosis data later this year. **Regeneron Pharmaceuticals** shares are up more than 25% this year as its dermatology drug Dupixent hits the market.

But for investors holding companies without such a hook, it is likely that no news will eventually turn into bad news.

—Charley Grant

High Seas Are Set to Deliver Shock to the Energy Sector

Circle January 2020 on your calendar for what could be a major disruption to the energy market and a jolt to the global economy.

The origin of the problem isn't some oil cartel's machinations, a looming war or even a technological shift; it is a bureaucratic body that few people have heard of: the International Maritime Organization. Just 30 months from now the cargo vessels that are the lifeblood of global trade will be required to cut the sulfur content in their fuel from 3.5% to 0.5%.

Ships move more than 10 billion tons of cargo a year and do it far more efficiently than road or rail, but it

Decked

Daily spending in 2020 on refined products

Scenario*	Spending
Base case	\$8.83 billion
Scenario one	9.79
Scenario two	10.04
Scenario three	10.14
Scenario four	10.41
Scenario five	10.46
Scenario six	10.83

*Scenarios involve different levels of fuel switching and use of marine diesel. Based on estimated wholesale prices.

Source: EnSys Energy and Navigistics Consulting THE WALL STREET JOURNAL.

comes at a high cost in terms of overall pollution because ships use fuel oil, which is just about the cheapest, dirt-

iest stuff to come out of refineries. About 9% of all sulfur dioxide emitted globally comes from ships.

While standards have changed for many fuels, the rapid nature of the switch means that if shippers fully comply, there could be price spikes.

Ships that currently use cheap high sulfur fuel oil will have to switch to some other source higher up in the product slate that comes out of refineries. Even with significant investment, refiners may not be ready and ships may have to burn more expensive marine diesel.

"Marine diesel affects land diesel which affects jet fuel

which affects gasoline," explains Mr. Tallett. That could cause the prices of those fuels to go up by 10% to 20%.

The only solution may be to simply refine more oil, which means increasing overall demand, to get enough low-sulfur fuel out of the world's refineries.

The International Energy Agency worried about the impact in a February report, yet it assumes many ships will install marine scrubbers to clean the dirty fuel and that refiners will add units to reduce sulfur content—both expensive propositions.

The drain on U.S. motorists alone would be \$1 billion a year for each penny-per-

gallon increase. Furthermore, goods would get more expensive, particularly those transported by ship. Even oil prices might rise by about \$1 a barrel because of the extra cost to ship it using the cleaner fuel. Is the threat real? While energy traders mainly focus on the next several months, derivative prices indicate it is.

For example, crude futures expiring in July 2020 are just 1% more expensive than those expiring in July 2017. In contrast, Rotterdam high sulfur fuel oil is 16% cheaper and New York ultralow sulfur diesel is 10% more expensive.

Watch this space.

—Spencer Jakab